中信
CITIC

ANNUAL REPORT 2014

Our Company

CITIC Limited is one of the largest companies on the Hang Seng Index (SEHK: 00267). Formerly known as CITIC Pacific, our name changed to CITIC Limited when we acquired the businesses of CITIC Group in August 2014. Our businesses include financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure, making us China's largest conglomerate enterprise. Taken together, our businesses are an excellent reflection of China's economy.

Over the past 35 years, CITIC has been a pioneer in China's economic reform. With leading market positions and expertise in the industries in which we operate, we are well-equipped to continue to capture opportunities arising from China's growth. We are committed to the highest standards of corporate governance, and will continue to strive to meet international best practice and growth in shareholder value.

CITIC Limited
(00267.HK)

Financial Services	Resources and Energy	Manufacturing	Engineering Contracting	Real Estate and Infrastructure	Others
CITIC Bank (67.13%) ●	CITIC Resources (59.41%) ■	CITIC Pacific Special Steel (100%)	CITIC Construction (100%)	CITIC Real Estate (88.37%)	CITIC Telecom International (59.23%) ■
CITIC Securities (17.14%) ●	CITIC Pacific Mining (100%)	CITIC Heavy Industries (71.04%) ★	CITIC Engineering Design (100%)	CITIC Pacific Properties (100%)	AsiaSat (37.08%) (Note 1) ■
CITIC Trust (100%)	CITIC United Asia (100%)	CITIC Dicastal (100%)		CITIC Heye (100%)	Dah Chong Hong (56.08%) ■
CITIC Prudential (50%)	CITIC Metal (100%)			CITIC Industrial Investment (100%)	CITIC Press (100%)
	Sunburst Energy (100%)			New Hong Kong Tunnel (70.79%)	COHC (20.17%) (Note 2) ▲
					CITIC Tourism (100%)
					CITIC Guoan Football Club (100%)

● *refers to the companies listed on both the SEHK and the SSE.*
■ *refers to the companies listed on the SEHK.*
★ *refers to the companies listed on the SSE.*
▲ *refers to the companies listed on the SZSE*

As at 28 February 2015

Note:

1. This refers to CITIC Limited's attributable interest in AsiaSat through Bowenvale Limited, CITIC Limited's 50.50%-owned entity, where Bowenvale Limited holds a 74.43% equity in AsiaSat.
2. This refers to CITIC Limited's attributable interest in COHC through CITIC Zhonghaizhi, CITIC Limited's 51.03%-owned subsidiary, where CITIC Zhonghaizhi holds a 39.53% equity in COHC.

Contents

Our Businesses

Financial Services

We are a leading provider of financial services, offering integrated and innovative financial solutions to a growing number of customers across China and beyond.

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Resources & Energy

Across the globe, our businesses cover exploration, mining, processing and trading of mineral resources as well as power generation.

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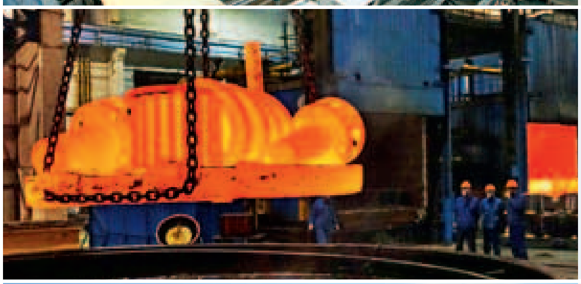

Manufacturing

We are China's largest dedicated producer of special steel products, a leading manufacturer of heavy machinery and a global player in the production of aluminium wheels and castings for the automobile industry.

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Engineering Contracting

We provide a comprehensive suite of design and engineering services, with a focus on housing, infrastructure and industrial construction.

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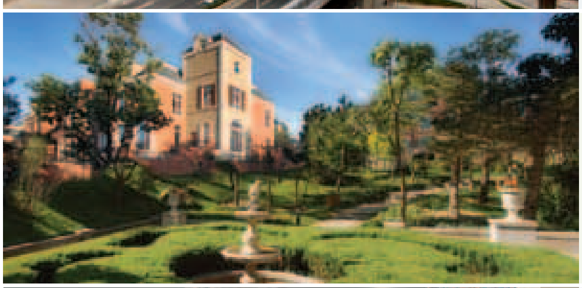

Real Estate & Infrastructure

We develop and manage high quality residential and commercial properties in mainland China and Hong Kong. We are also a well-established operator of expressways, port terminals and tunnels.

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Others

We have businesses in information services, telecommunications, trading of automobile and food logistics, aviation services, publishing, sports and tourism.

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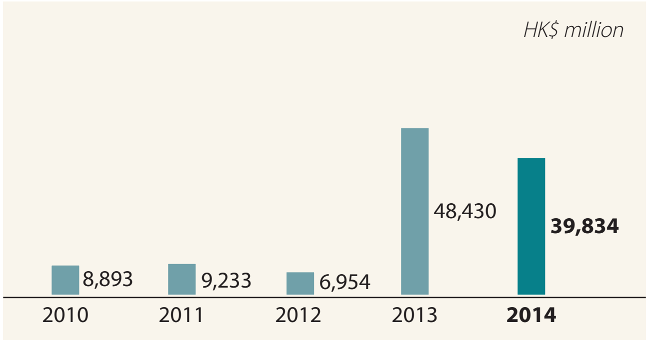
Highlights

In HK$ million	2014	2013 (restated)	Increase/ (Decrease)
Revenue	**402,124**	409,747	(7,623)
Profit before taxation	**77,800**	91,400	(13,600)
Profit attributable to ordinary shareholders	**39,834**	48,430	(8,596)
Earnings per share (HK$)	**1.60**	1.94	(0.34)
Dividend per share (HK$) (note)	**0.215**	0.35	(0.135)
Net cash generated from/(used in) operating activities	**58,937**	(146,823)	205,760
Capital expenditure	**60,235**	87,412	(27,177)
Total assets	**5,947,831**	5,321,709	626,122
Total liabilities	**5,372,324**	4,805,157	567,167
Total ordinary shareholders' funds and perpetual capital securities	**431,960**	385,614	46,346
Return on total assets (%) (note)	**1%**	1%	0%
Return on net assets (%)	**10%**	14%	(4%)
Staff employed (note)	**125,273**	36,512	88,761

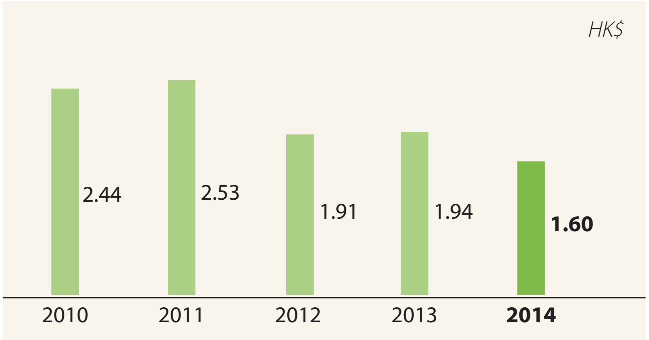
Notes: Return on total assets for 2013 equals profit for the year divided by total assets as at the end of the year.
Dividend per share and number of staff employed for the year of 2013 are for the former CITIC Pacific Limited.

	Business assets		**Revenue**		**Profit/(loss) attributable to ordinary shareholders**	
Businesses *In HK$ million*	2014	Increase/ (Decrease)	2014	Increase/ (Decrease)	2014	Increase/ (Decrease)
Financial services	**5,322,510**	631,462	**164,849**	27,763	**41,267**	5,044
Resources and energy	**147,903**	(17,203)	**51,786**	(33,694)	**(13,013)**	(12,170)
Manufacturing	**108,501**	8,498	**71,845**	6,263	**2,921**	775
Engineering contracting	**44,020**	691	**17,127**	(3,274)	**2,381**	114
Real estate and infrastructure	**239,930**	(9,930)	**31,531**	(7,190)	**7,891**	839
Others	**72,538**	6,948	**64,594**	2,872	**499**	(1,704)

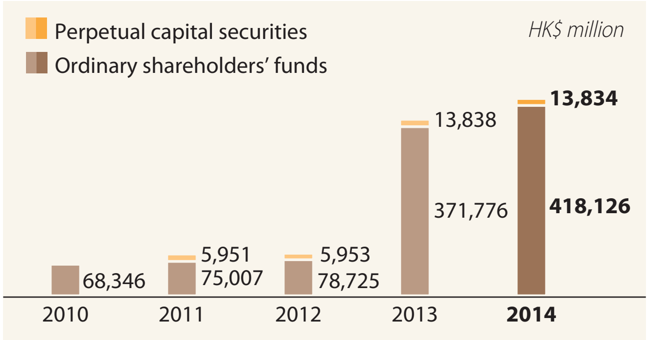
Profit attributable to ordinary shareholders



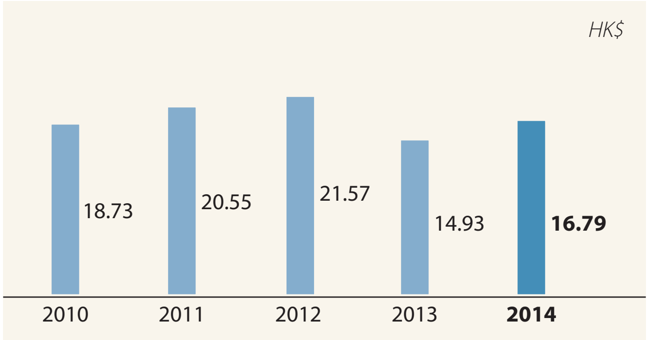
Earnings per share



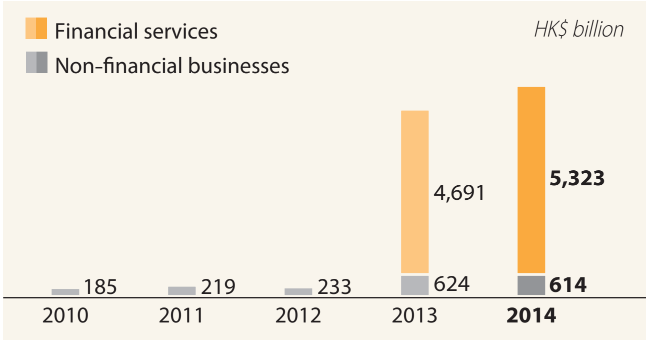
Total ordinary shareholders' funds and perpetual capital securities



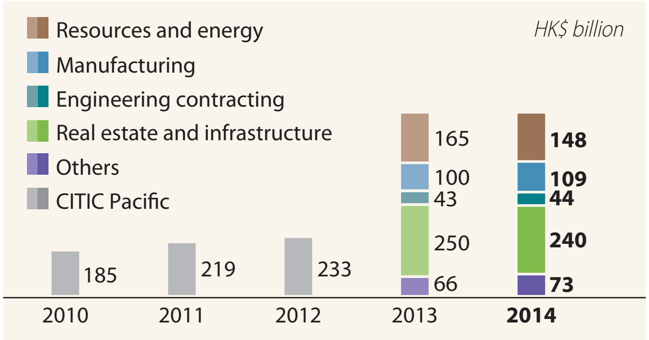
Ordinary shareholders' funds per share



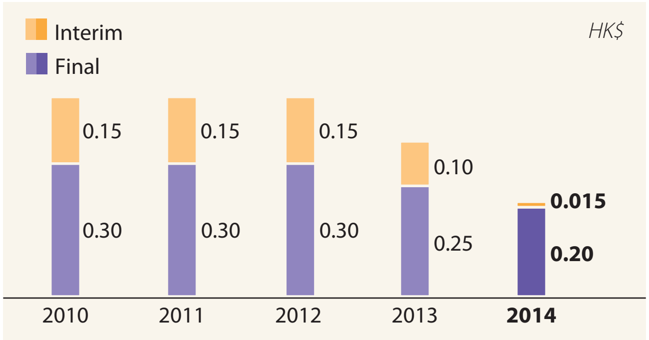
Assets by business



Assets of non-financial businesses



Dividend per share



Note: Assets by business, profit attributable to ordinary shareholders, total ordinary shareholders' funds and perpetual capital securities, earnings per share and ordinary shareholders' funds per share for the years from 2010 to 2012 are from the annual reports of the former CITIC Pacific. Those for the years 2013 and 2014 are from the audited information of CITIC Limited.

Chairman's Letter to Shareholders

Dear Shareholders,

My last letter to you in August 2014 came on the heels of our purchase of CITIC Group's businesses and our transformation into CITIC Limited. We brought in many new investors, both domestic and international, including most recently Charoen Pokphand Group of Thailand and ITOCHU Corporation of Japan, two of Asia's leading conglomerates. At the time, I described the reasons for this historic change, the many tasks ahead, and our commitment to you to create value from our expanded range of businesses.

Joined by senior managers who have served alongside me at both CITIC Group and CITIC Pacific, we approached these tasks as a team with shared vigour and values. These values include innovation, reform and openness, as well as a determined pursuit of commercial opportunities and optimal capital allocation.

Quite understandably, our stakeholders have been asking important questions such as "how are you getting on with the integration?", "what does the CP-ITOCHU investment mean for the company?", and "what will CITIC look like five years from now?"

At the beginning of the transition, our employees were asking whether it was the Hong Kong team leading the Beijing team or vice versa. As we start to feel more like one team in two locations, those distinctions and any initial concerns are fading. The organisation's integration is well advanced. But we face cultural and intangible challenges. No one should assume that just because we are merging Chinese assets, companies and people, it will be a quick and easy process. Hong Kong and Beijing approach certain things differently.

Cultural integration means that we have to find a middle ground. In today's corporate world, companies need leaders and employees who understand that corporate cultures are multi-faceted, organic and open to outside influence. Our CITIC culture is also in a state of dynamic change. We want our valuable "CITIC" brand to reflect this emerging culture, which will only increase our brand value.

I like the term "third culture", which was first coined by researchers John and Ruth Useem in the 1950s to describe expatriate families. The fundamental concept is that when people come from one culture and live and work in another, especially early in life or their careers, an amalgamation of cultures is created — a third culture — that does not match either their origin or destination.

My objective is to develop a third way, a CITIC way that is neither designed by an individual nor created by edict or a mission statement, but shaped over time by the actions, behaviours, and ideas of our diverse group of employees.

In the last six months, we have been mapping out our longer-term strategy and improving our corporate governance and market transparency. We are busy both acting as a steward of our current businesses and scanning the horizon for new investments and ways to generate value for you. We are ambitious.

I am grateful to our shareholders and employees for bearing with us as we knit our businesses and people into one cohesive company and plan for the next phase of our corporate journey. The scale of the change in twelve short months is remarkable. Our total headcount is now around 125,000 compared with 36,500 when we were CITIC Pacific. Net assets are HK$575.5 billion, over four times bigger than a year ago.

In this letter, I will report on our progress, in particular how we are advancing our business strategy and solidifying our conglomerate's equity value and future returns. We want to showcase the building blocks of our company through this annual report, our website and ongoing communications so you can see how the story of CITIC Limited is coming together. I will begin with a summary of the financial performance of the new CITIC Limited in 2014.

Financial Performance

Profit attributable to ordinary shareholders was HK$39.8 billion in 2014, HK$8.6 billion less than 2013. This was after a HK$13.7 billion after tax non-cash impairment charge related to the Sino Iron project in Australia. Excluding this impairment, profit increased 10% due primarily to the solid performance of the financial services sector, with CITIC Bank representing a large portion of that contribution. Businesses in the non-financial sectors did less well. The significant decline in commodity prices as well as a subdued property market affected our bottom line in these sectors.

The financial position of CITIC Limited has been greatly enhanced, and the rating agencies have upgraded our credit rating, which reduces our cost of funds in the public markets and widens the market for our bond and other issues. We have sufficient financial resources and flexibility to execute our investment plans.

Our board recommends a final dividend of HK$0.20 per share to shareholders, giving a total dividend of HK$0.215 per share for the year 2014.

Governance

One of our key immediate tasks, post-transaction, was to extend our strong governance approach to the newly-acquired businesses. This is well advanced, and we have applied a systematic method of governance to ensure that our enlarged company complies with all rules and regulations. We started by developing a comprehensive system to identify connected party and reportable transactions.

Through this means, the market can be fully informed. In this spirit, we have made disclosures above and beyond mandatory requirements. For example, our joint investment alongside KKR in Singapore-listed United Envirotech Ltd was explained in detail, even though such disclosure was not formally required. The Sino Iron impairment was another example. It is important that our stakeholders, including minority investors and the public, feel that the lines of communication are always open with the company.

Business Strategy and Key Priorities

There has been a lot of change in a short period of time, which is evidence of our ambition, proactivity and commitment to continuous improvement. As Winston Churchill once said: "To improve is to change; to be perfect is to change often."

Since the founding of CITIC over 35 years ago, CITIC has evolved in an entrepreneurial manner alongside major reforms and changes in the Chinese economy. We have identified, created and seized various opportunities at home, not to mention in Hong Kong, Australia, Africa, North America and elsewhere. Today, as China's largest multi-industry enterprise, we have the unique ability to build on this success. This moment in our history allows us to reflect on the past and decide how to better steer the company into the future.

In April, I outlined our high level strategy for CITIC Limited, which is to

- be the best in what we do and a leader in the fields in which we operate;
- deliver shareholder value through disciplined allocation of capital;
- create value through timely mergers, acquisitions, and disposals; and
- invest in areas that align with China's growth.

In practice, this means that we need to focus on reviewing our businesses with an eye on profitability and forward-planning.

Broadly speaking, our multi-sector business model will not change. We enjoy the advantages of scale, an extensive network of businesses, and the financial stability and flexibility that come with being a conglomerate of global significance. Our challenge is to maximise these advantages.

Improve profitability and raise returns

It is clear that there is a big difference in the return on equity among our businesses. Right now, it is a fact that most of our profit comes from financial services, with CITIC Bank being a major contributor. Of course, I am pleased that we own a successful, profit-making bank. However, in the longer-term we aim to have more balance between our financial and non-financial businesses.

To achieve this, improving the profitability of our non-financial businesses and investing in areas with higher returns and significant growth prospects are priorities.

Taking stock of the performance of each of our businesses is very important to ensure improvement and ongoing success. To this end, we have begun a root-and-branch review of our current business segments by sector. This is a big job, and we are starting with our property interests.

Our property business currently has two arms — CITIC Real Estate and CITIC Pacific Properties. The land bank of both arms holds a lot of potential, and we need to examine ways of unlocking greater value over a shorter time period. It also makes sense to reduce duplication through a more efficient management structure. At the same time, we are evaluating the potential of this business in the context of the market and our company. Throughout this process, our decisions will be driven by our guiding philosophy of being the best in our field and delivering shareholder value. I look forward to reporting back to you on the progress we make.

In the resources sector, we own oil fields, iron ore and coal mines, metal investments and resources trading businesses. Yet these are owned and operated by a number of different entities — some large, some small, some public, some private, some 100%-owned and some as passive investments. At the very least, it is incumbent upon us to better organise them and identify potential for greater synergy.

Some of our other businesses have established themselves as market leaders and consistent performers. Examples include CITIC Special Steel, CITIC Heavy Industries and CITIC Dicastal. However, even for these businesses we must challenge ourselves by asking the tough questions. How do we maintain market leadership? Should we acquire and consolidate within the industry to become even bigger? How can we develop today the products and services that meet the needs of tomorrow? In answering these questions, we are thinking about opportunities to augment the value of these market-leading businesses by developing downstream products and services and strengthening our research and development capabilities.

Invest in areas that align with China's growth

As a company whose growth story is entwined with China's economic development, we are well suited to invest in areas that are not only of value to our shareholders but strategic to China's growth. Sectors that are consumption-driven, environmental, or in other "new economy" industries are particularly opportune. Where we can, we will seek partners to create value.

An example of a strategic and forward-looking investment with excellent growth potential is our purchase of a majority stake in Singapore-listed United Envirotech (UEL), a water treatment business. UEL is a strategic business opportunity that fits with our other environmental investments. CITIC Vice Chairman and President Mr Wang Jiong has emphasised that UEL is ripe for further expansion into China, and this will strengthen our foothold in the environmental protection industry. Another example is Longping High-tech, an A-share listed hybrid seed company founded by Yuan Longping.

Through this lens, it is also naturally evident why we would partner with CP Group and ITOCHU, two of Asia's leading businesses. By combining their industry expertise with CITIC's strong brand and extensive network in China, strategic opportunities in China, Asia, and abroad that none of us may have otherwise pursued on our own can now be exploited for mutual benefit. We will be on the lookout for such business opportunities as well as good assets that can be integrated into CITIC to create value for you.

Deliver shareholder value

Investors are looking for us to deploy capital efficiently and to deliver healthy returns.

Neither sentimentality nor historic connection is reason enough to hold onto assets when value can be realised for our shareholders by redeploying capital. Let me give you an example. In 1995, we invested RMB300 million to establish CITIC Securities, which now has a market value of over RMB300 billion. It is the leading securities company in China today and a great success story. At opportune moments, we have lowered our holdings to capture value. We have the flexibility to do so, while also insisting upon justification and strategic value in our decisions. As mentioned earlier, our approach must always align with our guiding principles and be in the interest of our shareholders.

SOE Reform and Social Responsibility

The acquisition of CITIC Group's businesses and the further diversification of our ownership base are major steps in our efforts to be a world-class company and a leader in state-owned enterprise reform. Not only were these decisions the right ones for our company and our shareholders, they were also a positive development for corporate China and a vote of confidence in Hong Kong's capital markets and community.

We are truly rooted here in Hong Kong, literally and figuratively. We are a key constituent of the Hang Seng Index. We operate tunnels that are the main arteries connecting Hong Kong Island to Kowloon, and CITIC Tower is a key part of the Hong Kong skyline. We have been an active member of the local corporate community for thirty years. In short, we are one of the anchors of corporate life in Hong Kong, and we are proud of that.

We also want to be open and humble and challenge ourselves to do more for Hong Kong. The CITIC approach is that wherever we operate, we have a responsibility to that community. The geographic spread of our interests and projects is vast — from the bustling streets of Hong Kong to the remote country towns fringing the Australian outback. Our positive commitment to these communities has been consistent.

In Closing

We are a vanguard for China, and we strive to set a good example to other Chinese companies — especially state-owned enterprises — which are also in the process of globalising. We are a financially-savvy, diverse business with a truly international, ambitious and commercially successful culture. We are fully committed to delivering value for shareholders.

The diverse corporate backgrounds of our new board members, including those with expertise across international markets, will greatly benefit CITIC in its push to become a significant global corporate player. The diversity and breadth of our new board has been enhanced by the appointments of two veteran businesswomen as directors.

Many thanks are owed to those who left the board — who in many cases have served us over very long periods of time. They played a critical role in CITIC Pacific's evolution into such a strong company and paved the way for our transformation into CITIC Limited.

The foundation of our success has been built by our hard-working and innovative employees, who continue to express pride in our major corporate milestones and, naturally, are excited about CITIC's future. I thank them for their dedication.

Without the capital provided by shareholders and lenders, our business could not grow. I also thank them for their confidence and support.

As your chairman, I am humbled by how far we have come and how far we have yet to go. I am honoured to be leading the expanded company as we travel together on what will be a rewarding journey for our company, CITIC Limited.

Chang Zhenming
Chairman
Hong Kong, 24 March 2015

Financial Services

Financial Services

In HK$ million	2014	2013	Change
Revenue	**164,849**	137,086	20%
Profit attributable to ordinary shareholders	**41,267**	36,223	14%
Assets	**5,322,510**	4,691,048	13%
Capital expenditure	**5,046**	15,767	(68%)

CITIC Limited provides a comprehensive suite of financial services that include banking, securities, trust and insurance. Supported by a range of products and extensive networks, the company offers integrated and innovative financial solutions to its growing number of customers.

Financial services maintained good momentum in 2014, with continued growth in assets and profitability. By the end of the year, total assets for financial services amounted to HK$5,323 billion, an increase of 13% from a year ago. Revenue was HK$165 billion and profit attributable to ordinary shareholders was HK$41 billion, an increase of 20% and 14% respectively. CITIC Bank was the main contributor to this sector's bottom line.

Banking

CITIC Bank is a fast-growing commercial bank, with a strong corporate banking arm and supported by an increasing focus on retail banking and financial markets business.

Year in review

2014 was a year of profound change for the Chinese banking industry. The liberalisation of interest rates had an impact on the profitability of banks, which had relied heavily on the traditional savings and loan model. At the same time, internationalisation of the RMB, the growth of internet finance, capital market reform and the stringent regulatory environment not only brought new challenges but also unlocked new opportunities.

CITIC Bank is meeting these challenges by diversifying its income streams, striving to provide better customer experiences and creating new products and channels for specific customer groups. In 2014, revenue grew 19% to RMB125 billion, driven by healthy growth in loans, as well as a sharp increase in non-interest income. Net profit, however, grew at a slower rate of 4% to RMB41 billion. This followed a larger impairment as a result of an increase in non-performing loans.

In RMB million	**Revenue**	By percentage
Corporate banking	**65,163**	52.2%
Retail banking	**25,233**	20.2%
Financial markets	**36,358**	29.1%
Others	**(1,915)**	(1.5%)

Corporate banking

Corporate banking remains a core component of CITIC Bank's business. In recent years, the bank has been increasing its effort to optimise its products, customer base and income structure, as well as accelerating the development of its supply chain finance, cash management, custody and factoring businesses. As a result, corporate banking experienced healthy growth.

The balance of corporate loans at the end of 2014 was RMB1,633 billion, an increase of 9% from 2013. This represented 75% of the bank's total loans. For 2014, revenue from corporate banking amounted to RMB65 billion, an increase of 8% from 2013.

Retail banking

In recent years, CITIC Bank has focused on expanding its retail banking business by optimising its network of branches in tier-one cities and seeking to create an improved customer experience. More than 150 outlets opened in 2014. This bespoke approach includes the introduction of one-on-one meeting areas and dedicated relationship managers. In addition to these physical branches, CITIC Bank has developed internet finance and broadened its web sales channels to increase market penetration by capitalising on the rapid growth of mobile internet.

New products and marketing initiatives introduced during the year included an integrated payroll account to provide value-added services such as cash management in order to secure a broader customer base, including higher income clients. In addition, the CITIC Elite Card, aimed at young people with rising incomes and stable assets, as well as the CITIC Red Season marketing campaign, were successfully rolled out in 2014.

In 2014, the number of retail customers in mainland China increased by 16%. The retail business represented 20% of the bank's revenue, a year-on-year increase of 23%.

Financial markets

Principal products offered by CITIC Bank's financial markets business include foreign currency, wealth management, precious metals and derivatives, as well as risk management, investment and financing services, all of which were provided to retail, corporate and financial institution customers.

In 2014, the bank integrated its financial markets service, aligned its marketing channels and introduced intermediary businesses and innovative new products. These efforts resulted in a 42% increase in financial markets revenue to RMB36 billion.

Risk management

CITIC Bank currently operates within a banking environment characterised by significantly higher non-performing loans, particularly in industries affected by overcapacity. Non-performing loans in the banking industry increased during the period, and CITIC Bank was required to make related adjustments in loan provisions.

Risk control is an ongoing focus for the management team. CITIC Bank constantly reviews its risk exposure across major sectors and continues to strengthen its risk control by improving the review, assessment and crisis management systems.

In 2014, CITIC Bank completed the issuance of RMB37 billion in 10-year, tier-2 debt instruments to replenish its tier-2 capital. In addition, the bank intends to issue A-shares to China National Tobacco Corporation through a private placement, which is expected to raise about RMB12 billion. This transaction will further strengthen the bank's overall competitiveness by increasing its risk tolerance and profitability as well as its ability to meet stringent regulatory requirements.

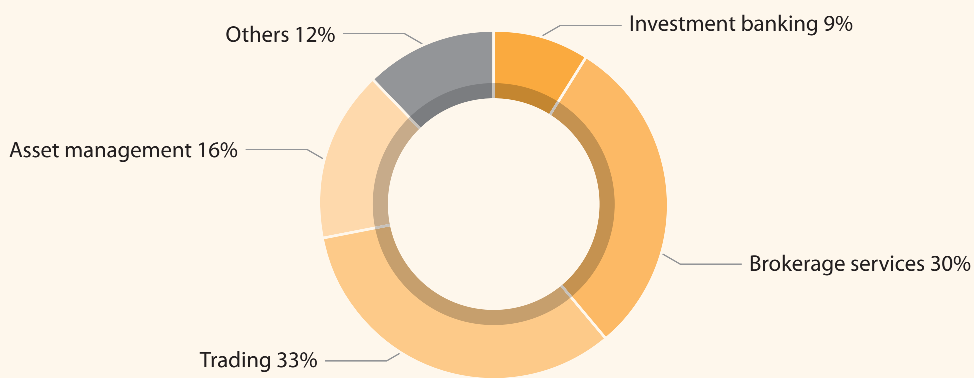
Securities

CITIC Securities is the largest securities company in China, with businesses covering investment banking, brokerage, securities trading and asset management.

Year in review

CITIC Securities experienced significant growth in 2014, driven by the strong recovery of capital market activities. The traditional fee-based business, including brokerage, asset management and investment banking, recorded strong growth. CITIC Securities achieved profit attributable to ordinary shareholders of RMB11.3 billion, an increase of 116%.

Revenue distribution



Investment banking

With the re-launch of A-share IPOs and the strong growth of follow-on offerings, CITIC Securities experienced a significant growth in the scale of its equity financing business and was the lead underwriter in 40 transactions in the A-shares market, with an aggregate value of RMB96 billion. Outside mainland China, CITIC Securities completed 13 IPOs, 11 of which were in the Hong Kong market.

In 2014, CITIC Securities also completed 262 projects involving bond underwriting, medium term notes and commercial papers as well as asset-backed securities, with an aggregate value of RMB335 billion.

Brokerage services

The brokerage business remains a significant profit generator, and CITIC Securities continued to be a leader in China in 2014. Following the recovery of the A-shares market, CITIC Securities recorded a total trading turnover of RMB9.8 trillion in stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which contributed to its strong revenue growth.

Trading

CITIC Securities' trading business includes flow-based and proprietary trading. Flow-based trading consists of equities, fixed income products, commodities, margin financing and securities lending with the balance of margin financing and securities lending in mainland China recording RMB72 billion in 2014, giving CITIC Securities a first ranking in the market for this sector.

Asset management

The asset management business of CITIC Securities grew strongly in response to customers' increasing wealth accumulation and investment needs, as well as easing regulation and capital market reforms. At the end of 2014, assets under management of CITIC Securities amounted to RMB755 billion.

CITIC Securities is the largest shareholder of China AMC, a leading asset management company with RMB458 billion under management as at the end of 2014, an increase of 37% from the previous year.

Trust

For the eighth consecutive year, CITIC Trust was the largest trust company in China with total assets under management of over RMB902 billion at the end of 2014, a growth of 24% from 2013.

CITIC Trust provides products covering trust loans, trust investment, asset securitisation, private equity funds, equity trust and offshore asset management.

Year in review

The slowdown of the wider economy, increasing regulatory requirements and rising competition all posed challenges to the domestic trust business, contributing to a decline in business growth. However, wealth accumulation by Chinese citizens, their growing needs for wealth management, as well as the development of the new economy industries created opportunities for the business.

CITIC Trust is working to maintain its leadership position not only by improving its traditional businesses but also by focusing on product innovation and strengthening the cooperation between large enterprises and governments in economically-developed regions.

In 2014, CITIC Trust recorded revenue of RMB5.7 billion, a 3% increase from 2013.

CITIC Trust's net capital adequacy ratio remained stable at 266% at the end of 2014. Net capital of the company was RMB12.4 billion, while the balance of risk capital was RMB4.7 billion.

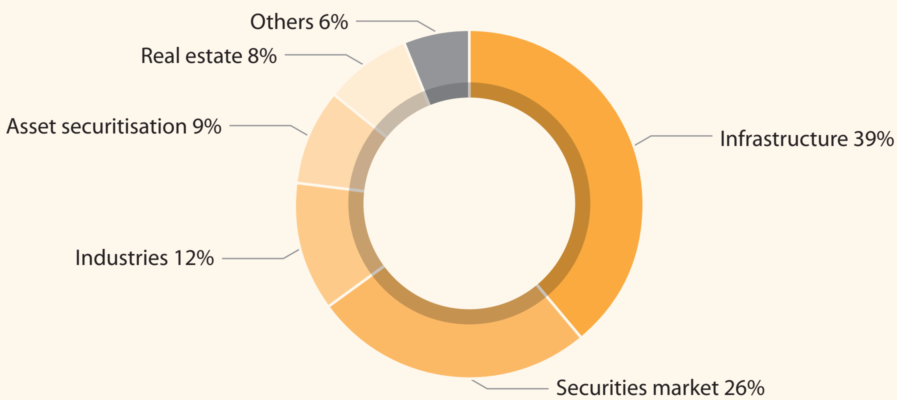
Products

In 2014, CITIC Trust launched new land circulation, infrastructure, asset securitisation, consumption, asset and family wealth management, and insurance premium trust products.

- CITIC Trust is the first company to tap the market for the circulation of rural land, having launched six circulation trust schemes covering 44,500 Mu under management.
- Consumption related trust is a new area for CITIC Trust, which has collaborated with China Merchants Bank, China Mobile and e-commerce player Baidu to launch products in tourism, entertainment and telecommunications. Apart from the returns that these products deliver, investors also enjoy the consumption benefits associated in these areas.
- Given the growing desire for wealth management and inheritance products, CITIC Trust set up the first Family Office in the trust sector, providing customised services for high-net-worth clients.

In August 2014, a subsidiary of CITIC Trust was established in Hong Kong — the first overseas holding company ever approved for the trust industry by the China Banking Regulatory Commission. This new platform broadens the company's business channels and lowers financing costs for its customers.

Trust asset allocation in 2014



Insurance

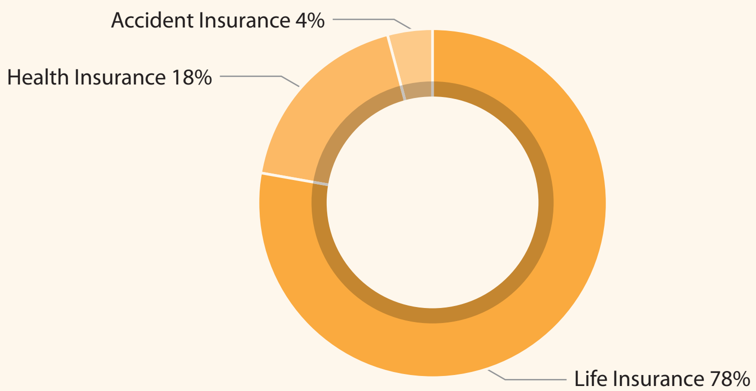
CITIC Prudential is a 50:50 joint venture between CITIC Limited and Prudential plc, offering life, health and accident insurance. The company has 152 branches in 59 cities across China.

Year in review

In 2014, the China Insurance Regulatory Commission reduced restrictions on the use of insurance capital, which expanded the scope of investment opportunities for insurance companies. The changes led to the introduction of new insurance products, with the effect of increasing industry competition.

CITIC Prudential bolstered its marketing efforts across sales channels in addition to developing and upgrading its products. As a result, life, health and accident insurance all experienced strong growth. Total premium income achieved a 23% year-on-year increase to RMB5 billion.

Premium income by insurance type



Products and sales channels

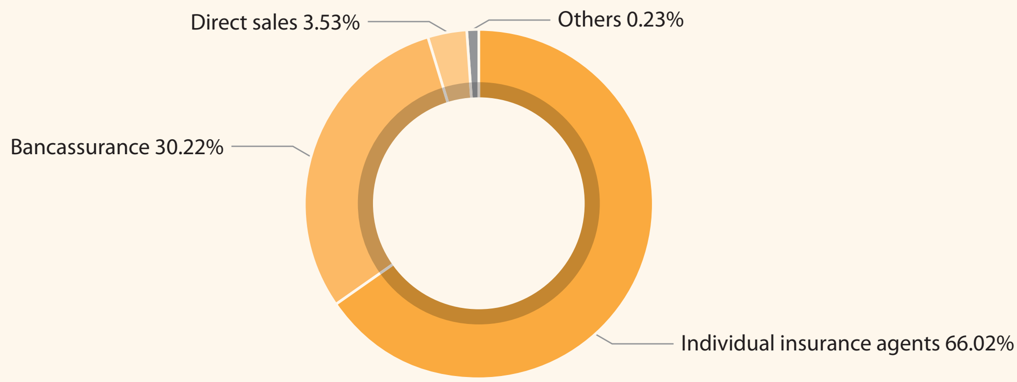
CITIC Prudential has developed a series of new and upgraded products to reflect the demands of a growing market with changing needs. These include new critical illness insurance products for children, a lifelong insurance product aimed at high-end customers and an upgraded accident insurance product for drivers. These were well received in the market.

Individual insurance agents and bancassurance are the major sales channels of CITIC Prudential. In 2014, premium income generated via individual insurance agents represented 66% of total premium income. In terms of bancassurance, the company expanded this channel by entering into a cooperation agreement with other banks, including Agricultural Bank of China.

CITIC Prudential is also making greater use of convenient, lower-cost channels, including telephone sales, group insurance and the internet. CITIC Prudential now has three telephone sales centres in Shenzhen, Beijing and Qingdao, as well as channels through CITIC Limited's subsidiaries and clients for group insurance. New business secured during the year included coverage for large insured projects by CITIC Pacific Special Steel and Wuchang Shipbuilding Industry Group. Business generated from internet marketing also increased, mainly driven by marketing campaigns during the World Cup and the enhancement of services on mobile internet platforms.

In terms of staffing, CITIC Prudential is simplifying its management hierarchy to deliver greater efficiencies and upskilling its insurance sales agents with the aim of providing a better customer experience. In bancassurance, CITIC Prudential is designing insurance products to meet the different requirements of counter, internet and corporate customers, all with the objective of enhancing its service and keeping its competitive advantage.

Premium income by channel



Resources & Energy

Resources & Energy

In HK$ million	2014	2013	Change
Revenue	**51,786**	85,480	(39%)
Profit attributable to ordinary shareholders	**(13,013)**	(843)	(1,444%)
Assets	**147,903**	165,106	(10%)
Capital expenditure	**12,257**	14,609	(16%)

CITIC Limited has an extensive global business covering exploration, mining, processing and trading of mineral resources as well as power generation, with interests in projects in China, Australia, Brazil, Gabon, Indonesia and Kazakhstan.

CITIC Resources is listed on the Hong Kong Stock Exchange. Through its subsidiaries, associate and joint venture, CITIC Resources has interests in oil exploration, development and production; coal mining; import and export of commodities; aluminium smelting; and manganese mining and processing.

CITIC Pacific Mining is developing the largest magnetite operation in Australia, the Sino Iron project ("Sino Iron"), in the mineral-rich Pilbara region of Western Australia.

CITIC Metal focuses on mining project investment and the trading of resources, including ferroniobium, iron ore, steel, non-ferrous metals and coal.

CITIC United Asia holds a stake in China Platinum, China's largest platinum importer.

Year in review

2014 was a challenging year for the resources and energy sector, which experienced a sharp decline in the price of commodities, particularly for crude oil, iron ore and coal. However, the lower price of coal benefited the company's coal-fired power generation business in China.

In 2014, the revenue from the resources and energy sector was HK$52 billion, a 39% decrease from 2013. This sector incurred a loss of HK$13 billion, which included a HK$13.7 billion after-tax impairment charge for the Sino Iron project in Australia.

Resources

Crude oil

CITIC Resources owns 50% of the issued voting shares of JSC Karazhanbasmunai (KBM). In 2014, the average daily crude oil production of the Karazhanbas oilfield in Kazakhstan reached 39,000 barrels (100% basis), the highest achieved since CITIC Resources acquired the oilfield in 2007 and a 4% increase from 2013.

The Yuedong oilfield in China started production at the end of 2013, and the average daily production was 6,300 barrels (100% basis) in 2014.

CITIC Resources owns a 51% interest in the Seram Island Non-Bula Block in Indonesia. After successful drilling of two new development wells in 2014, production increased steadily with an average daily production of around 2,800 barrels (100% basis).

Projects	Estimated proved reserves as of 31 Dec 2014 (million barrels)
Karazhanbas oilfield	250
Yuedong oilfield	26
Seram Island Non-Bula Block	5

Magnetite iron ore

The Sino Iron Project is 100% owned by CITIC Limited and is being developed by subsidiary CITIC Pacific Mining.

CITIC acquired the right to mine 2 billion tonnes of magnetite iron ore at Cape Preston, 100km southwest of Karratha in Western Australia's Pilbara region, with options to acquire additional ore. The project is the largest magnetite mining and processing development in Australia.

Shipping started in December 2013, and as of the end of February 2015 more than 2.6 million wet metric tonnes (wmt) of high quality iron ore concentrate had been shipped to CITIC's own special steel plants as well as other steel producers in China.

The Australian iron ore industry has traditionally been based on the mining, production and export of haematite. By unlocking the value of the magnetite resource, Sino Iron is helping to pioneer a new downstream processing industry in Australia.

Developing a greenfield project of this scale and complexity is not without its challenges. Both the operations and construction teams entered 2015 facing critical tasks, such as improving the stability and productivity of the first two production lines. Construction of production lines three to six is progressing according to plan. Of these remaining lines, three and four are targeted for commissioning in late 2015 followed by lines five and six in 2016. The plan is to have all six lines in operation by the end of 2016.

Copper

In 2014, CITIC Metal together with MMG Limited and Guoxin International Investment Corporation Limited jointly acquired the Las Bambas copper mine project in Peru. Total investment was US$7 billion, with CITIC Metal having a 15% interest.

Coal

CITIC Resources holds a 14% participating interest in the Coppabella and Moorvale coal mines joint venture and certain interests in a number of coal exploration projects in Australia.

CITIC Limited also has a 30% interest in a coal mine in Shandong Province in mainland China. The coal mine has a production capacity of 7.8 million tonnes, and it achieved full production in 2014.

Ferroniobium

CITIC Metal has a small indirect stake in CBMM, which produces more than 80% of the world's ferroniobium. CITIC Metal is also CBMM's core distributor in China. Ferroniobium is mainly used in the production of High Strength Low Alloy steel.

Manganese

CITIC Dameng is one of the largest vertically integrated manganese producers in the world, engaged in the production and sale of manganese products at various stages. CITIC Dameng owns the largest manganese mine in China and has interests in several others mines in mainland China and in Gabon, West Africa.

Power generation

CITIC Limited has interests in a number of coal-fired power stations in China, with a total installed capacity of 6,000 MW. Its Ligang Power Plant in Jiangsu province is one of the largest coal-fired power stations in China, with an installed capacity of 3,900 MW.

Although the amount of electricity generated in 2014 declined, a corresponding lower coal price meant profit actually increased.

Trading

CITIC Limited predominately operates its resources trading business through CITIC Metal, CITIC Resources and CITIC United Asia, which includes the trading of iron ore, ferrocolumbium, copper, aluminium ingots, coal, platinum, steel and other resources products. In 2014, profitability of the resources trading business was hampered by the drop in commodity selling prices and reduced sales opportunities due to poorer demand resulting from the persistently slow global economic recovery and relatively tepid Chinese economy.

Manufacturing

Manufacturing

In HK$ million	2014	2013	Change
Revenue	**71,845**	65,582	10%
Profit attributable to ordinary shareholders	**2,921**	2,146	36%
Assets	**108,501**	100,003	8%
Capital expenditure	**4,619**	5,656	(18%)

CITIC Limited is a leader in China in the manufacturing of special steel, heavy machinery, and aluminium wheels and castings.

Profit for the year attributable to ordinary shareholders from the manufacturing segment grew 36% to HK$2.9 billion due to the solid performance of CITIC Pacific Special Steel, CITIC Heavy Industries and CITIC Dicastal. The special steel and the aluminium wheel and casting businesses were standout performers, delivering double-digit growth in profit.

Special Steel

CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China with an annual production capacity of 9 million tonnes.

Major products include bars, plates, seamless steel tubes, wires, forging steel and big casting round billets. These products are widely used in the bearing, auto components, energy, machinery manufacturing, oil and petrochemicals, transportation, shipbuilding and other industrial sectors.

CITIC Pacific Special Steel's operational approach is based on setting production volumes in accordance with customer orders. This allows it to keep production and sales volumes in balance with minimum inventory.

Year in review

In 2014, CITIC Pacific Special Steel sold a total of 7.4 million tonnes of special steel products, a 2% increase over the previous year. This increase came mainly from plate and wire products. Although the average selling price decreased slightly, this was accompanied by a significant fall in the price of raw materials, in particular iron ore and coking coal. As a result, the profit margin improved. Profit rose 28% from 2013 to HK$1.66 billion. Export volume registered a 22% increase, accounting for 18% of total sales.

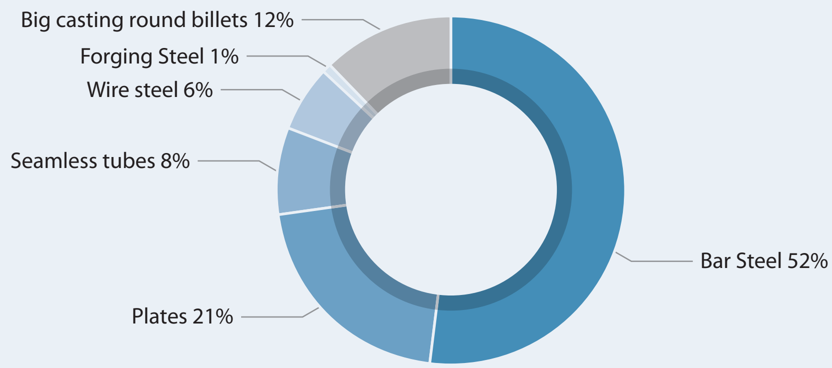
In 2014, the company extended its cooperation with Caterpillar, Siemens, Sumitomo Corporation and other clients. The company's strategic relationships with well-known domestic and overseas companies such as SKF of Sweden, China Construction and China Railway Group provide CITIC Pacific Special Steel with a solid foundation for expanding sales across major markets.

Looking forward, the steel industry will continue to face the challenges of overcapacity and stringent environmental regulations. To control operating costs, the company will focus on the development of new products and the upgrade of energy-saving and environmental protection facilities.

Products

Of the total 7.4 million tonnes of products sold in 2014, bar steel represented half of the sales volume. There were also more plate products sold as a result of extensive marketing efforts. Moreover, there was a sharp increase in wire steel production in 2014, due to the completion of a new wire production facility at the end of 2013.

Production by product



Innovation is fundamental to remaining competitive, and part of the company's strategy is to develop new products to replace 10% of its existing product line-up each year. During 2014, CITIC Pacific Special Steel continued to focus on the introduction of new plate and wire products to enhance its overall product mix. New products totalled 1,040,000 tonnes, about 14% of the year's production.

CITIC Pacific Special Steel's technical centres, laboratories and post-doctoral research centres have been tasked with developing new products as well as offering consultation services to clients on special steel applications. For the new products to be recognised and accepted by the market, it is necessary that they are certified by customers and relevant agencies. One of the challenges in the year ahead will be to speed up the stringent and time-consuming certification process. In addition, the focus will continue to be on improving production management, operational efficiency and quality control with the goal of maintaining the company's leading position in the domestic market and expanding its overseas exposure.

Raw materials

Having a secure and sufficient supply of raw materials is vital to the success of the business. As these raw materials account for around 70% of plant production costs, it is critical that costs are kept as low as possible.

Type	Raw material used in 2014 ('000 tonne)	Percentage of total production cost
Iron Ore	13,050	37%
Scrap Steel	1,330	9%
Coke	1,954	11%
Alloy	232	13%
Total	**16,566**	**70%**

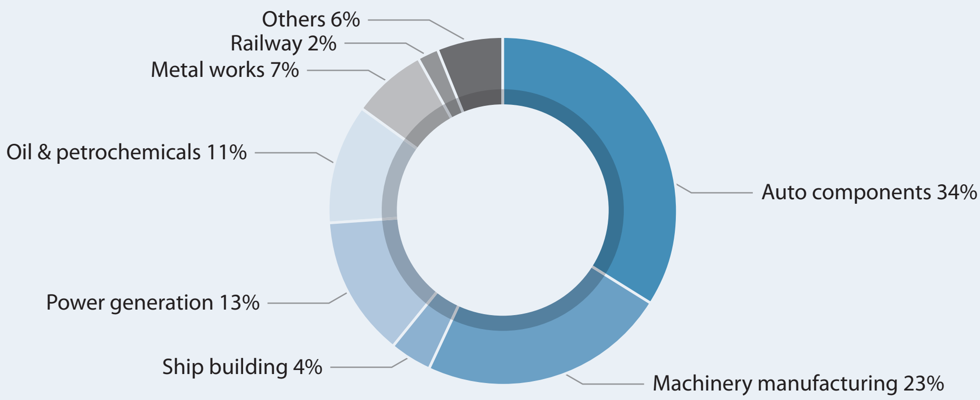
Customers

In 2014, 76% of products were sold directly to customers rather than through distributors. Selling directly to customers gives steel plants greater visibility and stability in terms of volume requirements and pricing structures.

China accounted for 82% of CITIC Pacific Special Steel's sales in 2014. Other key markets included Korea, South East Asia, Europe and North America.

Many buyers are producers affiliated with, or contracted to, manufacturers in the auto, machinery and oil and petrochemical industries. They include end users such as Nissan, Audi, Ford, Toyota, General Motors, Honda, Volkswagen, Caterpillar and Michelin.

Sales by industry



Heavy Machinery Manufacturing

CITIC Heavy Industries is one of the world's leading manufacturers of heavy mining equipment and cement equipment. It is also one of the largest heavy machinery manufacturers in China.

CITIC Heavy Industries engages in the design and development of large sets of technical equipment, large castings and forgings, as well as the provision of related services to customers in the mining, construction materials, coal, metallurgical, non-ferrous, power electronics and environmental protection industries. The company's main facilities are located in Luoyang City in Henan Province and Lianyungang in Jiangsu province. It also has a production facility in Vigo, Spain.

Year in review

In 2014, faced with a challenging operating environment including a slowing economy in China, CITIC Heavy Industries' businesses remained profitable. While most industry peers suffered losses, the company recorded a profit of RMB408 million for the year, a decrease of 17% from 2013.

CITIC Heavy Industries pressed ahead with the following three strategies in 2014:

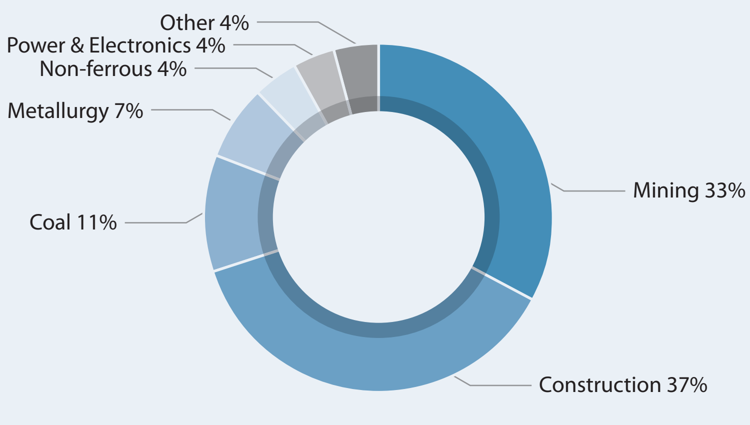
- The continued development of the company into a technologically advanced manufacturer through the research and development of new products, particularly in the areas of energy-saving and environmental protection. In line with this approach, CITIC Heavy Industries achieved a new product rate of 75%.

- Transformation from a manufacturer of single components into a total engineering solution provider, starting from design through to civil construction, manufacturing and installation supported by after-sales service. This strategy saw an increase in new sales contracts related to packaged equipment totalling RMB5.7 billion in 2014, representing 56% of all orders.

- Further development of markets outside China. During the year, overseas sales revenue increased by 21% to RMB1.8 billion, representing 34% of total sales revenue.

The construction, mining and coal sectors continued to be the main profit contributor in 2014, representing 37%, 33% and 11% of total revenue respectively. However, the company is increasingly focused on diversifying its source of revenue into areas such as energy, the environment and power electronics.

Revenue by sector



Manufacturing capability

CITIC Heavy Industries is one of the few Chinese companies with the ability to design and manufacture equipment in the cement and mining industries according to standards set in Europe and the United States.

CITIC Heavy Industries designed and built the world's largest and most advanced 18,500 tonnes free forging hydraulic oil press machine. This enabled the company to meet manufacturing requirements for large and high-end equipment in the nuclear, military, hydrogenation, ocean equipment industries.

Products

A key to CITIC Heavy Industries' success is its strength in product research and development. The company's technical centre is the only one in China with a comprehensive R&D capability in mining equipment. In addition, the company has established an R&D centre in Australia, where it works closely with international customers to promote its products in markets across the Asia-Pacific region. Through the acquisition of Spanish Gandara Censa S.A, the company has also gained a foothold in Europe, providing a gateway to mineral-rich regions such as South America and Africa.

In 2014, CITIC Heavy Industries made breakthroughs in the development of variable-speed drive products. The CHIC1000 and CHIC2000 series have now successfully entered domestic and international markets. The CSM-1200 vertical grinding mill designed and manufactured for Codelco, the National Copper Corporation of Chile, was well received. Another new product, a semi-mobile crushing station for use in extreme cold weather environments such as the Arctic, was also delivered during the period for LKAB of Sweden. At the end of 2014, CITIC Heavy Industries owned 19 registered trademarks and 380 patents in China.

Customers

CITIC Heavy Industries' customers include Lafarge, Holcim, BHP Billiton, VALE, China Shenhua Energy, China Huaneng Group, China National Gold Group Corporation and Anhui Conch Cement Company. The company's top ten customers in 2014 accounted for 33% of total revenue. High-end customers with sizable and sustainable mining, construction, coal and metallurgy non-ferrous industries are an important source of business.

The slowdown in fixed investments will continue to be a challenge. CITIC Heavy Industries will maintain its focus on sales and R&D in energy saving, environmental protection and low-speed, high-power frequency converters for heavy duty applications and automation, which it believes to have good growth potential. The company has seen encouraging results in these areas, with energy saving and environmental protection projects accounting for 43% of total revenue in 2014.

Over the past two years, CITIC Heavy Industries has developed an efficient procurement and supply management system, good quality control and excellent capabilities in technology and R&D. In the year ahead, the company will look to extend these competitive advantages.

Aluminium Wheels and Castings

Headquartered in the city of Qinhuangdao in Hebei Province, CITIC Dicastal is the largest automobile aluminium wheel manufacturer and exporter in the world, with an approximately 17% global market share. It also produces automobile aluminium castings, including chassis parts, power train parts and body parts.

CITIC Dicastal currently has 27 manufacturing bases, of which 7 are outside China, mainly in Europe and the United States. Total annual production capacity of 35 million aluminium wheels and 80,000 tonnes of aluminium castings. Aluminium wheels are by far the largest profit contributor, accounting for approximately 70% of total revenue in 2014.

A key to CITIC Dicastal's success is an operating model that centralises product design and development, branding, quality control, production planning and product sales.

Year in review

In 2014, CITIC Dicastal sold a total of 34.4 million aluminium wheels and 73,000 tonnes of aluminium castings, an increase of 12% and 13% respectively as compared with 2013. The increases were mainly due to a rise in automobile sales, both in China and overseas including the United States, Japan and the European Union. CITIC Dicastal's net profit was RMB640 million, an increase of 38% from 2013.

One third of the aluminium wheels produced by CITIC Dicastal were sold to the overseas market, with the United States being the largest. For aluminium castings, 89% of the volume sold was to markets outside China.

In 2014, CITIC Dicastal invested in an aluminium wheel plant in Michigan, USA, which is expected to commence operation in 2016, providing an estimated annual production of 3 million aluminium wheels for the North American market.

Products and customers

Most of CITIC Dicastal's aluminium wheels are produced in China. The company manufactures and delivers products in accordance with customers' orders. This enables the company to have a very low inventory.

Aluminium wheels are sold directly to automobile manufacturers. Its main customers include General Motors, Ford, Volkswagen, Daimler-Benz, BMW, Toyota, Honda, FAW Group, SAIC Group and Dongfeng Motor Group. The top 10 customers contributed over 64% of the company's total revenue in 2014.

All new wheel products must undergo a stringent certification process before entering the procurement systems of these auto manufacturers. This is a critical step in securing long-term sales agreements with the major auto industry players. CITIC Dicastal has the only wheel testing centre in China authorised and certified by GM, Ford and Volkswagen.

Most of the aluminium castings are produced by overseas manufacturers based mainly in Germany, the Czech Republic and the United States. Aluminium castings are sold to auto manufacturers such as Daimler-Benz and Volkswagen, as well as auto component manufacturers such as TRW, ZF and Bosch.

Engineering Contracting

Engineering Contracting

In HK$ million	**2014**	2013	Change
Revenue	**17,127**	20,401	(16%)
Profit attributable to ordinary shareholders	**2,381**	2,267	5%
Assets	**44,020**	43,329	2%
Capital expenditure	**541**	180	201%

CITIC Limited provides engineering contracting services in the areas of infrastructure, housing and industrial construction, as well as urban and architectural planning design services.

In 2014, profit attributable to ordinary shareholders rose 5% to HK$2.4 billion from 2013.

Contracting

CITIC Construction is a comprehensive engineering services provider with Africa and Latin America as its major overseas markets. With an established foothold in infrastructure, housing and industrial construction, CITIC Construction is also developing businesses in the areas of resources, energy, agriculture and environmental protection.

Utilising CITIC Group's vast resources and networks, CITIC Construction not only provides engineering contracting but a suite of value-added and integrated services such as project planning, design, investment, financing, management, procurement, operation and maintenance. This is particularly important for projects in developing countries.

Through the successful delivery of large-scale projects important to the lives of the communities in which it operates, the company has established a strong brand and reputation and is today widely regarded as a highly successful Chinese enterprise.

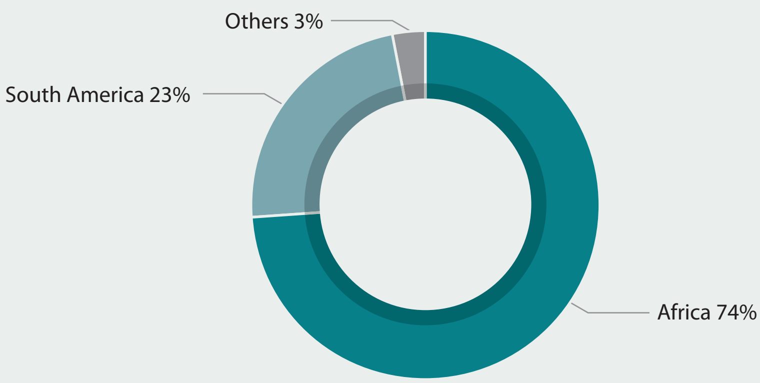
Year in review

In 2014, CITIC Construction recorded satisfactory performance, particularly in Africa, Latin America and central Asia. Profit attributable to ordinary shareholders was RMB1.7 billion, mainly due to the delivery and booking of projects in Angola and Venezuela.

CITIC Construction continues to utilise its local knowledge in these regions, with a particular focus on Africa, to explore further opportunities.

The total value of signed contracts at the end of 2014 was RMB142.5 billion, of which RMB14.1 billion was in new contracts signed during the year.

Revenue by Region



Major projects

CITIC Construction's projects in social housing, infrastructure and agriculture in African and Latin American countries, are greatly benefiting communities in these regions by providing them with much-needed facilities and improving the livelihoods of local people.

Tiuna Social Housing Project, Venezuela

Located in Caracas, this social housing project features a total of 116 apartment blocks and 29 public buildings, providing over 13,000 residences. Once completed, the project will have a significant impact on improving the living standards and environment of the local community. The total contract value is US$1.57 billion. By the end of 2014, over 40% of the project had been completed and 18 blocks delivered.

Zango Real Estate Development (RED) Project, Angola

CITIC Construction signed a framework agreement with the Angola National Petroleum Company for the RED social housing project in September 2010. The agreement includes the design, procurement, construction and associated infrastructure for social housing in 20 locations across 14 Angolan provinces and cities.

Located in the southern part of Luanda with a total construction area of 910,000m^2, this project has a contract value of US$1.47 billion. CITIC Construction is the EPC contractor. Once completed, the project will provide 8,000 apartments, along with associated infrastructure and urban facilities. By the end of 2014, more than 80% of the project had been completed.

Malanje Agricultural Project, Angola

Located in Malanje province in the east of Luanda, this project involves the reclamation of 8,000 hectares of corn and soya bean fields and the construction of a 22,400-tonne corn powder processing plant with storage and drying facilities. The total contract value of this project is US$118 million. By the end of 2014, about 90% of the project had been completed. The plantation, harvesting and processing are now underway in a project that has seen CITIC Construction expand into the agricultural sector.

Engineering Design

CITIC Engineering Design's principal businesses include municipal engineering design and architectural design and the engineering general contracting business in municipal and architectural area. The company owns a number of patents in these fields and has participated in setting national standards and specifications. Its municipal engineering design segment ranks third among all market players in China. The company also ranks first in the industry measured by volume of wastewater treated. The future focus of the engineering design segment will be urban planning and water and environmental protection, with an emerging focus on renewable energy.

Real Estate & Infrastructure

Real Estate & Infrastructure

In HK$ million	2014	2013	Change
Revenue	**31,531**	38,721	(19%)
Profit attributable to ordinary shareholders	**7,891**	7,052	12%
Assets	**239,930**	249,860	(4%)
Capital expenditure	**35,041**	37,491	(7%)
Real estate development	**33,590**	29,895	12%

CITIC Limited is engaged in the development, sales and management of residential and commercial properties through CITIC Real Estate and CITIC Pacific Properties.

CITIC Limited also invests in and operates expressways, ports and terminals in China. In Hong Kong, the company has interests in the Eastern Harbour Tunnel and the Western Harbour Tunnel.

Profit attributable to ordinary shareholders from the sector for the year was HK$7.9 billion, an increase of 12% from 2013, owing to the disposal of the DCH Building in Hong Kong and growth in the infrastructure business.

Real Estate

Year in review

Amid a continued slowdown in property sales in China, the government removed purchase restrictions in 41 cities in the second quarter of 2014. By the end of 2014, there were only five cities, namely, Beijing, Shanghai, Guangzhou, Shenzhen and Sanya, where these restrictions remained. This action was followed by a decision to loosen loan restrictions in September and lower interest rates in November. The first signs of a sector recovery emerged in late 2014.

During the year, a total of 2.1 million m^2 of residential properties was sold, mainly from projects in Zhuhai Mangrove Bay, Nanhai Mountainside Lake, Huizhou Triumph Town, Jiading the Center and Qingpu Zhujiajiao New Town.

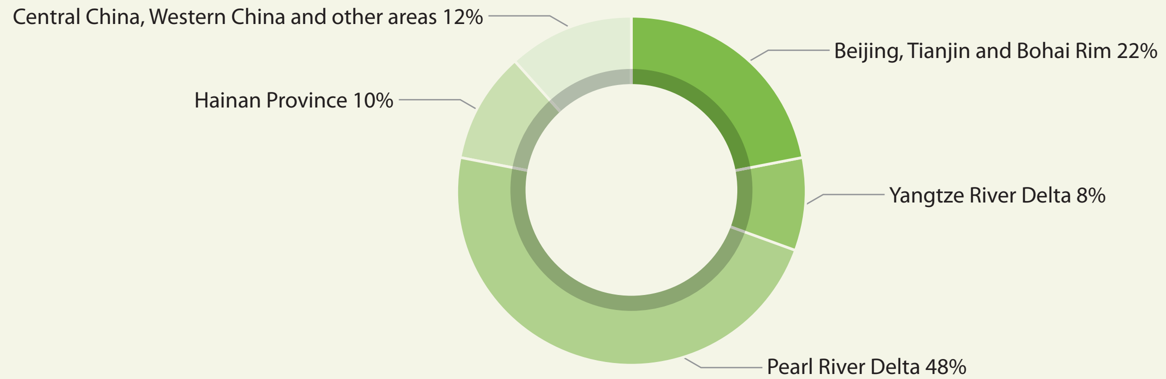
At the end of 2014, CITIC Limited had a total land bank of 22.6 million m^2. Four new parcels of land were acquired during the year, including an office building project on Cao'an Road in Putuo District of Shanghai; a residential, commercial and serviced apartment project in Nanxiang, Shanghai; a residential project near Slender West Lake in Yangzhou; and a residential project in Humen of Dongguan city, in Guangdong province.

In 2014, given considerable growth in the supply of new office space in first tier cities such as Beijing and Shanghai, competition in the commercial property market intensified. However, demand for Grade A office buildings in prime locations continued to rise. During the year, major investment properties maintained a high occupancy rate and stable income.

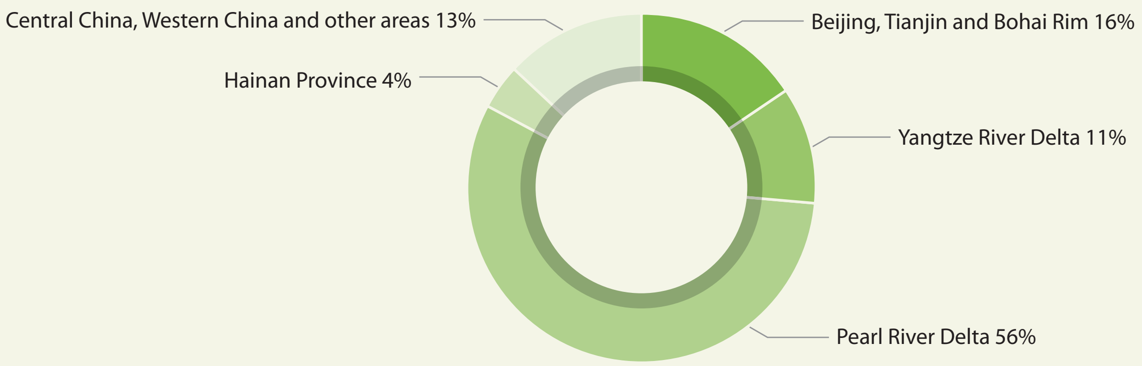
Looking ahead, the removal of purchase rules and loosening of loan restrictions are likely to improve residential property sales across the market. CITIC Limited will continue to market and sell existing projects and develop smaller-sized residential units, catering for its target markets. The company will also consider partnering with landowners to co-develop projects.

Total land bank: 22.6 million m²

by geographical area



Sales of residential properties



Zhongguo Zun, Beijing

(100% owned)

Site area:	11,500 m^2
Gross floor area:	437,000 m^2
Usage:	Office

Located in Chaoyang District, once completed Zhongguo Zun will have a height of 528m, making it the tallest building in Beijing and a new landmark for the city. Construction began in 2013. The underground structure was completed in 2014. Delivery is expected in 2019.

Lujiazui Harbour City, Shanghai

(50% owned)

Site area:	249,400 m^2
Gross floor area:	872,800 m^2
Usage:	Office, retail, hotel and residential

Lujiazui Harbour City, previously used as a shipyard by Shanghai Shipyard Co., is located on the south shore of the Huangpu River in central Shanghai. This project comprises eight high-end office buildings, a five-star hotel and serviced apartments, recreational, commercial, dining and entertainment facilities, and luxury residential properties.

Two high-end office buildings have already been delivered to China Construction Bank and Agricultural Bank of China. Three other office buildings are currently under construction and will eventually be sold to China ICBC Bank, China Life and the United Overseas Bank (UOB). The Mandarin Oriental Hotel and serviced apartments are now in operation.

Zhuhai Mangrove Bay, Zhuhai

(100% owned)

Site area:	272,200 m^2
Gross floor area:	839,100 m^2
Usage:	Residential

Located on the west bank of Qianshan River in the city of Zhuhai, the project is a luxury residential development near the landing point of the Hong Kong-Zhuhai-Macao Bridge, with Qianshan River to the east and Macau to the south.

The project is being developed in four phases. Since December 2009, phases one and two have been delivered, and construction of phase three is underway.

In 2014, a total of 88,000 m^2 was sold, with an average selling price of RMB24,800 per m^2.

CITIC New Town, Beijing

(80%-100% owned)

Site area:	303,600 m^2
Gross floor area:	728,200 m^2
Usage:	Residential

Located in the southeast of Beijing on the western part of Yizhuang outside the Fifth Ring Road, CITIC New Town adjoins the Nanhaizi Country Park which covers 12 km^2 of land. The project will feature superior views and an international cultural ambience.

CITIC New Town is a residential and commercial development which includes apartments, villas and semi-detached houses. The project is being developed in phases, with work commencing in December 2010.

In 2014, a total of 40,000m^2 was sold, at an average selling price of RMB31,000 per m^2.

Major Development Projects

Project	Usage	Ownership	Area under construction and area to be developed (m^2)
Beijing, Tianjin and Bohai Rim			
CITIC New Town, Beijing	Residential	80%-100%	210,100
CITIC Town, Beijing	Residential, retail	100%	344,000
Zhongguo Zun, Beijing	Office	100%	437,000
City Plaza, Tianjin	Office, retail, hotel, residential	51%	1,200,700
Yangtze River Delta			
Lujiazui Harbour City, Shanghai	Office, residential, retail	50%	600,800
The Centre, Shanghai	Office, retail, residential	100%	373,200
Zhujiajiao New Town, Shanghai	Residential, retail	100%	283,600
Shanghai World Expo Project	Office, retail	99.2%	57,700
Pearl River Delta			
CITIC Mangrove Bay, Zhuhai	Residential	100%	435,600
CITIC Triumph Town, Huizhou	Residential, retail	100%	944,300
CITIC Mountainside Lake, Nanhai	Residential, retail, hotel	50%	1,702,500
Central China, Western China and others			
CITIC Town, Chengdu	Residential	98%	1,232,700
CITIC Harbour City, Dalian	Office, retail, residential, hotel	80%	751,700
Hainan Province			
CITIC Longtan Ling, Boao	Residential	100%	47,700
Shenzhou Peninsula, Wanning	Hotel, retail, residential	80%-100%	1,429,500

Major Investment Properties

Property	Usage	Ownership	Approx. gross area (m^2)
CITIC Square, Shanghai	Office, retail	100%	132,300
Capital Mansion, Beijing	Office	100%	140,200
International Building, Beijing	Office	100%	62,200
CITIC Tower, Hong Kong	Office, retail	100%	52,000

Infrastructure

Project	Ownership	Franchise till year
Expressways		
Chongqing-Guizhou Expressway	60%	2037
Shanghai-Chongqing Expressway (downtown Chongqing-Fuling segment of the Chongqing Riverside Expressway)	60%	2043
Chengdu-Chongqing Expressway	49%	2024
Tunnels		
The Eastern Harbour Tunnel, Hong Kong	71%	2016
The Western Harbour Tunnel, Hong Kong	35%	2023

Others

Information Services

CITIC Limited provides services in two areas — telecommunications, operated by CITIC Telecom International and the leasing and sale of satellite transponders, operated by AsiaSat.

CITIC Telecom International owns and operates a telecommunications hub in mainland China and Hong Kong. It is actively expanding its business internationally by providing interoperability and interconnection services to global telecommunication operators. CITIC Telecom's main businesses cover voice, SMS, mobile VAS and data services. A range of information and communication technology (ICT) solutions are also available through its wholly-owned subsidiary, CITIC Telecom International CPC.

CITIC Telecom holds a 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the only full telecom services provider in Macau.

AsiaSat's business involves the leasing and sale of satellite transponders, broadcasting, communications and data uploading and downloading services.

General Trading

CITIC Limited is in the trading, distribution and logistics business through Dah Chong Hong.

Dah Chong Hong is involved in the sales of motor vehicles and associated services, food and consumer products, as well as providing logistics services. The company has well-established networks in Hong Kong, Macau and mainland China, as well as operations in Taiwan, Japan and Singapore.

Publishing

CITIC Press has all required licenses issued by the State Administration of Press, Publication, Radio, Film and Television for its publication, distribution and retail operations.

At the end of 2014, CITIC Press had 81 bookstores in 10 airports in China and 6 city bookstores. CITIC Press is also developing online sales channels, such as those in cooperation with China Mobile, China Telecom and China Unicom. Sales from online bookstores produced approximately half of the company's revenue in 2014.

General Aviation

CITIC Offshore Helicopter's (COHC) main businesses include offshore oil helicopter operation services, general aviation services such as CCTV, aerial photography, maritime patrol, polar survey operations, HPS, forest fire prevention and powerline operations, as well as general aviation maintenance services. The company's main operation is based in Shenzhen, with branches in the South China Sea, East China Sea, Bohai Sea, Yangtze River Delta and Pearl River Delta. COHC also operates Airbus Helicopters, the only authorised helicopter repair centre in China.

Tourism

CITIC Tourism is engaged in mainland China inbound and outbound tourism, domestic tourism, mainland citizens' travel to Taiwan, visa services and other travel agency services, hotel business, investment and development of tourism resources.

Football Club

Guoan Football Club is a regular top performer in China's professional soccer league. From 2009 to 2014, it ranked first in China in terms of total attendance at league games, with an average attendance of about 40,000 people per game.

New Investments

Environmental services

CITIC Limited, through its subsidiary CITIC Environmental Protection, formed a consortium with private equity firm KKR in November 2014 to acquire an interest in Singapore-listed United Envirotech Ltd. (UEL).

Pending government approval, and after the acquisition is completed, CITIC Limited will become a controlling shareholder of UEL.

UEL is a leading membrane-based water supply, wastewater treatment and reclamation solution provider with extensive experience in the domestic China chemical, petrochemical and industrial park sectors.

Agriculture

CITIC Limited, through its subsidiaries, signed an agreement to become the controlling shareholder in Longping High-Tech, a company listed on the Shenzhen Stock Exchange, in 2014. This transaction has been approved by Longping's shareholders and is now awaiting government approval.

Longping is a leading Chinese seed company with high quality product lines, a strong scientific base and brand recognition supported by established marketing networks.

Financial Review

Overview

Profit attributable to ordinary shareholders

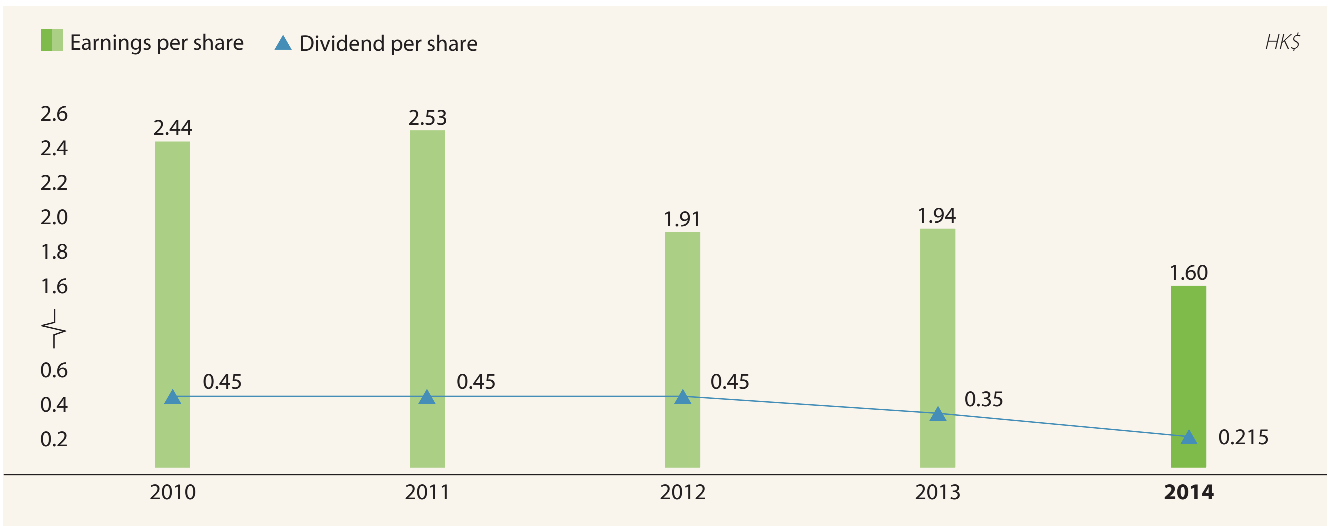
Profit attributable to ordinary shareholders for 2014 was HK$39,834 million, a decrease of HK$8,596 million, or 18% from 2013. Excluding a non-cash impairment charge related to the Sino Iron Project in Australia, profit for the year increased 10%.

The financial services segment recorded a profit attributable to ordinary shareholders of HK$41,267 million, an increase of HK$5,044 million, or 14% from 2013. All businesses within the segment achieved growth for the year, with the exception of the trust business, which recorded a slight reduction in profit. For the non-financial segments, the real estate and infrastructure business was the largest contributor, with profit attributable to ordinary shareholders of HK$7,891 million, an increase of HK$839 million, or 12% from the previous year. This was primarily due to the bookings of the units that were completed and delivered from the Discovery Bay Project and the sale of the DCH Commercial Centre in Hong Kong, along with an increase in profit from the infrastructure business. As a result of more special steel and aluminium products sold, the manufacturing business recorded attributable profit of HK$2,921 million, a rise of HK$775 million, or 36%. The resources and energy business recorded a loss which was HK$12,170 million more than the loss in 2013, mainly due to an impairment charge of HK$13,650 million (after tax) on the Sino Iron Project, as a result of a significant decline in the price of iron ore.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.60, a decrease of 18% from HK$1.94 (restated) in 2013. As at 31 December 2014, the number of ordinary shares outstanding was 24,903,323,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK$0.20 per share to ordinary shareholders. Together with the interim dividend of HK$0.015 per share paid in September 2014, the total ordinary dividend will be HK$0.215 per share (2013: HK$0.35 per share). This equates to an aggregate cash distribution of HK$5,355 million.

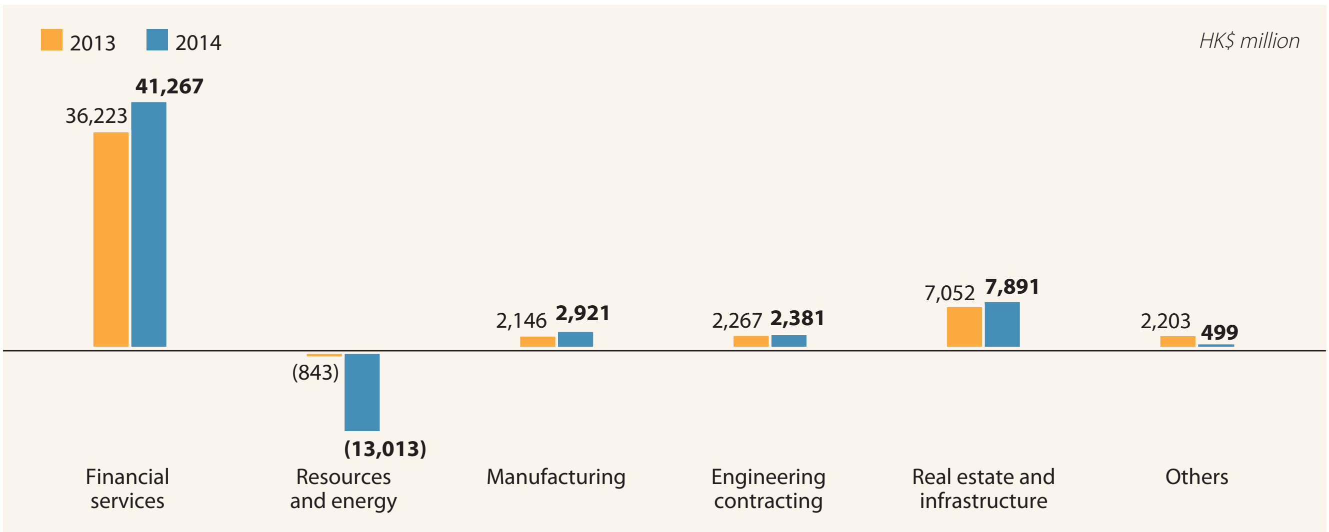


Profit/(loss) and assets by business

In HK$ million	Profit/(loss) 2014	Profit/(loss) 2013 (restated)	Assets as at 31 December 2014	Assets as at 31 December 2013 (restated)	Return on assets (note) 2014	Return on assets (note) 2013 (restated)
Financial services	**59,016**	55,023	**5,322,510**	4,691,048	**1%**	1%
Resources and energy	**(13,613)**	(1,025)	**147,903**	165,106	**(9%)**	(1%)
Manufacturing	**3,354**	2,450	**108,501**	100,003	**3%**	2%
Engineering contracting	**2,384**	2,268	**44,020**	43,329	**5%**	5%
Real estate and infrastructure	**8,448**	8,050	**239,930**	249,860	**3%**	3%
Others	**1,193**	3,430	**72,538**	65,590	**2%**	5%
Underlying business operations	**60,782**	70,196	**5,935,402**	5,314,936		
Operation management	**(2,504)**	251				
Elimination	**1,522**	12				
Profit attributable to non-controlling interests and holders of perpetual capital securities	**19,966**	22,029				
Profit attributable to ordinary shareholders	**39,834**	48,430				

Note: Total earnings of the business divided by average total assets of the business; return on assets for 2013 equals profit/(loss) for the year divided by assets as at the end of the year.

Profit/(loss) attributable to ordinary shareholders by business



Financial services

This segment remains a major contributor to the Group's profit. Despite the narrowed interest margin for banks and an increase in the impairment provision on loans, profit attributable to ordinary shareholders grew steadily to HK$41,267 million.

Resources and energy

The resources and energy segment recorded a loss attributable to ordinary shareholders of HK$13,013 million. This was primarily due to an impairment charge of HK$13,650 million (after tax) related to the Sino Iron Project as a result of a sharp decline in the price of iron ore in the second half of 2014.

The Group's other resources and energy interests were also affected to varying degrees by declining demand for commodities, including crude oil, which was primarily reflected in the drop of Brent crude oil prices to around US$60 a barrel in the fourth quarter of 2014, a level last seen in early 2009 during the financial crisis.

Against this backdrop, Sino Iron is exporting quality iron ore concentrate, and construction of the remaining production lines continued throughout the year. The Group's crude oil production also achieved a record high in 2014, primarily reflected by the full operation of Yuedong Oilfield from the end of 2013.

Manufacturing

This business recorded attributable profit of HK$2,921 million, a rise of HK$775 million or 36%.

Special steel increased sales and further optimised its product mix to achieve a higher profit margin. Aluminium wheels and castings also continued to grow. Heavy machinery experienced a slight decrease in profit, due to increased competition.

Engineering contracting

Profit attributable to ordinary shareholders grew steadily to HK$2,381 million, an increase of HK$114 million, or 5% from 2013, mainly due to the improved gross profit margin of the housing projects in Angola and Venezuela undertaken by CITIC Construction Company Limited.

Real estate and infrastructure

Profit attributable to ordinary shareholders increased HK$839 million, or 12% from the previous year, to HK$7,891 million. The rise was mainly due to the bookings of the units that were completed and delivered from the Discovery Bay Project and the sale of the DCH Commercial Centre in Hong Kong, along with an increase in profit from the infrastructure business. The average occupancy rate for investment properties was approximately 95%.

Others

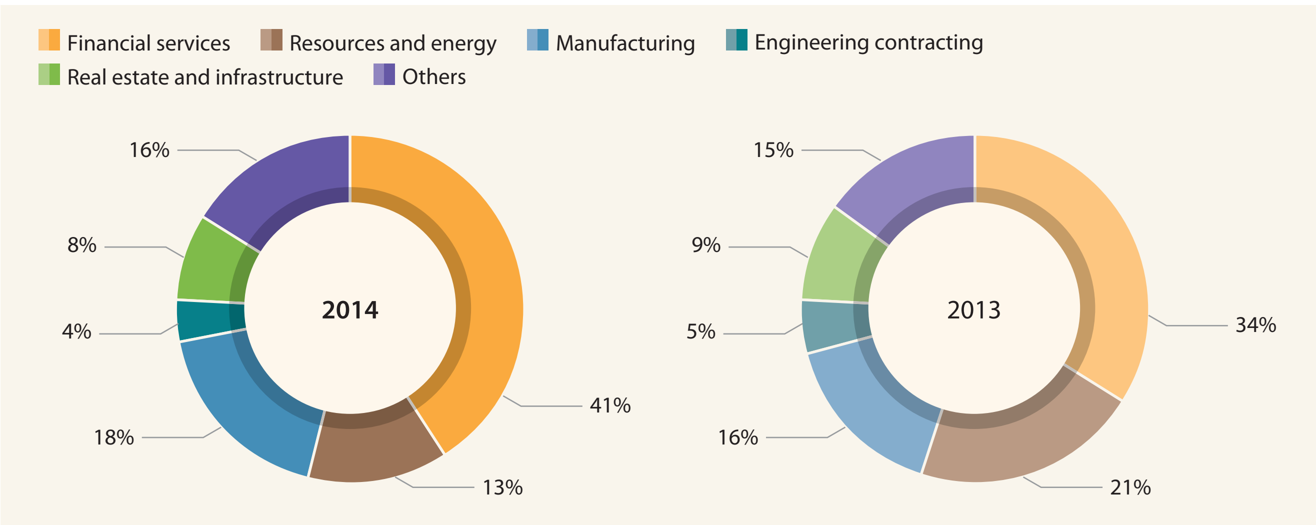
Dah Chong Hong and CITIC Telecom were the main contributors to an attributable profit of HK$499 million in 2014, a 77% decrease on the previous year. This reduction was due to a combination of an impairment related to accounts receivables for the logistics business in 2014, and a one-off gain from the acquisition of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") in 2013.

Group Financial Results

Revenue

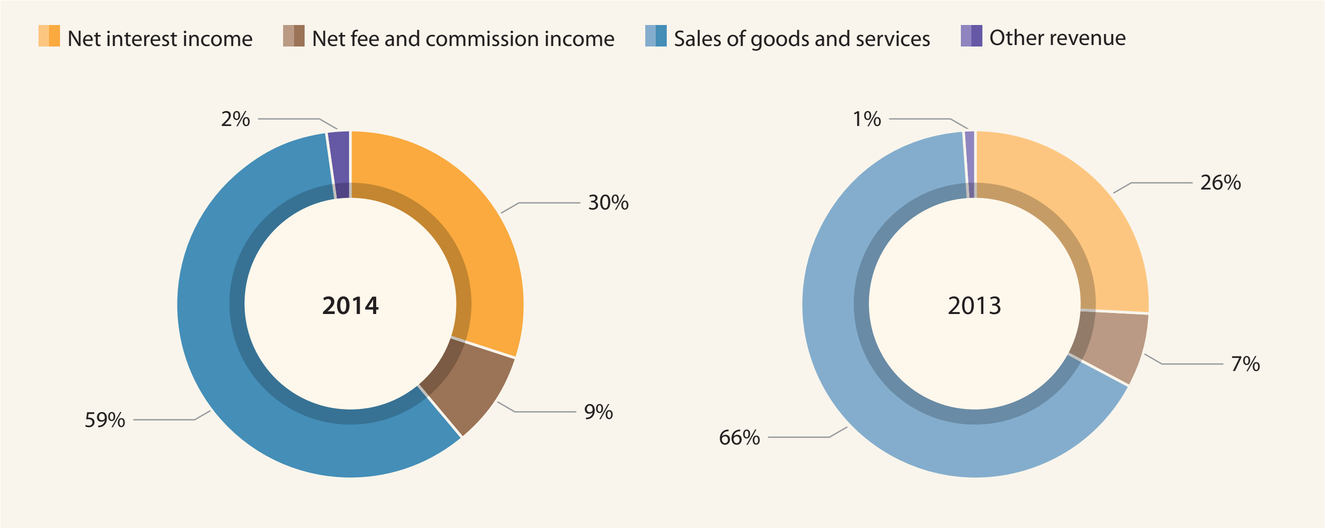
In 2014, CITIC Limited recorded revenue of HK$402,124 million, a decrease of HK$7,623 million, or 2% from 2013. Revenue from the financial services segment rose by HK$27,763 million, primarily due to an increase in interest-earning assets. The manufacturing business of the Group also achieved an increase in revenue as a result of a greater volume of special steel and aluminium wheels. The overall decline of the Group's revenue was mainly due to a HK$33,694 million decrease in the resources and energy business as a result of weaker overall demand for commodities and commodity prices. The result was also impacted by a HK$7,190 million fall in revenue for the real estate and infrastructure business, due to a decrease in the delivery of properties in 2014, owing to the real estate market in the PRC.

In HK$ million	**2014**	2013 (restated)	Increase/(decrease)	
Financial services	**164,849**	137,086	27,763	20%
Resources and energy	**51,786**	85,480	(33,694)	(39%)
Manufacturing	**71,845**	65,582	6,263	10%
Engineering contracting	**17,127**	20,401	(3,274)	(16%)
Real estate and infrastructure	**31,531**	38,721	(7,190)	(19%)
Others	**64,594**	61,722	2,872	5%



Revenue by nature

In HK$ million	**2014**	2013 (restated)	Increase/(decrease)	
Net interest income	**121,078**	108,487	12,591	12%
Net fee and commission income	**37,620**	27,090	10,530	39%
Sales of goods and services	**237,189**	271,344	(34,155)	(13%)
– Sales of goods	**196,652**	229,582	(32,930)	(14%)
– Services rendered to customers	**25,796**	23,777	2,019	8%
– Revenue from construction contracts	**14,741**	17,985	(3,244)	(18%)
Other revenue	**6,237**	2,826	3,411	121%



Impairments

In 2014, the Group recorded an asset impairment of HK$55,020 million, an increase of HK$37,341 million, or 211% from 2013. Of the total impairment, CITIC Bank accounted for HK$29,877 million, an increase of HK$14,913 million, or 100% from 2013, which mainly includes a HK$27,859 million impairment on its loans and advances to customers. The other major impairment of HK$19,500 million was related to the Sino Iron Project in Australia as a result of a significant decline in the price of iron ore.

Net finance charges

Finance costs increased 17% from HK$9,487 million in 2013 to HK$11,054 million in 2014, as a result of an increase in borrowings both at CITIC Limited and its subsidiaries in the non-financial segments, as well as a higher average cost of debt during the year.

Finance income from CITIC Limited and subsidiaries under non-financial segments amounted to HK$2,250 million, an increase of 13% from 2013. This increase mainly came from interest income on bank deposits.

Interest expense capitalised

Interest expense capitalised was mainly attributable to the development of Sino Iron Project and real estate projects. As some of the facilities of Sino Iron Projects became operational during the year, the interest expense capitalised decreased from HK$7,066 million in 2013 to HK$5,874 million in 2014.

Income tax

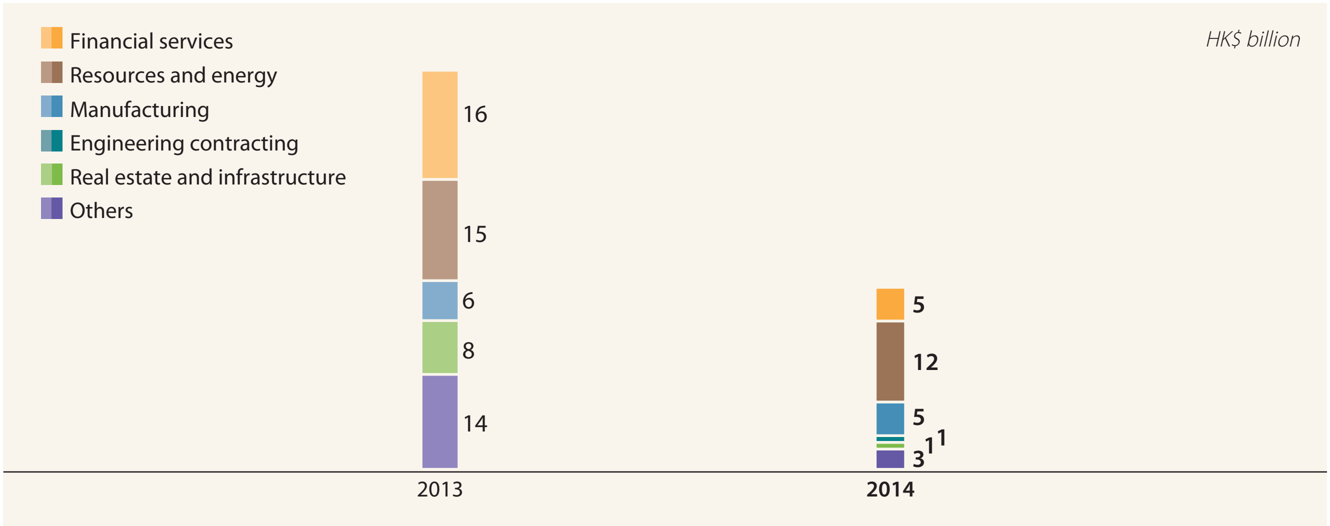
Income tax of the Group in 2014 was HK$18,000 million, a decrease of HK$2,941 million compared with 2013. This was in line with the decrease in profit before taxation.

Group Cash Flows

	CITIC Limited				CITIC Bank			
In HK$ million	2014	2013 (restated)	Increase/(Decrease)		2014	2013	Increase/(Decrease)	
Net cash generated from/(used in) operating activities	**58,937**	(146,823)	205,760	140%	**43,100**	(170,731)	213,831	125%
Net cash used in investing activities	**(107,591)**	(63,329)	44,262	70%	**(60,939)**	(12,939)	48,000	371%
Including: Proceeds from disposal and redemption of investments	**561,530**	654,253	(92,723)	(14%)	**516,738**	599,509	(82,771)	(14%)
Payments for purchase of investments	**(653,689)**	(680,757)	(27,068)	(4%)	**(563,452)**	(606,036)	(42,584)	(7%)
Net cash generated from financing activities	**59,518**	43,356	16,162	37%	**56,028**	14,691	41,337	281%
Including: Proceeds from new bank and other loans and new debt instruments issued	**264,747**	208,176	56,571	27%	**123,463**	38,092	85,371	224%
Repayment of bank and other loans and debt instruments issued	**(180,174)**	(138,163)	42,011	30%	**(50,161)**	(11,702)	38,459	329%
Interest paid on bank and other loans and debt instruments issued	**(19,286)**	(19,039)	247	1%	**(4,637)**	(2,904)	1,733	60%
Dividends paid to ordinary shareholders	**(22,741)**	(620)	22,121	3568%	**(9,962)**	(5,439)	4,522	83%
Dividends/distribution paid to non-controlling interests/holders of perpetual capital securities	**(7,121)**	(5,268)	1,853	35%	**(5,002)**	(3,356)	1,646	49%
Net increase/(decrease) in cash and cash equivalents	**10,864**	(166,796)	177,660	107%	**38,189**	(168,979)	207,168	123%
Cash and cash equivalents at 1 January	**337,894**	494,104	(156,210)	(32%)	**253,924**	415,401	(161,477)	(39%)
Effect of exchange rate changes	**(867)**	10,586	(11,453)	(108%)	**(2,617)**	7,502	(10,119)	(135%)
Cash and cash equivalents at 31 December	**347,891**	337,894	9,997	3%	**289,496**	253,924	35,572	14%

Capital expenditure

In HK$ million	2014	2013 (restated)	Increase/(Decrease)	
Financial services	**5,046**	15,767	(10,721)	(68%)
Resources and energy	**12,257**	14,609	(2,352)	(16%)
Manufacturing	**4,619**	5,656	(1,037)	(18%)
Engineering contracting	**541**	180	361	201%
Real estate and infrastructure	**1,451**	7,596	(6,145)	(81%)
Others	**2,731**	13,709	(10,978)	(80%)
Subtotal	**26,645**	57,517	(30,872)	(54%)
Real estate development	**33,590**	29,895	3,695	12%
Total	**60,235**	87,412	(27,177)	(31%)



Capital commitments

As at 31 December 2014, the contracted capital commitments of the Group amounted to approximately HK$49,676 million. Details are disclosed in Note 47 to the consolidated financial statements.

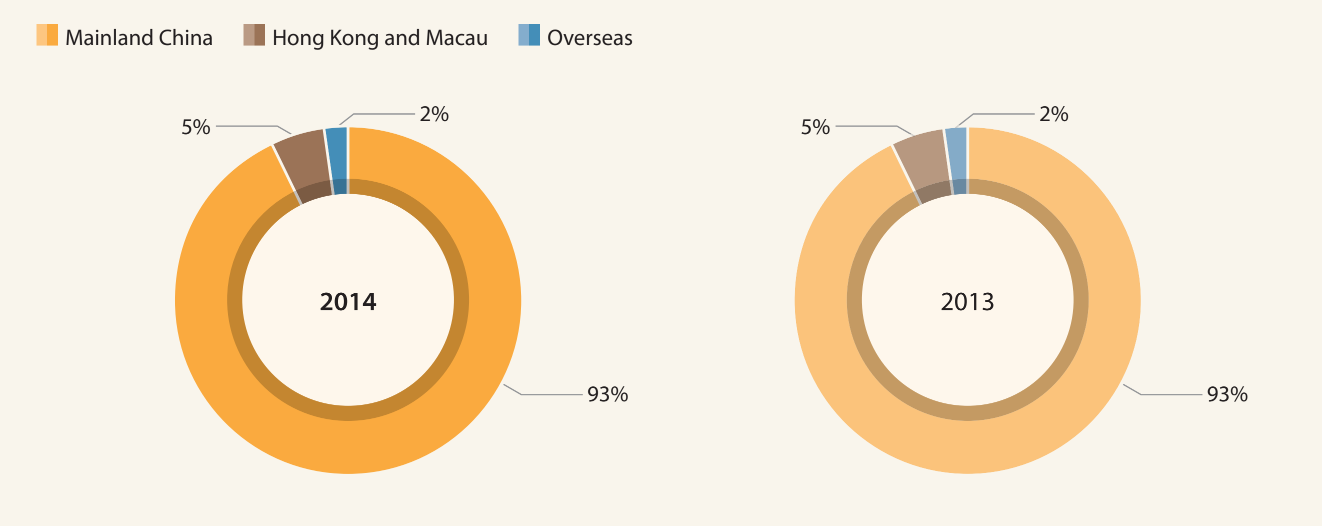
Group Financial Position

In HK$ million	As at 31 December 2014	As at 31 December 2013 (restated)	Increase/(Decrease)		Note to the Consolidated Financial Statements
Total assets	**5,947,831**	5,321,709	626,122	12%	
Loans and advances to customers and other parties	**2,711,851**	2,419,803	292,048	12%	26
Investments classified as receivables	**834,652**	381,783	452,869	119%	29
Financial assets held under resale agreements	**172,100**	365,361	(193,261)	(53%)	25
Fixed assets	**179,303**	174,534	4,769	3%	33
Inventories	**133,258**	136,631	(3,373)	(2%)	24
Total liabilities	**5,372,324**	4,805,157	567,167	12%	
Deposits from customers	**3,586,508**	3,345,943	240,565	7%	41
Deposits from banks and non-bank financial institutions	**871,213**	709,621	161,592	23%	37
Bank and other loans	**218,993**	217,518	1,475	1%	42
Debt instruments issued	**273,126**	201,151	71,975	36%	43
Total ordinary shareholders' funds and perpetual capital securities	**431,960**	385,614	46,346	12%	

Total assets

Total assets increased from HK$5,321,709 million as at 31 December 2013 to HK$5,947,831 million as at 31 December 2014, mainly attributable to an increase in investments classified as receivables and loans and advances to customers and other parties by CITIC Bank.

By geography



Loans and advances to customers and other parties

As at 31 December 2014, the loans and advances to customers and other parties of the Group was HK$2,711,851 million, an increase of HK$292,048 million, or 12% from 2013. The proportion of loans and advances to customers and other parties to total assets was 46%, an increase of 0.1% compared with 31 December 2013.

In HK$ million	**As at 31 December 2014**	As at 31 December 2013 (restated)	Increase/(Decrease)	
Corporate loans	**1,991,735**	1,832,969	158,766	9%
Discounted bills	**86,254**	82,383	3,871	5%
Personal loans	**702,963**	560,358	142,605	25%
Total loans and advances to customers and other parties	**2,780,952**	2,475,710	305,242	12%
Impairment allowances	**(69,101)**	(55,907)	13,194	24%
Net loans and advances to customers and other parties	**2,711,851**	2,419,803	292,048	12%

Deposits from customers

As at 31 December 2014, deposits from customers of the financial institutions under the Group were HK$3,586,508 million, an increase of HK$240,565 million, or 7% compared with 31 December 2013. The proportion of deposits from customers to total liabilities was 67%, a decrease of 3% compared with 31 December 2013.

In HK$ million	**As at 31 December 2014**	As at 31 December 2013 (restated)	Increase/(Decrease)	
Corporate deposits				
Time deposits	**1,729,747**	1,514,704	215,043	14%
Demand deposits	**1,205,007**	1,176,519	28,488	2%
Subtotal	**2,934,754**	2,691,223	243,531	9%
Personal deposits				
Time deposits	**464,578**	492,637	(28,059)	(6%)
Demand deposits	**187,176**	162,083	25,093	15%
Subtotal	**651,754**	654,720	(2,966)	(0%)
Total	**3,586,508**	3,345,943	240,565	7%

Bank and other loans

In HK$ million	As at 31 December 2014	As at 31 December 2013 (restated)	Increase/(Decrease)	
Financial services	–	–	–	–
Resources and energy	**42,798**	48,128	(5,330)	(11%)
Manufacturing	**19,130**	21,297	(2,167)	(10%)
Engineering contracting	**2,142**	2,479	(337)	(14%)
Real estate and infrastructure	**85,765**	93,793	(8,028)	(9%)
Others	**22,603**	17,793	4,810	27%
Operation management	**85,754**	69,304	16,450	24%
Elimination	**(39,199)**	(35,276)	3,923	11%
Total	**218,993**	217,518	1,475	1%

Debt instruments issued

In HK$ million	As at 31 December 2014	As at 31 December 2013 (restated)	Increase/(Decrease)	
Financial services	**169,215**	97,773	71,442	73%
Resources and energy	–	6,187	(6,187)	(100%)
Manufacturing	**5,054**	4,220	834	20%
Engineering contracting	–	–	–	–
Real estate and infrastructure	–	–	–	–
Others	**3,477**	3,757	(280)	(7%)
Operation management	**95,660**	90,093	5,567	6%
Elimination	**(280)**	(879)	(599)	(68%)
Total	**273,126**	201,151	71,975	36%

Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$385,614 million as at 31 December 2013 to HK$431,960 million as at 31 December 2014, mainly attributable to an increase in profit as well as other comprehensive income for the year.

Risk Management

In accordance with the Group's development strategy, CITIC Limited has established a risk management system covering all the business segments to monitor, assess and manage various risks in the Group's business activities.

The risk management system of CITIC Limited is established along the core concepts of *Enterprise Risk Management – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the *Basic Standard for Enterprise Internal Control* jointly issued by five ministries and commissions (Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC) in 2008 as well as relevant guidelines and governmental policies.

The risk management system of CITIC Limited comprises "Four Levels" and "Three Lines of Defence" based on the corporate governance structure. The "Four Levels" are the (i) board of directors, (ii) management and several committees, (iii) risk management functions of CITIC Limited, and (iv) member companies. The "Three Lines of Defence" are the (i) first line of defence comprised by business units of each level of CITIC Limited, (ii) second line of defence comprised by the risk management functions of each level of CITIC Limited, and (iii) third line of defence comprised by the internal audit departments or functions of each level of CITIC Limited.

Financial Risk

Governance structure and management policies

The asset and liability management committee ("ALCO") has been established to monitor financial risks of the Group and its member companies in accordance with, among others, the Treasury and Financial Risk Management Policy of CITIC Limited ("treasury and financial risk management policy"). The finance department is responsible for implementing the treasury and financial risk management policy, communicating ALCO's decisions to member companies, monitoring adherence and preparing relevant management reports. All member companies have the responsibility for managing their financial risk positions effectively and report to ALCO on a timely basis, subject to the overall risk framework under the treasury and financial risk management policy and within the authorisations.

Based on the annual budget, ALCO shall review the Group's financing plan and instruments, oversee fund management and cash flows, and manage risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities, and is responsible for formulating hedging policy and approving the use of new risk management tools.

Pursuant to the treasury and financial risk management policy, CITIC Limited identifies, classifies and manages the financing, fund management and risk management processes of its member companies.

Asset and liability management

One of the main functions of ALCO is asset and liability management. CITIC Limited's sources of funds for different businesses include long-term and short-term debt and equity, of which ordinary shares, preferred shares and perpetual securities are the alternative forms of equity financing instruments. CITIC Limited manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is targeted to match the characteristics of our underlying business.

1. Debt

ALCO regularly monitors the existing and projected debt levels of CITIC Limited to ensure reasonable debt size, structure and cost of the Group and its member companies.

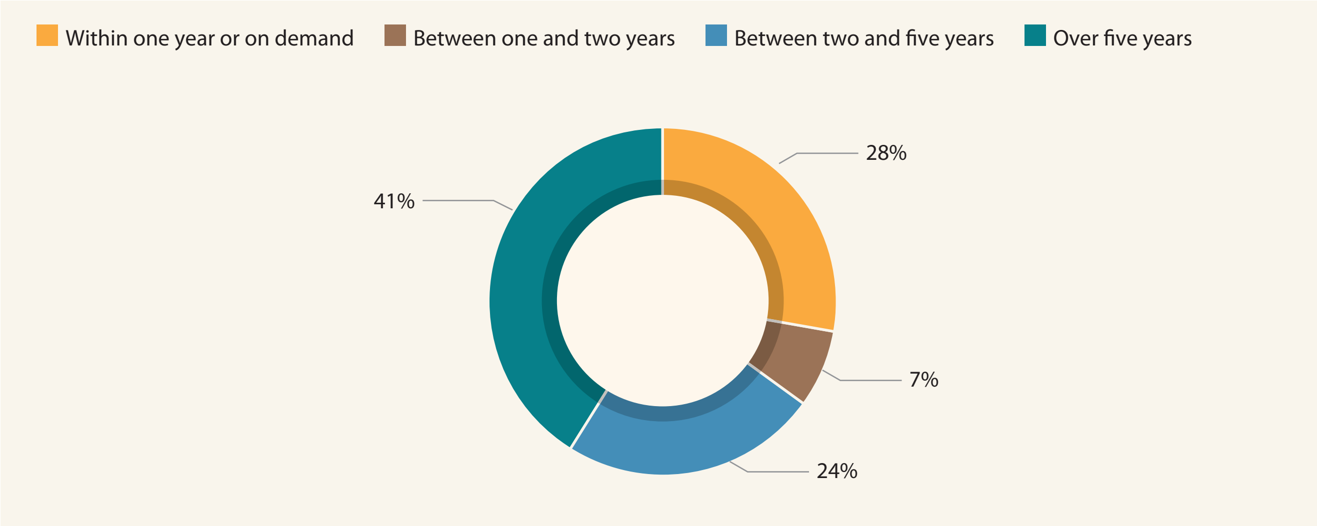
As at 31 December 2014, consolidated debt of CITIC Limited[1] was HK$492,119 million, including loans of HK$218,993 million and debt instruments issued[2] of HK$273,126 million. Debt of the head office of CITIC Limited[3] accounted for HK$82,444 million and debt of CITIC Bank[4] HK$169,215 million. In addition, the head office of CITIC Limited had cash and deposits of HK$13,031 million and available committed facilities of HK$19,012 million.

The details of debt are as follows:

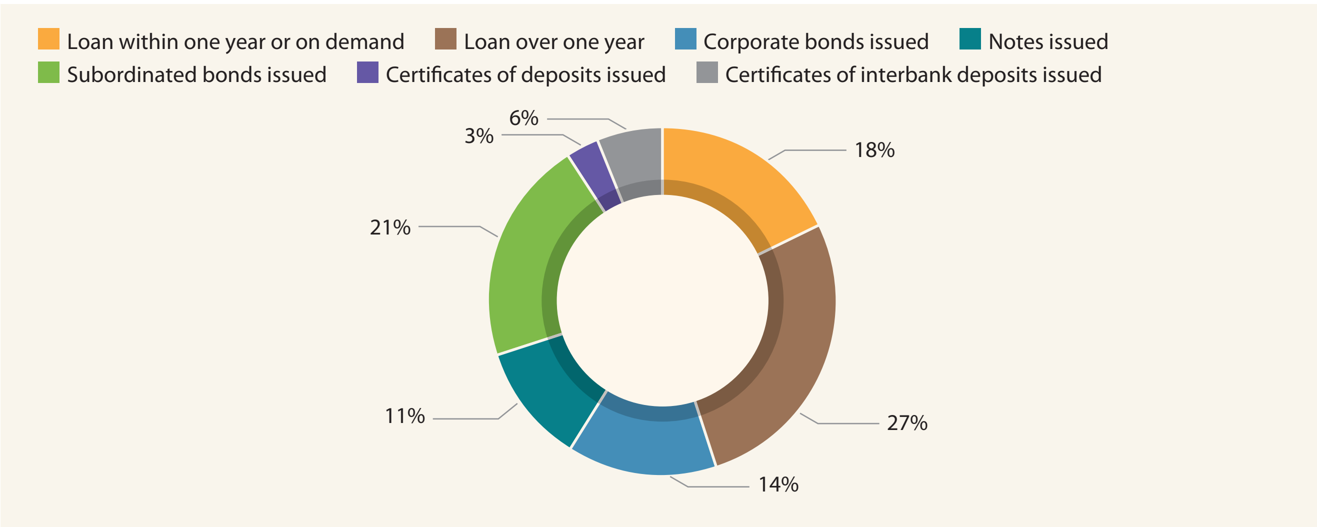
As of 31 December 2014	HK$ million
Consolidated debt of CITIC Limited	492,119
Among which: Debt of the head office of CITIC Limited	82,444
Debt of CITIC Bank	169,215

Note:
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposits and certificates of interbank deposits issued;
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;
(4) Debt of CITIC Bank is the debt instruments issued of CITIC Bank on its consolidated basis, including notes, subordinated bonds, certificates of deposits and certificates of interbank deposits issued.

Consolidated debt by maturity as at 31 December 2014



Consolidated debt by type as at 31 December 2014



The debt to equity ratio of CITIC Limited as at 31 December 2014 is as follows:

In HK$ million	**Consolidated**	**Head office**
Debt	492,119	82,444
Total equity[(5)]	575,507	346,463
Debt to equity ratio	86%	24%

Note: (5) Total consolidated equity is based on the "total equity" in the Consolidated Balance Sheet; Total equity of head office is based on the "total ordinary shareholders' funds and perpetual capital securities" in the Balance Sheet.

2. Liquidity risk management

The objective of liquidity risk management is to ensure that CITIC Limited always has sufficient cash to repay its due debt, perform other payment obligations and meet other funding requirements for normal business development.

CITIC Limited's liquidity management requirements involve regularly projecting cash flows in major currencies for three years and considering the level of liquid assets and new financings necessary to meet future cash flow requirements.

With flexible access to domestic and overseas markets, CITIC Limited seeks to diversify the sources of funding through different financing vehicles, in order to raise low-cost funding of medium and long terms, maintain a mix of staggered maturities and minimise refinancing risk.

Details of liquidity risk management are set out in Note 48(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC limited as at 31 December 2014 are set out in Note 47 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories and fixed assets pledged as security for CITIC Limited's loan as at 31 December 2014 are set out in Note 42(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	**Moody's**
31 December 2014	BBB+/Stable	A3/Stable

After the former CITIC Pacific acquired substantially all of the assets from CITIC Group and changed the name to CITIC Limited, CITIC Limited was re-rated by Moody's from Ba2 (as previously for CITIC Pacific) to A3 in August 2014, and by Standard & Poor's from BB (as previously for CITIC Pacific) to BBB+ in September 2014. In January 2015, Standard & Poor's placed CITIC Limited's rating on CreditWatch with positive implication.

Treasury Risk Management

Treasury risk management essentially covers the following financial risks inherent in CITIC Limited's businesses:

- Interest rate risk
- Currency risk
- Counterparty risk
- Commodity risk

Financial derivatives may be used to assist in the management of the above risks. It is CITIC Limited's policy not to enter into derivative transactions for speculative purposes. Unless special authorisation is given, the use of derivative instruments is currently restricted by ALCO to interest rate swaps, cross currency swaps, plain vanilla forward foreign exchange contracts, par forward foreign exchange contracts and plain vanilla futures contracts. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

CITIC Limited is committed to establishing a comprehensive and uniform treasury risk management system. Within the group-wide treasury risk management framework, member companies are required to, according to their respective business characteristics and regulatory requirements, implement suitable treasury risk management strategies and procedures and submit reports on a regular and ad hoc basis, subject to the overall monitoring and guidance of ALCO.

1. Interest rate risk

Interest rate risk is managed by considering the portfolio of interest bearing assets and liabilities.

For our financial subsidiaries, repricing risk and benchmark risk are the main sources of interest rate risk. Observing the principle of prudent risk appetite, they closely tracked changes in the macroeconomic situation and internal business structure, continued to optimise the maturity structure of deposits, made timely adjustments to the loan repricing lifecycle, and took the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value with a tolerable level of interest rate risk.

For our head office and non-financial subsidiaries, the interest rate risk arises primarily from debt. Borrowings at variable rates expose CITIC Limited to cash flow interest rate risk, whilst borrowings at fixed rates expose CITIC Limited to fair value interest rate risk. Based on its balance sheet and market conditions, CITIC Limited adopts a flexible approach in choosing financing vehicles at variable and fixed rates and opportunistically employs interest rate swaps to manage interest rate risk.

Details of interest rate risk management are set out in Note 48(c) to the consolidated financial statements.

2. **Currency risk**

CITIC Limited has major operations in Hong Kong, mainland China and Australia whose functional currencies are Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD") respectively. Our member companies are exposed to currency risk from gaps between financial assets and liabilities, future commercial transactions and net investments in foreign operations that are denominated in a currency that is not the member company's functional currency. The consolidated financial statement is presented in HKD, which is the presentation currency of CITIC Limited. Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is not a cash exposure.

CITIC Limited measures currency risk mainly with foreign currency exposures and seeks to minimise its currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currency. CITIC Limited uses forward contracts and cross currency swaps where appropriate to manage its currency risk, provided that hedging is only considered for firm commitments and highly probable forecast transactions.

Details of currency risk management are set out in Note 48 (d) to the consolidated financial statements.

3. **Counterparty risk**

CITIC Limited has businesses with various financial institutions, including deposits, interbank lending, financial investment products and derivative financial instruments. To mitigate the risk of non-recovery of funds or financial instrument gains, member companies of CITIC Limited approve and adjust the list of counterparties and credit limits of approved financial institutions through internal credit processes and regularly report to ALCO for carrying out overall monitoring and supervision.

4. **Commodity risk**

Some businesses of CITIC Limited involve the production, procurement and trading of commodities; it has exposure to commodity price risks such as iron ore, crude oil, gas and coal.

CITIC Limited has entered into long-term supply contracts for certain inputs or used plain vanilla futures contracts for hedging. Whilst CITIC Limited views that naturally offsetting is being achieved to a certain extent across its different business sectors, continual risk management review is being performed to ensure commodity risks are well understood within its business strategies.

Economic Environment

CITIC Limited operates diversified businesses globally. As a result, the Group's financial condition, operations and business prospects are, to a significant degree, subject to the development of both international and domestic economies, as well as the political and legislative environment.

As China's economy has entered into a restructuring period, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. With the slower than expected global economic recovery, growth remains soft in the developed economies and tends to be more divergent across regions due to significant differences in inherent structures. In emerging markets, albeit with a slight acceleration in the growth rate, the economic rebound is still vulnerable due to the lowering of potential market growth as well as the decline in commodity prices and capital outflows. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on the Group's operations, financial condition and profitability.

Operational Risk

The financial services segment of the Group comprises banking and trust services as well as other financial services businesses such as securities, insurance and asset management. As information technology is widely applied in the modern financial services industry, the reliability of computer systems, computer networks and information management software is essential to both traditional financial and innovative businesses. Unreliable information technology systems or underdeveloped network technologies may result in inefficient trading systems, business interruption, or loss of important information, thus affecting the reputation and service quality of financial institutions and even incurring economic losses and legal disputes.

CITIC Limited carries out resources and energy, manufacturing, engineering contracting, real estate and infrastructure, and other businesses in countries and regions across the world, and these businesses might continue to encounter a diversity of operational difficulties. Certain difficulties, if beyond the control of CITIC Limited, might result in production delays or increases in production costs. These operational risks include delay of government payments, deterioration of tax policies, labour disputes, unforeseen technical failures, various disasters and emergencies, unexpected changes in mineral, geological or mining conditions, pollution and other environmental damage, as well as potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities. Such risks would cause damage or loss to the relevant businesses of CITIC Limited, which in turn could adversely affect its operations, financial condition and profitability.

Credit Risk

With the proliferation of new market entities, innovative business models, new products, businesses and counterparties, credit risks could increase and become more complex. In this unpredictable economic climate, with extensive business operation and counterparties, the Group pays close attention to market developments and credit risks arising from business partners. If the Group fails to investigate and prevent such risks, they may have an adverse impact on its operations, financial condition and profitability.

Competitive Markets

CITIC Limited operates in highly competitive markets. Failure to compete in terms of product specifications, service quality, reliability or price may have an adverse impact on the Group.

- The financial services business faces fierce competition from domestic and international commercial banks and other financial institutions.
- The engineering contracting business is challenged by global peers as well as China's large state-owned enterprises and private companies.
- Resources and energy, manufacturing, real estate and infrastructure operations, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

Intensification of competition might result in lower product prices, narrower profit margins as well as loss of market share for CITIC Limited.

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

CITIC Limited faces local business risks in different countries and regions. Such risks might have a significant impact on the financial condition, operations and business prospects of CITIC Limited in the relevant markets. The investments of CITIC Limited in countries and regions across the world might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investment of CITIC Limited, and delay or impede its business operations and hence adversely affect revenue and profit.

Impact of new accounting standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") issues new and revised Hong Kong Financial Reporting Standards ("HKFRSs") from time to time. As the accounting standards continue to evolve, HKICPA might further issue new and revised HKFRSs in the future. The new accounting policies, if required to be adopted by CITIC Limited, could have a significant impact on its financial condition and operations.

Natural disasters or events, terrorism and diseases

The business of CITIC Limited could be affected by events such as earthquakes, typhoons, tropical cyclones, inclement weather, acts or threats of terrorism, or outbreaks of highly contagious diseases, which would directly or indirectly reduce the supply of essential goods or services or reduce economic activities on a local, regional or global scale. Any of these disasters might damage the businesses of CITIC Limited, which would have a material adverse impact on the financial condition and operations of CITIC Limited.

The entire Group is committed to constantly improving its risk monitoring and management mechanism in order to promote risk identification and assessment at all levels; strengthen risk assessment and monitoring of major projects and key businesses; and manage counterparty credit risks. CITIC Limited stays fully informed of the operations, financial condition and major business progress of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise. Through risk reports on weaknesses and potential risks, CITIC Limited supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

Corporate Governance

Corporate Governance Practices

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. We attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. This report describes how the Company has applied its corporate governance practices to its everyday activities.

Save as disclosed below, the Company has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2014. In respect of code provision A.6.7 of the CG Code, Mr André Desmarais and Mr Carl Yung Ming Jie (both former non-executive directors), and Dr Xu Jinwu (independent non-executive director) were not able to attend the annual general meeting of the Company held on 14 May 2014 ("2014 AGM"). Mr André Desmarais and Dr Xu Jinwu were away from Hong Kong due to other engagements while Mr Carl Yung was ill. Mr Peter Kruyt, the alternate director to Mr André Desmarais attended the 2014 AGM. Mr Carl Yung Ming Jie and Mr Gregory Lynn Curl (both former non-executive directors), and Dr Xu Jinwu (independent non-executive director) were not able to attend the extraordinary general meeting of the Company held on 3 June 2014 as all of them had other engagements. Details of attendance records of all directors at the general meetings of the Company during the year are set out in the section below headed "Board meetings and attendance".

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

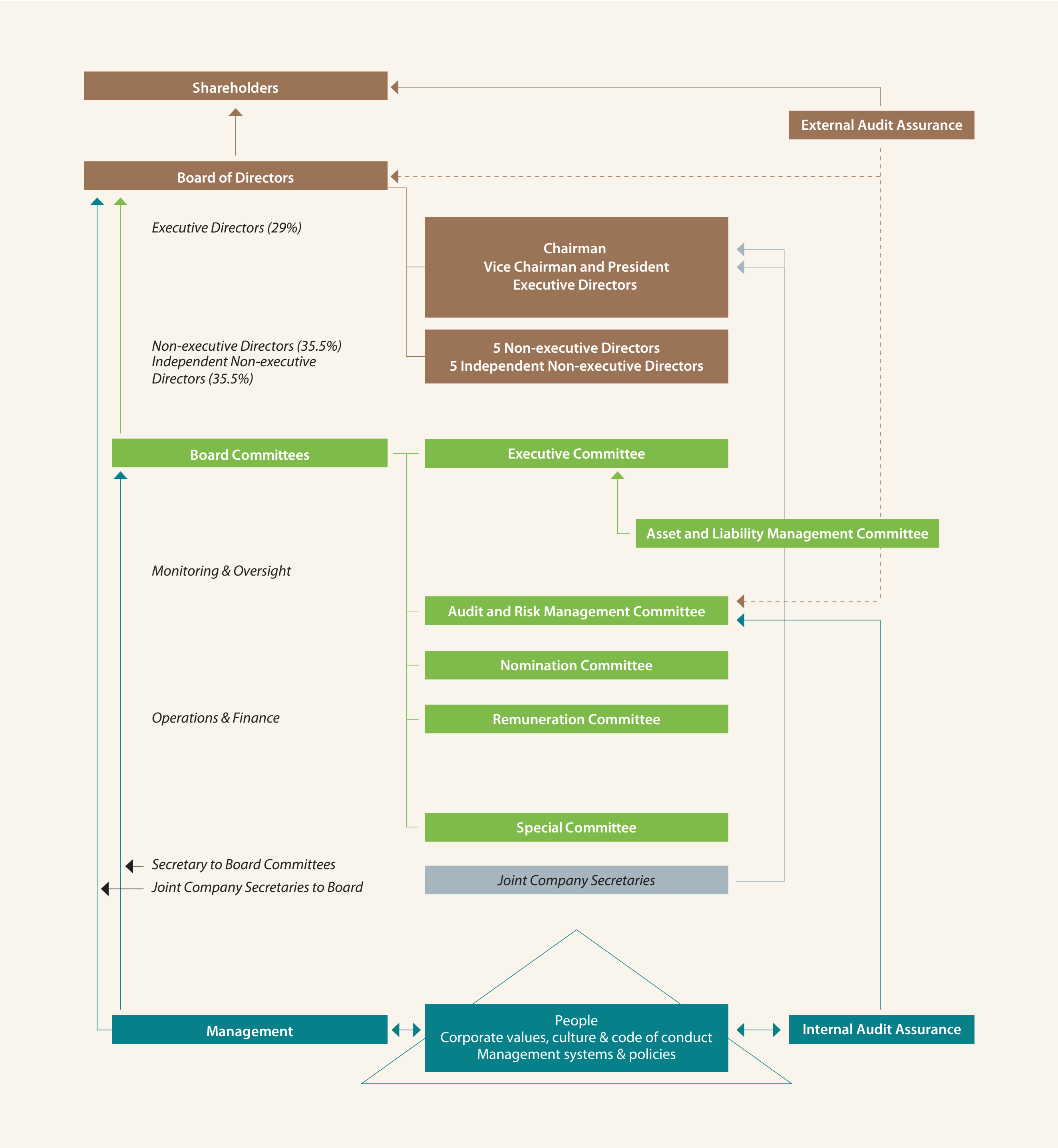
Preservation of Value and Strategy

On 25 August 2014, CITIC Limited acquired the businesses of CITIC Group Corporation described in a circular to shareholders dated 14 May 2014. The Company is now China's largest conglomerate. Our businesses extend globally covering sectors such as financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure as well as other businesses both in China and overseas. When we analyse a business, we look at its market position, competitiveness, future prospects and our desire to influence its management.

With a strategy that is aligned with the ongoing reform in China and opening up of the economy, the Company has achieved a strong financial track record over the years. Many of our businesses enjoy leading market positions in their respective fields in China.

Going forward, the Group will continue to take a prudent and strategic approach in developing our businesses, riding on our professional management team, strong capital base, diverse business interests and synergies with our assets. Our expectation is that our businesses will generate a return on capital invested above the cost of our capital and generate cash flow to the benefit of the Company and its shareholders. By pursuing this strategy, the Company expects to generate and preserve value for all its shareholders.

Corporate Governance Structure



Board of Directors

Overall accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders, and in discharging their corporate accountability, directors of the Company are required to pursue excellence in the interests of the shareholders and fulfil their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The board is of the view that all directors have given sufficient time and attention to the Company's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in the Company and other public companies held by the directors.

Board composition and changes

During the year 2014, the Company announced the following changes in board composition.

At the 2014 AGM, Mr André Desmarais retired as a non-executive director of the Company by rotation and did not seek re-election. Mr Peter Kruyt also ceased to act as the alternate director to Mr Desmarais on the same date accordingly. Mr Zeng Chen was appointed as an executive director of the Company with effect from the conclusion of the 2014 AGM to fill the vacated office following the retirement of Mr Desmarais. Mr Zeng was re-elected as director at the extraordinary general meeting of the Company held on 3 June 2014.

Upon completion of placing of the Company's shares on 25 August 2014, Mr Gregory Lynn Curl was re-designated from independent non-executive director to non-executive director of the Company, details of which are set out in the Company's announcement dated 25 August 2014. Following his re-designation, the number of independent non-executive directors has fallen below one-third of the number of members on the board required under Rule 3.10A of the Listing Rules. With the appointment of two independent non-executive directors in December 2014, the Company has complied with the requirement under Rule 3.10A of the Listing Rules.

After the successful acquisition of CITIC Corporation Limited, the primary operating arm of CITIC Group Corporation, on 25 August 2014 and given the substantial change in size and scale of the Company, the board made a careful assessment of its composition and announced changes in directorships. With effect from 26 September 2014, Mr Wang Jiong was appointed as an executive director, vice chairman and president of the Company; Mr Dou Jianzhong was appointed as an executive director and a vice president of the Company; and Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu and Mr Liu Zhongyuan were appointed as non-executive directors of the Company. In addition, Mr Wang Jiong was appointed as a member of the nomination committee and a vice chairman of the executive committee of the Company; Mr Dou Jianzhong was appointed as a member of the executive committee of the Company; Mr Yang Jinming was appointed as a member of the remuneration committee of the Company; and Ms Cao Pu was appointed as a member of the audit and risk management committee of the Company. Pursuant to the Company's articles of association, each of the above directors shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting. On the same date, Mr Ju Weimin resigned as a non-executive director of the Company and was appointed as the chief financial officer and a member of the executive committee and vice president of the

Company. He subsequently resigned as the chief financial officer and a member of the executive committee and vice president of the Company on 9 April 2015; Mr Vernon Francis Moore resigned as an executive director and chief financial officer of the Company; Mr Liu Jifu and Mr Zeng Chen resigned as executive directors of the Company; Mr Yin Ke resigned as a non-executive director and a member of the audit committee of the Company; Mr Gregory Lynn Curl resigned as a non-executive director and a member of both the nomination committee and remuneration committee of the Company; and Mr Carl Yung Ming Jie resigned as a non-executive director of the Company.

On 19 December 2014, Mr Liu Yeqiao was appointed as a non-executive director of the Company; Mr Anthony Francis Neoh and Ms Lee Boo Jin were appointed as independent non-executive directors of the Company.

The above changes to the board effectively align the executive board roles to manage the enlarged Company. The extensive experience and expertise of new members to the board are invaluable in the future growth and development of the Company's businesses both in China and overseas.

The board currently has 14 directors, comprising four executive directors, five non-executive directors and five independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than two-third of the board, of which independent non-executive directors satisfy the requirement of representing at least one-third of the board. The Company believes that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

In relation to the five non-executive directors who are not independent (as considered by The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu and Mr Liu Yeqiao are all non-executive directors of CITIC Group Corporation (the controlling shareholder of the Company) whilst Mr Liu Zhongyuan holds an executive position in the National Council for Social Security Fund, which is a substantial shareholder of the Company.

The Company has received from each independent non-executive director a confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 102 to 105.

All directors, including the non-executive directors, have a specific term of appointment, which is not more than three years since his/her re-election by shareholders at the general meeting. Each director has entered into an appointment letter with the Company and pursuant to Article 104(A) of the Company's articles of association, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

Pursuant to Article 95 of articles of association of the Company, Mr Wang Jiong, Mr Dou Jianzhong, Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu, Mr Liu Zhongyuan, Mr Liu Yeqiao, Mr Anthony Francis Neoh and Ms Lee Boo Jin who have been appointed during the year shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of the Company and then shall be eligible for re-election at such meeting. All of the above directors were re-elected at the extraordinary general meeting held on 16 March 2015.

Board responsibilities and delegation

The board collectively determines the overall strategies of the Company, and monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive director or officer in charge of the Company's businesses and functions, who reports back to the board. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of the Company, including reports and recommendations on significant matters. All board members are provided with monthly updates on the latest development of the Company's businesses. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

The Company has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$1 billion.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 80 to 89.

Continuous professional development programme

After the acquisition of CITIC Corporation Limited, new directors were appointed in September and December 2014 respectively. The Company has arranged presentations given by external legal counsel to all new directors on corporate governance practices and relevant Hong Kong regulatory requirements as well as responsibilities as a director and the role of the board. In addition, each newly appointed director is provided with a package comprising the induction materials such as the duties and responsibilities of directors under the Listing Rules and the Companies Ordinance, guidelines for directors issued by the Companies Registry of Hong Kong, legal and other regulatory requirements and the governance policies of the Company.

The Company also has a continuous professional development programme ("CPD Programme") for directors with an aim to improve their general understanding of the Company's businesses, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. Directors may also choose to attend external courses, conferences and luncheons organised by various local organisations.

Under the Company's CPD Programme, directors attended briefings, self-directed courses and seminars and reviewed the monthly business updates and other reading materials provided to them concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. The Company has organised training provided by external legal counsel to the board. A record of the directors' participation in the CPD Programme is kept at the company secretary's office.

A summary of directors' participation in the Company's CPD Programme and other external training for the period from 1 January 2014 to 31 December 2014 is as follows:

	Briefings/seminars/talks	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Mr Chang Zhenming	✓	✓
Mr Wang Jiong (Note 1)	✓	✓
Mr Dou Jianzhong (Note 1)	✓	✓
Mr Zhang Jijing	✓	✓
Non-executive Directors		
Mr Yu Zhensheng (Note 1)	✓	✓
Mr Yang Jinming (Note 1)	✓	✓
Ms Cao Pu (Note 1)	✓	✓
Mr Liu Zhongyuan (Note 1)	✓	✓
Mr Liu Yeqiao (Note 2)		
Independent Non-executive Directors		
Mr Alexander Reid Hamilton	✓	✓
Mr Francis Siu Wai Keung	✓	✓
Dr Xu Jinwu	✓	✓
Mr Anthony Francis Neoh (Note 2)		
Ms Lee Boo Jin (Note 2)		

Note:

(1) appointed with effect from 26 September 2014 and induction materials and briefing by external legal counsel were provided in respect of their appointment.

(2) appointed with effect from 19 December 2014 and induction materials and briefing by external legal counsel were provided in respect of their appointment.

Messrs Vernon Francis Moore, Liu Jifu and Zeng Chen resigned as executive directors, and Messrs Ju Weimin, Yin Ke, Carl Yung Ming Jie and Gregory Lynn Curl resigned as non-executive directors, all with effect from 26 September 2014. Mr André Desmarais retired as a non-executive director and did not seek re-election at the 2014 AGM. Mr Peter Kruyt also ceased to act as the alternate director to Mr André Desmarais accordingly. Reading materials, regulatory updates and management monthly updates were provided to the above directors during the period of their appointment.

Board meetings and attendance

The board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Four regular board meetings and three special board meetings were held in 2014. At the board meetings, the board reviewed significant matters including the Company's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and notifiable transactions and connected transactions. At each of the regular board meetings, the board received a written report from the president on the Company's major businesses, investments and projects, and corporate activities. During the year the board received updates on the Sino Iron project. A special board meeting was held in March 2014 to approve a conditional framework agreement for the acquisition of 100% of the total issued share capital of CITIC Corporation Limited (the "Acquisition"). Another special board meeting was held in April 2014 to approve the Acquisition, share transfer agreement and other matters relating to the Acquisition. Details of the above framework agreement and the Acquisition are set out in the Company's announcements dated 26 March 2014 and 16 April 2014 respectively. As the Acquisition resulted in a substantial change in the size and scale of the Company, there are changes to the board composition to ensure effective and rigorous leadership, oversight and governance. A meeting of the new board was held in September 2014 mainly to approve the change of board committees and their composition, to introduce the new senior management and to approve the continuing connected transactions with CITIC Group Corporation and/or its associates. A schedule of board meeting dates is fixed for each year in advance. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept at the company secretary's office. Copies are provided to directors and the original minutes are available to all directors for inspection. In addition to the board meetings, the chairman also meets with the non-executive directors (including independent non-executive directors) without the presence of executive directors on an annual basis.

The attendance record of each director at board meetings and general meetings in 2014 is set out below:

	Board Meeting	Annual General Meeting on 14 May 2014	Extraordinary General Meeting on 3 June 2014
Number of Meetings	7	1	1
Current Directors			
Executive Directors			
Mr Chang Zhenming (Chairman)	7/7	✓	✓
Mr Wang Jiong (Note 1) (Vice Chairman and President)	2/2	N/A	N/A
Mr Dou Jianzhong (Note 1) (Vice President)	2/2	N/A	N/A
Mr Zhang Jijing	7/7	✓	✓
Non-executive Directors			
Mr Yu Zhensheng (Note 1)	2/2	N/A	N/A
Mr Yang Jinming (Note 1)	2/2	N/A	N/A
Ms Cao Pu (Note 1)	2/2	N/A	N/A
Mr Liu Zhongyuan (Note 1)	2/2	N/A	N/A
Mr Liu Yeqiao (Note 2)	N/A	N/A	N/A
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	7/7	✓	✓
Mr Francis Siu Wai Keung	7/7	✓	✓
Dr Xu Jinwu	6/7	–	–
Mr Anthony Francis Neoh (Note 2)	N/A	N/A	N/A
Ms Lee Boo Jin (Note 2)	N/A	N/A	N/A
Directors who resigned during the year			
Executive Directors			
Mr Vernon Francis Moore (Note 3)	5/5	✓	✓
Mr Liu Jifu (Note 3)	5/5	✓	✓
Mr Zeng Chen (Note 5)	1/1	–	–
Non-executive Directors			
Mr André Desmarais (Note 4)	2/4	–	N/A
Mr Peter Kruyt (Note 4) *(alternate director to Mr André Desmarais)*	2/4	✓	N/A
Mr Ju Weimin (Note 3)	4/5	✓	✓
Mr Yin Ke (Note 3)	5/5	✓	✓
Mr Gregory Lynn Curl (Note 6)	4/5	✓	–
Mr Carl Yung Ming Jie (Note 3)	1/5	–	–

Note:

(1) appointed with effect from 26 September 2014
(2) appointed with effect from 19 December 2014
(3) resigned with effect from 26 September 2014
(4) when Mr André Desmarais (retired as director at the 2014 AGM) could not attend a board meeting or the annual general meeting, Mr Peter Kruyt (who ceased to act as alternate director upon the retirement of Mr André Desmarais) attended in his place
(5) appointed with effect from the conclusion of the 2014 AGM and resigned with effect from 26 September 2014
(6) re-designated as non-executive director with effect from 25 August 2014 and resigned with effect from 26 September 2014

At the extraordinary general meeting of the Company held on 16 March 2015, and except for those who had other engagements, all the other directors attended the meeting.

Chairman and the president

Mr Chang Zhenming serves as the chairman of the Company. Mr Wang Jiong is the president of the Company from 26 September 2014. Mr Zhang Jijing was the president of the Company prior to 26 September 2014. The president plays the same role and has the same responsibilities as that of the managing director. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for the Company. The president is responsible for the day-to-day management of the Company and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Board Committees

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive committee

The board has established a new executive committee on 26 September 2014 to assist the board in the business operations and management of the Company, thereby replacing the existing executive committee and the investment committee. The principal role of the executive committee is to select suitable candidates for senior management, to review/provide advice to the board on material investment plans and feasibility studies and proposed disposals/divestments, mergers and acquisitions and other significant transactions of the Company, strategy and planning of the Group.

The functions and powers of the Executive Committee are

(i) to formulate the Company's material strategic plans;

(ii) to formulate the Company's annual material investment and financing plans (including reviewing material investment plans, feasibility studies, proposed disposals/divestments, mergers and acquisitions and other significant transactions of the Company);

(iii) to review the Company's annual business plan and finance plans;

(iv) to review monthly reports of the Company, and to submit to the board before each month-end the monthly report for the previous month;

(v) to manage and monitor the Company's core activities;

(vi) to appoint and remove mid-level and above key personnel (other than personnel above the rank of assistant to the president, and those appointed and removed by the board);

(vii) to approve rules and systems on the day-to-day operations of the Company;

(viii) to review and approve proposals to establish and adjust the Company's management and organisational structure; and

(ix) to discharge other powers and functions conferred on it by the board.

Items (i), (ii) and (iii) and other matters within the authority of the board should be submitted for approval by the board, and thereafter implemented by the executive committee.

The former executive committee was chaired by Mr Zhang Jijing and its membership included three former directors, Messrs Vernon Francis Moore, Liu Jifu and Zeng Chen, and leaders of major businesses and key head office functions. The committee met nine times before the establishment of the new executive committee. Full minutes of the meetings are kept at the company secretary's office, which are sent to the committee members after each meeting.

The new executive committee is chaired by the chairman of the board and its membership includes two executive directors, Messrs Wang Jiong (being the vice chairman and president of the Company also serves as a vice chairman of the committee) and Dou Jianzhong (being the vice president of the Company). Other members are Mr Zhu Xiaohuang (who serves as a vice chairman of the committee), Mr Feng Guang, Ms Li Qingping (being the vice president of the Company) and Mr Pu Jian (being the vice president of the Company).

Asset and liability management committee

CITIC Limited has established the asset and liability management committee as a committee under the Executive Committee to be in charge of monitoring and controlling the financial risks of CITIC Limited. The principal responsibilities of the asset and liability management committee are to

- monitor and control the asset and liability financial position of the Group and its members on a regular basis;
- monitor and control the following issues of the Group and its members and set limits on exposure
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - bulk commodity
  - commitments and contingent liabilities
- approve financing plans of CITIC Limited and manage the cash flow of the Group on the basis of annual budget; and
- establish hedging policies and approve the use of new financial instruments for hedging.

The committee is chaired by the chief financial officer of the Company. Other members are officers with responsibility for financing, use of funds, risk management, financial control and subsidiary and project management.

Audit and risk management committee

The audit committee was renamed as the audit and risk management committee with effect from 26 September 2014, to better reflect its functions and responsibilities, and continue to oversee the risk management functions at the Company. The committee acts on behalf of the board in providing oversight of the Company's financial reporting, annual audit and interim review, risk management, internal control as well as corporate governance. It consists of two independent non-executive directors and a non-executive director. Mr Francis Siu Wai Keung (chairman) and Mr Alexander Reid Hamilton are independent non-executive directors having the relevant professional qualification and expertise in financial reporting matters whilst Ms Cao Pu is a non-executive director having over 20 years' experience in financial management. The audit and risk management committee holds at least four regular meetings each year (at least two of which are with the Company's external auditor). By invitation of the audit and risk management committee, other directors, senior management and other relevant persons, as well as experts or consultants with relevant experience or expertise may also attend the meetings. The audit and risk management committee members also meet in separate private sessions with the external and internal auditors without the presence of executive directors and management at least once a year.

Duties of the audit and risk management committee

The authority, role and responsibilities of the audit and risk management committee are set out in written terms of reference. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the board for approval.

After renaming the audit committee as the audit and risk management committee, its terms of reference were revised to embrace both risk management and internal control functions. The revised full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-arc-terms-of-reference-2014.pdf) and the Stock Exchange's website.

Under its terms of reference, the audit and risk management committee shall

- review and monitor the integrity of the Company's financial information and provide oversight of the financial reporting system;
- monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of the Company's external auditor, as well as its independence;

- oversee the Company's internal audit, risk management and internal control systems, including the resources for the Company's internal audit, risk management and internal control function, staff qualifications and experience, as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters ("whistle-blowing");

- undertake corporate governance functions delegated from the board, including

  (a) reviewing the Company's policies and practices on corporate governance and making recommendations to the board as well as the Company's compliance with the CG Code and disclosure in the corporate governance report;

  (b) reviewing and monitoring

    (i) the training and continuous professional development of directors and senior management;

    (ii) the Company's policies and practices on compliance with legal and regulatory requirements;

    (iii) the code of conduct and compliance manual (if any) applicable to employees and directors; and

    (iv) the Company's whistle-blowing policy and system.

- undertake other authorities delegated by the board.

Committee composition and meeting attendance

The composition of the audit and risk management committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/resignation
Independent Non-executive Directors		
Mr Francis Siu Wai Keung (chairman)	6/6	
Mr Alexander Reid Hamilton	6/6	
Non-executive Directors		
Ms Cao Pu	3/3	Appointed with effect from 26 September 2014
Mr Yin Ke	3/3	Resigned with effect from 26 September 2014
Other Attendees		
Chief Financial Officer of the Company/CITIC Pacific	4/6	
Representatives of auditing and risk management departments (Note 1)	2/3	
Representatives of finance department (Note 2)	1/6	
Director of internal audit department, CITIC Pacific	5/6	
External Auditor	4/6	

Starting from 26 September 2014 when the audit committee was renamed the audit and risk management committee, representatives from the auditing department, risk management department and finance department are invited to attend the committee meetings.

Note:

(1) heads of the auditing and risk management departments are the representatives of these departments
(2) representatives of the finance department include the vice chairman and/or assistant director and/or head of the department

The joint company secretary, Mr Choy Wing Kay, Ricky acts as the secretary to the committee. The committee is supported by a working group which consists of representatives from the finance, auditing, risk management and other departments of the Company. The working group provides services to the committee to ensure that sufficient resources are made available for the committee to perform its duties. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each regular meeting. The draft and final version of minutes are circulated to all committee members for their comments and records within a reasonable time after the meeting.

The chairman of the committee summarises the activities of the committee and issues arising and reports to the board after each audit and risk management committee meeting.

Work done in 2014

The audit and risk management committee performed the following in 2014:

Financial reporting	Reviewed the 2013 annual financial statements, annual report and results announcement
	Reviewed the 2014 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2013 annual report and 2014 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed Audit Committee Reports provided by the external auditor on their statutory audit of the 2013 annual financial statements and their independent review of the 2014 half-year financial statements
	Discussed financial reporting and control matters set out in the Audit Committee Report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of the Company's 2014 half-year financial statements and their statutory audit of the 2014 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of the Company
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the internal controls of the Group, including adequacy of the staff resources, qualifications and experience of the Company's accounting and finance functions
	Reviewed the internal audit charter and approved group internal audit's annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed group internal audit's quarterly reports on risk management and internal control findings, recommendations, management response and progress in rectification of internal control and other matters
	Reviewed the staffing and resources of the group internal audit department
	Noted any significant changes in financial or other risks faced by the Company and reviewed management's response to them
Corporate governance and code requirements	Reviewed and approved the revised terms of reference of the audit and risk management committee
	Reviewed reports submitted by the management on the Company's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work
	Reviewed the training and continuous professional development of directors
	Reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report

In the meeting of 17 March 2015, the audit and risk management committee reviewed and approved the Company's annual financial statements and annual report for the year ended 31 December 2014, and considered reports from the external and internal auditors. The audit and risk management committee recommended that the board approve the 2014 annual report.

In the same meeting, the audit and risk management committee also recommended to the board the appointment of Messrs PricewaterhouseCoopers, which is subject to the approval of the shareholders at the annual general meeting to be held on 2 June 2015 as the new auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-nc-termsofreference-20130814.pdf) and the Stock Exchange's website.

The nomination committee reports directly to the board and its primary functions are

- to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, which shall take into consideration the principle of diversity;
- to review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- to assess the independence of independent non-executive directors;
- to make recommendations to the board on the appointment or re-appointment of directors; and
- to review the board diversity policy and make recommendations on any required changes to the board.

The board diversity policy sets out the approach to achieve diversity on the board, which includes and makes good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective function of the board as a whole. The Company believes that diversity can strengthen the performance of the board, promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendations to the board for adoption. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The nomination committee currently comprises two executive directors and three independent non-executive directors, and is chaired by the chairman of the board. The nomination committee meets at least annually and at such other times as it shall require. The joint company secretary, Mr Choy Wing Kay, Ricky acts as the secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at the Company's expense if necessary.

During the year, two nomination committee meetings were held. The joint company secretary prepared full minutes of the nomination committee meetings and the draft minutes were sent to all committee members. One set of written resolutions was passed by all the committee members in December 2014.

The composition of the nomination committee during the year as well as the meeting attendance is as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/resignation
Executive Directors		
Mr Chang Zhenming (chairman)	2/2	
Mr Wang Jiong	N/A	Appointed with effect from 26 September 2014
Independent Non-executive Directors		
Mr Alexander Reid Hamilton	2/2	
Mr Francis Siu Wai Keung	1/1	Appointed with effect from 25 August 2014
Dr Xu Jinwu	1/1	Appointed with effect from 25 August 2014
Mr Gregory Lynn Curl	1/1	Re-designated as non-executive director on 25 August 2014 and resigned with effect from 26 September 2014

Work done in 2014

The nomination committee completed the following work in 2014:

1. reviewed the structure, size, composition and diversity of the board; and

2. recommended the appointment of non-executive directors and independent non-executive directors to the board for approval taking into account of the relevant measurable objectives that the board has set under the board diversity policy.

In February 2015, the nomination committee recommended the re-election of (a) those directors appointed during the year 2014 at the extraordinary general meeting held on 16 March 2015; and (b) the retiring directors at the forthcoming annual general meeting to be held on 2 June 2015.

Remuneration committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere at the Group, so as to align management incentives with shareholder interests.

The committee currently comprises a non-executive director and two independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. Mr Tang Zhenyi, the joint company secretary serves as the secretary of the committee. The secretary prepares full minutes of the meetings and sends them to the committee members within a reasonable time after the meetings. The full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-rc-terms%20of%20reference-20130228.pdf) and the Stock Exchange's website.

The composition of the remuneration committee during the year is as follows:

Membership

Members	Date of appointment/resignation
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (chairman)	
Mr Alexander Reid Hamilton	
Non-executive Directors	
Mr Yang Jinming	Appointed with effect from 26 September 2014
Mr Gregory Lynn Curl	Re-designated as non-executive director on 25 August 2014 and resigned with effect from 26 September 2014

Work done in 2014

There was no physical meeting held during the year. The remuneration committee completed the following in 2014:

1. reviewed and approved the salaries of newly appointed executive directors in February and September 2014; and

2. reviewed and approved the salaries of senior executives of its subsidiaries in July 2014.

Details of the Company's remuneration policies are set out in the Environmental, Social and Governance Report on page 131 and directors' remuneration and retirement benefits are disclosed on pages 206 to 207. Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 114 to 116.

The remuneration paid to the directors, by name, for the year ended 31 December 2014 is set out in Note 12 to the consolidated financial statements.

After the acquisition of CITIC Corporation Limited, there are changes to the senior management with effect from 26 September 2014. The remuneration of senior management, by band, for the year ended 31 December 2014 is set out below.

Remuneration of senior management other than directors for the full year of 2014

Total Remuneration Bands	Number of Executives
Below HK$500,000	0
HK$500,001 – HK$1,000,000	5
	5

Note: (1) Although the discretionary bonuses have yet to be confirmed by the relevant regulatory authority, it is expected that the unsealed remuneration will have no material impact on the financial statements of the Company for 2014.

(2) The data set out above have been converted from RMB based on the average exchange rate for 2014 (HKD1=RMB0.79235).

Special committee to deal with matters relating to investigations of the Company

A special committee to deal with matters relating to the investigations of the Company was established in April 2009 to

- approve communications between the Company and any relevant authorities or third parties in relation to the investigations by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force;
- consider the issue of legal professional privilege and to make decisions on behalf of the Company in connection therewith; and
- seek legal and professional advice on behalf of the Company as well as approve their fees.

The committee comprises two members, namely, Mr Zhang Jijing (executive director) and Mr Francis Siu Wai Keung (independent non-executive director). No physical committee meetings were held during the year, and the committee members dealt with certain administrative matters concerning the protection of legal professional privilege by way of circulation.

On 28 March 2012, the Court of Appeal handed down judgment, overturning the Court of First Instance's judgment of 18 March 2011, ruling that the six documents voluntarily handed to the Securities and Futures Commission were protected by legal professional privilege. The Court of Appeal's judgment is final and conclusive as no appeal has been made to the Court of Final Appeal, and the Company has recovered part of its legal costs of this part of the proceedings and is seeking return of the relevant privileged documents.

The Company filed a notice of appeal on 9 January 2012 against the judgment in relation to approximately 1,600 further items handed down by the Court of First Instance on 19 December 2011. The hearing dates of this part of the proceedings has been fixed for May 2015.

Accountability and Audit

Financial reporting

The board recognises the importance of the integrity of its financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs, its results and cash flows in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Limited's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purposes are prudent and reasonable.

New or revised accounting standards became effective during the year, and those most significant and relevant to the Group are disclosed in Note 2 to the consolidated financial statements on page 163.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2014 are set out in the Independent Auditors' Report on page 308.

External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. Prior to the Acquisition, PwC was engaged as the Company's external auditor since 1989 and retired at the close of the 2013 AGM. Since then, KPMG has been appointed as the Company's external auditor in place of PwC. KPMG was also the auditor of CITIC Corporation Limited. For 2014, KPMG's fees were approximately as follows:

Statutory audit fee: HK$113 million (2013: HK$41 million).

Fees for other services, including review of the half-year financial statements, special audits, and advisory services relating to systems and tax services: HK$6 million (2013: HK$11 million).

Other audit firms provided statutory audit services at a fee of approximately HK$45 million (2013:HK$15 million) as well as other services for fees of HK$2 million (2013: HK$5 million).

The above-mentioned auditors' fees for 2013 refer to the remuneration paid to external auditors by CITIC Pacific Limited (now renamed CITIC Limited).

Internal control

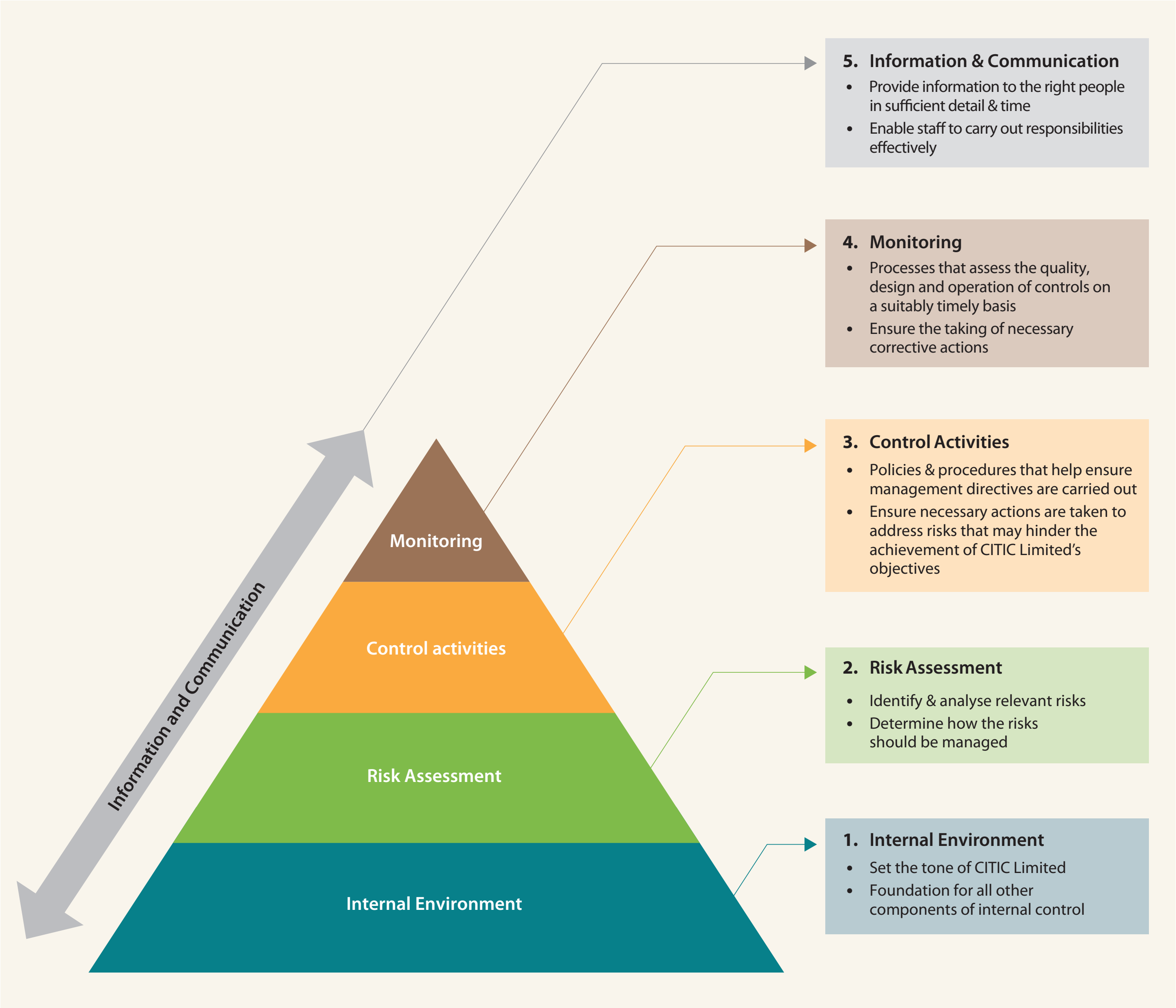
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Limited in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets by the management;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by business units and functions.

CITIC Limited's internal control framework

CITIC Limited has developed an integrated internal control framework for providing assurance of the achievement of its business objectives, which is consistent with the Enterprise Risk Management Integrated Framework released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Basic Standard for Enterprise Internal Control implemented in mainland China.

The internal control framework adopted by CITIC Limited is illustrated below:



Key control policies and measures

Under the Company's internal control framework, risk management and internal control are primarily the collective responsibility of every manager and employee. For consistent compliance by every person in the Company, the following key control policies and measures are implemented in the everyday activities, which are summarised below:

Key control policies and measures undertaken by CITIC Limited	
Internal Environment	• The Group has a corporate governance policy, human resources policy and code of conduct for the conduct of the business and governance work, as well as periodic reviews and refresher training sessions on important ethical practices. • A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice. • An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.
Risk Management	• In addition to the Risk Management Department, other relevant departments will also identify and assess financial and other risks of CITIC Limited from different aspects, such as investment review, strategic planning, financial management and compliance with laws. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management Section of this annual report. • The executive committee of CITIC Limited continuously monitors the business, operational and other risks of the business units. • The Risk Management Department identifies and assesses the systematic risks that CITIC Limited is facing through regular risk assessments. It also controls the risks of subsidiaries through regular risk management reporting and risk assessment as well as the monitoring of significant projects and businesses. • Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately.

Key control policies and measures undertaken by CITIC Limited	
Control Activities	• Major control systems and processes cover budgetary and cost controls, financial reporting systems and processes for management reporting, corporate policies and procedures for approval, and review and segregation of duties in the everyday activities of the Group.
Monitoring	• Continuous monitoring of compliance and review of internal control are under the supervision of the audit and risk management committee. (Please refer to the section on "Monitoring of Internal Control Effectiveness"). • The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements. • The Audit Department reports directly to the audit and risk management committee and is responsible for independent review of internal control and risk management.
Information and Communication	• Implementation, maintenance and continuous development of business and management information systems support CITIC Limited's businesses and operations, including finance, information disclosure and collaborative supervision. • Corporate information is disseminated in a timely manner through the intranet, collaborative office system and corporate email system of CITIC Limited. • A corporate website and shareholders communication policy ensure that shareholders receive complete and clear information about CITIC Limited and are encouraged to participate in general meetings of CITIC Limited.

The Group has established an audit, risk and internal control team, which reviews systems related to audit supervision, risk management and internal control (including but not limited to investment authorisation, the code of conduct, capital management by subsidiaries, guarantees and payments) in order to enhance its control over these areas.

Monitoring of internal control effectiveness

During the year, the audit and risk management committee assessed the effectiveness of the internal control systems (including financial, operational and compliance control measures as well as risk management) on behalf of the board, and considered the adequacy of the resources, qualifications and experience of employees in the accounting and financial reporting functions, and the sufficiency of training program and related budgets.

The main internal control reviews during the year were as follows:

Internal control monitoring	Particulars of major tasks completed	Observations
Internal audit	• Reviewed the internal audit report prepared in accordance with the annual internal audit plan approved by the audit and risk management committee. • Evaluated the adequacy of resources and competency of the internal audit function in discharging their internal audit responsibilities, and reviewed the progress of internal audit against the approved internal audit plan.	• Internal audit findings and recommendations, management's responses and remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.
Compliance assessment	• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited, as well as cases of non-compliance with the code of conduct required to be reported on a regular basis; and non-compliance with laws, the Listing Rules, other requirements or other company policies required to be reported on an annual basis. • Considered any non-compliance cases reported in the internal audit reports.	• No major non-compliance cases were noted during the year.
Self-assessments on internal control	• Reviewed the results of the consolidated assessment of the major control and risk management activities undertaken by business units and head office functions with reference to the internal control framework of CITIC Limited. • Ensured that the supporting documents of the self-assessments on internal control by the management were reviewed by the audit department or risk management department. • Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation.	• No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of internal control requiring improvement. • Management issued a positive confirmation.

Internal control monitoring	Particulars of major tasks completed	Observations
Review of the accounting and financial functions under the CG Code requirements	• Reviewed the self-assessments made by business units and relevant departments, including the finance department and audit department, on the adequacy of the resources, qualifications and experience of employees in the accounting and financial reporting functions, as well as the sufficiency of training programmes.	• Resources in the accounting and finance functions were adequate. • On the whole, the qualifications and experience of the staff of the accounting and finance functions were satisfactory. • Training activities and budgets were given continual attention and remained satisfactory during the year.

The board and the management will establish sufficient and effective internal controls through the internal control framework of CITIC Limited. These will ensure that relevant internal controls are in compliance with the Listing Rules and other legal or regulatory requirements of the jurisdictions in which the Group operates in order to improve the internal control system.

Internal Audit

CITIC Limited regards internal audit as an important part of the supervisory function of the board and the audit and risk management committee. The primary objective of internal audit, which is set out in the internal audit charter, is to provide the board and the management with useful information and recommendations on the adequacy and effectiveness of the internal control system of the Group.

Authority and accountability

Under the internal audit charter of CITIC Limited, and as authorised by the board, the audit department may obtain and have access to all records, personnel and physical properties relevant to internal audit. The head of the audit department has unrestricted access to the chairman of the audit and risk management committee and reports directly to, receives directions from, and is accountable to the audit and risk management committee. This reporting relationship enables the Group's internal audit functions to provide an objective assurance regarding the effectiveness of its internal control system.

Duties

The duties of the internal audit are set out in the internal audit charter, which require that (a) internal audits are conducted with independence, objectivity and due professional care in compliance with the standards, guidelines, and the code of ethics of the Institute of Internal Auditors; (b) audit testing and reviews are carried out at all levels of the Group in order to provide reasonable assurance as to whether the system of internal control is adequate; the assets of the corporation are properly safeguarded; the operations are conducted effectively and efficiently in accordance with the corporation's strategic objectives, policies and procedures as well as relevant laws and regulations; and the accounting records of the audited entities and operations are reliable; (c) special reviews are conducted by internal audit when required by the management, the audit and risk management committee or the board; and (d) guidance and inspection are provided for the internal audit work of major subsidiaries.

Internal audit resources and work done in 2014

At 31 December 2014, CITIC Limited had approximately 500 audit staff members in the audit department of the head office and internal audit institutions of major subsidiaries providing audit services to various business units and functions of the Group.

During the year, the audit department prepared an annual audit plan in accordance with risk-based principles. Pursuant to the approved annual plan, detailed audit planning for each audit was specified by using the risk-based audit methodology, which was followed by a field audit and discussions with management. Audit reports to the management were prepared after completion of the audit work and summarised for review at each audit and risk management committee meeting. Follow-up work was undertaken by the audit department to evaluate the progress of remedial actions taken by the management of the respective units audited, with follow-up results, progress of work and available resources reviewed at each meeting of the audit and risk management committee.

In 2014, the audit department issued internal audit reports together with review and analysis papers to the management on various business segments and subsidiaries of the Group, including financial, property and infrastructure, project contracting, resources and energy, manufacturing and other business segments. The audit department also conducted other reviews during the year.

Additional tasks performed by the audit department during the year included the following:

- The department supervised the whistle-blowing channel through which concerns about business conduct are raised by employees and investigations into reported cases are conducted as appropriate.

- The head of the internal audit department was invited to attend meetings of the management to ensure those with internal audit responsibilities remain abreast of major developments of the Group and report the progress of their audit work, major audit findings and related follow-up results in a timely manner.

- The department provided training to help relevant staff members acquire knowledge of the laws and regulations of Hong Kong, including the Listing Rules, Corporate Governance, and Compliance Code of Conduct.

- External experts were consulted for conducting continuous follow-up auditing on the Zhongguo Zun project and determining corresponding major areas for auditing according to the progress of the project. These included systems establishment, tendering and procurement, and project progress.

- Staff of the department worked with a developer of audit management software systems to upgrade and optimise the current audit management system in order to improve the quality of audit work, and developed a collaborative supervision system to promote remedial actions for findings found during auditing.

- The department implemented a continuous training and development programme, including online training, regular sharing sessions and seminars, for all internal audit staff to enhance their audit skills and knowledge.

- Various internal audit policies, standards and guidelines were revised in a timely manner in accordance with the laws and regulations and internal audit standards of national regulatory bodies and the Institute of Internal Auditors for consolidation into an Internal Audit Handbook published in December 2014. The handbook will be used across the Group for consistency in the implementation of the policies, standards and guidelines.

Business Ethics

Code of Conduct

At CITIC, we are committed to upholding "The CITIC Spirit 中信風格" which is the cornerstone of our corporate culture, and also the fundamental code of the Company for guiding the business practice and conduct of our people:

Compliance	遵紀守法
Integrity	作風正派
Earnest	實事求是
Innovation	開拓創新
Modesty	謙虛謹慎
Cooperation	團結互助
Diligence	勤勉奮發
Effectiveness	雷厲風行

Under the CITIC Spirit, we consider an ethical corporate culture and employees' honesty and integrity to be important assets. We endeavour to comply with the laws and regulations of the countries in which we operate, and all directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company has adopted a code of conduct which provides employees with a set of defined ethical standards for adherence. To ensure all new and existing employees fully understand the code of conduct and major applicable laws and regulations, training and briefing sessions were conducted in 2014. As part of the initiative to further enhance the internal control of the Company and to protect the reputation and interest of the Company, we are now in the process of revising the code of conduct which all the employees are required to strictly abide by, whilst adhering to all applicable laws and regulations.

Whistle-blowing policy

CITIC considers the whistle-blowing channel a useful means of identifying possible misconduct or fraud risks of the operation or function by encouraging employees to raise concerns in good faith. The audit and risk management committee is responsible for ensuring that proper arrangements are in place to facilitate employees reporting on whistle-blowing matters, and that proper follow-up actions are taken. Meanwhile, the Company is in the process of revising the whistle-blowing policy in order to further enhance the governance processes of the Company and its business units, and to prevent inappropriate conduct from harming the interest of the Company and its shareholders.

Inside information/price sensitive information disclosure policy

The Company has adopted an inside information/price sensitive information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information/price sensitive information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information/price sensitive information until proper dissemination of the inside information/price sensitive information via the electronic publication system operated by the Stock Exchange.

Good employment practices

In Hong Kong, the Company has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and relevant employees' securities transactions

The Company has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 to the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2014. The interests held by individual directors in the Company's securities as at 31 December 2014 are set out in the Report of the Directors on pages 124 to 125.

In addition to the requirements set out in the Company's code of conduct, the joint company secretaries regularly write to executive management and other relevant employees who are privy to unpublished price sensitive information, as reminders of their responsibility to comply with the provisions of the model code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

Joint Company Secretaries

Mr Choy Wing Kay, Ricky and Mr Tang Zhenyi are the joint company secretaries of the Company. Mr Tang was appointed by the board as a joint company secretary of the Company with effect from 19 December 2014 to act jointly with Mr Choy who has been the company secretary of the Company since 1 January 2010 and will continue to serve as a joint company secretary of the Company. The joint company secretaries report to the chairman and/or the vice chairman/president of the Company. During the year under review, Mr Choy took no less than 15 hours of relevant professional training. Mr Tang also received training on the Listing Rules before his appointment and will proactively participate in relevant professional training in the future.

Constitutional Documents

At the 2014 AGM, a special resolution was passed to adopt the new Articles of Association of the Company (the "New Articles") in substitution for and to the exclusion of the Memorandum and Articles of Association as amended in September 2011. The New Articles consolidated all the amendments to bring the constitution of the Company in line with provisions of the new Companies Ordinance which came into force on 3 March 2014. The New Articles is available on the websites of the Company and the Stock Exchange.

Communication With Shareholders

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as to ensure the board of directors is accountable. Major means of communication with shareholders of the Company are as follows:

Information disclosure at corporate website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and in as timely a manner as possible. The Company maintains a corporate website at http://www.citic.com, where important information about the Company's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

During the year under review, the Company issued announcements in respect of a number of notifiable transactions, connected transactions and overseas regulatory announcements, which can be viewed on the Company's website (http://www.citic.com/InvestorRelations/Announcements).

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantial issue at the general meeting.

Voting by poll

Resolutions put to vote at the general meetings of the Company (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Investor relations

The Company aims to generate sustainable shareholder value over the long-term. We recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that company objectives and shareholder objectives should be aligned for long-term value creation, and we hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

The Company acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we respond promptly to questions received from the media and individual shareholders. We endeavour to share both financial and non-financial information that is relevant and material, and we strive to clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of the Company in writing through the joint company secretaries whose contact details are as follows:

The Joint Company Secretaries
CITIC Limited
32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Email: contact@citic.com
Tel No. : +852 2820 2184
Fax No. : +852 2918 4838

The joint company secretaries will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) the Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of the Company's articles of association, no person, other than a retiring director, shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless notice in writing by a shareholder of his intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Board of Directors

CHANG Zhenming *(Executive Director and Chairman)*
Age 58: Mr Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for the Company. From 2000 to 2005 he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of the Company. Mr Chang is the chairman of both the executive committee and the nomination committee. He is also the chairman of CITIC Group Corporation, CITIC Corporation Limited and CITIC Hong Kong (Holdings) Limited, the chairman and a non-executive director of China CITIC Bank Corporation Limited and the vice chairman of CITIC International Financial Holdings Limited. He was the vice chairman and president of China Construction Bank, a non-executive director and deputy chairman of Cathay Pacific Airways Limited and a non-executive director of China CITIC Bank International Limited.

WANG Jiong *(Executive Director, Vice Chairman and President)*
Age 55: an executive director, vice chairman and president of the Company with effect from 26 September 2014. Mr Wang is vice chairman of the executive committee and a member of the nomination committee. Mr Wang is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy general manager of CITIC Shanghai Co., Ltd; general manager and chairman of CITIC Shanghai (Group) Co., Ltd; chairman and general manager of CITIC East China (Group) Co., Ltd; assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Wang has a background of more than 20 years in finance and industry, with extensive knowledge and experience particularly in corporate strategy planning, operating management, investment financing, mergers, acquisitions and restructuring. He graduated from Shanghai University of Finance & Economics with a master's degree in economics.

DOU Jianzhong *(Executive Director and Vice President)*
Age 60: an executive director and vice president of the Company with effect from 26 September 2014. Mr Dou is a member of the executive committee. Mr Dou is currently an executive director of CITIC Group Corporation, an executive director and vice president of CITIC Corporation Limited, chairman and chief executive officer of CITIC International Financial Holdings Limited, non-executive director of CITIC Bank, and chairman of CIAM Group Limited. He was formerly vice president, executive vice president and president of CITIC Bank Corporation Limited (formerly CITIC Industrial Bank); vice chairman, chairman of China CITIC Bank International (formerly CITIC Ka Wah Bank); assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Dou has a background of more than 30 years in the financial industry, with extensive experience and knowledge in finance and management in both domestic and overseas markets. Mr Dou is a senior economist by profession. He has a bachelor's degree in English from the University of International Business and Economics as well as a master's degree in economics from the College of International Economics at Liaoning University.

ZHANG Jijing *(Executive Director)*
Age 59: an executive director of the Company. He served as a non-executive director from April 2009 and re-designated as an executive director from November 2009. Mr Zhang is a member of the special committee. He is the chairman and the president of CITIC Pacific Limited, the chairman and a non-executive director of Dah Chong Hong Holdings Limited, the chairman of CITIC Mining International Ltd and CITIC Pacific China Holdings Limited, and a director of CITIC Hong Kong (Holdings) Limited. He was an executive director and a vice president of CITIC Group Corporation, the head of the strategy and planning department of CITIC Group Corporation, a non-executive director of CITIC Securities Company Limited, China CITIC Bank Corporation Limited and CITIC Resources Holdings Limited.

YU Zhensheng *(Non-executive Director)*
Age 58: a non-executive director of the Company with effect from 26 September 2014. Mr Yu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly an officer of the Loan Office, State Import & Export Regulatory Commission; officer of the Foreign Capital Bureau and Loan Bureau, Ministry of Foreign Trade and Economic Cooperation; deputy chief of the Foreign Trade Division, Department of Foreign Trade and Economic Cooperation, Tibet Autonomous Region; deputy chief, chief and assistant inspector of Division V, Department of Foreign Loans Management, Ministry of Foreign Trade and Economic Cooperation; assistant inspector of the Government Bond Department, Ministry of Finance; and deputy director and inspector (director-general level) of the Department of Finance, Ministry of Finance. Mr Yu graduated from Beijing International Studies University with a bachelor's degree in Japanese language and literature. He also studied at the Nomura Research Institute from October 1983 to February 1985.

YANG Jinming *(Non-executive Director)*
Age 57: a non-executive director of the Company with effect from 26 September 2014. Mr Yang is a member of the remuneration committee. Mr Yang is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy director of the General Office, China National Salt Industry Corporation Beijing Branch; deputy chief of the Payroll Division of the General Planning Department, Ministry of Finance; chief of the Extra-budgetary Fund Management Division of the Policy and Reform Department, Ministry of Finance; chief of the Government Procurement Division, the Treasury Department, Ministry of Finance; and inspector (deputy director- general level) of the Treasury Department, Ministry of Finance. Mr Yang graduated from the Correspondence Institute of the Central Party School with a bachelor's degree in international economics.

CAO Pu *(Non-executive Director)*
Age 62: a non-executive director of the Company with effect from 26 September 2014. Ms Cao is a member of the audit and risk management committee. Ms Cao is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. She was formerly director of the Henan Branch Office of People's Insurance Company of China (PICC), president of PICC Zhengzhou Sub-branch, and vice president of PICC Henan Branch; general manager and assistant general manager of the Financial Planning Department of China Reinsurance (Group) Corporation; and vice president of China Export & Credit Insurance Corporation. Ms Cao has over 20 years' experience in financial management. She is a senior economist by profession, and graduated from Wuhan University with a bachelor's degree in insurance.

LIU Zhongyuan *(Non-executive Director)*
Age 45: a non-executive director of the Company with effect from 26 September 2014. Mr Liu was formerly an officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for Social Security Fund; and director-general of the Overseas Investment Department of the National Council for Social Security Fund. Mr Liu has a doctorate degree in economics from the School of Economics at Renmin University of China.

LIU Yeqiao *(Non-executive Director)*
Age 53: a non-executive director of the Company with effect from 19 December 2014. Mr Liu has been a non-executive director of CITIC Group Corporation and CITIC Corporation Limited since September 2014. He was an employee of Trucking Company and the Transportation Bureau of Jurong County in Jiangsu Province. He joined the Ministry of Finance ("MOF") in July 1991, and until October 2007 served successively as officer, senior staff, deputy director of the Policy Division of the Industrial Transport Department; officer, associate researcher and deputy director and researcher of the General Division of the Finance Department; deputy director-general of the Department of Finance of Yunnan Province from October 2007 to October 2009; and a non-executive director of The People's Insurance Company (Group) of China Limited from September 2009 to March 2014. Mr Liu is a senior accountant. He graduated from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1991 with a master's degree in accounting. He also obtained a master's degree in accounting from The George Washington University in May 2000 and a doctoral degree in economics from the Research Institute for Fiscal Science, MOF in August 2003.

Alexander Reid HAMILTON *(Independent Non-executive Director)*
Age 73: an independent non-executive director of the Company since 1994. Mr Hamilton is a member of the audit and risk management committee, the remuneration committee and the nomination committee. He is also an independent non-executive director of Shangri-La Asia Limited, Esprit Holdings Limited, COSCO International Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited and JP Morgan China Region Fund Inc. (formerly known as JF China Region Fund, Inc.). He was a partner of PricewaterhouseCoopers. Mr Hamilton will retire as director by rotation at the forthcoming annual general meeting to be held on 2 June 2015 pursuant to Article 104(A) of the Company's Articles of Association, and will not offer himself for re-election. Accordingly, he will resign as a member of the audit and risk management committee, the remuneration committee and the nomination committee.

Francis SIU Wai Keung *(Independent Non-executive Director)*
Age 60: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of both the audit and risk management committee and the remuneration committee, and a member of the nomination committee and the special committee. He is an independent non-executive director of GuocoLand Limited, China Communications Services Corporation Limited, Hop Hing Group Holdings Limited, Shunfeng Photovoltaic International Limited, China Huishan Dairy Holdings Company Limited and CGN Power Co. Ltd. He ceased to act as an independent non-executive director of Beijing Hualian Hypermarket Co., Ltd. with effect from the conclusion of its extraordinary general meeting held on 17 March 2015. He was an independent non-executive director of Hua Xia Bank Co., Limited. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China.

XU Jinwu *(Dr.-Ing.) (Independent Non-executive Director)*
Age 65: an independent non-executive director of the Company since 2012. Dr Xu is a member of the nomination committee. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

Anthony Francis NEOH *(Independent Non-executive Director)*
Age 68: an independent non-executive director of the Company with effect from 19 December 2014. Mr Neoh currently serves as a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). He previously served as Chief Advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, Chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was Chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of Hong Kong. Mr Neoh is an independent non-executive director of China Life Insurance Company Limited. He was a non-executive director of Global Digital Creations Holdings Limited. He also served as an independent non-executive director of the Link Management Limited, Manager of the Link Real Estate Investment Trust, China Shenhua Energy Company Limited and Bank of China Limited.

LEE Boo Jin *(Independent Non-executive Director)*
Age 44: an independent non-executive director of the Company with effect from 19 December 2014. Ms Lee is currently the President and Chief Executive Officer of Hotel Shilla Co., Ltd., the President of Corporate Strategy for Cheil Industries (formerly Samsung Everland) and an advisor of Samsung C&T Corporation. All three companies hereinbefore are affiliates of the Samsung Group. Ms Lee graduated from Yonsei University with a Bachelor of Science degree in 1994.

Senior Management

ZHU Xiaohuang

Age 58: a vice chairman of the executive committee of the Company with effect from 26 September 2014. Mr Zhu is currently chairman of the supervisory board of CITIC Group Corporation. He was formerly deputy director of the General Office, deputy director of Credit Division I, and deputy director-general of the Credit Management Department of China Construction Bank; deputy general manager of China Construction Bank Liaoning Branch; director-general of the Business Department of China Construction Bank; general manager of China Construction Bank Guangdong Branch; director-general of the Corporate Business Department, chief risk officer, vice president and executive director of China Construction Bank; vice president of CITIC Corporation Limited, and chief executive officer and president of China CITIC Bank. Mr Zhu has been in the banking industry for 32 years and has extensive theoretical knowledge and practical experience in banking management and risk management. Mr Zhu is a senior economist. He graduated from the Lingnan College of Sun Yat-Sen University with a graduate diploma in world economics and a PhD in economics.

JU Weimin

Age 51: from 26 September 2014 to 9 April 2015, Mr Ju has served as vice president, chief financial officer and a member of the executive committee and special committee of the Company and he is currently deputy chairman and non-executive director of Asia Satellite Telecommunications Holdings Limited, and non-executive director of CITIC Securities Company Limited. He was formerly vice president, chief financial officer of CITIC Corporation Limited, chairman of CITIC Trust Co., Ltd, and CITIC Resources Holdings Co., Ltd; director, vice president, chief financial officer and director-general of the Finance Department of CITIC Group. Mr Ju has over 20 years' experience in finance and industry, and has extensive knowledge and experience in corporate group financial management, risk management and control, investment and financing. Mr Ju graduated from Renmin University of China with a master's degree in economics.

FENG Guang

Age 57: a member of the executive committee of the Company with effect from 26 September 2014. Mr Feng is currently secretary of the Party Discipline Inspection Commission of CITIC Group Corporation. He was formerly deputy division chief, division chief and deputy director of the Second Department of Case Investigation, and deputy director of the Seventh Department of Case Investigation of the Ministry of Supervision of the People's Republic of China. Mr Feng has worked in discipline supervision for many years and has extensive practical experience in clean government practices and anti-corruption, human resources management, compliance governance, and corporate culture establishment. Mr Feng graduated from the Graduate School of the Central Party School with a master's degree in jurisprudence.

LI Qingping

Age 52: vice president and a member of the executive committee of the Company with effect from 26 September 2014. Ms Li is currently vice president of CITIC Corporation Limited and executive director and president of CITIC Bank. She was formerly general manager of the International Department of Agricultural Bank of China, general manager of Guangxi Branch, and director of the Retail Business Department. Ms Li is a senior economist who has 30 years' experience in the banking industry, with particular emphasis on international business and retail business. She graduated from the International Finance Programme at Nankai University with a master's degree in economics.

PU Jian

Age 56: vice president and a member of the executive committee of the Company with effect from 26 September 2014. Mr Pu was formerly vice president of CITIC Securities Co., Ltd; vice chairman of China Offshore Helicopter Co., Ltd; president of CITIC Offshore Helicopter Co., Ltd; director of CITIC Group; president and chairman of CITIC Trust Co., Ltd; and vice president of CITIC Corporation Limited. He has held management positions in the financial industry and the general aviation industry for many years, and has over 20 years' experience in financial institutions, particularly in the securities and trust fields. Mr Pu is a senior economist and a graduate of Fordham University with a master's degree in business administration.

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2014.

Very Substantial Acquisition

Acquisition of 100% of the total issued share capital of CITIC Corporation Limited (formerly known as CITIC Limited)

On 16 April 2014, the Company, CITIC Group Corporation ("CITIC Group", the ultimate controlling shareholder of the Company) and Beijing CITIC Enterprise Management Co., Ltd. ("CITIC Enterprise Management") entered into a share transfer agreement pursuant to which the Company conditionally agreed to acquire, and CITIC Group and CITIC Enterprise Management conditionally agreed to sell, 100% of the total issued share capital of CITIC Corporation Limited at a consideration of RMB226,995,660,900 (the "Acquisition"). The consideration of the Acquisition was satisfied partly by issuing new shares of the Company to CITIC Group's designated wholly-owned subsidiaries ("Share Consideration") and partly in cash raised by placing new shares of the Company to investors as well as from other internal resources ("Cash Consideration"). Details of the Acquisition are set out in the Company's announcement dated 16 April 2014 and circular dated 14 May 2014.

After all the conditions having been satisfied, completion of the Acquisition took place on 25 August 2014 ("Completion"). On Completion, (i) 5,348,170,470 shares and 11,953,595,000 shares were allotted and issued at HK$13.48 per share to CITIC Glory Limited and CITIC Polaris Limited (both are wholly-owned subsidiaries of CITIC Group) respectively which constitute the Share Consideration portion; and (ii) a total of 3,952,114,000 shares were allotted and issued at the placing price of HK$13.48 per share to 27 investors pursuant to the respective share subscription agreements entered into between each investor and the Company. The proceeds raised from the share subscription together with other internal resources amounted to HK$53,357,554,905 were paid to CITIC Group as Cash Consideration. Details of the share subscription are set out in the Company's announcements dated 14 May 2014, 17 June 2014 and 14 July 2014.

Upon Completion, CITIC Group's controlling interest in the Company increased from approximately 57.508% to approximately 77.9%. Details of the completion of the Acquisition are set out in the Company's announcement dated 25 August 2014.

Change of Company Name, Logo, Equity Stock Short Name and Company Website

Subsequent to the Completion and pursuant to the special resolution of the Company passed by the shareholders on 3 June 2014 and the issue of the Certificate of Change of Name by the Registrar of Companies on 26 August 2014, the name of the Company has been changed from CITIC Pacific Limited 中信泰富有限公司 to CITIC Limited 中國中信股份有限公司 with effect from 26 August 2014.

In connection with the change of the Company's name, the shares of the Company have been traded on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the new English equity stock short name of "CITIC" and the new Chinese equity stock short name of "中信股份" with effect from 1 September 2014. The equity stock code of the Company remains unchanged as "00267". The stock short names and stock codes of the Company's debt securities remain unchanged. The Company has also changed its logo to and its website to www.citic.com. Further details are set out in the Company's announcement dated 27 August 2014.

Principal Activities

After the acquisition of CITIC Corporation Limited, the Company has become China's largest conglomerate. The principal activity of the Company is investment holding and its subsidiaries are engaged in financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure as well as other businesses both in China and overseas.

Dividends

The directors declared an interim dividend of HK$0.015 per share for the year ended 31 December 2014 which was paid on 10 October 2014. The directors are recommending to shareholders at the forthcoming annual general meeting the payment of a final dividend of HK$0.20 per share in respect of the year ended 31 December 2014, payable on 19 June 2015 to shareholders on the Register of Members at the close of business on 10 June 2015. This represents a total distribution for the year of HK$5,355 million.

Share Premium and Reserves

Movements in the share premium and reserves of the Company and the Group during the year are set out in Note 45 to the consolidated financial statements.

Donations

Donations made by the Company and its subsidiary companies during the year are set out in the Environmental, Social and Governance Report.

Fixed Assets

Movements in fixed assets during the year are set out in Note 33 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate percentage of purchases from the Company and its subsidiary companies' five largest suppliers is less than 30%. The aggregate percentage of sales to the Company and its subsidiary companies five largest customers is less than 30%.

None of the directors, their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The name of the principal subsidaries, the place of incorporation and shares issued are set out in Note 57 to the consolidated financial statements.

Borrowings, Debt Instruments Issued and Perpetual Capital Securities

Particulars of borrowings, debt instruments issued and perpetual capital securities of the Company and its subsidiary companies as at 31 December 2014 are set out in Notes 42, 43 and 45 to the consolidated financial statements.

Directors

The directors of the Company as at the date of this report are:

Executive Directors	
Mr Chang Zhenming *(Chairman)*	
Mr Wang Jiong *(Vice Chairman and President)*	*(appointed on 26 September 2014)*
Mr Dou Jianzhong *(Vice President)*	*(appointed on 26 September 2014)*
Mr Zhang Jijing	
Non-executive Directors	
Mr Yu Zhensheng	*(appointed on 26 September 2014)*
Mr Yang Jinming	*(appointed on 26 September 2014)*
Ms Cao Pu	*(appointed on 26 September 2014)*
Mr Liu Zhongyuan	*(appointed on 26 September 2014)*
Mr Liu Yeqiao	*(appointed on 19 December 2014)*
Independent Non-executive Directors	
Mr Alexander Reid Hamilton	
Mr Francis Siu Wai Keung	
Dr Xu Jinwu	
Mr Anthony Francis Neoh	*(appointed on 19 December 2014)*
Ms Lee Boo Jin	*(appointed on 19 December 2014)*

Messrs Vernon Francis Moore, Liu Jifu and Zeng Chen resigned as executive directors of the Company with effect from 26 September 2014. Messrs Ju Weimin, Yin Ke and Carl Yung Ming Jie resigned as non-executive directors of the Company with effect from 26 September 2014. Mr Gregory Lynn Curl was re-designated from an independent non-executive director to a non-executive director with effect from 25 August 2014 and subsequently resigned on 26 September 2014. Mr André Desmarais retired as a non-executive director at the annual general meeting held on 14 May 2014. Mr Peter Kruyt also ceased to act as the alternate director to Mr André Desmarais accordingly.

Pursuant to Article 95 of the articles of association of the Company, Mr Wang Jiong, Mr Dou Jianzhong, Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu, Mr Liu Zhongyuan, Mr Liu Yeqiao, Mr Anthony Francis Neoh and Ms Lee Boo Jin who have been appointed during the year shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of the Company and then shall be eligible for re-election at such meeting. All of the above directors were re-elected at the extraordinary general meeting held on 16 March 2015.

Pursuant to Article 104(A) of the Company's articles of association, Messrs Chang Zhenming, Zhang Jijing, Alexander Reid Hamilton, Francis Siu Wai Keung and Dr Xu Jinwu shall retire by rotation at the forthcoming annual general meeting to be held on 2 June 2015 ("2015 AGM"). Except for Mr Alexander Reid Hamilton who will not seek re-election after his retirement at the 2015 AGM, all the other directors, being eligible, offer themselves for re-election at the 2015 AGM.

Biographical details of the existing directors are set out on pages 102 to 105.

Management Contract

The Company entered into a management agreement with CITIC Hong Kong (Holdings) Limited ("CITIC HK") on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to the Company and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Chang Zhenming, Wang Jiong and Zhang Jijing had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the 2015 AGM.

Directors' Interests in Contracts of Significance

Save as disclosed in the sections headed "Connected Transactions" and "Non-exempt Continuing Connected Transactions" below and in the section headed "Material Related Party Transactions" in Note 49 to the consolidated financial statements, none of the directors of the Company has, or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with the Company, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies, which was significant in relation to the business of the Company, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Related Party Transactions

The Company and its subsidiary companies entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Related Parties Transactions", the details of which are set out in Note 49 to the consolidated financial statements of the Company. Some of these transactions also constitute "Connected Transactions" and "Continuing Connected Transactions" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in the Annual Report and consolidated financial statements of the Company. The full text of each announcement can be found on http://www.citic.com/InvestorRelations/Announcements.

1. On 16 April 2014, the Company, CITIC Group Corporation ("CITIC Group") and Beijing CITIC Enterprise Management Co., Ltd. entered into a share transfer agreement ("Share Transfer Agreement") pursuant to which the Company conditionally agreed to acquire 100% of the total issued share capital of CITIC Corporation Limited (formerly known as CITIC Limited) (the "Acquisition"). The transfer consideration paid by the Company, as adjusted according to the Share Transfer Agreement, was RMB226,995,660,900 (approximately HK$286,585,353,400), which was satisfied through a combination of cash consideration ("Cash Consideration") and share consideration ("Share Consideration"). The Cash Consideration was financed by the Company through internal resources and placing of new shares to investors. The Share Consideration was satisfied by the issue of new shares to CITIC Group's designated wholly-owned subsidiaries.

   CITIC Group is the controlling shareholder of the Company and is therefore a connected person of the Company. The Acquisition constituted a connected transaction for the Company under the Listing Rules and was subject to the independent shareholders' approval.

   The Acquisition was completed on 25 August 2014.

2. On 16 May 2014, 揚州泰富港務有限公司 (Yangzhou Pacific Port Co., Ltd.,) ("Yangzhou Pacific", a wholly-owned subsidiary of the Company) entered into the EPC Main Contractor Contract (the "General Contract") with 洛陽礦山機械工程設計研究院有限責任公司 (Luoyang Mining Machinery Engineering Design Institute Co., Ltd.) ("Luoyang Mining", a wholly-owned subsidiary of CITIC Heavy Industries Co., Ltd., "CITIC Heavy Industries")) as the main contractor for the entire design, purchasing, construction, project management and technical services in respect of the processing facility for three million tonnes of iron ore in Jiangdu District, Yangzhou City, Jiangsu Province, the People's Republic of China. Yangzhou Pacific and Luoyang Mining also entered into the Design and Technical Services Contract, Facilities Construction, Purchase and Transportation Contract, Construction and Installation Project Contract, each of which formed part of the General Contract. The term of services provided under the General Contract was for 8 months from May 2014 to December 2014 and the total consideration was RMB356,000,000 (approximately HK$449,000,000).

   As at the date of signing the General Contract, CITIC Heavy Industries was a subsidiary of CITIC Group (the controlling shareholder of the Company) and therefore Luoyang Mining was a connected person of the Company. After completion of the Acquisition as mentioned in item (1) above, CITIC Heavy Industries and thus Luoyang Mining became a subsidiary and wholly-owned subsidiary of the Company respectively and therefore the General Contract and similar transactions after that time did not constitute connected transactions under the Listing Rules.

3. On 16 May 2014, Sino Iron Pty Ltd ("Sino Iron"), a wholly-owned subsidiary of the Company, entered into a contract (the "Equipment Supply Contract") with CITIC Heavy Industries for the design optimisation and fabrication of a non-standard steel structure and mill thunderbolt support for lines 3 to 6 of the Sino Iron Project by CITIC Heavy Industries at the total contract sum of US$10,563,765.6 (approximately HK$82,397,371.7).

   As at the date of signing the Equipment Supply Contract, CITIC Heavy Industries was a subsidiary of CITIC Group (the controlling shareholder of the Company) and therefore a connected person of the Company. After completion of the Acquisition as mentioned in item (1) above, CITIC Heavy Industries became a subsidiary of the Company and therefore similar transactions after that time did not constitute connected transactions under the Listing Rules.

4. On 22 July 2014, Sino Iron entered into an agreement (the "Pinion Assembly Spares and VSD and E-house Contract") with CITIC Heavy Industries for the procurement of Pinion Assembly Spares and VSD and E-house used for the construction of production lines 3 to 6 of the Sino Iron Project and optimization of production process in these production lines at the total contract sum of US$3,310,100 (approximately HK$25,818,780).

   As at the date of signing the Pinion Assembly Spares and VSD and E-house Contract, CITIC Heavy Industries was a subsidiary of CITIC Group (the controlling shareholder of the Company) and therefore a connected person of the Company. After completion of the Acquisition as mentioned in item (1) above, CITIC Heavy Industries became a subsidiary of the Company and therefore similar transactions after that time did not constitute connected transactions under the Listing Rules.

5. On 20 January 2015, the Company, CITIC Group (the controlling shareholder of the Company), Chia Tai Bright Investment Company Limited ("CT Bright"), CPG Overseas Company Limited ("CPG") and ITOCHU Corporation ("ITOCHU") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which, the Company agreed to allot and issue, and CT Bright agreed to subscribe for 3,327,721,000 fully paid convertible preferred shares of the Company for a total consideration of HK$45,922,549,800 (the "Subscription"). On the same date, CITIC Polaris Limited (a wholly-owned subsidiary of CITIC Group), CITIC Group, CT Bright, CPG and ITOCHU entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which CITIC Polaris Limited agreed to sell and CT Bright agreed to purchase 2,490,332,363 shares of the Company, representing 10% of the total issued share capital of the Company as at the date of signing the Share Purchase Agreement, for a total consideration of HK$34,366,586,609 (the "Share Purchase"). Whilst CT Bright was not a connected person of the Company when it entered into the Subscription Agreement, completion of the Subscription is, amongst other things, conditional upon the completion of the Share Purchase. Accordingly, the proposed transaction contemplated under the Subscription Agreement was treated as a connected transaction for the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

   Completion of the Share Purchase is expected to take place on the tenth business day after relevant conditions precedent having been satisfied or waived in accordance with the terms of the Share Purchase Agreement, and the Subscription is required to be completed on the 185th day after the completion of the Share Purchase or the tenth business day after relevant conditions precedent having been satisfied or waived in accordance with the terms of the Subscription Agreement (whichever occurs later).

Non-Exempt Continuing Connected Transactions

Set out below is information in relation to certain non-exempt continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company. The full text of each announcement can be found on http://www.citic.com/InvestorRelations/Announcements.

1. In the ordinary and usual course of business, the Company and its subsidiaries maintain bank balances with China CITIC Bank Corporation Limited ("CITIC Bank") and China CITIC Bank International Limited ("China CITIC Bank International") on normal commercial terms. On 6 May 2010, the Company entered into a master agreement with CITIC Bank and China CITIC Bank International setting out that the bank balances and deposits maintained by the Group with CITIC Bank and China CITIC Bank International would be no more than HK$1,400,000,000 in aggregate on any given day for the period from 31 May 2010 to 31 December 2010 and the two years ended 31 December 2011 and 31 December 2012.

   The Group continued with the bank deposit arrangements with CITIC Bank and its relevant subsidiaries after 31 December 2012. On 28 December 2012, the Company entered into a new master agreement with CITIC Bank for the period commencing on 1 January 2013 in respect of the continuing bank deposit arrangements with CITIC Bank and its relevant subsidiaries setting out that the aggregate maximum bank balance maintained by the Group with CITIC Bank and its relevant subsidiaries on any given day for the two years ended 31 December 2013 and 31 December 2014 and the year ending 31 December 2015 will not exceed HK$1,400,000,000.

   As at the date of signing the master agreement and the new master agreement, CITIC Bank was a subsidiary of CITIC Group (the controlling shareholder of the Company) and therefore a connected person of the Company prior to the acquisition of 100% of the total issued share capital of CITIC Corporation Limited (formerly known as CITIC Limited) on 25 August 2014. After completion of such acquisition, CITIC Bank became a subsidiary of the Company and therefore the bank deposit arrangements with CITIC Bank and its relevant subsidiaries after that time did not constitute continuing connected transactions under the Listing Rules. The compliance report is therefore reporting on the transactions with CITIC Bank for the year 2014 prior to completion of the aforesaid acquisition.

The aggregate bank balances maintained by the Group with CITIC Bank and its relevant subsidiaries totalled approximately HK$1,054,000,000 for the period from 1 January 2014 to 24 August 2014. This sum did not include the sum of RMB496,000,000 (equivalent to approximately HK$624,000,000) which was received in escrow account maintained with CITIC Bank for receiving funds in respect of the disposal of a property located in the Shanghai World Expo site to CITIC Bank as set out in the Company's announcement dated 29 October 2013 (which was a separate transaction).

2. On 30 September 2014, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CITIC Group (the controlling shareholder of the Company) setting out the basis upon which members of the Group continue to carry out the transactions contemplated under the Framework Agreements with CITIC Group and/or its associates upon completion of the acquisition of 100% of the total issued share capital of CITIC Corporation Limited on 25 August 2014. CITIC Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore the entering into of the Framework Agreements by the Company and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

    (a) Sales Framework Agreement ("Sales FA") – sale of manganese ore by the Group to CITIC Group and/or its associates

    The Sales FA has a term commencing from 25 August 2014 and ending on 31 December 2016. The annual caps for the transactions under the Sales FA for the year ended 31 December 2014 and two years ending 31 December 2015 and 31 December 2016 are set at RMB600,000,000, RMB660,000,000 and RMB720,000,000 respectively.

    (b) Advertising and Promotion Framework Agreement ("Advertising and Promotion FA") – provision of advertising and promotion services by the Group to CITIC Group and/or its associates

    The Advertising and Promotion FA has a term commencing from 25 August 2014 and ending on 31 December 2014. The annual cap for the transactions under the Advertising and Promotion FA for the year ended 31 December 2014 is set at RMB400,000,000.

    (c) Financial Assistance Framework Agreement ("Financial Assistance FA") – financial assistance provided by the Group to CITIC Group and/or its associates

    The Financial Assistance FA has a term commencing from 25 August 2014 and ending on 31 December 2016. The annual caps for the financial assistance under the Financial Assistance FA for the year ended 31 December 2014 and two years ending 31 December 2015 and 31 December 2016 are set at RMB1,900,000,000, RMB2,400,000,000 and RMB2,700,000,000 respectively.

    The transaction amounts under the Sales FA, the Advertising and Promotion FA and the Financial Assistance FA for the year ended 31 December 2014 were approximately RMB355,490,521.81, RMB315,000,000.00 and RMB1,100,000,000.00 respectively.

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2014 (the "Transactions") and confirm that

a. the Transactions have been entered into in the ordinary and usual course of business of the Group;

b. the Transactions have been entered into on normal commercial terms or better; and

c. the Transactions were entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 112 to 113 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Share Option Plan Adopted by the Company

CITIC Pacific Share Incentive Plan 2000

The Company adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 which expired on 30 May 2010. The major terms of the Plan 2000 are as follows:

1. The purpose of the Plan 2000 is to promote the interests of the Company and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of the Company, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Company.

2. The participants of the Plan 2000 are any director, executive or employee of the Company or its subsidiaries as invited by the board.

3. The maximum number of shares over which options may be granted under the Plan 2000 shall not exceed 10% of (i) the Company's shares in issue from time to time or (ii) the Company's shares in issue as at the date of adopting the Plan 2000, whichever is the lower.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

5. The exercise period of any option granted under the Plan 2000 must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The exercise price determined by the board will be at least the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

8. The life of the Plan 2000 is ten years.

The Plan 2000 ended on 30 May 2010.

During the period between the adoption of the Plan 2000 and its expiry, the Company has granted six lots of share options:

Date of grant	Number of share options	Exercise price per share HK$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00
14 January 2010	880,000	20.59

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

All share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share, HK$47.32 per share, HK$22.00 per share and HK$20.59 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011, 15 October 2012, 18 November 2014 and 13 January 2015 respectively.

None of the share options granted under the Plan 2000 were exercised or cancelled, but options for 12,180,000 shares have lapsed during the year ended 31 December 2014. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2014 is as follows:

A. Directors

		Number of share options					
Name of director	Date of grant	Exercise price HK$	Balance as at 01.01.14	Exercised/ cancelled during the year ended 31.12.14	Lapsed during the year ended 31.12.14	Balance as at 31.12.14	Approximate percentage to the number of issued shares
Chang Zhenming	19.11.09	22.00	600,000	–	600,000	–	–
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	–	–
Vernon Francis Moore	19.11.09	22.00	500,000	–	500,000	N/A *(Note)*	N/A *(Note)*
Liu Jifu	19.11.09	22.00	500,000	–	500,000	N/A *(Note)*	N/A *(Note)*
Carl Yung Ming Jie	19.11.09	22.00	500,000	–	500,000	N/A *(Note)*	N/A *(Note)*

Note:
Messrs Vernon Francis Moore, Liu Jifu and Carl Yung Ming Jie resigned as directors with effect from 26 September 2014.

B. Employees working under continuous contracts (as defined in the Employment Ordinance), other than the directors

Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.14	Exercised/ cancelled during the year ended 31.12.14	Lapsed during the year ended 31.12.14	Balance as at 31.12.14
19.11.09	22.00	8,210,000	–	8,210,000	–
14.01.10	20.59	400,000	–	–	400,000

C. Others

Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.14	Exercised/ cancelled during the year ended 31.12.14	Lapsed during the year ended 31.12.14	Balance as at 31.12.14
19.11.09	22.00	2,670,000 (Note)	–	2,670,000	–
14.01.10	20.59	200,000 (Note)	–	200,000	–

Note:
These are in respect of share options granted to former directors or employees under continuous contracts, who have subsequently retired or resigned.

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The major terms of the Plan 2011 are as follows:

1. The purpose of the Plan 2011 is to promote the interests of the Company and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Group.

2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Company as the board may in its discretion select.

3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 24 March 2015, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.

5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The subscription price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.

8. The Plan 2011 shall be valid and effective until 11 May 2021.

No share options were granted under the Plan 2011 during the year ended 31 December 2014.

Share Option Plan Adopted by Subsidiaries of the Company

CITIC Telecom International Holdings Limited ("CITIC Telecom") *(became a subsidiary of the Company with effect from 25 August 2014)*

CITIC Telecom adopted a share option plan (the "CITIC Telecom Share Option Plan") on 17 May 2007. The major terms of the CITIC Telecom Share Option Plan are as follows:

1. The purpose of the CITIC Telecom Share Option Plan is to attract and retain the best quality personnel for the development of CITIC Telecom's businesses; to provide additional incentives to CITIC Telecom Directors and CITIC Telecom Employees (both as defined here below); and to promote the long term financial success of CITIC Telecom by aligning the interests of grantees to shareholders of CITIC Telecom.

2. The grantees of the CITIC Telecom Share Option Plan are any person employed by CITIC Telecom or any of its subsidiaries (the "CITIC Telecom Employees") and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries (the "CITIC Telecom Directors") as the board of CITIC Telecom may, in its absolute discretion, select.

3. The total number of shares of CITIC Telecom (the "CITIC Telecom Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC Telecom Shares in issue. Where any further grant of options to a grantee would result in the CITIC Telecom Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the CITIC Telecom Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Telecom in general meeting.

4. The exercise period of any option granted under the CITIC Telecom Share Option Plan must not be more than ten years commencing on the date of grant.

5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

6. The subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of CITIC Telecom's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

7. The CITIC Telecom Share Option Plan shall be valid and effective till 16 May 2017.

As approved at the annual general meeting of CITIC Telecom held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the CITIC Telecom Share Option Plan, the total number of the CITIC Telecom Shares which may be issued upon the exercise of all options to be granted under the CITIC Telecom Share Option Plan, together with all outstanding options granted and yet to be exercised under the CITIC Telecom Share Option Plan, shall not exceed 333,505,276 CITIC Telecom Shares, being 10% of the number of the CITIC Telecom Shares in issue as at the date of approval of the refreshment of the mandate limit. As at 24 March 2015, the maximum number of CITIC Telecom Shares available for issue under the CITIC Telecom Share Option Plan is 130,445,919, representing approximately 3.89% of the CITIC Telecom Shares in issue.

Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54
26 June 2013	81,347,000	26 June 2013 to 25 June 2018	2.25

Upon completion of the rights issue of CITIC Telecom on 7 June 2013, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of CITIC Telecom as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before Adjustments		After Adjustments	
Date of grant	Number of outstanding share options	Exercise price per share HK$	Number of outstanding share options	Exercise price per share HK$
17 September 2009	19,451,000	2.10	21,438,072	1.91
19 August 2011	32,332,500	1.54	35,635,462	1.40

The grantees were CITIC Telecom Directors or CITIC Telecom Employees. None was granted to the directors, chief executive or substantial shareholders of the Company.

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009, options for 200,000 shares granted on 19 August 2011 and options for 660,000 shares granted on 26 June 2013. The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012. The remaining options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

During the year ended 31 December 2014, options for 32,432,054 shares were exercised and options for 599,587 shares have lapsed, but save as disclosed above, none of the options granted was cancelled.

In addition, as announced by CITIC Telecom, on 24 March 2015, options to subscribe for a total of 87,512,500 shares were granted under the CITIC Telecom Share Option Plan. The exercise price is HK$2.612 per share. The first 50% of the options granted and accepted is exercisable in whole or in part from 24 March 2016 to 23 March 2021 and the remaining 50% of the options granted and accepted is exercisable in whole or in part from 24 March 2017 to 23 March 2022. Such offer shall remain open for acceptance by the relevant grantees for a period of 28 days from the date of the offer.

Dah Chong Hong Holdings Limited ("DCH Holdings")

DCH Holdings adopted a share option scheme (the "DCHH Scheme") on 28 September 2007. The major terms of the DCHH Scheme are as follows:

(a) The purpose of the DCHH Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long term financial success of DCH Holdings by aligning the interests of grantees to DCH Holdings' shareholders.

(b) The participants of the DCHH Scheme are any employee of the DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.

(c) The maximum number of shares over which share options may be granted under the DCHH Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Hong Kong Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 24 March 2015, the maximum number of shares available for issue under the DCHH Scheme is 105,550,000, representing approximately 5.76% of the issued shares of DCH Holdings. Share options lapsed in accordance with the terms of the DCHH Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

(d) The total number of shares issued and to be issued upon exercise of share options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of DCH Holdings in issue.

(e) The exercise period of any share option granted under the DCHH Scheme must not be more than 10 years commencing on the date of grant.

(f) The acceptance of an offer of the grant of the share option must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee.

(g) The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of grant; and (ii) the average closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

(h) The DCHH Scheme shall be valid and effective till 27 September 2017, after which no further share options will be granted.

Since the adoption of the DCHH Scheme, DCH Holdings has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
07.07.2010	23,400,000	07.07.2010-06.07.2015	4.766
08.06.2012	24,450,000	08.06.2013-07.06.2017*	7.400
30.04.2014	28,200,000	30.04.2015-09.04.2019*	4.930

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 7 July 2010 was HK$4.69 per share. The remaining contractual life of the share options is 0.5 year.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 8 June 2012 was HK$7.49 per share. The remaining contractual life of the share options is 2.4 years.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 30 April 2014 was HK$4.91 per share. The remaining contractual life of the share options is 4.3 years.

The grantees were directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of the Company.

A summary of the movements of share options under the DCHH Scheme during the year ended 31 December 2014 is as follows:

	Number of share options				
Date of Grant	**Balance as at 1.1.14**	**Granted during the year ended 31.12.14**	**Lapsed/ cancelled during the year ended 31.12.14**	**Exercised during the year ended 31.12.14**	**Balance as at 31.12.14**
07.07.2010	6,140,000	–	100,000	–	6,040,000
08.06.2012	23,750,000	–	550,000	–	23,200,000
30.04.2014	–	28,200,000*	–	–	27,850,000

* Of the share options granted, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014).

The average fair value of the share options granted under the DCHH Scheme during the year ended 31 December 2014 measured at the date of grant on 30 April 2014 was HK$1.37 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$4.93
– Exercise price	HK$4.93
– Expected volatility of DCH Holdings' share price	40% per annum
– Share option life	5 years
– Expected dividend yield	3.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.22% per annum
– Early exercise assumption	Option holders will exercise when the share price is at least 160% of the exercise price
– Rate of leaving service during the exercise period	0.5% per annum

The volatility rate of the share price of DCH Holdings was determined with reference to the movement of DCH Holdings' historical share price as well as the trend of the volatility rate over recent years.

Taking into account the probability of leaving employment and early exercise behaviour, the expected life of the grant was estimated to be about 4.3 years.

The total expense recognised in DCH Holdings' income statement for the year ended 31 December 2014 in respect of the grant of the aforesaid 28,200,000 share options for the shares of DCH Holdings is approximately HK$13.8 million.

CITIC Resources Holdings Limited ("CITIC Resources")

CITIC Resources adopted a share option scheme on 30 June 2004 (the "Old Scheme") which expired on 29 June 2014. CITIC Resources had 400,000,000 share options outstanding under the Old Scheme, which represented 5.08% of CITIC Resources's shares in issue as at 13 February 2015. To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the "New Scheme").

Pursuant to the New Scheme, CITIC Resources may grant options to eligible participants to subscribe for shares in CITIC Resources subject to the terms and conditions stipulated therein. A summary of the New Scheme is as follows:

1. Purpose

   To allow CITIC Resources (a) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the CITIC Resources group attain its strategic objectives by offering share options to enhance general remuneration packages; (b) to align the interests of the directors and employees of the CITIC Resources group with the performance of CITIC Resources and the value of the shares; and (c) to align the commercial interests of business associates, customers and suppliers of the CITIC Resources group with the interests and success of the CITIC Resources group.

2. Eligible participants

   Being employees or directors of CITIC Resources or any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the CITIC Resources group.

3. Total number of shares available for issue under the New Scheme

   The total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the total number of shares of CITIC Resources in issue.

4. Maximum entitlement of each eligible participant

   The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of CITIC Resources in issue at the date of grant.

5. Period during which the shares must be taken up under an option

   The period during which an option may be exercised is determined by the board of directors of CITIC Resources at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.

6. Minimum period for which an option must be held before it can be exercised

   The minimum period for which an option must be held before it can be exercised is one year.

7. Basis of determining the exercise price

The exercise price payable in respect of each share must be at least the higher of (i) the closing price of the shares of CITIC Resources on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing prices of the shares of CITIC Resources on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

8. Remaining life of the New Scheme

The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the years ended 31 December 2013 and 2014, the movement of share options was as follows:

	2014 Number of share options	**2013 Number of share options**
At 1 January	400,000,000	35,058,779
Granted during the year	–	400,000,000
Exercised during the year	–	(2,790,000)
Lapsed during the year	–	(32,268,779)
At 31 December	400,000,000	400,000,000

The exercise prices and exercise periods of the share options outstanding as at 31 December 2014 were as follows:

	Number of share options	**Exercise price per share***	**Exercise period**
		HK$	
2014	200,000,000	1.770	06-11-2014 to 05-11-2018
	200,000,000	1.770	06-11-2015 to 05-11-2018
	400,000,000		
2013	200,000,000	1.770	06-11-2014 to 05-11-2018
	200,000,000	1.770	06-11-2015 to 05-11-2018
	400,000,000		

* The exercise price of the share options is subject to adjustment in case of a rights issue or bonus issue, or other similar changes in the share capital of CITIC Resources.

The grantees were directors or employees of CITIC Resources group. None were granted to the directors, chief executives or substantial shareholders of the Company.

Directors' Interests in Securities

As at 31 December 2014, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 352 of the SFO were as follows:

1. Shares in associated corporation of the Company

CIAM Group Limited

	Number of shares as at 31 December 2014	
Name of director	Personal interests unless otherwise stated	Approximate percentage to the number of issued shares of the associated corporation
Dou Jianzhong	1,250,000 (Note)	0.133

Note: As Mr Dou Jianzhong has accepted the conditional offer by FDG Electric Vehicles Limited ("FDG") and accordingly all his interests in CIAM Group Limited has ceased on 6 February 2015 in exchange for the convertible bonds of FDG.

2. Share options in the Company

The interests of the directors of the Company in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section headed "Share Option Plan Adopted by the Company".

3. Share options in associated corporation of the Company

CIAM Group Limited

				Number of share options			
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.14	Exercised during the year ended 31.12.14	Lapsed during the year ended 31.12.14	Balance as at 31.12.14
Dou Jianzhong	09.09.09	1.79	09.09.11 - 08.09.14	1,250,000	–	1,250,000	–
	15.04.13	1.00	15.04.14 - 14.04.16	1,250,000	1,250,000	–	–

Save as disclosed above, as at 31 December 2014, none of the directors of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Listing Rules.

Other than as stated above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Substantial Shareholders

As at 31 December 2014, substantial shareholders of the Company (other than directors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Approximate percentage to the number of issued shares
CITIC Group Corporation ("CITIC Group")	19,400,501,755	77.90
CITIC Polaris Limited ("CITIC Polaris")	11,953,595,000	48.00
CITIC Glory Limited ("CITIC Glory")	7,446,906,755	29.90
National Council for Social Security Fund	1,246,290,000	5.00

Note:
CITIC Group is the direct holding company of CITIC Polaris and CITIC Glory. Accordingly, the interest of CITIC Group in the Company duplicates the interest of CITIC Polaris and CITIC Glory in the Company.

On 20 January 2015, the Company entered into a subscription agreement with CITIC Group, Chia Tai Bright Investment Company Limited ("CT Bright"), CPG Overseas Company Limited ("CPG") and ITOCHU Corporation ("ITOCHU"), details of which are set out in the Company's announcement dated 20 January 2015. The following parties have filed the notice to the Company and the Hong Kong Stock Exchange on 23 January 2015 in respect of their interests as required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Nature of interest/capacity	Number of shares of the Company	Approximate percentage to the number of issued shares
CITIC Group (Note 1)	Interests in controlled corporation and interests in a section 317 concert party agreement	28,795,309,118 (Long position)	115.63
		2,490,332,363 (Short position)	10.00
CITIC Glory (Note 2)	Beneficial owner	7,446,906,755 (Long position)	29.90
CITIC Polaris (Note 3)	Beneficial owner and interests in a section 317 concert party agreement	21,348,402,363 (Long position)	85.72
		2,490,332,363 (Short position)	10.00

Name	Nature of interest/capacity	Number of shares of the Company	Approximate percentage to the number of issued shares
CT Bright (Note 4)	Beneficial owner and interests in a section 317 concert party agreement	22,977,255,755 (Long position) 5,818,053,363 (Short position)	92.26 23.36
CT Brilliant Investment Holdings Limited (Note 5)	Interests in controlled corporation and interests in a section 317 concert party agreement	22,977,255,755 (Long position) 5,818,053,363 (Short position)	92.26 23.36
CPG (Note 6)	Interests in controlled corporation and interests in a section 317 concert party agreement	22,977,255,755 (Long position) 5,818,053,363 (Short position)	92.26 23.36
ITOCHU (Note 7)	Interests in controlled corporation and interests in a section 317 concert party agreement	22,977,255,755 (Long position) 5,818,053,363 (Short position)	92.26 23.36

Note:

1. CITIC Group is deemed to be interested in 28,795,309,118 Shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (11,953,595,000 Shares) and CITIC Glory (7,446,906,755 Shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Subscription Agreement which, reading together, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

   CITIC Group also has a short position of 2,490,332,363 Shares because it is required under the SFO to attribute the short position of CITIC Polaris, which arises because CITIC Polaris has an obligation to deliver 2,490,332,363 Shares to CT Bright upon the Share Purchase Completion Date.

2. CITIC Glory is beneficially interested in 7,446,906,755 shares of the Company.

3. CITIC Polaris is deemed to be interested in 21,348,402,363 Shares: (i) by including 11,953,595,000 Shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Subscription Agreement, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

   CITIC Polaris has a short position of 2,490,332,363 Shares because it is under an obligation to deliver those Shares to CT Bright upon the Share Purchase Completion Date.

4. CT Bright is deemed to be interested in 22,977,255,755 Shares: (i) by including 249,033,000 Shares it holds as beneficial owner; (ii) by including 2,490,332,363 Shares CT Bright has agreed to purchase from CITIC Polaris under the Share Purchase Agreement as beneficial owner; (iii) by including 3,327,721,000 Preferred Shares CT Bright has agreed to subscribe for under the Subscription Agreement which is convertible to a maximum of 3,327,721,000 Shares upon the full conversion of the Preferred Shares as beneficial owner; and (iv) because CT Bright is a party to the Share Purchase Agreement and the Subscription Agreement which, reading together, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

   CT Bright has a short position of 5,818,053,363 Shares because it is under an obligation to deliver a maximum of 5,818,053,363 Shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.

5. CT Brilliant Investment Holdings Limited is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

6 CPG is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant Investment Holdings Limited, its wholly-owned subsidiary.

7. ITOCHU is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

Shareholding Statistics

Based on the share register records of the Company, set out below is a shareholding statistics chart of the registered shareholders of the Company as at 31 December 2014:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,159	51.4664
1,001 to 10,000	3,073	38.0274
10,001 to 100,000	772	9.5532
100,001 to 1,000,000	66	0.8167
1,000,001 to 100,000,000	4	0.0494
100,000,001 to 500,000,000	2	0.0247
500,000,001 to 2,000,000,000	2	0.0247
2,000,000,001 above	3	0.0371
Total:	8,081	100

As at 31 December 2014, the total number of shares in issue of the Company was 24,903,323,630 and based on the share register records of the Company, HKSCC Nominees Limited held 5,007,070,558 shares in entities ranging from 1,000 to 100,000,000 shares and representing 20.106% of the total number of shares in issue of the Company.

Share Capital

On 25 August 2014, the Acquisition as mentioned in the preceding section "Very Substantial Acquisition" was completed whereby a total of 3,952,114,000 shares ("Placing Shares") were allotted and issued at the placing price of HK$13.48 per share to 27 investors pursuant to the respective share subscription agreements entered into between each investor and the Company. The gross and net proceeds raised from the placing were approximately HK$53.274 billion and HK$53.042 billion respectively, and an aggregate of 17,301,765,470 shares ("Consideration Shares") was allotted and issued at HK$13.48 per share to CITIC Glory Limited and CITIC Polaris Limited, both being wholly-owned subsidiaries of CITIC Group. The proceeds raised from the allotment and issue of Placing Shares and Consideration Shares were used to settle part of the consideration for the Acquisition.

Details of movements in the share capital of the Company during the year are set out in Note 45 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiary companies have purchased or sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Continuing Disclosure Requirements Pursuant to the Listing Rules

Rules 13.18 and 13.21 of the Listing Rules in relation to loan agreement with covenants relating to specific performance of the controlling shareholder

In September 2014, Shine Surplus Limited ("Shine Surplus" or the "Borrower"), an indirect wholly-owned subsidiary of the Company, as borrower, and CITIC Corporation Limited, as guarantor (the "Guarantor", a direct wholly-owned subsidiary of the Company), entered into a facility agreement (the "Facility Agreement") and related finance documents (including a guarantee from the Guarantor in favour of the facility agent for and on behalf of the syndicate) for a US$1,000,000,000 equivalent dual tranche term loan facility (the "Loan Facility") with a syndicate of banks. The Loan Facility has a term of 36 months and 60 months, respectively, commencing from the utilisation date for each tranche.

Pursuant to the Facility Agreement, it shall be an event of default if (i) the government of the People's Republic of China (the "PRC") is not or ceases to be (directly or indirectly through its subsidiaries) the beneficial owner of more than 50% of the issued share capital of the Guarantor; or (ii) the government of the PRC is not or ceases to maintain ultimate control of the Guarantor, and control for this purpose means the power to direct the management and the policies of the Guarantor whether through the ownership of voting capital, by contract or otherwise.

If an event of default under the Facility Agreement occurs, the facility agent may, and must if so instructed by the majority of the lenders, by notice to Shine Surplus: (i) cancel all or part of the total commitments; and/or (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and the related finance documents be immediately due and payable; and/or (iii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and the related finance documents be payable on demand by the facility agent acting on the instructions of the majority of the lenders. In case of an event of default under the Facility Agreement and if the Borrower or the Guarantor cannot successfully remedy or settle the default to the satisfaction of the majority of the lenders, it will trigger cross default under the existing loan agreements and guarantees of the Company (excluding the Guarantor and its subsidiaries) and the existing loan agreements and guarantees of the Guarantor.

As at 31 December 2014, there was no breach of the aforesaid covenants.

Sufficiency of Public Float

The Hong Kong Stock Exchange has granted a waiver (the "Waiver") to the Company from strict compliance with the minimum public float of 25% upon completion of the Acquisition as described in the preceding section headed "Very Substantial Acquisition". Pursuant to the Waiver, the Company has complied with the public float requirement which is at the higher of such a percentage (being 21.87%) of shares held by the public immediately after the completion of the Acquisition. Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Waiver.

Significant Subsequent Event

On 20 January 2015, the Company entered into a subscription agreement and agreed to allot and issue to Chia Tai Bright Investment Company Limited ("CT Bright") 3,327,721,000 fully paid convertible preferred shares of the Company for a total consideration of HK$45,922,549,800 (the "Subscription"). The Company's Articles of Association will be amended in light of the proposed creation of preferred shares of the Company. On the same day, CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group and one of the controlling shareholders of the Company, entered into a share purchase agreement and agreed to sell 2,490,332,363 fully paid shares of the Company to CT Bright for a total consideration of HK$34,366,586,609 (the "Share Purchase"). Completion of the Subscription is conditional upon the completion of the Share Purchase. Further details are set out in the Company's announcement dated 20 January 2015.

At the extraordinary general meeting of the Company held on 16 March 2015, the proposed Subscription and the amendment to the Company's Articles of Association were approved by the Company's shareholders.

At the date of this annual report, both the Share Purchase and the Subscription have not yet been completed as a number of other conditions precedent remain to be satisfied.

Auditor

The accounts for the year have been audited by Messrs KPMG, Certified Public Accountants, who will retire as auditor of the Company upon expiration of its term of office at the annual general meeting to be held on 2 June 2015 ("2015 AGM"). The board proposed to appoint, subject to approval of the shareholders at the 2015 AGM, Messrs PricewaterhouseCoopers, Certified Public Accountants, as auditor of the Company to hold office until the conclusion of the next annual general meeting.

By Order of the Board,
Chang Zhenming
Chairman
Hong Kong, 24 March 2015

Environmental, Social and Governance Report

At CITIC Limited, we operate our business as a responsible corporate citizen while remaining firmly committed to creating value for our shareholders. We not only comply with *the Environmental, Social and Governance Reporting Guide* of The Stock Exchange of Hong Kong Limited but also aim to incorporate the concept of sustainability into our business development strategies and day-to-day management and operation of our businesses. In 2014, we provided our staff an enabling development platform and safe workplaces, operated our business in an environmentally-friendly and resource-saving manner, and made strong efforts to minimise the impact of our operations on the environment. We continued to deliver premier products and services to our customers and improve our relations with suppliers. And in the areas where we operate, we worked closely with local residents to provide programmes that meet the needs of the community.

A Fair, Safe and Healthy Work Environment

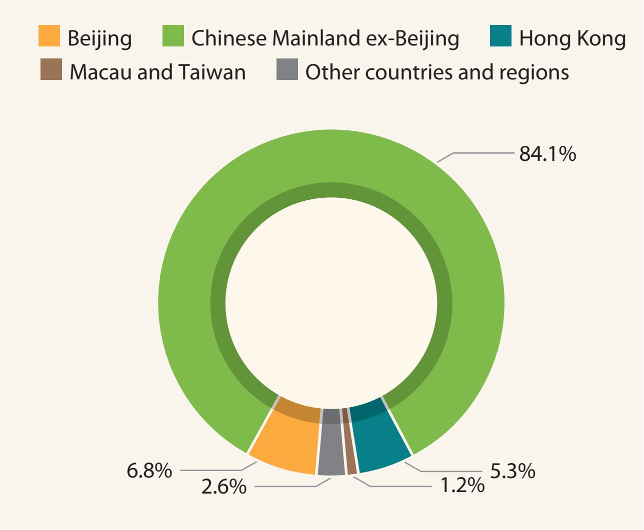
As a fair and equitable employer, CITIC Limited recruits employees based on their qualifications and provides them with safe and healthy workplaces. We prepare medium- and long-term career development plans for our employees and maintain an updated labour contract system so that our staff can grow as the Company grows. We do this to establish a harmonious and stable relationship with our employees and ensure our continuing long-term development.

Employees

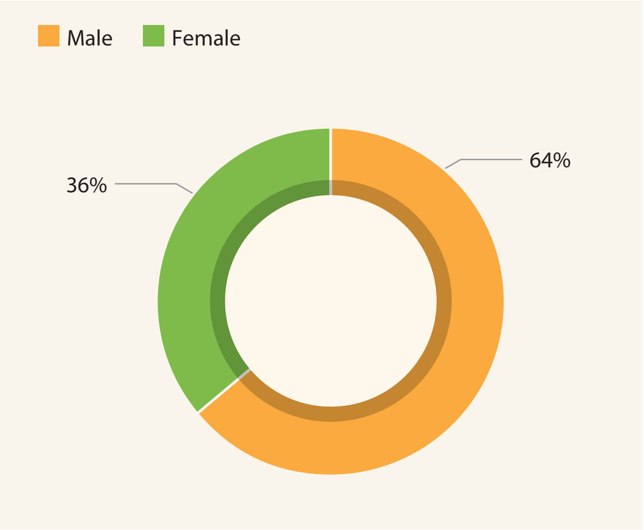
At the end of December 2014, the total number of employees of CITIC Limited was 125,273. To motivate our employees and improve staff loyalty, we adopted a market-based incentive and appraisal regime that correlates salary with performance. This approach underlies our human resources policies, including salary adjustments, bonus distributions, job promotions, training and staff incentives.

Staff Overview

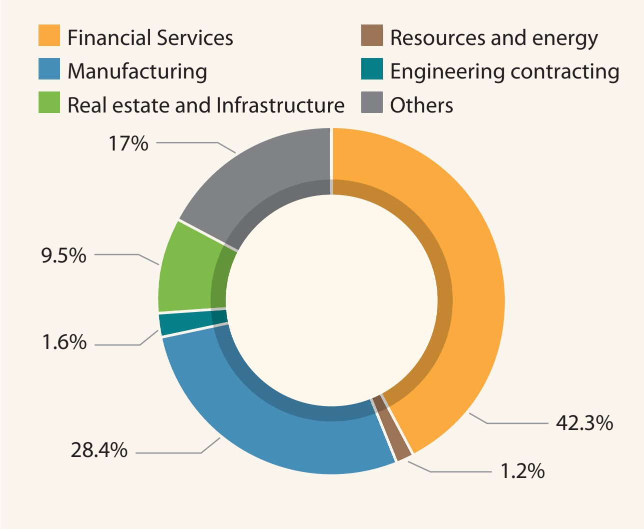
Percentage of employees by region



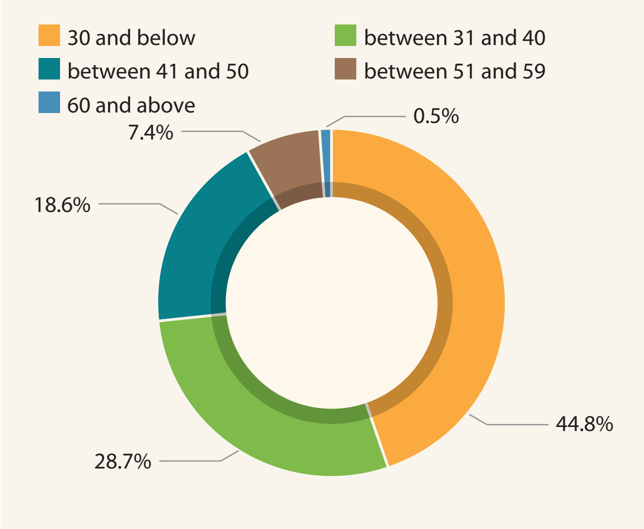
Percentage of employees by gender



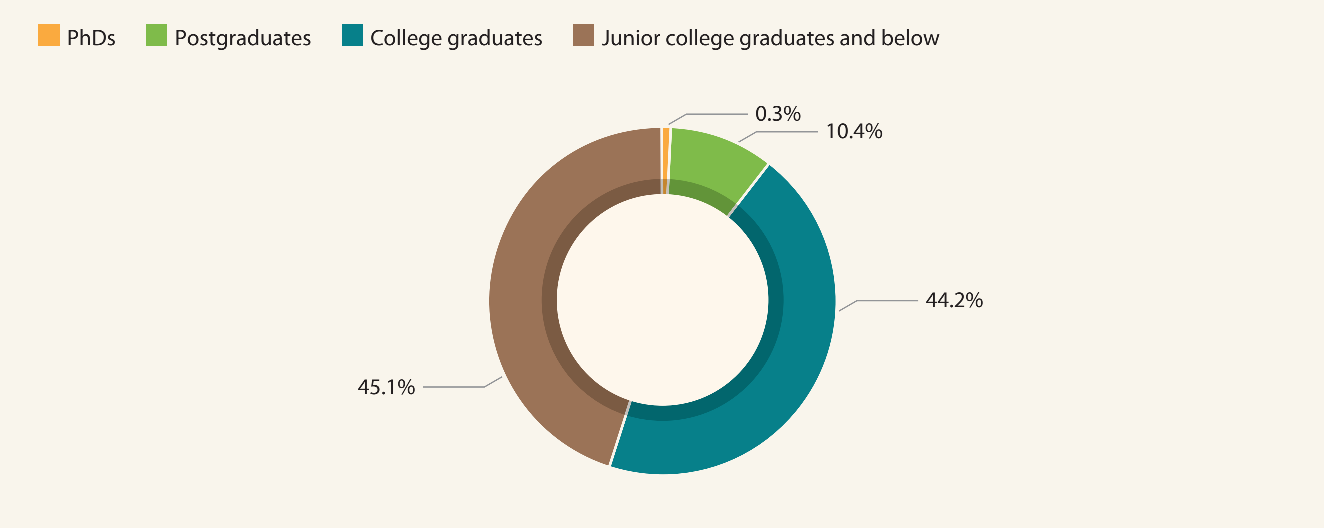
Percentage of employees by business segment



Percentage of employees by age group



Percentage of employees by educational background



An equal opportunity employer

We welcome a diversified workforce and select potential employees strictly on merit. We offer equal opportunities for employee recruitment, career advancement, training and development. Employees are rewarded according to their qualifications, experience, capabilities, competency, performance and contribution during their tenure of office with the Company.

Remuneration

Our market-oriented remuneration policy is guided by the remuneration policies of governments in the respective jurisdictions where we are located, making reference to data provided by professional advisory bodies. Equal emphasis is placed on the external competitiveness of employee remuneration and fairness in internal remuneration.

We are in strict compliance with government requirements for insurance and benefit plans, working hours and vacation policies. Most of our subsidiaries also provide their employees with additional benefits and insurance coverage, such as supplementary pension schemes (voluntary contributions to mandatory provident funds) and supplementary medical insurance.

Human resources development

We provide staff with training opportunities through a variety of channels to enhance their professional capabilities and to stimulate value creation. We also offer diverse career development plans for our employees to better attract and retain talent.

Each year, we work out education and training programmes using various methods to increase their effectiveness and relevance. These include education programmes and training in professional skills, job skills, technology and professional management. Training channels range from remote video to on-site courses as well as domestic and overseas study programmes. We also organise regular exchange programmes for outstanding management staff across all of our industries and operations, with an emphasis on actual work practices. In addition to these, we design and deliver training programmes specifically for management, professional and technical staff.


New employees attend induction training


An introduction to the history of CITIC


Participants of the Young Leadership Programme make an on-site visit to the production line of CITIC Heavy Industries


Overseas Project Management Workshop on Diversification of the Angolan Economy by the Dean of School of Economics of Agostinho Neto University

Occupational Health and Safety

To protect our staff, we continuously upgrade our occupational health and safety management system and keep track of employees' physical and mental health in order to prevent or reduce occupational diseases.

We aim to prevent serious incidents by putting in place safety mechanisms and strengthening our safety management based on accountability. We have also implemented an emergency management system that has improved our ability to handle emergencies.

Environmental Protection

We believe that environmental protection should be a shared responsibility with every member of the community. To minimise the impacts of our business operations, we have adopted measures to reduce the waste we generate to the greatest extent reasonably practicable. We are also committed to improving our environmental protection efforts by adopting better monitoring and statistical methods to disclose details of the environmental performance of CITIC Limited.

Financial Services

Our financial subsidiaries are committed to green lending in their operations. They are also dedicated to providing financial solutions for sustainable development in terms of pollution treatment, energy conservation and ecological protection.

CITIC Bank

CITIC Bank has launched a Green Intermediary Loan (GIL) business in support of a green, circular and low-carbon economy.

Green Lending Business

Green loan policy. Under this policy, CITIC Bank curbs loans to sectors with overcapacity and instead extends credit to sectors that meet the requirements for technological upgrading and carbon-emission reduction.

Extension of credit to projects with environmental risks. For projects that carry environmental risks, CITIC Bank requires applicants to provide an Environmental Appraisal Report before extending credit.

Support to projects meeting green credit policies. In 2014, CITIC Bank extended credit to projects in green transport, renewable and clean energy, energy-conservation, refuse disposal and pollution-treatment. As of the end of 2014, the loan balance for energy-conservation projects was RMB27.13 billion[Note 1].

Lending Risks in Sectors with Overcapacity

CITIC Bank has a strict credit risk management policy on loans to high-polluting, high-energy consuming industries with overcapacity, including the steel, non-ferrous metals, shipbuilding and photovoltaic industries. In line with this policy, CITIC Bank carefully selects and approves borrowers from these industries if they demonstrate excellent performance. Loans to low-capacity, high energy consuming and technologically outdated enterprises will not be granted. As of the end of 2014, the loan balance of CITIC Bank for enterprises with overcapacity and enterprises exposed to high-consuming, high-polluting industries was RMB49.22 billion[Note 1], a decrease of RMB14.13 billion, down by 22.3% year on year. The percentage of loans to these companies out of total corporate loans went down by 1.12.

Note 1: Statistical calibre is based on the balances of items with the following category names as per the Industry Classification of the National Economy (GB/T 4754 - 2011)

Green Intermediary Loan (GIL) Business

In the GIL Business, CITIC Bank repays capital and interest in cases where the Chinese Ministry of Finance has signed a foreign-currency lending contract and has entrusted it with funds for lending to projects that meet energy-conservation and emission reduction requirements. CITIC Bank will then provide a guarantee letter to the government authorities to ensure timely delivery of the funds to overseas capital holders. In 2014, CITIC Bank focused on financing projects that reduce greenhouse gas emissions in urban buildings and to the energy, transportation, water supply and sewage treatment sectors.

CITIC Bank Shenyang Branch Offers Sub-loans to Protect Wetland Reserve

Home to more than 828 living species, Wolong Lake Nature Reserve (the Nature Reserve) is the largest inland natural wetland and a rare biological diversity reserve in Liaoning Province. In 2014, CITIC Bank Shenyang Branch (the Branch) relented EUR15 million from foreign governments to Kangping County for a biodiversity and wetland protection project.

The project covers 258 hectares and will increase the wetland area to improve the environment for the sake of sustainability and ecological security. It will help maintain and develop the biodiversity and will allow more study on and utilisation of the Nature Reserve. By raising awareness and forming a mutually beneficial bond between the local community and the Nature Reserve, the completed project will integrate functions including biodiversity protection, scientific study, educational outreach and the Nature Reserve development.

Among the total investment of EUR18 million, ADF provided EUR15 million and local governments, including Shenyang and Kangping, offered EUR3 million. The branch communicated with local government on a regular basis and ensured the timely issuance of repayments, pushed forward the review process to recover the cash deposit, and offered a financial express lane to facilitate the project and sub-loan deal.

CITIC Securities

Carbon Trading

Having set up a carbon trading and investment team in 2011. Since its establishment, the carbon trading team has been an active player in both domestic and oversea deals pushing for the securitisation of carbon trading. They help companies to activate their carbon assets by providing liquidity on the market through quotations and innovative OTC transactions. These measures encourage companies to accelerate technology upgrades and develop industries that are energy-conserving, low-polluting and low-emitting in support of China's national goal of energy saving and emissions reduction. In December 2014, CITIC Securities completed the first carbon-emission quota repurchase deal in China, raising RMB13.3 million in total.

CITIC Trust

In response to China's national strategy of facilitating finance for environmental protection companies, CITIC Trust provided nearly RMB200 million and other integrated financial services in 2014 for environmental technology companies such as Xuzhou Huamei Kengkou Environmental Thermal Power Corporation, Ltd., Ningbo Yaodong Environmental Technology Corporation, Ltd. and Beijing BCEG Golden Sources Environment Protection Development Corporation, Ltd. CITIC Trust believes these loans strike a balance between economic growth and environmental protection.

Resources and Energy

CITIC Resources

The Karazhanbas Oilfield in Kazakhstan, Yuedong Oilfield in China and Seram Block in Indonesia developed by CITIC Resources operated in compliance with local environmental protection regulations, and adopted effective measures for pollutant emission control and efficient resource utilisation to reduce the impact of operations on the environment and natural resources.

Oilfield	Initiatives	Achievements
Karazhanbas Oilfield	Solid waste emission control: solid waste decontamination was made in strict compliance with local environmental protection regulations.	Around 2,600 tonnes of solid waste were reduced in 2014 including paper, glass and plastics.
	Energy savings: vertical pump jacks and variable-frequency controller were introduced in 2013. In 2014, 65 vertical pump jacks were installed.	Vertical pump jacks and a variable-frequency controller can respectively reduce maintenance costs and improve electric energy efficiency by approximately 15% through volume-based frequency control.
	To minimise the impact of operations on the environment and natural resources, the board of directors adopted an environmental protection calendar plan and a five-year plan in 2011, including the provision of an environment fund of about US$35.5 million to address the historical issue of 350 hectares of undersea goaf and sludge (oil sands).	As at the end of 2014, more than half of the task was completed, including around 20 hectares treated and about US$1.17 million spent in 2014.
Yuedong Oilfield	Power compensation technology for energy saving: power compensation devices were installed at the 35kV bus line of a substation, resulting in an enhanced power factor of the system and reliability of the operation of the electric network.	Electricity worth more than RMB4 million will be saved each year.
	Frequency conversion technology for energy saving: applied in rotating equipment of 35kW or above, such as efflux pumps and pumping units.	Compared to regular pumping units, electricity saving rate of approximately 15% was recorded for 113 pumping units installed on artificial islands A, B and C, including 70 directional wells of 45kW and 43 directional wells of 75kW.
Seram Block	Recycling natural gas, a by-product of oil production.	More than 7.2 million litres of diesel consumption will be reduced each year, effectively lowering the pollution from diesel engines.

Yuedong Oilfield: Power compensation device

CITIC Mining International

CITIC Mining International (CMI) has put in place an environmental management system (EMS) to drive its environmental management performance and ensure compliance with relevant government approvals and regulations. During the year, we met all regulator-issued environmental performance indicators, and successfully passed all inspections by government authorities. The major environmental protection initiatives included the following:

Description	Initiatives and Achievements
Emission control	In December 2013, the 24 kW hybrid-solar power renewable energy system at the Balmoral gatehouse was completed and commenced operation. In 2014, the system generated 35,000 kWh of electricity, avoiding approximately 27 tonnes CO_2 equivalent emissions.
Resource utilisation	Where possible, recyclable waste at project sites was collected and processed approximately twice a month. A survey was also conducted on waste classification for better landfill practice in mining areas, and the results will be released in 2015.
The environment and natural resources	To help maintain environmental values in areas adjacent to the Sino Iron project, CMI has committed AU$3 million over the next 10 years to manage the local infestation of mesquite, a highly aggressive exotic weed, as part of its regulatory approvals obligations.

A solar photovoltaic array at the Balmoral gatehouse

Sunburst Energy

In 2014, Sunburst Energy took the following measures:

Description	Initiatives and Achievements
Emission control	Pursuant to the *National Emission Standard of Air Pollutants for Thermal Power Plants* (GB 13223-2011) and relevant new requirements on air pollutant emission reduction, Sunburst Energy's subsidiary Lidian Group developed a detailed treatment and upgrade plan for air pollution control. As of June 2014, special upgrades on de-nitration, de-sulphuring, de-dusting and smoke plume control were completed, with all equipment meeting the emission requirements.
	Wastewater at Lidian Group is graded and categorised for recycling, with the recycling rate reaching 100%.
	All slag from thermal coal combustion and all gypsum from de-sulphuring were sold for comprehensive utilisation.
Resource utilisation	Water heat pumps that extract residual heat from mine water for heating in mining areas have replaced coal-fired boilers.

Boiler de-duster upgraded for No. 3 generator (370MW) of Lidian Group

Manufacturing

CITIC Pacific Special Steel

CITIC Pacific Special Steel regards the importance of treatment of pollutants such as waste water, waste gas and dust, as well as recycling by-product gas and steam generated during the production. Major environmental protection initiatives implemented by CITIC Pacific Special Steel in 2014 are as follows:

Description	Initiatives	Achievements
Emission control	Invested RMB58.3 million in de-sulphuring, de-nitration and de-dusting upgrades for the power plant boiler of Xingcheng Special Steel Plant (commenced operation in July 2014).	After upgrades, fume emission from the power plant boiler met national *Emission standard of air pollutants for thermal power plants* (GB 13223-2011). Emissions reduction in 2014: fumes, 62 tonnes; sulphur dioxide (SO_2), 200 tonnes; nitrogen oxides (NOx), 1,200 tonnes.
	Invested RMB55 million in de-dusting/de-sulphuring upgrades for sintering machine of Xingcheng Special Steel (commenced operation in late 2014).	After upgrades, SO_2 emissions from the sintering machine was controlled below 100 mg/Nm^3, meeting the national *Emission standard of air pollutants for sintering and pelletizing of iron and steel industry* (GB 28662-2012). Annual emissions reduction: fumes and dust, 450 tonnes; SO_2, 4,000 tonnes.
	Invested RMB25 million in salt extraction from waste effluent of coke oven gas de-sulphuring in Xin Yaxing Coking Co., Ltd. (commenced operation in July 2014).	Annual capacity upon completion: processing de-sulphuring effluent 22,000 tonnes; extracting sodium thiocyanate, 2,448 tonnes; and by-product ammonium sulphate, 2,002 tonnes from effluent. All treated water can be reused.
Resource utilisation	Invested RMB420 million in coke oven gas-steam combined cycle power generation in Xin Yaxing Coking Co., Ltd. (commenced on-grid power generation in July 2014).	Annual capacity upon completion: power generation, 544.8 million kWh; power output dispatch (on-grid), 474.5 million kWh; steam output dispatch, 480,000 tonnes.
	Invested RMB75 million in a new 25MW extra blast furnace gas-fired power generator of Xin Yegang in Hubei (commenced pilot production in November 2014).	Annual capacity upon completion: power generation 143.9 million kWh for own use.

De-sulphuring facilities at Xingcheng Special Steel

Salt extraction station for de-sulphuring effluent of Xin Yaxing Coking

CITIC Heavy Industries

A series of major initiatives were implemented by CITIC Heavy Industries to control emissions and improve energy efficiency:

Description	Initiatives and Achievements
Emission control	Installed de-dusters for all smelting equipment including electric arc furnaces, and introduced clean energy (natural gas) for heating furnaces and other equipment. These initiatives have met China's national *Integrated emission standard of air pollutants (GB 16297-1996)* and *Emission standard of air pollutants for industrial kiln and furnace (GB 9078-1996)*.
Resource utilisation	Sought to develop a circular economy with energy conservation and environmental protection industries by promoting low-carbon production processes, products and technologies, manufacturing based on energy-efficient technologies, processes and methods, and building up a production base for energy-saving products. Major breakthroughs were made in energy-efficient product R&D, including cogeneration, active lime, and lignite quality improvement. Over ten major safe and reliable technologies and equipment were developed in efficient resource utilisation, clean energy development, energy conservation and emissions reduction. As at the end of 2014, the total installed capacity of low-temperature efficient cogeneration in operation and under construction alone reached 1,125MW, with annual power output estimated at approximately 7.5 billion kWh upon full completion and operation. If calculated based on *General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008)*, annual standard coal savings were approximately 3 million tonnes and annual CO_2 reduction 7,860,000 tonnes, SO_2 96,000 tonnes and NOx 48,000 tonnes.

VC large steel ingot vacuum casting equipment with de-dusters installed by CITIC Heavy Industries

China's first 9MW cogeneration project at Zhumadian Yulong Tongli Cement Co., Ltd., a turnkey project of CITIC Heavy Industries

CITIC Dicastal

CITIC Dicastal has adopted strict environmental regulations on controlling pollutant emissions and worked with Hebei Provincial Energy Conservation Association to establish a more efficient energy management system. Major environmental protection initiatives implemented by CITIC Dicastal in 2014 are as follows:

Description	Initiatives	Achievements
Emission control	Continuous furnace heating zone energy conversion upgrade for heat treatment process: natural gas is used to replace electricity.	Estimated annual electricity savings: approximately 2,733,850 kWh, equivalent to 335.99 tonnes of standard coal. Emission reduction: SO_2 0.7 tonnes.
	Energy system optimisation project: replaced the original 6 tonne and 10 tonne coal-fired steam boilers in the eastern plant by integrating heat sources and optimising the existing pipe network to achieve full utilisation of residual heat across the plant.	Estimated to save 9,840 tonnes of coal and effectively cut emissions of SO_2 and NOx.
Resource utilisation	Changed the disposable pallets to reusable wooden and plastic pallets for aluminium wheels sold to Mercedes-Benz Beijing, GM Shanghai and BMW Shenyang; improved pallet structure for field transportation of work-in-progress and processing method.	Enhanced pallet strength, thus extending the life of packaging materials.

Continuous furnace heating zone energy conversion upgrade project for heat treatment process in CITIC Dicastal

Major Investment Properties

In 2014, a number of energy-saving measures were implemented at CITIC Tower, our major investment property in Hong Kong:

Details	Measures and Results
Improved indoor environment	Created a vertical green wall to improve the indoor environment.
Reduced power consumption and greenhouse gas emissions	Used LED advertising lighting for exterior wall decorations.
	Replaced T8 fluorescent tubes (with backup battery) with LED tubes.
	Installed temperature controllers for ventilation at car parks to control temperature and reduce power consumption by ventilation fans.
	Used small cooling units with lower power consumption to meet tenants' requirement for computer room cooling during night-time.

Awards for CITIC Tower
Awarded Gold Certificate, the highest grade under the Quality Water Recognition Scheme for Buildings launched by the Water Supplies Department of Hong Kong SAR Government, for ten consecutive years.
Awarded Indoor Air Quality Certificate (Excellent Class), the highest grade under the Hong Kong Indoor Air Quality Certification Scheme for Offices and Public Places, for seven consecutive years.

We have two properties in Beijing, Capital Mansion and CITIC Building. We aim to operate the facilities of these two properties in Beijing in a more efficient, energy-saving manner. During the past year, we cooperated with intermediaries to carry out an investigation into the carbon being emitted by the two buildings. At the underground car park and the lift lobby on the first floor of Capital Mansion, T8 tubes were replaced with LED tubes, and at the corridors of the common area in the lower block compact fluorescent lamps were replaced with LED lamps. An energy-saving renovation project was also carried out at the canteen of CITIC Building. As part of the project, the canteen switched from natural gas to electromagnetic devices.

The vertical green wall (22.8m W x 2.2m H) on the second floor of CITIC Tower

LED light decoration (35m W x 91m H) on the northern façade of CITIC Tower

Operational Practices

CITIC Limited regards customers as the lifeline of the Company. We are customer-oriented in our operations, seeking to meet diversified customer needs through wide-ranging business lines. We communicate and cooperate with suppliers to set up a responsible supply chain. We firmly oppose corruption and bribery in order to maintain our sound reputation and corporate integrity.

Customer-oriented Philosophy

We provide superior products and services in accordance with our corporate vision. Based on our strengths and the synergy among our businesses, we are committed to meeting or exceeding our clients' expectations and creating value for them.

Responding to our Customers' Needs

We make use of our strengths as a holder of full financial service licences and operator of a wide-ranging business portfolio to respond to our clients and partners' needs for integrated financial services.

Strategic partnership at headquarters level	Strategic partnerships with Fortune 500 companies and industry leaders enabled our subsidiaries to provide our partners with integrated services.
Collaboration at subsidiary level	Our financial subsidiaries, including CITIC Bank, CITIC Securities, CITIC Trust and CITIC-Prudential, collaborated to enrich our offerings and promote the growth of our clients' businesses.
Regional cooperation platform	Regional business coordination at joint conferences led by CITIC Bank have been established in 39 regions across the Chinese mainland, providing our subsidiaries with a platform to better serve local clients' needs.

Integrated Products and Services

We encourage our subsidiaries to capitalise on their resource strengths and industry expertise to explore cross-sector, cross-business and cross-company collaboration and innovation, in order to provide customers with integrated, value-added products or solutions.

- In 2014, CITIC Bank and CITIC-Prudential Fund joined hands in creating *Xinjinbao*, a powerful and user-friendly cash management tool. CITIC Trust and CITIC-Prudential co-developed Future Trust, the first insurance premium trust product in China.

- Along with offering products, CITIC Heavy Industries and CITIC Real Estate introduced CITIC financial products to their clients, as part of a solution package.

- Drawing on their respective market and technical advantages, CITIC Special Steel and other manufacturing companies cooperated in upgrading technologies and business models to provide quality products and services for clients.

- CITIC Construction capitalised on its integrated resources at home and abroad to establish a joint fleet for sharing their complementary advantages and risks. It has been providing clients with high value-added integrated services in housing, infrastructure construction, industrial, and agricultural development.

Value-Added Services across the Company

We encourage the sharing of distinctive products and services in financial services, real estate, culture, tourism, food and other fields across the Company, in order to provide clients with unique value-added services. A wide diversity of offerings are co-developed by our subsidiaries to enhance the customer experience, including Fortune Salon, Library on Cloud, CITIC Bookshelf, CITIC House, Life with CITIC, Travel with CITIC and Banking at Living Room.

Protection of Intellectual Property Rights

We respect the innovative ideas and thinking that go into new products and take every possible action to protect the intellectual property rights of their originators.

CITIC Dicastal – Enforcement of Patent and Trademark Protection	CITIC Publishing – Defending Copyrights
By partnering with Alibaba and other online platforms, CITIC Dicastal launched the Special Campaign against Online Infringement of Intellectual Property Rights 2014. As a result, over 100 shops selling counterfeit goods were investigated, and nearly 5,000 infringement products were removed from shelves. Enforcement of intellectual property rights was carried out in close cooperation with the General Administration of Customs of the PRC. In 2014, CITIC Dicastal licensed five automobile manufacturers as legitimate users of the Dicastal trademark. As at the end of 2014, CITIC Dicastal had more than 800 authorised patents and 400 authorised trademarks at home and abroad, and was included in the first list of Influential National Enterprises with Intellectual Property Advantages in China.	**International Copyright** CITIC Publishing established partnerships with international publishing houses and author brokerage firms and introduced hundreds of foreign works each year. We are committed to safeguarding the interests of international copyright holders through means such as the following: 1. internationally accepted copyright licensing agreements entered into through authorised agencies or directly with copyright holders; 2. strictly meet the requirements of the agreements and contracts; 3. copyright registration with national copyright authorities; 4. copyright notices printed on books and, where necessary, anti-counterfeit labels affixed before distribution; and 5. an internal legal department in place for safeguarding and, when appropriate, entering litigation against any identified infringement. **Domestic Copyright** CITIC Publishing as an agent protects domestic copyright holders by drawing on its extensive experience and proven international reputation in copyright to review copyright purchasers and ensure collection of royalties. It also introduced more than a hundred domestic works to the overseas market.

Supplier Management

The selection of responsible suppliers is an important element in ensuring a sustainable supply chain. Our real estate, infrastructure and manufacturing subsidiaries have all formulated relevant policies on supplier selection and regulation.

Supply Chain Management at CITIC Real Estate

CITIC Real Estate manages its supply chain with targets for bidding and procurement on projects at different stages of a project's construction, as well as procurement of goods and services in property management.

Key measures for supply chain management

2010	2011	2012	2013
Setting up a system for management and control of bidding and procurement for CITIC Real Estate and issuance of the 1st edition of *Responsibility Handbook, Systems and Workflow, Working Guidelines and Notes and Organisation Handbook*	Issuance of the 2nd edition of *Responsibility Handbook, System and Workflow, Working Guidelines and Notes and Organisation Handbook*	Issuance of *Implementation Code of Strategic Partnership with Suppliers of CITIC Real Estate, Workflow for Exception Management of Strategic Partnership for CITIC Real Estate, Implementation Guidelines on Strategic Partnership for CITIC Real Estate and Usage Guidelines on 23 parts and components*	Promulgation and implementation of *Measures for Management of Suppliers of CITIC Real Estate* Further amendments and improvements to five documents for corporate control systems, including *Management Measures and Operation Workflow for Strategic Procurement, Management Measures and Operation Workflow for Diversified Procurement, Measures for Management of Suppliers and Operation Workflow, Workflow for Project Procurement Planning and Management, and Workflow for Exception Management of Strategic Procurement*

Sustainable Procurement

CITIC Real Estate takes a strategic procurement approach in all stages of supplier management in order to create a sustainable supply chain.

Inspection of Suppliers	Distribution of Requests for Quotations	Standard Engineering, Procurement and Construction Contract
Quality System Certification and Environmental Protection System Certification are included when evaluating potential suppliers.	When sending requests for quotations, strict requirements for the grading of parts and components in terms of environmental pollution are laid out in technical documents, e.g. grade E1 in formaldehyde emissions for wooden floor boards.	In 2014, we introduced a standard engineering, procurement and construction contract, incorporating safe civil construction into the standard text of the engineering, procurement and construction contracting system to monitor the safe and regulated construction of projects undertaken by CITIC Real Estate.

A Suppliers' Satisfaction Survey carried out by CITIC Real Estate before the Seminar on Strategic Partnership with Suppliers 2014 showed that the overall satisfaction of 27 participating strategic suppliers on the strategic procurement work of CITIC Real Estate ranged from "satisfied" to "very satisfied". In the future, we will strengthen our supervision of suppliers with regard to environmental protection and safe production, as well as our communication and cooperation with suppliers, with the objective of creating a sustainable supply chain.

CITIC Real Estate seminar, Strategic Partnership with Suppliers 2014

Anti-corruption

Abiding by the law is a critical part of our corporate culture. The "CITIC Spirit" proposed by Mr Rong Yiren, the founder of CITIC Group, begins with "compliance, integrity".

Under our *Codes of Integrity and Self-discipline for Employees*, all employees should acknowledge the risks of bribery, extortion, fraud and money laundering. In order to maintain the integrity of our operations, we have set up a whistleblowing mechanism so that staff and members of the public can lodge complaints via post, email and a hotline, especially complaints on the important positions and key aspects of the Group.

Community Investment

CITIC Limited gives back to the communities where we operate, and our subsidiaries participate in community activities such as fund raising and support to local infrastructure construction and development. We also encourage our employees to volunteer their time and services to help those in need. We have contributed to a number of community projects in various regions by leveraging our advantages as a conglomerate as well as through the active participation of our employees.

Community Donations

In 2014, CITIC Limited raised funds for natural disaster relief, education, caring for the underprivileged and for cultural and sports events. All of these charitable activities contributed to the development of local communities and residents.

CITIC Limited initiated fund-raisers for disaster relief immediately after the earthquake in Ludian County, Zhaotong City, Yunnan Province on 3 August 2014, highlighting our commitment to responsible corporate citizenship.

Major Donations by CITIC Limited in 2014 Note 1

Type of Donation	Donating Unit	Purpose	Amount (RMB thousand)
Natural Disaster Relief	CITIC Limited (Headquarter)	Disaster relief in quake-hit Ludian County, Yunnan Province	5,000
	CITIC Bank	Disaster relief in areas hit by typhoon Rammasun in Wenchang City, Hainan Province	1,000
	CITIC Pacific	Disaster relief in areas hit by typhoon Rammasun in Wenchang City, Hainan Province	6,000
	CITIC Pacific	Disaster relief in quake-hit Ludian County, Yunnan Province through Oxfam Hong Kong	1,000 (HKD)
Education and Technology	CITIC Bank	Continuous support to 10 existing CITIC Bank-New Great Wall High School classes and the addition of 7 classes in 2014, subsidising a total of 850 high school students in need	1,700
	CITIC Securities	Subsidies to high school students in need at Guyuan County No. 1 High School, Hebei Province	300
	CITIC Trust	CITIC Aerospace Development Fund	2,000
	CITIC Resources	Support to the Sino-French Young Leaders Programme organised by France China Foundation; sponsorship of the Tri-Millennia Symposium co-organised by HKU School of Professional and Continuing Education and Asia Pacific Taiwan Federation of Industry and Commerce	300 (HKD)
Assisting the Underprivileged	CITIC Bank	Funded the Zhejiang Charity Federation	4,310
Environmental Protection	CITIC Heavy Industries	Planted Charity Forest of CITIC Heavy Industries, covering an area of about 30 Mu	2,000

Note 1: The items included in the table are the main charity and donation projects in Hong Kong and Mainland China carried out by CITIC Limited in 2014.

Weathering The Storm – Disaster Relief for Typhoon Rammasun

Super Typhoon Rammasun landed in Wenchang City in Hainan Province on 18 July 2014. CITIC Pacific responded immediately by donating a total amount of RMB6 million to help the disaster victims with housing reconstruction.

A team of 20 volunteers from the CITIC Pacific Shenzhou Peninsula Volunteers Association arrived with RMB260,000 worth of relief supplies donated by the Hainan branch of CITIC Pacific at the government office of Gongpo Town in Wenchang City on 25 July 2014.

Other companies of CITIC Limited also lent a hand in the disaster. In addition to sending relief supplies to the hard-hit areas, CITIC Real Estate Hainan Investment Co. Ltd. helped with the renovation of Yunlong Bayi Hope Primary School in Haikou, which suffered heavily in the typhoon. CITIC Bank donated RMB1 million to the disaster areas through the Finance Affairs Office of the Government of Hainan Province.

Members from the CITIC Pacific Shenzhou Peninsula Volunteers Association delivering relief supplies

The Hainan branch of CITIC Pacific sending relief supplies to typhoon-hit areas

Working with Local Communities

Since our business is conducted in many different markets, we tailor our social responsibility activities to meet the specific circumstances and needs of the local communities in which we operate.

Australia-CITIC Mining International (CMI)

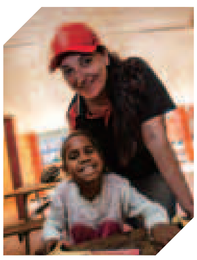
Community Activities

Sponsored important community activities, including the local FeNaCING Festival and the Cossack Art Award.

National Breast Cancer Foundation

Employees initiated donation to the National Breast Cancer Foundation in Australia, raising almost AU$34,000.

NAIDOC Week Celebrations



CMI celebrated NAIDOC Week 2014, an important cultural event in Australia, with students at Roebourne School.

Evaluation by Community Residents

In a community stakeholder survey conducted in October 2014, 79% of respondents rated CMI's involvement in the community as 'average' or 'above average', while 58% of respondents said we compared 'favourably' or 'the same as' other resource companies operating in the area.

Indonesia-CITIC Seram

Folk Dance Programme

Supported RRI, a local official radio station, in organising the Culture Traditional Dance Exhibition in Eastern Seram Regency.

Arts, Culture and Charity Program

Supported Manggala Yudha, a local district organisation, in organising the Arts, Culture and Bazaar Programme in Eastern Seram Regency.

Honour Awarded

In recognition of the contribution of CITIC Seram to the district, the Ministry of Environment awarded the Blue Ribbon of Proper to CITIC Seram.

Venezuela-CITIC Construction

Manuela Sáenz Primary School

CITIC Construction donated the construction cost of four classrooms with a usable area of over 150 square metres for Manuela Sáenz Primary School, a value of about RMB150,000.

Angola-CITIC Construction

Promote the development of table tennis in Angola

In 2010, CITIC Construction and the Angolan Table Tennis Association signed The Angola Ping-Pong Development Plan. CITIC Construction has since selected young Angolan athletes to be trained in China and sponsored their national team to hire Chinese coaches, which gave a strong spur to the development of the game in Angola. The national team of Angola won the third place in both the men's team junior and cadet group in the 2014 African Junior and Cadet Championship organised by the International Table Tennis Federation. Young Antonio won the silver medal in the men's single, the best score of the team in this game.

In 2014, Mr Filomenno Fortes, president of the Angolan Table Tennis Association, presented awards to CITIC Construction.

Kilamba Kiaxi Municipal Sports Club

In February 2014, Angolan Youth and Sports Minister Goncalves Muandum and the mayor of Kilamba city attended the ground-breaking ceremony for the Kilamba Kiaxi Municipal Sports Club funded by CITIC Construction.

CITIC BN Vocational School (Angola)

Aims of CITIC Construction	Actions of CITIC Construction	Achievements of CITIC BN Vocational School	Plans of CITIC Construction
To help youths in Angola acquire skills To create more jobs in Angola To train more professionals for Angola	To establish the CITIC BN Vocational School To offer three specialty courses in engineering, electrics and mechanics, and multiple courses, including Speaking-and-Writing Portuguese, English and Chinese To bear all training costs To provide internship and employment opportunities	81 students were recruited for the first cohort of the three specialty courses, with 27 students in each class 27 students from the first cohort of the mechanical class graduated and started their internship 27 students were recruited for the second cohort of the mechanical class	To establish the CITIC BN Vocational School in Venezuela on the same model

As the project sites of CITIC Construction are mainly situated in developing countries and regions, we provide vocational skills training to increase employment in those areas so as to honour our commitments as a responsible corporate citizen.

In Angola, for example, we work with youth to help them acquire the skills they need to become professionals, which reduces the burden on their families and helps to develop a talent pool for the country. CITIC Construction has also introduced the BN Vocational School (BNVS) charity vocational education model in Angola with the founding of the CITIC BN Vocational School (Angola) — CITIC BNVS.

CITIC BNVS now offers three programmes, at no cost to students, in electrical, mechanical and construction engineering. The mechanical engineering programme runs nine months (including a three-month internship), and the electrical and construction engineering programmes are one year (including a three-month internship). On 29 April 2014, the school admitted the first 81 students, who were evenly divided into three classes. On 29 October, another 27 students were admitted into the mechanical engineering programme. These students have already graduated and begun working as interns in jobs provided by the consortium led by CITIC Construction and are now full-time employees as of January 2015. The graduates of the construction and electrical programme will soon join them as interns.

The success of CITIC BNVS has been widely noticed in Angola and motivated hundreds of students to seek admission to the school in the hope of changing their future through vocational training.

By the end of 2014, CITIC Construction had invested approximately USD700,000 in CITIC BNVS, which has used the funds to build the school, pay teachers and provide students with food and stationery.

CITIC Construction now plans to introduce this model to other project locations such as Venezuela.

The Development History of CITIC BNVS – It Takes Ten Years to Grow Trees, But a Hundred Years to Nurture People	
December	An opening ceremony was held for the second cohort of CITIC BNVS mechanical engineering trainees.
October	The first cohort of mechanical engineering trainees graduated and started their internship.
June	CITIC BNVS successfully held its first opening ceremony.
May	Mr Li Keqiang, Premier of the People's Republic of China, together with Mr Manuel Vicente, Vice-President of the Republic of Angola, officiated at the ribbon-cutting and inauguration ceremony of CITIC BNVS, and donated books and school supplies.
April	CITIC BNVS welcomed its first cohort of students.
February	CITIC Construction signed the CITIC BNVS Donation Agreement with the China Youth Development Foundation and BNVS Council.
January 2014	Mr Liu Guigen, Deputy General Manager of CITIC Construction and General Manager of CITIC Construction (Africa Region), met with Mr António Neto, Minister of Public Administration, Employment and Social Security of the Republic of Angola, on the building plan of CITIC BNVS.
2013	Mr Wang Jiong, Vice Chairman and President of CITIC Limited, committed to setting up a charity vocational school in Angola during a meeting with Mr José dos Santos, President of the Republic of Angola.

April
CITIC BNVS welcomed its first cohort of students

May
Chinese Premier Li Keqiang and the vice-president Manuel Vicente of Angola cutting the ribbon for CITIC BNVS

June
The opening ceremony of the CITIC BNVS programs

December
Ms Hong Bo, Chairwoman of CITIC Construction, attended the opening ceremony of the second mechanical programme

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this Annual Report are historical in nature. Past performance is no guarantee of the future results of CITIC Limited. This Annual Report may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of CITIC Limited, the Directors, employees or agents assumes (a) any obligation to correct or update any forward-looking statements or opinions contained in this Annual Report; and (b) any liability arising from any forward-looking statements or opinions that do not materialise or prove to be incorrect.

Contents of Financial Statements and Notes

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Interest income		**260,450**	205,711
Interest expenses		**(139,372)**	(97,224)
Net interest income	5(a)	**121,078**	108,487
Fee and commission income		**39,714**	28,979
Fee and commission expenses		**(2,094)**	(1,889)
Net fee and commission income	5(b)	**37,620**	27,090
Sales of goods and services	5(c)	**237,189**	271,344
Other revenue	5(d)	**6,237**	2,826
		243,426	274,170
Total revenue		**402,124**	409,747
Cost of sales and services	6	**(198,457)**	(238,039)
Other net income	7	**10,572**	10,165
Impairment losses on	8		
– Loans and advances to customers		**(28,149)**	(13,459)
– Others		**(26,871)**	(4,220)
Other operating expenses		**(82,661)**	(74,024)
Net valuation gain on investment properties	33(a)	**2,332**	2,095
Share of profits of associates, net of tax		**4,389**	2,676
Share of profits of joint ventures, net of tax		**3,325**	3,956
Profit before net finance charges and taxation		**86,604**	98,897
Finance costs		**(11,054)**	(9,487)
Finance income		**2,250**	1,990
Net finance charges	9	**(8,804)**	(7,497)
Profit before taxation	10	**77,800**	91,400
Income tax	11	**(18,000)**	(20,941)
Profit for the year		**59,800**	70,459
Attributable to:			
Ordinary shareholders of the Company		**39,834**	48,430
Holders of perpetual capital securities		**1,130**	881
Non-controlling interests		**18,836**	21,148
Profit for the year		**59,800**	70,459
Earnings per share (HK$)	16		
Basic and diluted		**1.60**	1.94

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Profit for the year		**59,800**	70,459
Other comprehensive income for the year (after tax and reclassification adjustments)	17		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**11,241**	(5,919)
Cash flow hedge: net movement in the hedging reserve		**(1,178)**	1,419
Share of other comprehensive income of associates and joint ventures		**168**	770
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures and others		**(1,980)**	11,878
Other comprehensive income for the year, net of tax		**8,251**	8,148
Total comprehensive income for the year		**68,051**	78,607
Attributable to:			
Ordinary shareholders of the Company		**46,421**	54,726
Holders of perpetual capital securities		**1,130**	881
Non-controlling interests		**20,500**	23,000
Total comprehensive income for the year		**68,051**	78,607

The notes on pages 163 to 307 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Assets			
Cash and deposits	19	**897,161**	899,198
Placements with banks and non-bank financial institutions	20	**86,428**	155,576
Financial assets at fair value through profit or loss	21	**37,248**	15,658
Derivative financial instruments	22	**10,594**	9,966
Trade and other receivables	23	**130,747**	108,977
Amounts due from customers for contract work		**1,447**	1,748
Inventories	24	**133,258**	136,631
Financial assets held under resale agreements	25	**172,100**	365,361
Loans and advances to customers and other parties	26	**2,711,851**	2,419,803
Available-for-sale financial assets	27	**328,062**	274,137
Held-to-maturity investments	28	**225,700**	196,886
Investments classified as receivables	29	**834,652**	381,783
Interests in associates	31	**51,616**	45,503
Interests in joint ventures	32	**31,016**	30,614
Fixed assets	33	**179,303**	174,534
Investment properties	33	**28,744**	28,968
Intangible assets	34	**21,024**	36,034
Goodwill	35	**13,709**	13,923
Deferred tax assets	36(b)	**24,277**	16,801
Other assets		**28,894**	9,608
Total assets		**5,947,831**	5,321,709
Liabilities			
Borrowing from central banks		**63,445**	–
Deposits from banks and non-bank financial institutions	37	**871,213**	709,621
Placements from banks and non-bank financial institutions	38	**24,257**	52,623
Financial liabilities at fair value through profit or loss		**726**	–
Derivative financial instruments	22	**13,474**	11,529
Trade and other payables	39	**193,957**	205,776
Amounts due to customers for contract work		**10,646**	8,041
Financial assets sold under repurchase agreements	40	**52,745**	10,111
Deposits from customers	41	**3,586,508**	3,345,943
Employee benefits payables		**20,845**	18,398
Income tax payable	36(a)	**10,890**	8,663
Bank and other loans	42	**218,993**	217,518
Debt instruments issued	43	**273,126**	201,151
Provisions	44	**2,932**	2,728
Deferred tax liabilities	36(b)	**7,409**	6,436
Other liabilities		**21,158**	6,619
Total liabilities		**5,372,324**	4,805,157

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Equity	45		
Share capital: nominal value		–	1,460
Share premium		–	36,533
Capital redemption reserve		–	29
Share capital and other statutory capital reserves		**324,198**	38,022
Perpetual capital securities		**13,834**	13,838
Reserves		**93,928**	333,754
Total ordinary shareholders' funds and perpetual capital securities		**431,960**	385,614
Non-controlling interests		**143,547**	130,938
Total equity		**575,507**	516,552
Total liabilities and equity		**5,947,831**	5,321,709

Approved and authorised for issue by the board of directors on 24 March 2015.

Director: **Chang Zhenming** *Director:* **Wang Jiong**

The notes on pages 163 to 307 form part of these financial statements.

Balance Sheet

As at 31 December 2014

	Note	2014 HK$ million	2013 HK$ million
Non-current assets			
Fixed assets	33	–	20
Interests in subsidiaries	30	**408,992**	111,153
Interests in associates	31	–	1,801
Interests in joint ventures	32	**3,886**	4,808
		412,878	117,782
Current assets			
Derivative financial instruments	22	**99**	88
Amounts due from subsidiaries	30	**5,847**	5,069
Trade and other receivables	23	**263**	195
Cash and deposits	19	**13,031**	16,381
		19,240	21,733
Current liabilities			
Bank and other loans	42	**27,740**	10,744
Amounts due to subsidiaries	30	**313**	6,174
Trade and other payables	39	**1,086**	906
Derivative financial instruments	22	**186**	139
Income tax payable	36(a)	**80**	80
		29,405	18,043
Net current (liabilities)/assets		**(10,165)**	3,690
Total assets less current liabilities		**402,713**	121,472
Non-current liabilities			
Long term borrowings	42	**20,036**	30,605
Debt instruments issued	43(a)	**34,668**	26,974
Derivative financial instruments	22	**1,546**	1,316
		56,250	58,895
Net assets		**346,463**	62,577
Equity	45		
Share capital: nominal value		–	1,460
Share premium		–	36,533
Capital redemption reserve		–	29
Share capital and other statutory capital reserves		**324,198**	38,022
Perpetual capital securities		**13,834**	13,838
Reserves		**8,431**	10,717
Total ordinary shareholders' funds and perpetual capital securities		**346,463**	62,577

Approved and authorised for issue by the board of directors on 24 March 2015.

Director: **Chang Zhenming** *Director:* **Wang Jiong**

The notes on pages 163 to 307 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital HK$ million	Share premium HK$ million (note 45(e)(i))	Capital redemption reserve HK$ million (note 45(e)(i))	Perpetual capital securities HK$ million	Capital Reserve HK$ million (note 45(e)(ii))	Hedging reserve HK$ million (note 45(e)(iii))	Investment revaluation reserve HK$ million (note 45(e)(iv))	General reserve HK$ million (note 45(e)(v))	Retained earnings HK$ million	Exchange reserve HK$ million (note 45(e)(vi))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2014		1,460	36,533	29	13,838	202,637	1,031	(4,324)	19,249	97,881	17,280	385,614	130,938	516,552
Changes in equity for 2014														
Profit for the year		–	–	–	1,130	–	–	–	–	39,834	–	40,964	18,836	59,800
Other comprehensive income for the year	17	–	–	–	–	–	(939)	9,209	–	–	(1,683)	6,587	1,664	8,251
Total comprehensive income for the year		–	–	–	1,130	–	(939)	9,209	–	39,834	(1,683)	47,551	20,500	68,051
Issue of share		286,502	–	–	–	–	–	–	–	–	–	286,502	–	286,502
Consideration paid to acquire a subsidiary under common control		–	–	–	–	(286,585)	–	–	–	–	–	(286,585)	–	(286,585)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	760	760
Issue of other equity instruments by a subsidiary		–	–	–	–	–	–	–	–	–	–	–	2,303	2,303
Transfer of profits to general reserve		–	–	–	–	–	–	–	5,587	(5,587)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	15	–	–	–	–	–	–	–	–	(1,286)	–	(1,286)	–	(1,286)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(6,292)	(6,292)
Distribution to holders of perpetual capital securities		–	–	–	(1,134)	–	–	–	–	–	–	(1,134)	–	(1,134)
Transaction with non-controlling interests		–	–	–	–	(67)	–	–	–	–	–	(67)	(2,750)	(2,817)
Dilution of non-controlling interests through common control transactions		–	–	–	–	1,045	–	–	–	–	–	1,045	(1,045)	–
Prior to business combination under common control, the acquired subsidiary:														
1. capital injection by the ultimate controlling shareholder		–	–	–	–	21,455	–	–	–	–	–	21,455	–	21,455
2. dividends paid to the ultimate controlling shareholder		–	–	–	–	–	–	–	–	(21,455)	–	(21,455)	–	(21,455)
Transition to no- par value regime on 3 March 2014		36,562	(36,533)	(29)	–	–	–	–	–	–	–	–	–	–
Dilution of share of interest in an associate		–	–	–	–	696	–	–	–	–	–	696	–	696
Others		(326)	–	–	–	(50)	–	–	–	–	–	(376)	(867)	(1,243)
Other changes in equity		322,738	(36,533)	(29)	(1,134)	(263,506)	–	–	5,587	(28,328)	–	(1,205)	(7,891)	(9,096)
Balance at 31 December 2014		324,198	–	–	13,834	(60,869)	92	4,885	24,836	109,387	15,597	431,960	143,547	575,507

The notes on pages 163 to 307 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013 (Restated)

	Note	Share capital HK$ million	Share premium HK$ million (note 45(e)(i))	Capital redemption reserve HK$ million (note 45(e)(i))	Perpetual capital securities HK$ million	Capital Reserve HK$ million (note 45(e)(ii))	Hedging reserve HK$ million (note 45(e)(iii))	Investment revaluation reserve HK$ million (note 45(e)(iv))	General reserve HK$ million (note 45(e)(v))	Retained earnings HK$ million	Exchange reserve HK$ million (note 45(e)(vi))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2013		1,460	36,533	29	5,953	199,697	(473)	(39)	11,358	59,184	8,203	321,905	124,409	446,314
Changes in equity for 2013														
Profit for the year		–	–	–	881	–	–	–	–	48,430	–	49,311	21,148	70,459
Other comprehensive income for the year	17	–	–	–	–	–	1,504	(4,285)	–	–	9,077	6,296	1,852	8,148
Total comprehensive income for the year		–	–	–	881	–	1,504	(4,285)	–	48,430	9,077	55,607	23,000	78,607
Issue of perpetual capital securities		–	–	–	7,800	–	–	–	–	–	–	7,800	–	7,800
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	1,172	1,172
Transfer of profits to general reserve		–	–	–	–	–	–	–	7,891	(7,891)	–	–	–	–
Dividends paid to ordinary shareholders of the Company		–	–	–	–	–	–	–	–	(620)	–	(620)	–	(620)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(3,627)	(3,627)
Distribution to holders of perpetual capital securities		–	–	–	(796)	–	–	–	–	–	–	(796)	–	(796)
Consideration paid to acquire a subsidiary under common control		–	–	–	–	(2,374)	–	–	–	–	–	(2,374)	–	(2,374)
Transaction with non-controlling interests		–	–	–	–	5,167	–	–	–	(1,002)	–	4,165	(14,000)	(9,835)
Others		–	–	–	–	147	–	–	–	(220)	–	(73)	(16)	(89)
Other changes in equity		–	–	–	7,004	2,940	–	–	7,891	(9,733)	–	8,102	(16,471)	(8,369)
Balance at 31 December 2013		1,460	36,533	29	13,838	202,637	1,031	(4,324)	19,249	97,881	17,280	385,614	130,938	516,552

The notes on pages 163 to 307 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Cash flows from operating activities			
Profit before taxation		**77,800**	91,400
Adjustments for:			
– Depreciation and amortisation	10(b)	**9,977**	8,951
– Impairment losses	8	**55,020**	17,679
– Net valuation gain on investment properties	33(a)	**(2,332)**	(2,095)
– Net valuation gain on investments		**(535)**	–
– Share of profits of associates and joint ventures, net of tax		**(7,714)**	(6,632)
– Interest expenses on debts instruments issued	5(a)	**5,825**	2,949
– Finance income	9	**(2,250)**	(1,990)
– Finance costs	9	**11,054**	9,487
– Net loss on disposal of available-for-sale financial assets		**57**	2
– Net gain on disposal of subsidiaries, associates and joint ventures		**(2,556)**	(2,659)
		144,346	117,092
Changes in working capital			
Increase in balances and deposits with banks and non-bank financial institutions		**(5,196)**	(104,586)
Decrease in placements with banks and non-bank financial institutions		**90,962**	9,029
(Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets		**(27,791)**	6,971
Increase in trade and other receivables		**(32,627)**	(889)
Decrease in amounts due from customers for contract work		**296**	53
Decrease in inventories		**2,068**	1,064
Decrease/(increase) in financial assets held under resale agreements		**191,182**	(273,493)
Increase in loans and advances to customers and other parties		**(300,177)**	(361,391)
Increase in investments classified as receivables		**(452,794)**	(305,452)
Increase in other assets		**(38,802)**	(10,814)
Increase in deposits from banks and non-bank financial institutions		**168,642**	238,526
(Decrease)/increase in placements from banks and non-bank financial institutions		**(28,047)**	30,591
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities		**724**	–
(Decrease)/increase in trade and other payables		**(8,397)**	15,554
Increase in amounts due to customers for contract work		**2,641**	2,732
Increase/(decrease) in financial assets sold under repurchase agreements		**42,477**	(4,699)
Increase in deposits from customers		**249,318**	514,725
Increase in borrowing from central bank		**63,167**	–
Increase in other liabilities		**9,923**	1,518
Increase in employee benefits payables		**2,525**	368
Increase in provisions		**270**	266
Cash generated from/(used in) operations		**74,710**	(122,835)
Income tax paid		**(15,773)**	(23,988)
Net cash generated from/(used in) operating activities		**58,937**	(146,823)

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million (Restated)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**561,530**	654,253
Proceeds from disposal of fixed assets, intangible assets and other assets		**665**	572
Proceeds from disposal of subsidiaries, associates and joint ventures		**5,021**	4,238
Dividends received from equity investments, associates and joint ventures		**5,715**	3,214
Payments for purchase of investments		**(653,689)**	(680,757)
Payments for additions of fixed assets, intangible assets and other assets		**(24,217)**	(26,328)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		**(2,702)**	(6,685)
Net cash payment for disposal of subsidiaries		**(246)**	(1,619)
Acquisition of non-controlling interests		**(2,542)**	(11,263)
Interest received		**2,874**	1,046
Net cash used in investing activities		**(107,591)**	(63,329)
Cash flows from financing activities			
Capital injection received from the controlling shareholder		**21,455**	–
Capital injection received from non-controlling interests		**418**	1,483
Proceeds received from placing of shares		**53,274**	–
Net cash payment for acquisition of subsidiaries, associates, and joint ventures		**(53,357)**	–
Proceeds from new bank and other loans		**134,981**	156,607
Repayment of bank and other loans and debt instruments issued		**(180,174)**	(138,163)
Proceeds from new debt instruments issued		**129,766**	51,569
Proceeds from other equity instruments issued		**2,303**	–
Interest paid on bank and other loans and debt instruments issued		**(19,286)**	(19,039)
Dividends paid to non-controlling interests		**(5,987)**	(4,472)
Other net cash outflow relating to other financing activities		**–**	(3,213)
Dividends paid to ordinary shareholders of the Company		**(22,741)**	(620)
Distribution paid to holders of perpetual capital securities		**(1,134)**	(796)
Net cash generated from financing activities		**59,518**	43,356
Net increase/(decrease) in cash and cash equivalents		**10,864**	(166,796)
Cash and cash equivalents at 1 January		**337,894**	494,104
Effect of exchange rate changes		**(867)**	10,586
Cash and cash equivalents at 31 December	52	**347,891**	337,894

The notes on pages 163 to 307 form part of these financial statements.

1 General information

(a) Background

CITIC Pacific Limited ("Former CITIC Pacific") is incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Before 8 May 2014, the former CITIC Limited ("Former CITIC Limited") held 57.51% equity interests in Former CITIC Pacific through its overseas wholly-owned subsidiaries, and the shareholders of Former CITIC Limited were CITIC Group Corporation ("CITIC Group") and Beijing CITIC Enterprise Management Co., Ltd ("CITIC Enterprise Management"), a wholly-owned subsidiary of CITIC Group.

In March 2014, a framework agreement to transfer the shares of Former CITIC Pacific was entered into between several parties. Pursuant to the framework agreement, the subsidiaries of Former CITIC Limited which held the shares of Former CITIC Pacific transferred these shares to certain overseas wholly-owned subsidiaries of CITIC Group ("the Transfer"). The Transfer was approved by the regulatory authorities and completed on 8 May 2014.

On 16 April 2014, CITIC Group, CITIC Enterprise Management and Former CITIC Pacific entered into a share transfer agreement ("the Share Transfer Agreement"), pursuant to which Former CITIC Pacific acquired 100% equity interests in Former CITIC Limited from CITIC Group and CITIC Enterprise Management ("the Acquisition").

The Acquisition was completed on 25 August 2014 ("the Completion Date"). The name of Former CITIC Limited was changed from CITIC Limited to CITIC Corporation Limited ("CITIC Corporation") and the name of Former CITIC Pacific was changed from CITIC Pacific Limited to CITIC Limited ("the Company"). Upon the completion of the Acquisition, CITIC Group held 77.9% equity interests in the Company through its overseas wholly-owned subsidiaries.

The Company and its subsidiaries ("the Group") is principally engaged in financial services, resources and energy, manufacturing activities, engineering contracting, real estate and infrastructure and other businesses.

2 Significant accounting policies

(a) Basis of preparation and presentation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for the financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

2 Significant accounting policies (continued)

(a) Basis of preparation and presentation (continued)

The HKICPA has issued a number of amendments to and new interpretations of HKFRSs that are first effective for the current accounting period of the Group and the Company. Impacts of the adoption of the amended HKFRSs are discussed below:

(i) Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKAS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss.

(ii) Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32.

(iii) Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosure required for an impaired assets or CGU (Cash Generating Unit) whose recoverable amount is based on fair value less costs of disposal.

(iv) Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

(v) HK (IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised.

The adoption of the above amendments and interpretations has no material impact on the financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Company obtained control of CITIC Corporation through business combination under common control on 25 August 2014. The financial statements of CITIC Corporation are included in the Group's consolidated financial statements as if the combination had occurred from the date when the ultimate controlling party first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated. Details of the business combination under common control are disclosed in note 51.

2 Significant accounting policies (continued)

(b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK$ for the preparation of the consolidated financial statements (see note 2(h)). The consolidated financial statements of the Group are presented in HK$ and, unless otherwise stated, expressed in million of HK$.

(c) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 2(l));
- financial assets and liabilities at fair value through profit or loss (including trading financial assets or trading financial liabilities) (see note 2(i));
- available-for-sale financial assets, except for those whose fair value cannot be measured reliably (see note 2(i)); and
- fair value hedged items (see note 2(j)(i)).

(d) Use of estimates and judgement

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entities obtains control of other combining entities.

(ii) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree are transferred to investment income in the period in which the acquisition occurs.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the ordinary shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(i).

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

(iii) Consolidated financial statements (continued)

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (share premium) in the consolidated statement of financial position. If the credit balance of reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(f)).

(iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(t)(ii)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 Significant accounting policies (continued)

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(t)(ii)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see note 2(i)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(t)(ii)).

2 Significant accounting policies (continued)

(g) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of assets transferred (including the acquirer's previously held equity interest in the acquire), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within joint ventures and associates at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in profit or loss immediately on acquisition.

(h) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. The exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity investments, which is recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK$ at the foreign exchange rates or the rates that approximate the foreign exchange rates at the transaction dates. The resulting exchange differences are presented as "Reserves" (exchange reserves) in the consolidated balance sheet within the shareholder's equity.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

2 Significant accounting policies (continued)

(i) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

(ii) Categorisation

Financial assets and liabilities at fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative. Derivatives that do not qualify for hedge accounting (note 2(j)) are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets or financial liabilities which would otherwise arise;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets and financial liabilities under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise loans and advances to customers and other parties, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, investments classified as receivables, and trade and other receivables.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 2(t)(i)). Where the receivables are interest-free loans made to related parties without any fixed repayment term or the effect of discounting would be immaterial, the receivables are stated at cost less allowance for impairment of doubtful debts.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intention and ability to hold to maturity, other than (a) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (see note 2(t)(i)).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(w)(vii) and 2(w)(i) respectively.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Available-for-sale financial assets (continued)

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 2(t)(i)).

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Other financial liabilities mainly comprise borrowing from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, trade and other payables, financial assets sold under repurchase agreements and deposits from customers, banks and other loans, and debt securities issued.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (a) the contractual rights to receive the cash flows from the financial asset expire; or (b) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (c) the Group retains the contractual rights to receive the cash flows of the financial asset have been retained, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitisation of financial assets that do qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer. When the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) Derecognition (continued)

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

The financial liability is derecognised only when: (a) the underlying present obligation specified in the contracts is discharged/cancelled, or (b) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Derivatives

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting in accordance with note 2(j) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(vii) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note 2(i)(ii) above.

2 Significant accounting policies (continued)

(j) Hedging

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective part of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

2 Significant accounting policies (continued)

(j) Hedging (continued)

(iii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Group utilises the cumulative dollar offset method or regression analysis as effectiveness testing methodologies. For cash flow hedge relationships, the Group utilises the change in variable cash flow method or the cumulative dollar offset method using the hypothetical derivative approach.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(k) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the sale and repurchase consideration, and that between the purchase and resale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(l) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

2 Significant accounting policies (continued)

(m) Other property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (note 2(t)(ii)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction-in-progress represents property and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

– Plant and buildings	5 – 70 years
– Machinery and equipment	3 – 26 years
– Office and other equipment, motor vehicles and others	3 -10 years

Freehold land within the category of plant and buildings are not depreciated.

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(n) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in note 2(t)(ii).

2 Significant accounting policies (continued)

(o) Intangible assets (other than goodwill)

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(t)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

– Roads and tunnels operating rights	Over the estimated useful lives of 30 years
– Mining assets	Over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven probable reserves of the mines using the unit-of-production method.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(p) Inventories

(i) Manufacturing, resources and energy segments

Inventories of the manufacturing, and resources and energy segments are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised in profit or loss in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(p) Inventories (continued)

(ii) Real estate and infrastructure segment

Inventories in respect of property development activities under the real estate and infrastructure segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*
  The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(bb)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for sale*
  In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

  The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(q) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(v). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as "amount due from customers for contract work" or "amount due to customers for contract work". Progress billing not yet billed to the customer are included in "trade and other receivable". Amount received before the related work is performed are presented in "trade and other payable".

2 Significant accounting policies (continued)

(r) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(m) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(t)(ii). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w)(vi).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(l)).

(s) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses.

Impairment losses on initial recognition and on subsequent remeasurement are recognised in profit or loss.

2 Significant accounting policies (continued)

(t) Impairment of assets

(i) Financial assets

The carrying amounts of the Group's financial assets other than those measured at fair value through profit and loss are reviewed at balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes but not limited to one or more of the following loss events that occurred after the initial recognition of the asset and has an impact on the future cash flows on the assets that can be estimated reliably:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and

– disappearance of an active market for financial assets because of financial difficulties.

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of a financial asset.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote after all the necessary legal or other proceedings are completed, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

In assessing the need for collective loan loss allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(ii) Non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- land use rights;
- investments in subsidiaries, associates and joint ventures in the Company's balance sheet;
- goodwill; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*
  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*
  If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

  An impairment loss in respect of goodwill is not reversible.

2 Significant accounting policies (continued)

(u) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio. Where the payment of liability is expected not to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, and the effect would be material, these liabilities are stated at their present values in the balance sheet

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's PRC subsidiaries are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subjected to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other liabilities". The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(iii) if and when: (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(v)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income arising from the use of entity assets by others is recognised in profit or loss based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(i) Interest income (continued)

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

(iii) Sales of goods and provision for services

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Revenue from completed properties held for sale is recognised at the date when the sales agreement is signed.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(v) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

The Group measured the stage of completion by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Significant accounting policies (continued)

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and withholding tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2 Significant accounting policies (continued)

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(aa) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

– engage in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

– the methods used to distribute the products or provide the services; and

– the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sales investments or held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For the impairment loss of held-to-maturity debt investments, the Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Group estimates the net realisable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group's profit during the year.

3 Critical accounting estimates and judgement (continued)

(d) Impairment of non-financial assets

As described in note 2(t)(ii), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at each balance sheet date.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

(f) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(g) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

3 Critical accounting estimates and judgement (continued)

(h) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

(i) Metallurgical Corporation of China ("MCC") were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia. The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd ("MCC WA"), its wholly owned subsidiary company responsible for delivering MCC's obligations under the contract.

As at the date of this report MCC has not claimed any additional costs from Sino Iron or its subsidiaries, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US$5 million per day, with a cap of approximately US$530 million in total). As at balance sheet date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

No amounts have been recognised as either receivable from or payable to MCC or its subsidiary companies in the financial statements, pending the completion of the contract and settlement of any potential outstanding claims by either party. As set out in the announcement dated 24 December 2013 (the "Announcement"), Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron project, and an independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings, Sino Iron and MCC WA expect to enter into further negotiations on the project settlement accounts to determine the amount of liabilities to be borne between the parties. If these negotiations result in additional contracted amounts being agreed, this may impact on the carrying value of the project.

3 Critical accounting estimates and judgement (continued)

(j) Sino Iron and Korean Steel, subsidiary companies of CITIC Limited, are party to Mining Right and Site Lease Agreements ("MRSLAs") with Mineralogy Pty Ltd ("Mineralogy"). Among other things, those agreements provide their right to construct the Sino Iron Project and take two billion tonnes of magnetite ore.

CITIC Limited is also a party to an Option Agreement with Mineralogy, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. CITIC Limited exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy was required under the Option Agreement to nominate a company that was acceptable to CITIC Limited which had the right to extract the one billion tonnes of magnetite ore under a Mining Right and Site Lease Agreement. The first and second companies nominated by Mineralogy were subsequently withdrawn. CITIC Limited considered the third company nominated by Mineralogy did not satisfy the requirements of the Option Agreement. Mineralogy then alleged that the Option Agreement had been repudiated by CITIC Limited, purported to accept that repudiation and stated that the Option Agreement was at an end.

CITIC Limited (and its affected subsidiaries Sino Iron and Korean Steel) commenced legal proceedings in the Supreme Court of Western Australia seeking declarations that, among other things, the Option Agreement has not been repudiated, the purported termination by Mineralogy was invalid and the Option Agreement remains in full force and effect. In December 2014 Mineralogy accepted that CITIC had validly exercised the first option under the Option Agreement in April 2012 and that the Option Agreement is in full force and effect. As the parties have not agreed all elements of CITIC Limited's claim, the Option Agreement legal proceedings remain on foot.

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products ("annual benchmark prices"'). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

In November 2013, Mineralogy changed its position, accepted that Royalty Component B could not be calculated and amended its pleadings to allege that the MRSLAs had terminated due to the legal doctrine of frustration. In April 2014, Mineralogy changed its position a further time, returning to its original contention that Royalty Component B could be calculated. However, before being granted leave by the court to proceed with its claim on this basis, in June 2014 Mineralogy again altered its position. Mineralogy's current statement of claim seeks orders to compel Sino Iron and Korean Steel to join with Mineralogy to refer disputed quarterly Mineralogy Royalty payments made by Sino Iron and Korean Steel for expert determination. It also raises claims in connection with various obligations to provide information under the MRSLAs.

3 Critical accounting estimates and judgement (continued)

(j) Sino Iron and Korean Steel, subsidiary companies of CITIC Limited, are party to Mining Right and Site Lease Agreements ("MRSLAs") with Mineralogy Pty Ltd ("Mineralogy"). Among other things, those agreements provide their right to construct the Sino Iron Project and take two billion tonnes of magnetite ore. (continued)

Sino Iron and Korean Steel consider that the dispute is not appropriate for expert determination and that they have complied with any information requests that have been validly made by Mineralogy. They say that the provisions concerning Royalty Component B can be severed from the remainder of the MRSLAs (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, Sino Iron and Korean Steel contend that the parties to the MRSLAs must negotiate a Royalty Component B formula in good faith, or alternatively, Sino Iron and Korean Steel must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the court having regard to the relevant circumstances.

In September 2014, Mineralogy distributed a media release referring to notices purporting to terminate the MRSLAs that it had sent to Sino Iron and Korean Steel (among others). Sino Iron and Korean Steel filed an application for an interlocutory injunction to restrain Mineralogy from taking any steps to suspend or terminate the MRSLAs in reliance on these notices or otherwise, until the Western Australian Supreme Court resolves the Royalty Component B/Minimum Production Royalty dispute (including determination of the validity of Mineralogy's termination notices). On 5 March 2015, Justice Chaney delivered his judgment on this application, finding in favour of Sino Iron and Korean Steel. It was not necessary for his Honour to grant the interlocutory injunction as he accepted an undertaking from Mineralogy not to take any steps to retake possession of the Mine Area or Site Lease Area (as those terms are defined in the MRSLAs) pursuant to the termination notices, until the determination of the issues in the proceeding, other than on giving 60 days' notice or in any action before a Court.

Pursuant to the rights granted under facilities deeds (the "Facilities Deeds"), CITIC Limited's subsidiaries (Sino Iron and Korean Steel, through their agent CITIC Pacific Mining Management Pty Ltd ("CITIC Pacific Mining")) have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it and that it is entitled to possession, control and ownership of that infrastructure. Mineralogy also seeks orders restraining CITIC Limited and the affected subsidiaries (Sino Iron, Korean Steel and CITIC Pacific Mining) from obstructing it from exercising its alleged entitlements or occupying the port to the exclusion of Mineralogy. CITIC Limited and the affected subsidiaries (Sino Iron, Korean Steel and CITIC Pacific Mining) deny that Mineralogy is entitled to the declarations sought.

In September and October 2014, Mineralogy also issued notices of termination under the Facilities Deeds, seeking to terminate those deeds if the defaults alleged in the notices were not remedied. CITIC Limited, Sino Iron, Korean Steel and CITIC Pacific Mining (the "Affected CITIC Companies") consider that those notices are invalid. As Mineralogy refused to withdraw the termination notices, the Affected CITIC Companies filed an application for an interlocutory injunction to restrain Mineralogy from taking further steps to terminate the Facilities Deeds, in reliance on those notices or otherwise, until after the hearing before the Federal Court of Australia to determine the issues raised by those termination notices and the validity of the termination notices. In November 2014, Mineralogy purported to withdraw the Facilities Deeds notices of termination it had issued in September and October 2014 and issued new notices of termination concerning a sub-set of the alleged breaches. The interlocutory injunction application was heard on 1 December 2014. The court was not required to grant the injunction as it accepted an undertaking from Mineralogy that it will not take any steps to terminate the Facilities Deeds pursuant to any of the termination notices until the determination of the issues in the proceeding.

The matter is set down for trial in June 2015.

3 Critical accounting estimates and judgement (continued)

(j) Sino Iron and Korean Steel, subsidiary companies of CITIC Limited, are party to Mining Right and Site Lease Agreements (“MRSLAs”) with Mineralogy Pty Ltd (“Mineralogy”). Among other things, those agreements provide their right to construct the Sino Iron Project and take two billion tonnes of magnetite ore. (continued)

The Chief Executive Officer of the Western Australian State Department of Environment and Regulation granted a licence and amended the terms of another licence granted to CITIC Pacific Mining under Part V of the Environmental Protection Act 1986 (WA). Those licences were respectively for operation of a desalination plant and the conduct of trans-shipment operations for the Sino Iron Project (collectively, the “Part V Licences”). Mineralogy commenced proceedings on 8 April 2014 seeking to set aside the decisions to amend and grant the relevant Part V Licences. The trial of the matter took place on 14 November 2014 and judgment was delivered in favour of CITIC Pacific Mining, with the result that the Part V Licences remain valid. However, on 22 January 2015 Mineralogy lodged an appeal to the Court of Appeal of the Supreme Court of WA in relation to the decision. No date has been set for the hearing of the appeal.

These matters are ongoing. As many of the issues in dispute between the parties overlap, the timing and order in which the individual matters will be heard is still to be determined.

The Group intends to contest all claims vigorously. There have been no entries made to the financial statements in relation to these matters.

In addition to the ongoing disputes between Mineralogy and CITIC Limited and its subsidiaries, on 23 July 2014 the Full Court of the Federal Court of Australia heard the appeal by subsidiaries of CITIC Limited (Sino Iron, Korean Steel, CITIC Pacific Mining and Cape Preston Port Company Pty Ltd) of the decision of the Federal Court of Australia on the application to set aside Mineralogy’s designation as port operator for security purposes at the Port of Cape Preston. The subsidiaries were successful on the appeal, with the result that Mineralogy is no longer the port operator at the Port for security purposes.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2014 is 16.5% (2013: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group’s other subsidiaries in Mainland China for the year ended 31 December 2014 is 25% (2013: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (see notes 5(a), 5(b) and 5(d)(i)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (see note 5(c)).

The Group’s customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group’s revenue.

5 Revenue (continued)

(a) Net interest income

	2014 HK$ million	2013 HK$ million (Restated)
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**16,012**	17,676
Placements with banks and non-bank financial institutions	**6,147**	6,878
Financial assets held under resale agreements	**15,397**	14,036
Investments classified as receivables	**39,464**	7,641
Loans and advances to customers and other parties	**165,767**	142,239
Investments in debt securities	**17,658**	17,237
Others	**5**	4
	260,450	205,711
Interest expenses arising from:		
Borrowing from central banks	**(442)**	–
Deposits from banks and non-bank financial institutions	**(46,223)**	(24,564)
Placements from banks and non-bank financial institutions	**(1,508)**	(1,182)
Financial assets sold under repurchase agreements	**(1,058)**	(585)
Deposits from customers	**(84,307)**	(67,943)
Debt instruments issued	**(5,825)**	(2,949)
Others	**(9)**	(1)
	(139,372)	(97,224)
Net interest income	**121,078**	108,487

(b) Net fee and commission income

	2014 HK$ million	2013 HK$ million (Restated)
Consultancy and advisory fees	**7,132**	5,370
Bank card fees	**10,548**	7,051
Settlement fees	**2,793**	1,943
Commission for wealth management services	**4,995**	3,122
Agency fees and commission	**2,271**	1,595
Guarantee fees	**4,010**	3,070
Trustee fees	**7,573**	6,783
Others	**392**	45
	39,714	28,979
Fee and commission expenses	**(2,094)**	(1,889)
Net fee and commission income	**37,620**	27,090

5 Revenue (continued)

(c) Sales of goods and services

	2014 HK$ million	2013 HK$ million (Restated)
Sales of goods	**196,652**	229,582
Services rendered to customers	**25,796**	23,777
Revenue from construction contracts	**14,741**	17,985
	237,189	271,344

(d) Other revenue

	Note	2014 HK$ million	2013 HK$ million (Restated)
Net trading gain	(i)	**4,343**	2,627
Net gain/(loss) on investment assets attributable to subsidiaries under financial services segment		**1,643**	(2)
Others		**251**	201
		6,237	2,826

(i) Net trading gain

	2014 HK$ million	2013 HK$ million (Restated)
Trading profit:		
– debt securities	**1,214**	382
– foreign currencies	**1,041**	1,913
– derivatives	**2,088**	332
	4,343	2,627

6 Costs of sales and services

	Note	2014 HK$ million	2013 HK$ million (Restated)
Costs of goods sold	24	**169,371**	206,356
Costs of services rendered		**16,358**	15,377
Costs of construction contracts		**12,728**	16,306
		198,457	238,039

7 Other net income

	2014 HK$ million	2013 HK$ million (Restated)
Net gain on disposal of subsidiaries, associates and joint ventures	**2,544**	2,659
Net gain on financial assets attributable to subsidiaries under non-financial services segment	**3,270**	2,441
Commissions income, net foreign exchange gain, and others	**4,758**	5,065
	10,572	10,165

8 Impairment losses

	Note	2014 HK$ million	2013 HK$ million (Restated)
Impairment losses charged on/(reversed from):	46		
– placements with banks and non-bank financial institutions		**(34)**	9
– trade and other receivables		**2,803**	852
– amounts due from customers for contract work		**47**	–
– inventories		**1,051**	129
– loans and advances to customers and other parties		**28,149**	13,459
– available-for-sale financial assets		**501**	948
– held-to-maturity investments		**(8)**	(106)
– investments classified as receivables		**523**	–
– interests in associates		**1,693**	–
– interests in joint ventures		**26**	45
– fixed assets		**6,524**	2,219
– intangible assets		**13,367**	57
– others		**378**	67
		55,020	17,679

Impairment for the Sino Iron Project

The Group invested the Sino Iron Project, which is considered as a separate cash generating unit. Whenever events or circumstances indicate an impairment may have occurred, the Group tests whether assets attributable to the Group's Sino Iron Projects have suffered any impairment. The recoverable amount of the Sino Iron Project is based on the value in use methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

8 Impairment losses (continued)

Impairment for the Sino Iron Project (continued)

The Group has identified indicators of impairment at 31 December 2014, including the reduction in the iron ore price outlook and other factors. As a result the Group assessed the recoverable amount of the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is compared with its recoverable amount. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs to sell and value in use. The Group has adopted value in use in its assessment, using a nominal discounted cash flow model based on the mine life of the Sino Iron Project. A nominal post tax discount rate of 9% (2013: 9%) was applied to the post tax nominal cash flows.

The impairment testing carried out at 31 December 2014 resulted in a total impairment of US$2,500 million (approximately HK$19,500 million) being recognised in the consolidated income statement.

The impairment was allocated as follows:

- Intangible assets – US$1,706 million (approximate HK$13,307 million)
- Property, plant & equipment – US$794 million (approximate HK$6,193million)

The aggregate after-tax impact to the consolidated income statement is US$1,750 million (approximate HK$13,650 million).

9 Net finance charges

	2014 HK$ million	2013 HK$ million (Restated)
Finance costs		
Interest on bank loans and other loans wholly repayable within five years	**11,356**	11,237
Interest on other loans and debt instruments issued, and other interest expenses	**5,147**	4,846
	16,503	16,083
Less: interest expense capitalised*	**(5,874)**	(7,066)
	10,629	9,017
Other finance charges	**418**	613
Other financial instruments	**7**	(143)
	11,054	9,487
Finance income	**(2,250)**	(1,990)
	8,804	7,497

* Capitalisation rates applied to funds borrowed are 3.3% – 8.03% per annum for the year ended 31 December 2014 (2013: capitalisation rate of 3.0% – 7.76%).

10 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	2014 HK$ million	2013 HK$ million (Restated)
Salaries and bonuses	**32,016**	27,387
Contributions to defined contribution retirement schemes	**961**	1,168
Others	**9,525**	7,580
	42,502	36,135

(b) Other items

	2014 HK$ million	2013 HK$ million (Restated)
Amortisation	**2,406**	1,720
Depreciation	**7,571**	7,231
Operating lease charges: minimum lease payments	**1,345**	909
Auditors' remuneration	**158**	160

11 Income tax in the income statement

(a) Income tax in the income statement:

	Note	2014 HK$ million	2013 HK$ million (Restated)
Current tax – Mainland China			
Provision for enterprise income tax for the year		**24,491**	21,856
Land appreciation tax		**1,059**	860
		25,550	22,716
Current tax – Hong Kong			
Provision for Hong Kong profits tax for the year		**1,011**	989
Current tax – Overseas			
Provision for the year		**837**	637
		27,398	24,342
Deferred tax			
Origination and reversal of temporary differences	36(b)	**(9,398)**	(3,401)
		18,000	20,941

The particulars of the applicable income tax rates are disclosed in note 4.

11 Income tax in the income statement (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 HK$ million	2013 HK$ million (Restated)
Profit before taxation	**77,800**	91,400
Less: Share of profits of		
– associates	**(4,389)**	(2,676)
– joint ventures	**(3,325)**	(3,956)
	70,086	84,768
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**11,564**	13,987
Effect of different tax rates in other jurisdictions	**4,668**	6,813
Tax effect of unused tax losses not recognised	**696**	290
Tax effect of non-deductible expenses	**3,718**	2,895
Tax effect of non-taxable income	**(3,210)**	(3,315)
Others	**564**	271
Actual tax expense	**18,000**	20,941

12 Directors' remuneration

Details of directors' remuneration for the year ended 31 December 2014 are set out as follows:

Expressed in HK$ million	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total remuneration (before tax)
Name of Current Directors:					
Chang Zhenming [i,iii]	–	2.14	–	0.13	2.27
Wang Jiong [i,iii,v]	–	0.82	–	0.12	0.94
Dou Jianzhong [ii,iii,v]	0.38	4.63	–	0.46	5.47
Zhang Jijing [iii]	–	4.71	2.00	0.14	6.85
Yu Zhensheng [v]	–	–	–	–	–
Yang Jinming [v]	–	–	–	–	–
Cao Pu [v]	–	–	–	–	–
Liu Zhongyuan [v]	–	–	–	–	–
Liu Yeqiao [v]	–	–	–	–	–
Alexander Reid Hamilton	0.58	–	–	–	0.58
Francis Siu Wai Keung	0.67	–	–	–	0.67
Xu Jinwu	0.36	–	–	–	0.36
Anthony Francis Neoh [v]	0.01	–	–	–	0.01
Lee Boo Jin [v]	0.01	–	–	–	0.01
Name of Former Directors:					
Vernon Francis Moore [iv,v]	–	4.20	–	–	4.20
Liu Jifu [iv,v]	–	1.41	–	–	1.41
André Desmarais [iv,v]	0.13	–	–	–	0.13
Ju Weimin [iv,v]	0.26	–	–	–	0.26
Yin Ke [iv,v]	0.35	–	–	–	0.35
Carl Yung Ming Jie [iv,v]	0.26	–	–	–	0.26
Gregory Lynn Curl [iv,v]	0.33	–	–	–	0.33
Zeng Chen [iv,v]	–	2.79	–	–	2.79
	3.34	20.70	2.00	0.85	26.89

Notes:

(i) The discretionary bonus for the year ended 31 December 2014 in respect of Mr Chang Zhenming and Mr Wang Jiong have not been finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained.

(ii) Mr Dou Jianzhong's fees, salaries, allowance and benefits in kind and retirement scheme contributions are paid by a subsidiary of the Company. The discretionary bonus for the year ended 31 December 2014 has not been finalised, and further disclosure of which will be made as and when the amount is confirmed.

(iii) Emoluments for the year ended 31 December 2014 are all paid by the Company (before and after renamed) and Former CITIC Limited, and its subsidiaries to incumbent directors, Mr Chang Zhenming, Mr Wang Jiong, Mr Dou Jianzhong, Mr Zhang Jijing.

(iv) Emoluments of former directors, Mr Vernon Francis Moore, Mr Liu Jifu, Mr André Desmarais, Mr Ju Weimin, Mr Yin Ke, Mr Yung Ming Jie, Mr Gregory Lynn Curl and Mr Zeng Chen are paid by the Company for the period in which they served as directors.

12 Directors' remuneration (continued)

Notes: (continued)

(v) Changes in directors during the year

(1) Mr Wang Jiong and Mr Dou Jianzhong were appointed as executive directors, and Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu, and Mr Liu Zhongyuan were appointed as non-executive directors in September 2014.

(2) Mr Liu Yeqiao was appointed as a non-executive directors, and Mr Anthony Francis Neoh, and Ms Lee Boo Jin were appointed as Independent non-executive directors in December 2014.

(3) Mr Zeng Chen was appointed as an executive director in May 2014.

(4) Mr Gregory Lynn Curl relocated its position from independent non-executive director to non-executive director in August 2014.

(5) Mr André Desmarais retired from the position as non-executive director in May 2014.

(6) Mr Vernon Francis Moore, Mr Liu Jifu, and Mr Zeng Chen, resigned from the position as Executive Directors, and Mr Ju Weimin, Mr Yin Ke, Mr Carl Yung Ming Jie, and Mr Gregory Lynn Curl resigned from the position as non-executive directors in September 2014.

Details of directors' remuneration for the year ended 31 December 2013 are set out as follows:

Expressed in HK$ million	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total remuneration (before tax)
Name of Directors:					
Chang Zhenming	–	1.23	0.80	–	2.03
Zhang Jijing	–	4.28	1.33	0.02	5.63
Vernon Francis Moore	–	5.47	6.19	0.02	11.68
Liu Jifu	–	1.77	4.21	0.01	5.99
André Desmarais	0.35	–	–	–	0.35
Ju Weimin	0.35	–	–	–	0.35
Yin Ke	0.45	–	–	–	0.45
Carl Yung Ming Jie	0.35	–	–	–	0.35
Alexander Reid Hamilton	0.55	–	–	–	0.55
Gregory Lynn Curl	0.45	–	–	–	0.45
Francis Siu Wai Keung	0.60	–	–	–	0.60
Xu Jinwu	0.35	–	–	–	0.35
	3.45	12.75	12.53	0.05	28.78

The above directors' remuneration for the year ended 31 December 2013 was obtained from the former CITIC Pacific, and disclosed in note 12 to the financial statements included in the former CITIC Pacific's 2013 annual report.

13 Individuals with highest emoluments

For the year ended 31 December 2014, none of the five highest paid individuals are directors (2013: one) whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of these five individuals (2013: four) are as follows:

	2014 HK$ million	2013 HK$ million
Salaries and other emoluments	**21.80**	16.20
Discretionary bonuses	**38.38**	28.83
Equity settled share based payment expenses	**3.29**	2.98
Retirement scheme contributions	**1.35**	1.13
	64.82	49.14

The emoluments of the five individuals (2013: four) with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of Individuals
HK$10,000,001 to HK$11,000,000	**–**	2
HK$11,000,001 to HK$12,000,000	**2**	1
HK$12,000,001 to HK$13,000,000	**2**	–
HK$16,000,001 to HK$17,000,000	**1**	–
HK$17,000,001 to HK$18,000,000	**–**	1
	5	4

14 (Loss)/profit attributable to shareholders of the Company

The Company's (loss)/profit attributable to shareholders of the Company is recorded in the financial statements of the Company to the extent of a (loss)/profit of HK$(684) million (2013: HK$1,459 million).

15 Dividends

	2014	2013
Expressed in HK$ million		
2013 Final dividend paid: HK$0.25 (2012: HK$0.30) per share	**912**	1,095
Interim		
2014 Interim dividend paid:		
HK$0.015 (2013: HK$0.10) per share	**374**	365
Final		
2014 Final dividend proposed:		
HK$0.20 (2013: HK$0.25) per share	**4,981**	912

16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK$39,834 million for the year ended 31 December 2014 (2013: HK$48,430 million) and the weighted average number of 24,903 million ordinary shares (2013: 24,903 million ordinary shares), calculated as follows:

Weighted average number of ordinary shares:

	2014	2013 (Restated)
Issued ordinary shares as at 1 January	**3,649**	3,649
Effect of shares issued as a consideration for business combination under common control	**21,254**	21,254
Weighted average number of ordinary shares as at 31 December	**24,903**	24,903

The diluted earnings per share for the years ended 31 December 2014 and 2013 are the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of share options because the exercise price was above the average market price of the Company's shares for the years ended 31 December 2014 and 2013.

The basic and diluted earnings per share for the year ended 31 December 2014 are HK$1.60 (2013: HK$1.94).

17 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2014			2013 (Restated)		
	Before tax amount HK$ million	**Tax benefit/ (expense) HK$ million**	**Net-of-tax amount HK$ million**	Before tax amount HK$ million	Tax benefit/ (expense) HK$ million	Net-of-tax amount HK$ million
Available-for-sale financial assets: net movement in fair value reserve	**14,831**	**(3,590)**	**11,241**	(7,837)	1,918	(5,919)
Cash flow hedge: net movement in hedging reserve	**(1,526)**	**348**	**(1,178)**	1,468	(49)	1,419
Share of other comprehensive income of associates and joint ventures	**168**	**–**	**168**	770	–	770
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures and others	**(1,980)**	**–**	**(1,980)**	11,878	–	11,878
Other comprehensive income for the year	**11,493**	**(3,242)**	**8,251**	6,279	1,869	8,148

17 Other comprehensive income (continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2014 HK$ million	2013 HK$ million (Restated)
Fair value gains/(losses) of available-for-sale financial assets	**13,856**	(8,770)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(975)**	(933)
Tax effect	**3,590**	(1,918)
	11,241	(5,919)
(Losses)/gains arising from cash flow hedge	**(2,097)**	1,231
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(571)**	(509)
Net amounts previously recognised in other comprehensive income transferred to construction in progress in the current year	**–**	272
Tax effect	**(348)**	49
	(1,178)	1,419
Share of other comprehensive income of associates and joint ventures	**168**	770
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures, and others	**(1,980)**	11,878
	8,251	8,148

18 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: manufacturing of special steels, heavy machineries, aluminium wheels and other products.

18 Segment reporting (continued)

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate and infrastructure: this segment includes development, sale and holding of properties and investment and operation of infrastructures.

– Others: others include various businesses including telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit from consolidated activities". To arrive at segment results, the Group's profit before tax are further adjusted for items not specially attributed to individual segments, such as share of results of associates and joint ventures and head office or corporate administrative costs.

Inter-segment pricing is based on similar terms as those available to other external parties.

18 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

		Year ended 31 December 2014								
	Note	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate and infrastructure HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers		164,849	51,786	71,845	17,127	31,531	64,594	392	-	402,124
Inter-segment revenue		(177)	1,176	58	611	265	422	(216)	(2,139)	-
Reportable segment revenue		164,672	52,962	71,903	17,738	31,796	65,016	176	(2,139)	402,124
Share of profits of associates, net of tax		3,072	6	355	59	865	24	8	-	4,389
Share of profits/(losses) of joint ventures, net of tax		460	1,988	(60)	-	150	616	171	-	3,325
Finance income	9	-	406	323	531	707	59	4,395	(4,171)	2,250
Finance costs	9	-	(2,439)	(1,279)	(116)	(2,576)	(889)	(7,798)	4,043	(11,054)
Depreciation and amortisation	10(b)	(2,802)	(794)	(3,350)	(139)	(822)	(2,052)	(18)	-	(9,977)
Impairment losses	8	(31,245)	(21,729)	(559)	(48)	(589)	(1,097)	(8)	255	(55,020)
Profit/(loss) before taxation		76,641	(19,182)	4,047	3,281	12,145	1,659	(2,391)	1,600	77,800
Income tax		(17,625)	5,569	(693)	(897)	(3,697)	(466)	(113)	(78)	(18,000)
Profit/(loss) for the year		59,016	(13,613)	3,354	2,384	8,448	1,193	(2,504)	1,522	59,800
Attributable to:										
– Ordinary shareholders of the Company		41,267	(13,013)	2,921	2,381	7,891	499	(3,634)	1,522	39,834
– Non-controlling interests and holders of perpetual capital securities		17,749	(600)	433	3	557	694	1,130	-	19,966

18 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	At 31 December 2014								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate and infrastructure HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	5,322,510	147,903	108,501	44,020	239,930	72,538	138,921	(126,492)	5,947,831
Including:									
Interests in associates	28,608	11,882	3,557	167	5,332	1,961	109	-	51,616
Interests in joint ventures	3,596	9,621	247	-	10,236	7,316	-	-	31,016
Reportable segment liabilities	4,927,978	136,503	59,406	35,820	163,399	39,258	207,573	(197,613)	5,372,324
Including:									
Bank and other loans	-	42,798	19,130	2,142	85,765	22,603	85,754	(39,199)	218,993
Debt instruments issued	169,215	-	5,054	-	-	3,477	95,660	(280)	273,126

		Year ended 31 December 2013 (Restated)								
	Note	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate and infrastructure HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers		137,086	85,480	65,582	20,401	38,721	61,722	755	-	409,747
Inter-segment revenue		32	94	6	2,641	8	2,337	(27)	(5,091)	-
Reportable segment revenue		137,118	85,574	65,588	23,042	38,729	64,059	728	(5,091)	409,747
Share of profits/(losses) of associates, net of tax		1,368	(102)	(99)	56	1,224	199	30	-	2,676
Share of profits/(losses) of joint ventures, net of tax		246	2,164	127	(21)	430	1,010	-	-	3,956
Finance income	9	-	251	451	469	680	60	4,470	(4,391)	1,990
Finance costs	9	-	(3,497)	(1,592)	(36)	(2,333)	(799)	(4,993)	3,763	(9,487)
Depreciation and amortisation	10(b)	(2,265)	(607)	(3,127)	(161)	(760)	(2,031)	-	-	(8,951)
Impairment losses	8	(15,218)	(2,355)	(218)	18	109	(103)	-	88	(17,679)
Profit/(loss) before taxation		72,536	(1,703)	2,891	3,110	9,981	3,766	791	28	91,400
Income tax		(17,513)	678	(441)	(842)	(1,931)	(336)	(540)	(16)	(20,941)
Profit/(loss) for the year		55,023	(1,025)	2,450	2,268	8,050	3,430	251	12	70,459
Attributable to:										
– Ordinary shareholders of the Company		36,223	(843)	2,146	2,267	7,052	2,203	(630)	12	48,430
– Non-controlling interests and holders of perpetual capital securities		18,800	(182)	304	1	998	1,227	881	-	22,029

18 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	At 31 December 2013 (Restated)								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate and infrastructure HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	4,691,048	165,106	100,003	43,329	249,860	65,590	131,498	(124,725)	5,321,709
Including:									
Interests in associates	25,286	9,523	3,265	163	5,266	1,874	126	-	45,503
Interests in joint ventures	4,870	9,853	308	10	8,797	6,776	-	-	30,614
Reportable segment liabilities	4,349,905	81,180	53,146	35,910	170,176	61,509	177,341	(124,010)	4,805,157
Including:									
Bank and other loans	-	48,128	21,297	2,479	93,793	17,793	69,304	(35,276)	217,518
Debt instruments issued	97,773	6,187	4,220	-	-	3,757	90,093	(879)	201,151

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers		Reportable segment assets	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million (Restated)
Mainland China	**339,733**	347,693	**5,508,334**	4,915,870
Hong Kong and Macau	**26,858**	23,567	**322,547**	285,785
Overseas	**35,533**	38,487	**116,950**	120,054
	402,124	409,747	**5,947,831**	5,321,709

19 Cash and deposits

		The Group		The Company	
	Note	**2014 HK$ million**	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Cash		**9,214**	8,764	**–**	–
Bank deposits		**82,083**	88,823	**13,031**	16,381
Balances with central banks:	(i)				
– Statutory deposit reserve funds	(ii)	**581,678**	535,051	**–**	–
– Surplus deposit reserve funds	(iii)	**88,945**	84,019	**–**	–
– Fiscal deposits		**4,886**	4,630	**–**	–
Deposits with banks and non-bank financial institutions		**130,355**	177,911	**–**	–
		897,161	899,198	**13,031**	16,381

19 Cash and deposits (continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at 31 December 2014, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 18% (2013: 18%) of eligible RMB deposits for domestic branches of the Bank. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (2013:5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2014. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions. The statutory RMB deposit reserve rates applicable to the PRC subsidiaries of CITIC Bank and CITIC Finance are determined by the People's Bank of China.

As at 31 December 2014, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 14.5% (2013: 15.0%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2014, CITIC Finance is also required to deposit an amount equivalent to 5% (2013: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) In addition to the statutory deposit reserve funds, the amount of HK$9,937 million (2013: HK$11,260 million) included in cash and deposits as at 31 December 2014 are restricted in use. They mainly include deposits pledged for loans, guaranteed deposits and cash received from sale of properties before completion which is under the supervision by the Housing Administration Bureau of the PRC.

20 Placements with banks and non-bank financial institutions

The Group

	Note	**2014 HK$ million**	2013 HK$ million (Restated)
Banks		**45,112**	128,634
Non-bank financial institutions		**41,326**	26,961
		86,438	155,595
Less: Allowance for impairment losses	46	**(10)**	(19)
		86,428	155,576
Analysed by remaining maturity:			
Within one month		**50,029**	35,292
Between one month and one year		**36,372**	120,131
Over one year		**27**	153
		86,428	155,576

21 Financial assets at fair value through profit or loss

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Held for trading purpose:			
– Debt trading financial assets	(a)	**16,164**	13,967
– Trading equity investments	(b)	**41**	34
– Investment funds	(c)	**2,313**	1,593
– Certificates of interbank deposit	(d)	**17,649**	–
Financial assets designated at fair value through profit or loss:	(e)		
– Debt trading financial assets		**1,062**	63
– Others		**19**	1
		37,248	15,658

	2014 HK$ million	2013 HK$ million (Restated)
Issued by:		
Government	**1,282**	6,511
Policy banks	**1,731**	364
Banks and non-bank financial institutions	**24,784**	4,393
Corporate entities and others	**9,451**	4,390
	37,248	15,658

	2014 HK$ million	2013 HK$ million (Restated)
Analysed by remaining maturity:		
Within three months	**6,843**	10,035
Between three months and one year	**22,995**	5,272
Over one year	**7,338**	260
No fixed terms	**72**	91
	37,248	15,658

Note:

(i) The remaining term to maturity of financial assets at fair value through profit or loss does not represent the Group's intended holding period.

21 Financial assets at fair value through profit or loss (continued)

(a) Debt trading financial assets

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Listed in Hong Kong	**1,054**	–
Listed outside Hong Kong	**219**	1
Unlisted (note(ii))	**14,891**	13,966
	16,164	13,967

(b) Trading equity investments

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Listed in Hong Kong	**38**	31
Listed outside Hong Kong	**–**	–
Unlisted	**3**	3
	41	34

(c) Investment funds

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Listed in Hong Kong	**–**	–
Listed outside Hong Kong	**–**	–
Unlisted	**2,313**	1,593
	2,313	1,593

(d) Certificates of interbank deposit

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Listed in Hong Kong	**–**	–
Listed outside Hong Kong	**–**	–
Unlisted (note(ii))	**17,649**	–
	17,649	–

21 Financial assets at fair value through profit or loss (continued)

(e) Financial assets designated at fair value through profit or loss

	The Group	
	2014 HK$ million	2013 HK$ million (Restated)
Listed in Hong Kong	**–**	–
Listed outside Hong Kong	**–**	–
Unlisted (note(ii))	**1,081**	64
	1,081	64

Note:

(ii) The unlisted investments include securities held by the Group traded in China inter-bank market.

22 Derivative financial instruments

The Group's subsidiaries under financial services segment act as an intermediary to offer derivative products including interest rate and currency forwards and swap to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

Subsidiaries under non-financial services segment of the Group enters into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables and notes provide an analysis of the notional amounts of derivatives and the corresponding fair values at the balance sheet date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

22 Derivative financial instruments (continued)

The Group

	Note	2014 Nominal amount HK$ million	2014 Assets HK$ million	2014 Liabilities HK$ million	2013 (Restated) Nominal amount HK$ million	2013 (Restated) Assets HK$ million	2013 (Restated) Liabilities HK$ million
Hedging instruments							
Fair value hedge:	22(c)(i)						
– Interest rate derivatives		10,304	302	38	10,202	267	75
Cash flow hedge:	22(c)(ii)						
– Interest rate derivatives		22,490	–	3,062	15,513	–	2,421
– Currency derivatives		2,931	113	223	1,283	37	88
– Other derivatives		160	10	727	51	2	97
Non-hedging instruments							
– Interest rate derivatives		372,944	961	1,061	257,352	1,726	1,779
– Currency derivatives		1,242,393	8,139	7,875	1,146,024	7,934	7,067
– Precious metals derivatives		37,728	1,069	488	–	–	–
– Other derivatives		26,630	–	–	80,456	–	2
		1,715,580	10,594	13,474	1,510,881	9,966	11,529

The Company

	2014 Nominal amount HK$ million	2014 Assets HK$ million	2014 Liabilities HK$ million	2013 Nominal amount HK$ million	2013 Assets HK$ million	2013 Liabilities HK$ million
Hedging instruments						
Cash flow hedge:						
– Interest rate derivatives	14,690	–	1,494	15,313	–	1,191
– Currency derivatives	1,060	99	99	1,735	88	88
– Other derivatives	–	–	–	–	–	–
Non-hedging instruments						
– Interest rate derivatives	1,630	–	139	1,630	–	176
	17,380	99	1,732	18,678	88	1,455
Less: current portion						
– Interest rate derivatives		–	87		–	51
– Currency derivatives		99	99		88	88
		99	186		88	139
		–	1,546		–	1,316

22 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Within three months	**683,165**	624,256	**979**	467
Between three months and one year	**755,520**	552,402	**3,267**	1,891
Between one year and five years	**261,636**	327,887	**6,922**	8,888
Over five years	**15,259**	6,336	**6,212**	7,432
	1,715,580	1,510,881	**17,380**	18,678

Note:

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

	2014 HK$ million	2013 HK$ million (Restated)
Default risk of counter party:		
– Interest rate derivatives	**927**	973
– Currency derivatives	**14,264**	13,096
– Precious metals derivatives	**761**	–
– Other derivatives	**11,662**	10,700
Credit Valuation Adjustment	**14,026**	14,276
	41,640	39,045

Notes:

(i) The credit risk weighted amounts stated above are solely in connection with the derivatives held by CITIC Bank.

(ii) The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

Fair value hedge is adopted by a subsidiary under the financial services segment to hedge the movements in market interest rates by using interest rate swaps.

(ii) Cash flow hedge

Cash flow hedge is adopted by subsidiaries under the financial services and resources and energy segments to hedge their foreign currency risk, commodity price risk and interest rate risk by using foreign currency forward contracts, commodity forward contracts and interest rate swaps.

23 Trade and other receivables

	Note	The Group 2014 HK$ million	The Group 2013 HK$ million (Restated)	The Company 2014 HK$ million	The Company 2013 HK$ million
Trade and bills receivables	(a)	**24,759**	26,650	**–**	–
Interest receivables	(b)	**34,114**	21,078	**5**	1
Prepayments, deposits and other receivables	(c)	**71,874**	61,249	**258**	194
		130,747	108,977	**263**	195

As at 31 December 2014, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$20,060 million (2013: HK$19,093 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year

(a) Trade and bills receivables

(i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	Note	The Group 2014 HK$ million	The Group 2013 HK$ million (Restated)
Within one year		**22,182**	24,828
Over one year		**3,920**	2,587
		26,102	27,415
Less: Allowance for impairment losses	46	**(1,343)**	(765)
		24,759	26,650

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(ii) Impairment of trade and bills receivables

The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2014 and 2013 are disclosed in note 46.

As at 31 December 2014, the Group's trade and bills receivables of HK$491 million (2013: HK$382 million) were individually determined to be impaired. These receivables mainly relate to customers which were in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses on the entire balances was recognised.

23 Trade and other receivables (continued)

(a) Trade and bills receivables (continued)

(iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014 HK$ million	2013 HK$ million (Restated)
Less than one year past due	**3,573**	5,778
Over one year past due	**290**	155
	3,863	5,933

Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) Interest receivables

		The Group		The Company	
	Note	**2014 HK$ million**	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Interest receivables		**35,876**	21,993	**5**	1
Less: Allowance for impairment losses	46	**(1,762)**	(915)	**–**	–
		34,114	21,078	**5**	1

(c) Prepayments, deposits and other receivables

		The Group		The Company	
	Note	**2014 HK$ million**	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Prepayments, deposits and other receivables		**73,061**	62,205	**258**	194
Less: Allowance for impairment losses	46	**(1,187)**	(956)	**–**	–
		71,874	61,249	**258**	194

24 Inventories

	The Group	
	2014	2013
	HK$ million	HK$ million
		(Restated)
Raw materials	**3,642**	6,013
Work-in-progress	**4,867**	4,457
Finished goods	**16,332**	14,926
Properties:		
– Properties under development for sale	**89,892**	90,751
– Properties held-for-sale	**13,243**	16,308
– Others	**3,098**	2,896
Others	**2,184**	1,280
	133,258	136,631

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	2014 HK$ million	2013 HK$ million (Restated)
Carrying amount of inventories sold	6	**169,371**	206,356
Write -down of inventories	46	**1,191**	344
Reversal of write-down of inventories	46	**(140)**	(215)
		170,422	206,485

As at 31 December 2014, the Group’s inventories include an amount of HK$92,076 million expected to be recovered after more than one year (2013: HK$93,608 million).

As at 31 December 2014, the carrying amount of restricted use of inventory for CITIC Resources Holdings Limited (“CITIC Resources”), a subsidiary of the Group, is HK$979 million (2013: Nil).

25 Financial assets held under resale agreements

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Analysed by counterparties:		
Banks	**166,889**	359,343
Non-bank financial institutions	**5,211**	6,018
	172,100	365,361
Analysed by types of collaterals:		
Discounted bills	**106,926**	286,245
Debt securities	**61,456**	61,425
Others	**3,718**	17,691
	172,100	365,361
Analysed by remaining maturity:		
Within one month	**157,271**	168,461
Between one month and one year	**13,576**	190,638
Over one year	**1,253**	6,262
	172,100	365,361

26 Loans and advances to customers and other parties

(a) Natures of loans and advances

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Corporate loans:			
– Loans		**1,991,035**	1,832,084
– Discounted bills		**86,254**	82,383
– Lease payment receivables		**700**	885
		2,077,989	1,915,352
Personal loans:			
– Residential mortgages		**294,240**	280,297
– Business loans		**138,080**	124,354
– Credit cards		**159,891**	110,015
– Others		**110,752**	45,692
		702,963	560,358
		2,780,952	2,475,710
Less: Impairment allowances			
– Individually assessed		**(17,627)**	(14,810)
– Collectively assessed		**(51,474)**	(41,097)
	46	**(69,101)**	(55,907)
		2,711,851	2,419,803

26 Loans and advances to customers and other parties (continued)

(b) Types of collaterals

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Unsecured loans	**506,983**	514,531
Guaranteed loans	**651,130**	635,370
Loans with pledged assets:		
– Loans secured by tangible assets	**1,209,922**	945,775
– Loans secured by monetary assets	**326,663**	297,651
	2,694,698	2,393,327
Discounted bills	**86,254**	82,383
Gross loans and advances	**2,780,952**	2,475,710

(c) Assessment method of allowance for impairment losses

The Group

	At 31 December 2014				
	Loans and advances for which allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	**2,738,723**	**7,109**	**35,120**	**2,780,952**	**1.52%**
Less: Allowance for impairment losses	**(46,554)**	**(4,920)**	**(17,627)**	**(69,101)**	
	2,692,169	**2,189**	**17,493**	**2,711,851**	

	At 31 December 2013 (Restated)				
	Loans and advances for which allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	2,443,858	4,519	27,333	2,475,710	1.29%
Less: Allowance for impairment losses	(37,688)	(3,409)	(14,810)	(55,907)	
	2,406,170	1,110	12,523	2,419,803	

26 Loans and advances to customers and other parties (continued)

(c) Assessment method of allowance for impairment losses (continued)

Notes:

(i) Impaired loans and advances include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

– individually; or

– collectively, that is the portfolios of homogeneous loans and advances.

(ii) As at 31 December 2014, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK$35,120 million (2013: HK$27,333 million). The covered and uncovered portion of these loans and advances are as follows:

	The Group	
	2014	2013
	HK$ million	HK$ million (Restated)
Covered portion	**13,669**	7,696
Uncovered portion	**21,451**	19,637
	35,120	27,333

As at 31 December 2014, the fair value of collaterals held against these loans and advances amounted to HK$21,545 million (2013: HK$16,347 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

26 Loans and advances to customers and other parties (continued)

(d) Movements of allowance for impairment losses

The Group

	2014			
	Loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is individually assessed	Total
	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January	37,688	3,409	14,810	55,907
Charge for the year:				
– new impairment allowance charged to profit or loss	8,939	3,356	20,383	32,678
– impairment allowance released to profit or loss	(73)	(13)	(4,443)	(4,529)
Unwinding of discount	–	–	(583)	(583)
Transfer out	–	–	–	–
Write-off	–	(1,763)	(12,859)	(14,622)
Recoveries of loans and advances previously write-off	–	(69)	319	250
At 31 December	46,554	4,920	17,627	69,101

	2013 (Restated)			
	Loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is individually assessed	Total
	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January	34,149	1,213	12,261	47,623
Charge for the year:				
– new impairment allowance charged to profit or loss	3,577	3,251	13,069	19,897
– impairment allowance released to profit or loss	(38)	(53)	(6,347)	(6,438)
Unwinding of discount	–	–	(349)	(349)
Transfer out	–	–	55	55
Write-off	–	(1,056)	(4,111)	(5,167)
Recoveries of loans and advances previously write-off	–	54	232	286
At 31 December	37,688	3,409	14,810	55,907

There was no movement on allowance for impairment losses for the Company during the year ended 31 December 2014 (2013: Nil).

26 Loans and advances to customers and other parties (continued)

(e) Overdue loans by overdue period

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid as at the balance sheet date.

The Group

	2014				
	Overdue within three months HK$ million	Overdue between three months and one year HK$ million	Overdue between one year and three years HK$ million	Overdue over three years HK$ million	Total HK$ million
Unsecured loans	**4,384**	**4,315**	**1,822**	**487**	**11,008**
Guaranteed loans	**16,170**	**9,037**	**4,048**	**413**	**29,668**
Loans with pledged assets:					
– loans secured by tangible assets	**27,681**	**13,110**	**7,441**	**942**	**49,174**
– loans secured by monetary assets	**6,316**	**1,619**	**1,071**	**47**	**9,053**
	54,551	**28,081**	**14,382**	**1,889**	**98,903**

	2013 (Restated)				
	Overdue within three months HK$ million	Overdue between three months and one year HK$ million	Overdue between one year and three years HK$ million	Overdue over three years HK$ million	Total HK$ million
Unsecured loans	3,169	2,211	1,487	858	7,725
Guaranteed loans	4,801	5,816	2,516	635	13,768
Loans with pledged assets:					
– loans secured by tangible assets	9,925	6,408	5,440	886	22,659
– loans secured by monetary assets	1,724	1,240	647	108	3,719
	19,619	15,675	10,090	2,487	47,871

27 Available-for-sale financial assets

	Note	The Group 2014 HK$ million	2013 HK$ million (Restated)
Debt securities	(a)	**233,881**	220,408
Wealth management products issued by financial institutions	(b)	**50,340**	42,784
Certificates of deposit and certificates of interbank deposit	(c)	**30,281**	6,142
Equity investments	(d)	**15,405**	6,822
		329,907	276,156
Less: Allowance for impairment losses	46	**(1,845)**	(2,019)
		328,062	274,137
Issued by:			
Government		**49,675**	49,069
Policy banks		**32,656**	33,978
Banks and non-bank financial institutions		**158,586**	109,295
Corporate entities		**87,145**	81,795
		328,062	274,137
Analysed by remaining maturity:			
Within three months		**61,220**	41,122
Between three months and one year		**66,526**	35,037
Over one year		**185,878**	189,676
No fixed terms		**14,438**	8,302
		328,062	274,137

Note:

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

27 Available-for-sale financial assets (continued)

(a) Debt securities

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Debt securities	**233,881**	220,408
Less: Allowance for impairment losses	**(103)**	(193)
	233,778	220,215
Representing:		
Listed in Hong Kong	**7,341**	6,376
Listed outside Hong Kong	**4,234**	2,053
Unlisted (note(i))	**222,203**	211,786
	233,778	220,215

(b) Wealth management products issued by financial institutions

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Wealth management products issued by financial institutions	**50,340**	42,784
Less: Allowance for impairment losses	**(1,432)**	(930)
	48,908	41,854
Representing:		
Unlisted	**48,908**	41,854

(c) Certificates of deposit and certificates of interbank deposit

	The Group	
	2014 **HK$ million**	2013 HK$ million (Restated)
Certificates of deposit and certificates of interbank deposit	**30,281**	6,142
Representing:		
Unlisted (note(i))	**30,281**	6,142

27 Available-for-sale financial assets (continued)

(d) Equity investments

	The Group 2014 HK$ million	2013 HK$ million (Restated)
Equity investments	**15,405**	6,822
Less: Allowance for impairment losses	**(310)**	(896)
	15,095	5,926
Representing:		
Listed in Hong Kong	**493**	249
Listed outside Hong Kong	**3,502**	1,924
Unlisted	**11,100**	3,753
	15,095	5,926

Note:

(i) Unlisted investments include securities traded held by the Group in China inter-bank market.

28 Held-to-maturity investments

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Debt securities		**225,590**	196,922
Others		**163**	25
		225,753	196,947
Less: Allowance for impairment losses	46	**(53)**	(61)
		225,700	196,886
Representing:			
Listed in Hong Kong		**490**	359
Listed outside Hong Kong		**1,444**	770
Unlisted (note(i))		**223,766**	195,757
		225,700	196,886
Issued by:			
Government		**57,118**	51,029
Policy banks		**21,777**	25,815
Banks and non-bank financial institutions		**107,161**	78,187
Corporate entities		**39,644**	41,855
		225,700	196,886

28 Held-to-maturity investments (continued)

The Group (continued)

	2014 HK$ million	2013 HK$ million (Restated)
Analysed by remaining maturity:		
Within three months	**9,059**	6,753
Between three months and one year	**24,080**	16,165
Over one year	**192,561**	173,968
	225,700	196,886
Market value of listed debt securities	**1,882**	943

Note:

(i) Unlisted investments include securities traded held by the Group in China inter-bank market.

29 Investments classified as receivables

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Trust investment plans		**137,582**	123,377
Investment management products managed by securities companies		**575,841**	146,257
Wealth management products issued by financial institutions		**99,964**	83,386
Corporate bonds		**16,732**	26,474
Others		**5,058**	2,289
		835,177	381,783
Less: Allowance for impairment losses	46	**(525)**	–
		834,652	381,783

As at 31 December 2014, certain of the Group's investments with an aggregate amount of HK$49,800 million (2013: HK$35,593 million) are managed by CITIC Securities Co., Ltd ("CITIC Securities") and CITIC Trust Co., Ltd ("CITIC Trust").

30 Interests in subsidiaries

	Interests in subsidiaries	
	2014	2013
	HK$ million	HK$ million (Restated)
Non-current		
Unlisted shares and capital contributions, at cost	**336,504**	1,086
Amounts due from subsidiaries	**72,488**	110,067
	408,992	111,153
Current		
Amounts due from subsidiaries	**5,847**	5,069
Amounts due to subsidiaries	**(313)**	(6,174)
	5,534	(1,105)

The particulars of the principal subsidiaries are set out in note 57.

Amounts due from/to subsidiaries are unsecured and interest-bearing at market rates except for amounts due from subsidiaries of approximately HK$5,847 million (2013: HK$40,635 million) and amounts due to subsidiaries of approximately HK$313 million (2013: HK$6,147 million), which are non-interest bearing. The non-current amounts due from subsidiaries are not repayable within 12 months from the balance sheet date, and the current amounts due from/to subsidiaries have no fixed terms of repayment. Amounts due from subsidiaries are not in default or impaired.

The carrying amounts due from/to subsidiaries approximate to their fair values as at the balance sheet dates.

30 Interests in subsidiaries (continued)

The following table lists out the information relating to CITIC Bank, CITIC Resources, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), and CITIC Telecom International Holdings Limited ("CITIC Telecom International"), which are listed subsidiaries of the Group, and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	CITIC Bank		CITIC Resources		CITIC Heavy Industries		CITIC Telecom International	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	Hong Kong and Shanghai		Hong Kong		Shanghai		Hong Kong	
Non-controlling interests percentage	**32.87%**	33.05%	**40.59%**	40.59%	**28.96%**	28.96%	**40.77%**	40.19%
Total assets	**5,246,511**	4,631,383	**22,780**	27,886	**25,140**	22,568	**17,341**	16,442
Including:								
Cash and deposits	**801,751**	799,017	**3,246**	6,994	**5,461**	6,046	**1,397**	856
Placements with banks and non-bank financial institutions	**86,427**	155,576	**–**	–	**–**	–	**–**	–
Financial assets at fair value through the profit and loss	**34,871**	14,014	**2,758**	3	**–**	–	**–**	–
Derivative financial assets	**10,428**	9,856	**24**	39	**–**	–	**–**	–
Financial assets held under resale agreements	**172,101**	364,751	**–**	–	**–**	–	**–**	–
Loans and advances to customers and other parties	**2,708,091**	2,416,587	**–**	–	**–**	–	**–**	–
Available-for-sale financial assets	**265,448**	226,355	**2**	2	**–**	–	**–**	–
Held-to-maturity investments	**225,585**	196,959	**–**	–	**–**	–	**–**	–
Investments classified as receivables	**828,091**	381,783	**–**	–	**–**	–	**–**	–
Total liabilities	**(4,907,613)**	(4,337,914)	**(11,886)**	(16,225)	**(15,186)**	(12,826)	**(10,747)**	(10,254)
Including:								
Deposits from banks and non-bank financial institutions	**(872,504)**	(711,863)	**–**	–	**–**	–	**–**	–
Placements from banks and non-bank financial institutions	**(24,907)**	(53,360)	**–**	–	**–**	–	**–**	–
Derivative financial liabilities	**(9,313)**	(8,717)	**(752)**	(97)	**–**	–	**–**	–
Financial assets sold under repurchase agreements	**(52,745)**	(10,111)	**–**	–	**–**	–	**–**	–
Deposits from customers	**(3,612,223)**	(3,372,778)	**–**	–	**–**	–		
Bank and other loans	**(63,445)**	–	**(9,173)**	(7,431)	**(4,181)**	(3,299)	**(7,968)**	(7,717)
Net assets	**338,898**	293,469	**10,894**	11,661	**9,954**	9,742	**6,594**	6,188
Equity attributable to								
– Ordinary shareholders	**329,176**	286,951	**10,867**	11,667	**9,954**	9,733	**6,568**	6,163
– Non-controlling interests	**9,722**	6,518	**27**	(6)	**–**	9	**26**	25
Carrying amount of non-controlling interests	**117,922**	101,355	**4,438**	4,730	**2,883**	2,828	**2,704**	2,502
Revenue	**157,555**	131,359	**17,805**	39,319	**6,672**	6,371	**8,197**	7,164
Profit/(loss) for the year	**52,318**	49,776	**270**	(1,603)	**515**	616	**735**	1,070
Total comprehensive income for the year	**58,855**	43,435	**(774)**	(1,697)	**427**	667	**695**	1,074
Profit/(loss) attributable to non-controlling interests	**17,843**	16,906	**138**	(732)	**149**	179	**306**	432
Dividends paid to non-controlling interests	**5,002**	3,355	**–**	–	**58**	56	**148**	102
Cash flows from/(used in) operating activities	**43,100**	(170,731)	**1,820**	(812)	**(332)**	57	**1,628**	1,073
Cash flows from/(used in) investing activities	**(60,939)**	(12,939)	**1,039**	(5,077)	**(1,189)**	(439)	**(717)**	(9,251)
Cash flows from/(used in) financing activities	**56,028**	14,691	**(5,018)**	2,854	**1,045**	880	**(368)**	8,683

31 Interests in associates

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Share of net assets		**55,232**	47,461
Less: Allowance for impairment losses	46	**(3,616)**	(1,958)
		51,616	45,503

The Company

	2014 HK$ million	2013 HK$ million
Unlisted shares and capital contributions, at cost	**–**	53
Loans due from associates (Note(ii))	**–**	1,750
Loans due to associates (Note(ii))	**–**	(2)
	–	1,801

Notes:

(i) The particulars of the principal associates are set out in note 57.

(ii) Loans due from/to associates are interest-bearing at market rates. The carrying amounts of the loans due from/to associates approximate to their fair values.

31 Interests in associates (continued)

The Group

Summarised financial information of the material associates are disclosed below:

	CITIC Securities		CITIC Damang Holdings Limited		Hong Kong Resort Company Limited	
	2014	2013	**2014**	2013	**2014**	2013
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong, Shanghai**		**Hong Kong**		**Unlisted**	
Gross amount of the associates						
Total assets	**607,992**	345,146	**9,781**	9,264	**6,021**	6,064
Total liabilities	**(479,794)**	(231,432)	**(6,188)**	(5,584)	**(1,854)**	(2,740)
Net assets	**128,198**	113,714	**3,593**	3,680	**4,167**	3,324
Equity attributable to:						
– Associates' shareholders	**125,621**	111,534	**3,464**	3,461	**4,167**	3,324
– Non-controlling interests	**2,577**	2,180	**129**	219	**–**	–
	128,198	113,714	**3,593**	3,680	**4,167**	3,324
Revenue	**49,884**	25,415	**3,195**	2,918	**2,839**	1,156
Profit/(loss) for the year	**14,970**	6,652	**(83)**	(318)	**843**	131
Other comprehensive income for the year	**2,557**	(810)	**(12)**	64	**–**	–
Total comprehensive income for the year	**17,527**	5,842	**(95)**	(254)	**843**	131
Dividends received from associates	**423**	841	**–**	–	**–**	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the Group	**125,621**	111,534	**3,464**	3,461	**4,167**	3,324
Group's effective interest	**20.30%**	20.30%	**33.44%**	33.18%	**50.00%**	50.00%
Group's share of net assets of associates	**25,501**	22,642	**1,158**	1,148	**2,084**	1,662
Non-controlling interests' share of net assets of associates	**–**	–	**548**	548	**–**	–
Others	**1,321**	1,311	**2,444**	2,471	**914**	1,473
Impairment losses	**–**	–	**(1,905)**	(1,906)	**–**	–
Carrying amounts in the consolidated balance sheet	**26,822**	23,953	**2,245**	2,261	**2,998**	3,135

31 Interests in associates (continued)

The Group (continued)

Aggregate information of associates that are not individually material:

	2014 HK$ million	2013 HK$ million (Restated)
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**19,551**	16,154
Aggregate amount of the Group's share of those associates:		
Post-tax profit for the year	**1,056**	1,396
Other comprehensive income for the year	**(433)**	866
Total comprehensive income for the year	**623**	2,262

32 Interests in joint ventures

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Share of net assets		**32,629**	32,068
Less: Allowance for impairment losses	46	**(1,613)**	(1,454)
		31,016	30,614

The Company

	2014 HK$ million	2013 HK$ million
Unlisted shares, at cost	**3,913**	4,244
Less: Allowance for impairment losses	**(27)**	(30)
	3,886	4,214
Loans due from joint ventures (Note(i))	**–**	594
	3,886	4,808

Notes:

(i) As at 31 December 2013, all the loans due from joint ventures are interest-bearing at market rates except for loans due from joint ventures of approximately HK$568 million which are non-interest bearing. The loans due from joint ventures are not repayable within 12 months from the balance sheet date and were not in default or impaired. These carrying amounts approximate to their fair values as at the balance sheet date.

(ii) The particulars of the principal joint ventures are set out in note 57.

32 Interests in joint ventures (continued)

The Group (continued)

Summarised financial information of the material joint ventures are disclosed below:

	CITIC-Prudential Life Insurance Co., Ltd.		CITIC Capital Holdings Limited		中船置業有限公司	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Gross amount of the joint ventures						
Total assets	**48,294**	36,202	**15,032**	14,235	**6,382**	6,331
Total liabilities	**(44,512)**	(33,044)	**(6,746)**	(6,411)	**(3,062)**	(3,023)
Net assets	**3,782**	3,158	**8,286**	7,824	**3,320**	3,308
Equity attributable to:						
– Joint ventures' shareholders	**3,782**	3,158	**8,133**	7,659	**3,320**	3,308
– Non-controlling interests	**–**	–	**153**	165	**–**	–
	3,782	3,158	**8,286**	7,824	**3,320**	3,308
Revenue	**8,173**	6,498	**646**	635	**1**	–
Profit for the year	**405**	256	**808**	622	**23**	35
Other comprehensive income for the year	**226**	–	**(126)**	88	**–**	–
Total comprehensive income for the year	**631**	256	**682**	710	**23**	35
Dividends received from joint ventures	**–**	–	**85**	–	**–**	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures:	**3,782**	3,158	**8,133**	7,659	**3,320**	3,308
Group's effective interest	**50.00%**	50.00%	**24.06%**	30.10%	**50.00%**	50.00%
Group's share of net assets of joint ventures	**1,891**	1,579	**1,957**	2,305	**1,660**	1,654
Non-controlling interest' share of net assets of joint ventures	**–**	–	**–**	381	**–**	–
Others	**1,425**	1,430	**185**	668	**990**	686
Carrying amount in the consolidated balance sheet	**3,316**	3,009	**2,142**	3,354	**2,650**	2,340

Aggregate information of joint ventures that are not individually material:

	2014 HK$ million	2013 HK$ million (Restated)
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**22,908**	21,911
Aggregate amount of the Group's share of those joint ventures		
Post-tax profit for the year	**2,917**	3,592
Total comprehensive income for the year	**2,917**	3,592

33 Fixed assets

(a) The Group

	Note	Property, plant and equipment									
		Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:											
At 1 January 2014		48,476	58,046	62,856	11,576	14,240	6,384	201,578	17,007	218,585	28,968
Exchange adjustments		(217)	(398)	(71)	(75)	9	(43)	(795)	(58)	(853)	(120)
Additions		3,059	2,964	17,276	2,007	569	623	26,498	2,140	28,638	2
Disposals		(2,326)	(2,844)	(1,391)	(516)	(2,150)	(470)	(9,697)	(1,151)	(10,848)	(778)
Transfers		5,014	47,062	(52,683)	319	58	(532)	(762)	24	(738)	(1,660)
Change in fair value of investment properties		-	-	-	-	-	-	-	-	-	2,332
At 31 December 2014		54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744
Accumulated depreciation, amortisation and impairment losses:											
At 1 January 2014		(10,031)	(20,082)	(725)	(6,132)	(3,738)	(2,377)	(43,085)	(966)	(44,051)	-
Exchange adjustments		(22)	(635)	-	51	603	70	67	2	69	-
Charge for the year		(1,642)	(4,274)	-	(1,536)	(717)	(343)	(8,512)	(331)	(8,843)	-
Written back on disposals		964	1,445	422	377	889	421	4,518	101	4,619	-
Transfers		(46)	(174)	(296)	(1)	1	(235)	(751)	-	(751)	-
Impairment losses	46	(136)	(57)	(6,318)	-	(2)	(11)	(6,524)	-	(6,524)	-
At 31 December 2014		(10,913)	(23,777)	(6,917)	(7,241)	(2,964)	(2,475)	(54,287)	(1,194)	(55,481)	-
Net book value:											
At 31 December 2014		43,093	81,053	19,070	6,070	9,762	3,487	162,535	16,768	179,303	28,744
Represented by:											
Cost		54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	-
Valuation		-	-	-	-	-	-	-	-	-	28,744
		54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744

33 Fixed assets (continued)

(a) The Group (continued)

	Note	Property, plant and equipment (Restated) Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:											
At 1 January 2013		42,486	46,820	58,673	9,711	13,084	5,558	176,332	7,657	183,989	30,611
Exchange adjustments		290	666	94	(2)	16	260	1,324	85	1,409	(498)
Additions		4,571	6,242	11,844	2,941	1,457	1,383	28,438	9,507	37,945	416
Disposals		(944)	(615)	(619)	(1,103)	(550)	(1,967)	(5,798)	(242)	(6,040)	(3,883)
Transfers		2,073	4,933	(7,136)	29	233	1,150	1,282	–	1,282	227
Change in fair value of investment properties		–	–	–	–	–	–	–	–	–	2,095
At 31 December 2013		48,476	58,046	62,856	11,576	14,240	6,384	201,578	17,007	218,585	28,968
Accumulated depreciation, amortisation and impairment losses:											
At 1 January 2013		(8,430)	(13,906)	(357)	(5,273)	(3,050)	(2,050)	(33,066)	(726)	(33,792)	–
Exchange adjustments		(49)	186	–	14	(14)	(18)	119	(24)	95	–
Charge for the year		(1,826)	(5,085)	–	(1,395)	(987)	(746)	(10,039)	(249)	(10,288)	–
Written back on disposals		298	500	13	522	350	437	2,120	–	2,120	–
Transfers		–	–	–	–	–	–	–	33	33	–
Impairment losses	46	(24)	(1,777)	(381)	–	(37)	–	(2,219)	–	(2,219)	–
At 31 December 2013		(10,031)	(20,082)	(725)	(6,132)	(3,738)	(2,377)	(43,085)	(966)	(44,051)	–
Net book value:											
At 31 December 2013		38,445	37,964	62,131	5,444	10,502	4,007	158,493	16,041	174,534	28,968
Represented by:											
Cost		48,476	58,046	62,856	11,576	14,240	6,384	201,578	17,007	218,585	–
Valuation		–	–	–	–	–	–	–	–	–	28,968
		48,476	58,046	62,856	11,576	14,240	6,384	201,578	17,007	218,585	28,968

As at 31 December 2014, the Group was in the process of applying the ownership certificate in respect of certain premises and land use rights of HK$4,290 million (2013: HK$3,793 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

33 Fixed assets (continued)

(b) The Company

	Motor vehicles, equipment, furniture and fixtures HK$ million
Cost:	
At 1 January 2014	**121**
Additions	**2**
Transfers	**(123)**
At 31 December 2014	**–**
Accumulated depreciation:	
At 1 January 2014	**(101)**
Charge for the year	**(3)**
Transfers	**104**
At 31 December 2014	**–**
Net book value:	
At 31 December 2014	**–**

Cost:	
At 1 January 2013	118
Additions	9
Disposals	(6)
At 31 December 2013	121
Accumulated depreciation:	
At 1 January 2013	(101)
Charge for the year	(6)
Written back on disposals	6
At 31 December 2013	(101)
Net book value:	
At 31 December 2013	20

33 Fixed assets (continued)

(c) The tenure of the properties is as follows:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
In Mainland China		
– leases of over fifty years	**3,884**	4,397
– leases of between ten to fifty years	**56,548**	56,392
– leases of less than ten years	**865**	701
	61,297	61,490
In Hong Kong		
– leases of over fifty years	**826**	789
– leases of between ten to fifty years	**17,095**	15,556
	17,921	16,345
Properties held overseas		
– freehold	**2,089**	1,386
– leases of between ten to fifty years	**7,281**	4,034
– leases of less than ten years	**17**	199
	9,387	5,619
Total	**88,605**	83,454

33 Fixed assets (continued)

(d) Fair value measurement of properties

(i) Property valuation

Investment properties were revalued as at 31 December 2014 and 2013 by the following independent professionally qualified valuers. The management of the Group had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2014
Mainland China and Hong Kong	China Enterprise Appraisals Company
	DeveChina International Appraisals Company Limited
	Knight Frank Petty Limited
	Prudential Surveyors International Limited
	Yinxin Appraisal Co., Ltd.
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd

Properties located in	Valuers in 2013
Mainland China and Hong Kong	DeveChina International Appraisals Company Limited
	Knight Frank Petty Limited
	Prudential Surveyors International Limited
	Yinxin Appraisal Co., Ltd.
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

33 Fixed assets (continued)

(d) Fair value measurement of properties (continued)

(ii) Fair value hierarchy (continued)

	Level 3	
	Fair value at 31 December 2014 HK$ million	Fair value at 31 December 2013 HK$ million (Restated)
The Group		
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**13,975**	14,767
Additions	**1**	205
Disposals	**(332)**	(2,120)
Transfers	**(821)**	112
Change in fair value of investment properties	**1,132**	1,011
At 31 December	**13,955**	13,975
Investment properties – Hong Kong		
At 1 January	**14,393**	15,210
Exchange adjustments	**4**	(421)
Additions	**1**	211
Disposals	**(445)**	(1,763)
Transfers	**(839)**	115
Change in fair value of investment properties	**1,158**	1,041
At 31 December	**14,272**	14,393
Investment properties – Overseas		
At 1 January	**600**	634
Exchange adjustments	**(125)**	(77)
Change in fair value of investment properties	**42**	43
At 31 December	**517**	600

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil).

33 Fixed assets (continued)

(d) Fair value measurement of properties (continued)

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of other certain of investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

34 Intangible assets

The Group

	Note	Roads and tunnels operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2014		15,810	18,268	6,714	40,792
Exchange adjustments		(55)	(6)	(96)	(157)
Additions		753	1,022	577	2,352
Disposals		(2,518)	(433)	(90)	(3,041)
At 31 December 2014		13,990	18,851	7,105	39,946
Accumulated amortisation and impairment losses:					
At 1 January 2014		(2,164)	(270)	(2,324)	(4,758)
Exchange adjustments		1	(8)	31	24
Charge for the year		(294)	(61)	(640)	(995)
Written back on disposals		10	99	65	174
Impairment losses	46	–	(13,363)	(4)	(13,367)
At 31 December 2014		(2,447)	(13,603)	(2,872)	(18,922)
Net book value:					
At 31 December 2014		11,543	5,248	4,233	21,024

34 Intangible assets (continued)

The Group (continued)

(restated)	Note	Roads and tunnels operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2013		13,034	16,109	3,853	32,996
Exchange adjustments		(165)	(541)	135	(571)
Additions		2,955	4,012	2,748	9,715
Disposals		(14)	(1,312)	(22)	(1,348)
At 31 December 2013		15,810	18,268	6,714	40,792
Accumulated amortisation and impairment losses:					
At 1 January 2013		(2,063)	(110)	(1,729)	(3,902)
Exchange adjustments		123	16	(69)	70
Charge for the year		(224)	(119)	(544)	(887)
Written back on disposals		–	–	18	18
Impairment losses	46	–	(57)	–	(57)
At 31 December 2013		(2,164)	(270)	(2,324)	(4,758)
Net book value:					
At 31 December 2013		13,646	17,998	4,390	36,034

Amortisation charge is included in “other operating expenses” in the consolidated income statement.

35 Goodwill

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Cost:		
At 1 January	**14,307**	5,556
Additions	**62**	9,014
Disposals	**(276)**	(263)
At 31 December	**14,093**	14,307
Accumulated impairment losses:		
At 1 January and 31 December	**(384)**	(384)
Net book value:		
At 31 December	**13,709**	13,923

Goodwill is allocated to the Group's cash-generating units ("CGU") identified as follows:

	2014 HK$ million	2013 HK$ million (Restated)
Resources and energy	**1,761**	1,844
Financial services	**1,549**	1,550
Manufacturing	**386**	508
Real estates and infrastructure	**373**	394
Others	**9,640**	9,627
	13,709	13,923

Based on management's impairment assessment, no impairment loss was recognised for the year ended 31 December 2014 (2013: Nil).

36 Income tax in the balance sheet

(a) Income tax in the balance sheet represents:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	2014 HK$ million	2013 HK$ million
Income tax payable	**10,408**	7,797	**80**	80
Land appreciation tax payable	**482**	866	**–**	–
	10,890	8,663	**80**	80

36 Income tax in the balance sheet (continued)

(b) Deferred tax assets/(liabilities) recognised:

(i) The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year ended 31 December 2014 are as follows:

	Note	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets HK$ million	Fair value changes of financial instruments HK$ million	Temporary differences on depreciation and impairment loss on fixed assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax arising from:									
At 1 January 2014		5,269	2,667	3,928	1,919	(289)	(3,135)	6	10,365
Credited/(charged) to profit or loss	11(a)	1,141	231	9,260	(34)	(24)	(292)	(884)	9,398
(Charged)/credited to reserves		–	(4)	(2)	(3,242)	–	(6)	26	(3,228)
Exchange adjustments		47	(36)	76	289	(249)	157	49	333
At 31 December 2014		6,457	2,858	13,262	(1,068)	(562)	(3,276)	(803)	16,868

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year ended 31 December 2013 (restated) are as follows:

	Note	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets HK$ million	Fair value changes of financial instruments HK$ million	Temporary differences on depreciation and impairment loss on fixed assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax arising from:									
At 1 January 2013		4,204	2,665	3,596	(227)	(856)	(3,240)	72	6,214
Credited/(charged) to profit or loss	11(a)	1,253	(1)	438	299	561	101	750	3,401
(Charged)/credited to reserves		(11)	–	(6)	1,869	–	–	(8)	1,844
Exchange adjustments		(177)	3	(100)	(22)	6	4	(808)	(1,094)
At 31 December 2013		5,269	2,667	3,928	1,919	(289)	(3,135)	6	10,365

36 Income tax in the balance sheet (continued)

(c) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Deductible temporary differences	**1,626**	902
Tax losses	**12,715**	10,457
	14,341	11,359

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group.

(d) Deferred tax liabilities not recognised

As at 31 December 2014, the Group has not recognised any temporary differences relating to the undistributed profits of subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future (2013: Nil).

37 Deposits from banks and non-bank financial institutions

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Banks	**439,163**	417,375
Non-bank financial institutions	**432,050**	292,246
	871,213	709,621
Analysed by remaining maturity:		
– On demand	**157,124**	75,375
– Within three months	**567,738**	370,573
– Between three months and one year	**132,940**	205,716
– Over one year	**13,411**	57,957
	871,213	709,621

38 Placements from banks and non-bank financial institutions

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Banks	**24,257**	51,887
Non-bank financial institutions	**–**	736
	24,257	52,623
Analysed by remaining maturity:		
– Within three months	**17,974**	45,636
– Between three months and one year	**5,585**	6,251
– Over one year	**698**	736
	24,257	52,623

39 Trade and other payables

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Trade and bills payables	**53,138**	53,808	**–**	–
Advances from customers	**27,863**	37,923	**–**	–
Interest payables	**50,927**	38,456	**1,050**	856
Other taxes payables	**4,350**	4,248	**–**	–
Settlement accounts	**11,841**	15,132	**–**	–
Other payables	**45,838**	56,209	**36**	50
	193,957	205,776	**1,086**	906

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the maturity date is as follows:

	The Group	
	2014 HK$ million	2013 HK$ million (Restated)
On demand	**34,566**	32,877
Within three months	**3,957**	8,363
Between three months and one year	**14,225**	11,928
Over one year	**390**	640
	53,138	53,808

40 Financial assets sold under repurchase agreements

The Group

	2014 HK$ million	2013 HK$ million (Restated)
By counterparties:		
The People's Bank of China	**8,189**	6,295
Banks	**43,665**	3,816
Non-bank financial institutions	**891**	–
	52,745	10,111
By types of collaterals:		
Debt securities	**44,556**	3,816
Discounted bills	**8,189**	6,295
	52,745	10,111

41 Deposits from customers

(a) Types of deposits from customers

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Demand deposits		
– Corporate customers	**1,197,124**	1,168,451
– Personal customers	**187,176**	162,083
	1,384,300	1,330,534
Time and call deposits		
– Corporate customers	**1,729,747**	1,514,704
– Personal customers	**464,578**	492,637
	2,194,325	2,007,341
Outward remittance and remittance payables	**7,883**	8,068
	3,586,508	3,345,943

(b) Deposits from customers include pledged deposits for the following items:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Bank acceptances	**340,496**	385,358
Letters of credit	**29,960**	45,640
Guarantees	**19,373**	28,006
Others	**189,292**	108,452
	579,121	567,456

42 Bank and other loans

(a) Types of loans

The Group

	Note	2014 HK$ million	2013 HK$ million (Restated)
Bank loans			
Unsecured loans		**155,499**	129,665
Loan pledged with assets	42(d)	**27,682**	30,340
Guaranteed loans		**1,160**	11,386
		184,341	171,391
Other loans			
Unsecured loans		**32,933**	43,085
Loan pledged with assets	42(d)	**1,581**	2,775
Guaranteed loans		**138**	267
		34,652	46,127
		218,993	217,518

The Company

	2014 HK$ million	2013 HK$ million
Short term borrowings		
Bank loans	**7,800**	3,900
Current portion of long term borrowings	**19,940**	6,844
Total short term borrowings	**27,740**	10,744
Long term borrowings		
Bank loans	**39,976**	37,449
Less: current portion of long term borrowings	**(19,940)**	(6,844)
Total long term borrowings	**20,036**	30,605
Total borrowings	**47,776**	41,349
Analysed into		
Unsecured loans	**47,776**	41,349

42 Bank and other loans (continued)

(b) Maturity of loans

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Bank and other loans are repayable				
– Within one year or on demand	**89,767**	71,808	**27,740**	10,744
– Between one and two years	**27,509**	57,667	**6,911**	17,112
– Between two and five years	**62,167**	45,067	**6,817**	7,108
– Over five years	**39,550**	42,976	**6,308**	6,385
	218,993	217,518	**47,776**	41,349

(c) Bank and other loans are denominated in the following currency:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
RMB	**69,171**	82,159	**–**	–
US$	**117,879**	105,236	**30,839**	24,600
HK$	**26,742**	24,692	**16,937**	16,749
Other currencies	**5,201**	5,431	**–**	–
	218,993	217,518	**47,776**	41,349

(d) As at 31 December 2014, the Group's bank and other loans of HK$29,263 million (2013: HK$33,115 million) are pledged with cash and deposits, inventories and fixed assets with an aggregate carrying amount of HK$96,124 million (2013: HK$109,952 million).

(e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 48(b). As at 31 December 2014, none of the covenants relating to drawn down facilities have been breached (2013: Nil).

43 Debt instruments issued

	Note	The Group 2014 HK$ million	2013 HK$ million (Restated)
Corporate bonds issued	(a)	**70,126**	65,345
Notes issued	(b)	**54,450**	57,978
Subordinated bonds issued	(c)	**104,368**	57,593
Certificates of deposits issued	(d)	**14,156**	16,177
Certificates of interbank deposits issued	(e)	**30,026**	3,775
Convertible bonds issued		**–**	283
		273,126	201,151
Analysed by remaining maturity:			
– Within one year or on demand		**50,578**	28,362
– Between one and two years		**5,092**	7,243
– Between two and five years		**54,738**	49,647
– Over five years		**162,718**	115,899
		273,126	201,151

The Group did not have any defaults of principal, interest or other breaches with respect to its debt securities issued during the year ended 31 December 2014 (2013: Nil).

Certain debt securities issued were purchased by certain subsidiaries of the Group. These debt securities issued were eliminated in full on consolidation.

43 Debt instruments issued (continued)

Notes:

(a) CORPORATE BONDS ISSUED

	Note	The Group 2014 HK$ million	2013 HK$ million (Restated)
The Company	(i)	**33,931**	26,844
CITIC Corporation	(ii)	**27,234**	25,016
CITIC Telecom International	(iii)	**3,477**	3,474
CITIC Resources	(iv)	**–**	5,309
CITIC Heavy Industries	(v)	**3,533**	2,278
CITIC Pacific Limited's subsidiaries	(vi)	**1,521**	1,942
CITIC Pacific Finance (2005) Limited	(vii)	**430**	482
		70,126	65,345

(i) Details of corporate bonds issued by the Company

	2014 Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
RMB Notes 1	**RMB**	**1,000**	**2011-08-03**	**2016-08-03**	**2.70%**
US$ Notes 3.1	**US$**	**750**	**2012-03-21**	**2018-01-21**	**6.88%**
US$ Notes 3.2	**US$**	**350**	**2012-04-26**	**2018-01-21**	**6.88%**
HK$ Notes	**HK$**	**500**	**2013-07-31**	**2018-07-31**	**5.90%**
US$ Notes 5	**US$**	**500**	**2013-04-10**	**2020-04-10**	**6.38%**
US$ Notes 2.1	**US$**	**500**	**2011-04-15**	**2021-04-15**	**6.63%**
US$ Notes 2.2	**US$**	**250**	**2014-06-23**	**2021-04-15**	**6.63%**
US$ Notes 1	**US$**	**150**	**2010-08-16**	**2022-08-16**	**6.90%**
US$ Notes 4.1	**US$**	**750**	**2012-10-17**	**2023-01-17**	**6.80%**
US$ Notes 4.2	**US$**	**250**	**2012-12-11**	**2023-01-17**	**6.80%**
US$ Notes 4.3	**US$**	**400**	**2014-07-18**	**2023-01-17**	**6.80%**
US$ Notes 6.1	**US$**	**110**	**2014-07-18**	**2024-01-18**	**4.70%**
US$ Notes 6.2	**US$**	**90**	**2014-10-29**	**2024-01-18**	**4.70%**
HK$ Notes 2	**HK$**	**420**	**2014-07-25**	**2024-07-25**	**4.35%**

	2013 Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
RMB Notes 1	RMB	1,000	2011-08-03	2016-08-03	2.70%
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
HK$ Notes	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%

43 Debt instruments issued (continued)

Notes: (continued)

(a) CORPORATE BONDS ISSUED: (continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	2014				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
02 CITIC bond	**RMB**	**4,500**	**2002-09-26**	**2017-09-26**	**4.08%**
03 CITIC bond-2	**RMB**	**6,000**	**2003-12-10**	**2023-12-09**	**5.10%**
05 CITIC bond-1	**RMB**	**5,000**	**2005-12-07**	**2015-12-06**	**7-days interbank rate plus 1.48%**
05 CITIC bond-2	**RMB**	**4,000**	**2005-12-07**	**2025-12-06**	**4.60%**
14 CITIC bond-SCP002	**RMB**	**2,000**	**2014-09-09**	**2015-03-10**	**4.68%**
Samurai bond	**JPY**	**10,000**	**1996-09-19**	**2016-09-18**	**4.95%**

	2013				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-1	RMB	5,000	2005-12-07	2015-12-06	7-days interbank rate plus 1.48%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
Samurai bond	JPY	10,000	1996-09-19	2016-09-18	4.95%

(iii) Details of guaranteed bonds issued by CITIC Telecom International

	2014				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Guaranteed Bonds	**US$**	**450**	**2013-03-05**	**2025-03-05**	**6.10%**

	2013				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed Bonds	US$	450	2013-03-05	2025-03-05	6.10%

(iv) Details of corporate bonds issued by CITIC Resources

On 17 May 2007, CITIC Resources issued US$1,000 million 6.75% senior notes due on 2014 at the issue price of 99.726% with interest payable semi-annually. In 2013, certain senior notes were fully repurchased and cancelled by CITIC Resources.

The notes were fully settled in 2014.

43 Debt instruments issued (continued)

Notes: (continued)

(a) CORPORATE BONDS ISSUED: (continued)

(v) Details of corporate bonds issued by CITIC Heavy Industries

	2014				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Corporate Bonds	**RMB**	**1,200**	**2013-01-25**	**2018-01-25**	**4.85%**
Corporate Bonds	**RMB**	**600**	**2013-01-25**	**2020-01-25**	**5.20%**
Corporate Bonds	**RMB**	**1,000**	**2014-11-26**	**2019-11-26**	**4.98%**

	2013				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate Bonds	RMB	1,200	2013-01-25	2018-01-25	4.85%
Corporate Bonds	RMB	600	2013-01-25	2020-01-25	5.20%

(vi) Details of corporate bonds issued by CITIC Pacific Limited's subsidiaries

	2014				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	**RMB**	**500**	**2012-06-20**	**2017-06-25**	**5.23%**
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	**RMB**	**200**	**2012-11-27**	**2017-11-26**	**6.06%**
– RMB Notes 4	**RMB**	**500**	**2013-06-05**	**2016-06-04**	**4.93%**

	2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-20	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
– RMB Notes 4	RMB	500	2013-06-05	2016-06-04	4.93%
– RMB Commercial Paper 2	RMB	200	2013-09-10	2014-09-10	5.99%

(vii) Details of corporate bonds issued by CITIC Pacific Finance (2005) Limited

	2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
JPY Notes	JPY	8,100	2005-10-26	2015-10-28	3 month Libor+0.75%

43 Debt instruments issued (continued)

Notes: (continued)

(b) NOTES ISSUED

	Note	The Group 2014 HK$ million	2013 HK$ million (Restated)
CITIC Corporation	(i)	**33,785**	37,750
CITIC Bank	(ii)	**20,665**	20,228
		54,450	57,978

(i) Details of notes issued by CITIC Corporation

	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2014					
2010 First tranche medium term note	**RMB**	**3,000**	**2010-06-08**	**2020-06-10**	**4.60%**
2010 Second tranche medium term note	**RMB**	**4,000**	**2010-08-20**	**2020-08-24**	**4.40%**
2011 First tranche medium term note	**RMB**	**3,000**	**2011-07-28**	**2018-08-02**	**5.85%**
2011 Second tranche medium term note-1	**RMB**	**2,000**	**2011-11-15**	**2018-11-16**	**5.10%**
2011 Second tranche medium term note-2	**RMB**	**6,000**	**2011-11-15**	**2021-11-16**	**5.30%**
2012 Medium term note-1	**RMB**	**4,000**	**2012-03-28**	**2019-03-29**	**5.00%**
2012 Medium term note-2	**RMB**	**5,000**	**2012-03-28**	**2022-03-29**	**5.18%**

	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2013					
2009 First tranche medium term note	RMB	3,000	2009-02-17	2014-02-18	3.85%
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

43 Debt instruments issued (continued)

Notes: (continued)

(b) NOTES ISSUED (continued)

(ii) Details of notes issued by CITIC Bank

	2014				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Financial Debts	**RMB**	**15,000**	**2013-11-08**	**2018-11-12**	**5.20%**
Dim Sum Bonds	**RMB**	**1,500**	**2014-02-20**	**2017-02-27**	**4.13%**

	2013				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial Debts	RMB	15,000	2013-11-08	2018-11-12	5.20%

(c) SUBORDINATED BONDS ISSUED

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	Note	**2014 HK$ million**	2013 HK$ million (Restated)
Fixed rate notes maturing			
– In September 2022	(i)	**2,292**	2,278
– In June 2020	(ii)	**4,150**	4,098
– In May 2024	(iii)	**2,312**	2,282
Fixed rate bonds maturing			
– In May 2020	(iv)	**6,338**	6,360
– In June 2021	(v)	**2,535**	2,544
– In May 2025	(vi)	**14,578**	14,627
– In June 2027	(vii)	**25,320**	25,404
– In August 2024	(viii)	**46,843**	–
		104,368	57,593

43 Debt instruments issued (continued)

Notes: (continued)

(c) SUBORDINATED BONDS ISSUED (continued)

		2014				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	**US$**	**300**	**2012-09-27**	**2022-09-28**	**3.88%**
(ii)	Subordinated Notes	**US$**	**500**	**2010-06-24**	**2020-06-24**	**6.88%**
(iii)	Subordinated Notes	**US$**	**300**	**2013-11-07**	**2024-05-07**	**6.00%**
(iv)	Subordinated Fixed Rate Bonds	**RMB**	**5,000**	**2010-05-28**	**2020-05-28**	**4.00%**
(v)	Subordinated Fixed Rate Bonds	**RMB**	**2,000**	**2006-06-22**	**2021-06-22**	**4.12%**
(vi)	Subordinated Fixed Rate Bonds	**RMB**	**11,500**	**2010-05-28**	**2025-05-28**	**4.30%**
(vii)	Subordinated Fixed Rate Bonds	**RMB**	**20,000**	**2012-06-21**	**2027-06-21**	**5.15%**
(viii)	Subordinated Fixed Rate Bonds	**RMB**	**37,000**	**2014-08-22**	**2024-08-26**	**6.13%**

		2013				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(ii)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	5,000	2010-05-28	2020-05-28	4.00%
(v)	Subordinated Fixed Rate Bonds	RMB	2,000	2006-06-22	2021-06-22	4.12%
(vi)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vii)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%

(d) CERTIFICATES OF DEPOSITS ISSUED

The certificates of deposit were issued by CBI.

(e) CERTIFICATES OF INTERBANK DEPOSITS ISSUED

CITIC Bank issued certain certificates of interbank deposit with a total nominal value of RMB23,900 million (approximately HK$30,297 million) in 2014 with maturity ranging from three to six months.

44 Provisions

The Group

	Environmental restoration expenditures HK$ million	Others HK$ million	Total HK$ million
At 1 January 2014	**1,371**	**1,357**	**2,728**
Exchange differences	**(65)**	**(1)**	**(66)**
(Reversal)/charge for the year	**627**	**(294)**	**333**
Payments made during the year	**(9)**	**(54)**	**(63)**
At 31 December 2014	**1,924**	**1,008**	**2,932**
At 1 January 2013	1,802	731	2,533
Exchange differences	(55)	(16)	(71)
(Reversal)/charge for the year	(346)	683	337
Payments made during the year	(30)	(41)	(71)
At 31 December 2013(Restated)	1,371	1,357	2,728

No provisions were made by the Company as at 31 December 2014 (2013: Nil).

45 Share capital, perpetual capital securities and reserves

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the respective year are set out below:

The Company

	Share capital HK$ million	Perpetual capital securities HK$ million Note 45(d)	Share premium HK$ million Note 45(e)(i)	Capital redemption reserve HK$ million Note45(e)(i)	Capital reserve HK$ million	Hedging reserve HK$ million	Retained earnings HK$ million Note14	Total HK$ million
At 1 January 2014	**1,460**	**13,838**	**36,533**	**29**	**697**	**(1,256)**	**11,276**	**62,577**
Cash flow hedges:								
– Fair value loss during the year	**–**	**–**	**–**	**–**	**–**	**(766)**	**–**	**(766)**
– Transfer to net finance charges	**–**	**–**	**–**	**–**	**–**	**450**	**–**	**450**
	–	**–**	**–**	**–**	**–**	**(316)**	**–**	**(316)**
Profit attributable to shareholders of the Company (Note 14)	**–**	**1,130**	**–**	**–**	**–**	**–**	**(684)**	**446**
Issue of shares	**286,502**	**–**	**–**	**–**	**–**	**–**	**–**	**286,502**
Release upon lapse of share options	**–**	**–**	**–**	**–**	**(65)**	**–**	**65**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(1,286)**	**(1,286)**
Distributions to holders of perpetual capital securities	**–**	**(1,134)**	**–**	**–**	**–**	**–**	**–**	**(1,134)**
Transaction costs related to issue of shares	**(326)**	**–**	**–**	**–**	**–**	**–**	**–**	**(326)**
Transition to no-par value regime on 3 March 2014	**36,562**	**–**	**(36,533)**	**(29)**	**–**	**–**	**–**	**–**
At 31 December 2014	**324,198**	**13,834**	**–**	**–**	**632**	**(1,572)**	**9,371**	**346,463**
At 1 January 2013	1,460	5,953	36,533	29	699	(2,566)	11,350	53,458
Cash flow hedges:	–	–	–	–	–	–	–	–
– Fair value gain during the year	–	–	–	–	–	823	–	823
– Transfer to net finance charges	–	–	–	–	–	487	–	487
	–	–	–	–	–	1,310	–	1,310
Profit attributable to shareholders of the Company (Note 14)	–	881	–	–	–	–	1,459	2,340
Issue of perpetual capital securities	–	7,800	–	–	–	–	–	7,800
Release upon lapse of share options	–	–	–	–	(2)	–	2	–
Dividends	–	–	–	–	–	–	(1,460)	(1,460)
Distributions to holders of perpetual capital securities	–	(796)	–	–	–	–	–	(796)
Transaction costs related to issue of perpetual capital securities	–	–	–	–	–	–	(75)	(75)
At 31 December 2013	1,460	13,838	36,533	29	697	(1,256)	11,276	62,577

45 Share capital, perpetual capital securities and reserves (continued)

(b) Share capital

As at 31 December 2013, 6,000,000,000 ordinary shares, with par value of HK$0.4 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

On 25 August 2014, the Company issued 21,253,879,470 ordinary shares pursuant to the Acquisition as disclosed in note 1. Immediately prior to the completion of the Acquisition, the number of ordinary shares in issue of the Company was 3,649,444,160. As at 31 December 2014, the number of ordinary shares in issue of the Company was 24,903,323,630.

Details of the movements in share capital of the Group during the year are set out in the consolidated statement of changes in equity.

(c) Share based payment

Share Option Plan

During the period between the adoption of the Former CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 and its expiry on 30 May 2010, the Company has granted six lots of share options, of which two lots are outstanding:

					Outstanding balance	
Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	**At 31 December 2014**	At 31 December 2013
2009-11-19	13,890,000	0.06%	22.00	21.40	**–**	11,980,000
2010-01-14	880,000	0.00%	20.59	19.98	**400,000**	600,000

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share, HK$47.32 per share and HK$22.00 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011, 15 October 2012 and 18 November 2014, respectively.

45 Share capital, perpetual capital securities and reserves (continued)

(c) Share based payment (continued)

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the Former CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The maximum number of the Company's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2014, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2014 (2013: Nil).

(i) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014 Average exercise price in HK$ per share	**2014** Options	2013 Average exercise price in HK$ per share	2013 Options
At 1 January	**21.93**	**12,580,000**	21.90	13,010,000
Lapsed	**21.98**	**(12,180,000)**	21.08	(430,000)
At 31 December	**20.59**	**400,000**	21.93	12,580,000
Weighted average remaining contractual life		**0.04 years**		0.89 years

There were no share options granted or exercised during the year ended 31 December 2014 (2013: Nil).

45 Share capital, perpetual capital securities and reserves (continued)

(d) Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million), respectively. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2014 and 2013 included the accrued distribution payments.

(e) Nature and purpose of reserves

(i) Share premium and capital redemption reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 45(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Capital reserve

As disclosed in note 51, the Company paid a total consideration of HK$286,585 million to acquire the shares of CITIC Corporation, and the amount of the consideration was debited against the capital reserve in the Group's consolidated financial statements.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in note 2(j)(ii).

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the accounting policies set out in note 2(i)(ii).

45 Share capital, perpetual capital securities and reserves (continued)

(e) Nature and purpose of reserves (continued)

(v) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(h).

(f) Reserves available for distribution

As at 31 December 2014, the aggregated amounts of reserves available for distribution to shareholders of the Company are HK$7,799 million (2013: HK$10,020 million).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2014 (2013: Nil).

46 Movement of allowances for impairment losses

The Group

	Note	2014 At 1 January	Charge for the year (note 8)	Reversal for the year (note 8)	Write-off	Exchange differences and others	At 31 December
Placements with banks and non-bank financial institutions	20	19	–	(34)	25	–	10
Trade and other receivables	23	2,636	3,052	(249)	(1,146)	(1)	4,292
Amounts due from customers for contract work		1,846	47	–	–	(206)	1,687
Inventories	24	1,231	1,191	(140)	(250)	(3)	2,029
Loans and advances to customers and other parties	26	55,907	32,678	(4,529)	(14,622)	(333)	69,101
Available-for-sale financial assets	27	2,019	586	(85)	(675)	–	1,845
Held-to-maturity investments	28	61	–	(8)	–	–	53
Investment classified as receivables	29	–	523	–	2	–	525
Interests in associates	31	1,958	1,693	–	(34)	(1)	3,616
Interests in joint ventures	32	1,454	29	(3)	135	(2)	1,613
Fixed assets	33	4,040	6,524	–	(1,312)	7	9,259
Intangible assets	34	225	13,367	–	(15)	20	13,597
Other assets		2,348	682	(304)	(316)	–	2,410
		73,744	60,372	(5,352)	(18,208)	(519)	110,037

	Note	2013 (Restated) At 1 January	Charge for the year (note 8)	Reversal for the year (note 8)	Write-off	Exchange differences and others	At 31 December
Placements with banks and non-bank financial institutions	20	10	9	–	–	–	19
Trade and other receivables	23	2,018	1,518	(666)	(189)	(45)	2,636
Amounts due from customers for contract work		1,903	–	–	–	(57)	1,846
Inventories	24	2,095	344	(215)	(965)	(28)	1,231
Loans and advances to customers and other parties	26	47,623	19,897	(6,438)	(5,167)	(8)	55,907
Available-for-sale financial assets	27	944	971	(23)	–	127	2,019
Held-to-maturity investments	28	166	–	(106)	–	1	61
Investment classified as receivables	29	–	–	–	–	–	–
Interests in associates	31	2,004	–	–	–	(46)	1,958
Interests in joint ventures	32	1,456	45	–	(50)	3	1,454
Fixed assets	33	1,869	2,219	–	(36)	(12)	4,040
Intangible assets	34	196	57	–	–	(28)	225
Other assets		2,382	95	(28)	(80)	(21)	2,348
		62,666	25,155	(7,476)	(6,487)	(114)	73,744

47 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitment represents the credit card overdraft limits authorised by the Group. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category at the balance sheet dates are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the balance sheet dates if counterparties failed to perform as contracted.

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Contractual amount		
Loan commitments		
With an original maturity of within one year	**177,924**	109,412
With an original maturity of one year or beyond	**59,229**	62,013
	237,153	171,425
Guarantees	**168,029**	173,944
Letters of credit	**170,780**	254,176
Acceptances	**903,806**	884,022
Credit card commitments	**157,321**	121,110
Others	**3,255**	3,266
	1,640,344	1,607,943

47 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	2014 HK$ million	2013 HK$ million (Restated) Note(ii)
Credit risk weighted amount on credit commitments	**577,096**	544,610

Note:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank.

(ii) As at 31 December 2014 and 2013, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(c) Bond redemption obligations

As an underwriting agent of PRC government bonds, CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Bonds redemption obligations	**4,900**	4,823

The Group estimates that the possibility of redemption before maturity date is remote.

47 Contingent liabilities and commitments (continued)

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Related parties	**11,925**	5,069	**45**	45
Third parties	**13,769**	10,595	**–**	–
Subsidiaries	**–**	–	**32,849**	35,422
	25,694	15,664	**32,894**	35,467

The relationship of related parties is disclosed in note 49(a).

Included in the above table, the Group's counter guarantees issued to third parties at the balance sheet date are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million (Restated)
Third parties	**–**	46

No counter guarantees were issued by the Company to third parties as at 31 December 2014 (2013: Nil).

47 Contingent liabilities and commitments (continued)

(e) Outstanding litigations and disputes

The Group is involved in certain pending litigations as defendant. Based on the opinion of internal and external legal counsels of the Group, the Group made provisions in the consolidated balance sheet for those litigations of which outflow of economic benefits are probable and the outflow can be estimated reliably. The Group believes that these accruals are reasonable and adequate. The Group believes any liabilities resulting from those litigation of which outcome cannot be reliably estimated will not have significant negative impact on the Group's financial status or operating results.

(i) SFC Investigation

Following the Company's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ("SFC") announced that it had commenced a formal investigation into the affairs of the Company. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

The SFC announced on 11 September 2014 that it has commenced proceedings in the Court of First Instance of the High Court of Hong Kong (the "High Court") and the Market Misconduct Tribunal (the "MMT"), respectively, against CITIC Limited and five of its former executive directors.

The SFC alleges that CITIC Limited and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about CITIC Limited's financial position in connection with losses that CITIC Limited had suffered through its investment in the leveraged foreign exchange contracts.

In the action instigated by the SFC at the MMT, the SFC is asking the MMT to (1) determine whether any market misconduct has taken place, and (2) identify persons who had engaged in such misconduct. Subject to a determination being made by the MMT, SFC will seek from the High Court orders to restore the relevant investors to their pre-transaction positions or to compensate for their losses.

On 15 October 2014, the Secretary for the Financial Services and the Treasury said that the Police's investigations into the CITIC matters on aspects outside the subject matters of the SFC's actions are still ongoing.

In the absence of the findings of these proceedings and investigations being made available to the Company and due to the inherent difficulties involved in attempting to predict the outcome of such proceedings and investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such proceedings and investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above proceedings and investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

47 Contingent liabilities and commitments (continued)

(e) Outstanding litigations and disputes (continued)

(ii) Mineralogy Disputes

The MRSLAs entered into by two subsidiaries of CITIC Limited (Sino Iron Pty Ltd ("Sino Iron") and Korean Steel Pty Ltd ("Korean Steel")) with Mineralogy Pty Ltd ("Mineralogy") in connection with the Sino Iron Project in Western Australia contain a clause which states that, unless certain exceptions apply, each of Sino Iron and Korean Steel is to pay an amount if either of them produces less than six million tonnes of iron ore by March 2013. Under that clause, if the conditions for payment are met and the exceptions are not applicable, the amount payable is calculated by reference to the royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate. Due to changes in the iron ore market it is no longer possible to calculate one component of the royalty (ie, Royalty Component B).

Neither Sino Iron nor Korean Steel produced six million tonnes of iron concentrate by March 2013. In early 2013, Mineralogy commenced court proceedings seeking an order that the minimum royalty was payable by CITIC Limited. However, Mineralogy has now withdrawn its claim for the minimum royalty.

The Group reviewed its liability in 2013 for the minimum royalty having regard to the aforementioned circumstances and decided that it was no longer necessary to recognise a provision for the minimum royalty in the accounts. The position prevails in the current period.

There are other issues in dispute with Mineralogy and their details are disclosed in note 3(j).

(iii) CITIC Resources Litigation

CITIC Resources, a subsidiary of the Group, had noted from an announcement issued by Qingdao Port International Co., Ltd. on 15 August 2014 and an announcement issued by 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("Shanxi Coal International") on 27 August 2014 that ABN AMRO Bank, N.V., Singapore Branch and 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.), a wholly-owned subsidiary of Shanxi Coal International, had commenced legal proceedings in China against CITIC Australia Commodity Trading Pty Limited ("CACT") (the "Potential Legal Proceedings"). As at 31 December 2014 and the date of this report, CACT had not been served with the Potential Legal Proceedings and is, therefore, unable to consider or comment on the substance of the Potential Legal Proceedings on the date of this report. No adjustment had been made in the financial statements with respect to the Potential Legal Proceedings.

(iv) There are some issues in dispute with MCC, and their details are disclosed in note 3(i).

47 Contingent liabilities and commitments (continued)

(f) Capital commitments

As at the balance sheet dates, the Group had the following capital commitments not provided for in these financial statements:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million (Restated)	**2014 HK$ million**	2013 HK$ million
Contracted for	**39,488**	32,103	**6**	–
Authorised but not contracted for	**10,188**	2,188	**–**	–
	49,676	34,291	**6**	–

(g) Operating lease commitments

The Group leases certain of its properties and fixed assets under operating leases. As at the balance sheet dates, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million (Restated)
Within one year	**4,392**	4,155
Between one and two years	**3,833**	3,714
Between two and three years	**3,025**	3,301
Over three years	**11,454**	11,533
	22,704	22,703

	The Company	
	2014 HK$ million	2013 HK$ million (Restated)
Within one year	**48**	19
Between one and two years	**46**	1
Between two and five years	**16**	–
	110	20

48 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk mainly includes issuer risks, credit risks and country risks from loan business and treasury business within the financial services segment. For loan business, the Group identifies and manages the credit risk through its definitions of target markets, credit approval process, strict counterparty selection and due diligence procedures, ongoing evaluation of the contractual capacity and collaterals of counterparties, and risk prevention and mitigation measures. For treasury business, credit risk represents impairment losses of asset value attributable to the Group resulting from lowering of ratings for issuers of debt securities. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Deposits and balances with banks and non-bank financial institutions	**887,947**	890,434
Placements with banks and non-bank financial institutions	**86,428**	155,576
Financial assets at fair value through profit or loss	**34,894**	14,031
Derivative financial assets	**10,594**	9,966
Trade and other receivables	**116,512**	84,742
Financial assets held under resale agreements	**172,100**	365,361
Loans and advances to customers and other parties	**2,711,851**	2,419,803
Available-for-sale financial assets	**264,059**	226,357
Held-to-maturity investments	**225,700**	196,886
Investments classified as receivables	**834,652**	381,783
	5,344,737	4,744,939
Credit commitments and guarantees provided	**1,666,038**	1,623,607
Maximum credit risk exposure	**7,010,775**	6,368,546

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows:

	Note	2014 Loans and advances to customers and other parties HK$ million	Due from banks and non-bank financial institutions HK$ million	Financial assets held under resale agreements HK$ million	Debt securities investments and certificates of deposits HK$ million	Investments classified as receivables HK$ million
Impaired						
Individually assessed						
Gross balance		35,120	36	–	263	–
Allowance for impairment losses		(17,627)	(10)	–	(156)	–
		17,493	26	–	107	–
Collectively assessed						
Gross balance		7,109	–	–	–	–
Allowance for impairment losses		(4,920)	–	–	–	–
		2,189	–	–	–	–
Overdue but not impaired	(i)					
Gross balance		60,470	–	–	–	–
Within which:						
– Within three months		53,638	–	–	–	–
– Between three months and one year		6,699	–	–	–	–
– Over one year		133	–	–	–	–
Allowance for impairment losses		(7,041)	–	–	–	–
		53,429	–	–	–	–
Neither overdue nor impaired						
Gross balance		2,678,253	298,840	172,100	523,302	835,177
Allowance for impairment losses	(ii)	(39,513)	–	–	–	(525)
		2,638,740	298,840	172,100	523,302	834,652
		2,711,851	298,866	172,100	523,409	834,652

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows: (continued)

	Note	2013 (Restated) Loans and advances to customers and other parties HK$ million	Due from banks and non-bank financial institutions HK$ million	Financial assets held under resale agreements HK$ million	Debt securities investments and certificates of deposits HK$ million	Investments classified as receivables HK$ million
Impaired						
Individually assessed						
Gross balance		27,333	121	–	537	–
Allowance for impairment losses		(14,810)	(19)	–	(254)	–
		12,523	102	–	283	–
Collectively assessed						
Gross balance		4,519	–	–	–	–
Allowance for impairment losses		(3,409)	–	–	–	–
		1,110	–	–	–	–
Overdue but not impaired	(i)					
Gross balance		20,281	38	–	–	–
Within which:						
– Within three months		18,881	38	–	–	–
– Between three months and one year		1,400	–	–	–	–
– Over one year		–	–	–	–	–
Allowance for impairment losses		(1,331)	–	–	–	–
		18,950	38	–	–	–
Neither overdue nor impaired						
Gross balance		2,423,577	422,170	365,361	436,902	381,783
Allowance for impairment losses	(ii)	(36,357)	–	–	–	–
		2,387,220	422,170	365,361	436,902	381,783
		2,419,803	422,310	365,361	437,185	381,783

Notes:

(i) Collaterals and other credit enhancements for overdue but not impaired loans and advances:

As at 31 December 2014, the above loans and advances of the Group which were overdue but not impaired and subject to individual assessment are HK$49,617 million (2013: HK$12,641 million), of which HK$27,424 million (2013: HK$7,071 million) are covered by collaterals. The remaining loans and advances are not covered by collaterals.

The fair value of collaterals held against these loans and advances amounted to HK$38,266 million as at 31 December 2014 (2013: HK$10,263 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(ii) The balances represent collectively assessed allowance of impairment losses.

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers and other parties analysed by economic sector concentration:

The Group

	2014			2013 (Restated)		
	Gross balance HK$ million	%	Loans and advances secured by collaterals HK$ million	Gross balance HK$ million	%	Loans and advances secured by collaterals HK$ million
Corporate loans						
– Manufacturing	487,406	18%	217,349	524,173	21%	190,484
– Wholesale and retail	367,750	13%	213,316	379,352	15%	189,204
– Transportation, storage and postal services	175,225	6%	85,575	170,293	7%	75,933
– Real estate	226,712	8%	191,641	167,124	7%	146,624
– Production and supply of electric power, gas and water	65,699	2%	20,891	72,252	3%	19,744
– Water, environment and public utility management	141,372	5%	67,771	91,392	4%	43,936
– Public management and social organisations	24,471	1%	5,862	21,612	1%	6,207
– Rental and business services	106,873	4%	59,648	86,056	3%	45,201
– Construction	129,164	5%	59,000	104,137	4%	41,657
– Others	267,063	10%	99,884	216,578	9%	63,738
	1,991,735	72%	1,020,937	1,832,969	74%	822,728
Personal loans	702,963	25%	515,648	560,358	23%	420,698
Discounted bills	86,254	3%	–	82,383	3%	–
	2,780,952	100%	1,536,585	2,475,710	100%	1,243,426

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector concentration:

The Group

	2014			2013 (Restated)		
	Gross balance HK$ million	%	Loans and advances secured by collaterals HK$ million	Gross balance HK$ million	%	Loans and advances secured by collaterals HK$ million
Mainland China	2,629,961	95%	1,480,972	2,353,758	95%	1,198,488
Hong Kong and Macau	147,422	5%	55,613	120,980	5%	44,938
Overseas	3,569	0%	–	972	0%	–
	2,780,952	100%	1,536,585	2,475,710	100%	1,243,426

(v) **Rescheduled loans and advances to customers and other parties**

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

The Group

	2014		2013	
	Gross balance HK$ million	% of total loans and advances	Gross balance HK$ million (Restated)	% of total loans and advances (Restated)
Rescheduled loans and advances overdue less than three months	8,649	0.31%	2,907	0.12%
Rescheduled loans and advances overdue more than three months	11,382	0.41%	7,748	0.31%
	20,031	0.72%	10,655	0.43%

The Company did not have any rescheduled loans and advances as at 31 December 2014 (2013: Nil).

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

The Group enters into enforceable master netting arrangements with counterparties. If an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the balance sheet.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

The Group

	2014					
				Amounts not offset in the balance sheet		
	Gross amounts of recognised financial instruments HK$ million	Gross amounts offset in the balance sheet HK$ million	Net amounts presented in the balance sheet HK$ million	Financial instruments HK$ million	Cash collateral received HK$ million	Net amount HK$ million
Financial assets						
– Derivative financial assets	**10,594**	**–**	**10,594**	**(4,288)**	**(43)**	**6,263**
Financial liabilities						
– Derivative financial liabilities	**13,474**	**–**	**13,474**	**(4,288)**	**–**	**9,186**

	2013 (Restated)					
				Amounts not offset in the balance sheet		
	Gross amounts of recognised financial instruments HK$ million	Gross amounts offset in the balance sheet HK$ million	Net amounts presented in the balance sheet HK$ million	Financial instruments HK$ million	Cash collateral received HK$ million	Net amount HK$ million
Financial assets						
– Derivative financial assets	9,966	–	9,966	(4,661)	(437)	4,868
Financial liabilities						
– Derivative financial liabilities	11,529	–	11,529	(4,661)	–	6,868

48 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(vi) Offsetting (continued)

The Company

2014	Gross amounts of recognised financial instruments HK$ million	Gross amounts offset in the balance sheet HK$ million	Net amounts presented in the balance sheet HK$ million	Amounts not offset in the balance sheet: Financial instruments HK$ million	Amounts not offset in the balance sheet: Cash collateral received HK$ million	Net amount HK$ million
Financial assets						
– Derivative financial assets	**99**	**–**	**99**	**–**	**–**	**99**
Financial liabilities						
– Derivative financial liabilities	**1,732**	**–**	**1,732**	**–**	**–**	**1,732**

2013	Gross amounts of recognised financial instruments HK$ million	Gross amounts offset in the balance sheet HK$ million	Net amounts presented in the balance sheet HK$ million	Amounts not offset in the balance sheet: Financial instruments HK$ million	Amounts not offset in the balance sheet: Cash collateral received HK$ million	Net amount HK$ million
Financial assets						
– Derivative financial assets	88	–	88	–	–	88
Financial liabilities						
– Derivative financial liabilities	1,455	–	1,455	–	–	1,455

48 Financial risk management and fair values (continued)

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group performs stress testing on its liquidity position on a regular and ad-hoc basis.

The Group

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	2014				
	Repayable on demand HK$ million	**Within one year HK$ million**	**Between one year to five years HK$ million**	**More than five years HK$ million**	**Total HK$ million**
Total financial assets	**308,783**	**2,874,799**	**1,054,113**	**1,196,848**	**5,434,543**
Total financial liabilities	**(1,843,646)**	**(2,550,701)**	**(529,056)**	**(246,741)**	**(5,170,144)**
Financial asset-liability gap	**(1,534,863)**	**324,098**	**525,057**	**950,107**	**264,399**

	2013 (Restated)				
	Repayable on demand HK$ million	Within one year HK$ million	Between one year to five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	268,798	2,632,081	842,553	1,083,913	4,827,345
Total financial liabilities	(1,688,481)	(2,297,501)	(567,459)	(162,261)	(4,715,702)
Financial asset-liability gap	(1,419,683)	334,580	275,094	921,652	111,643

48 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company

The following tables indicate the analysis by remaining maturities of the Company's contractual undiscounted cash follow of financial assets and liabilities:

	2014				
	Repayable on demand HK$ million	**Within one year HK$ million**	**Between one year to five years HK$ million**	**More than five years HK$ million**	**Total HK$ million**
Total financial assets	**5,923**	**13,317**	**–**	**72,488**	**91,728**
Total financial liabilities	**(1,086)**	**(31,243)**	**(31,170)**	**(34,931)**	**(98,430)**

	2013				
	Repayable on demand HK$ million	Within one year HK$ million	Between one year to five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	5,723	16,010	–	110,067	131,800
Total financial liabilities	(906)	(19,866)	(41,353)	(28,309)	(90,434)

(c) Interest rate risk

Each of the Group's operating entity has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

In addition, based on its financial position and market conditions, the Company chooses a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements and uses interest rate swaps, etc. to modify the interest rate characteristics of its borrowings.

48 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Asset-liabilities gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rates.

The Group

	2014				
	Non-interest bearing HK$ million	Within one year HK$ million	Between one and five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	216,598	4,513,163	571,054	133,728	5,434,543
Total financial liabilities	(155,749)	(4,388,797)	(456,433)	(169,165)	(5,170,144)
Financial asset-liability gap	60,849	124,366	114,621	(35,437)	264,399

	2013 (Restated)				
	Non-interest bearing HK$ million	Within one year HK$ million	Between one and five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	137,517	4,216,928	381,285	91,615	4,827,345
Total financial liabilities	(197,311)	(3,943,296)	(443,653)	(131,442)	(4,715,702)
Financial asset-liability gap	(59,794)	273,632	(62,368)	(39,827)	111,643

48 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Asset-liabilities gap (continued)

The Company

	2014				
	Non-interest bearing HK$ million	Within one year HK$ million	Between one and five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	6,209	13,031	–	72,488	91,728
Total financial liabilities	(1,498)	(31,629)	(412)	(1,179)	(34,718)
Financial asset-liability gap	4,711	(18,598)	(412)	71,309	57,010

	2013				
	Non-interest bearing HK$ million	Within one year HK$ million	Between one and five years HK$ million	More than five years HK$ million	Total HK$ million
Total financial assets	40,918	16,381	–	74,501	131,800
Total financial liabilities	(7,141)	(25,755)	(450)	(909)	(34,255)
Financial asset-liability gap	33,777	(9,374)	(450)	73,592	97,545

48 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	The Group			
	Effective interest rate	**2014 HK$ million**	Effective interest rate	2013 HK$ million (Restated)
Assets				
Cash and deposits	**1.49% – 3.24%**	**897,161**	1.50% – 3.91%	899,198
Placements with banks and non-bank financial institutions	**3.96%**	**86,428**	4.05%	155,576
Financial assets held under resale agreements	**5.27%**	**172,100**	5.02%	365,361
Loans and advances to customers and other parties	**6.17%**	**2,711,851**	6.18%	2,419,803
Investments classified as receivable	**6.31%**	**834,652**	6.03%	381,783
Investments (note (i))	**4.03%**	**673,642**	3.75%	532,184
Others		**571,997**		567,804
		5,947,831		5,321,709
Liabilities				
Deposits from banks and non-bank financial institutions	**5.08%**	**871,213**	4.25%	709,621
Placements from banks and non-bank financial institutions	**1.15%**	**24,257**	2.47%	52,623
Financial assets sold under repurchase agreements	**3.6%**	**52,745**	4.35%	10,111
Deposits from customers	**2.43%**	**3,586,508**	2.2%	3,345,943
Bank and other loans	**0.53% – 8.6%**	**218,993**	0.6%-8.4%	217,518
Debt instruments issued	**2.7% – 6.9%**	**273,126**	0.5%-10.1%	201,151
Others		**345,482**		268,190
		5,372,324		4,805,157

48 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate (continued)

	The Company			
	Effective interest rate (note(ii))	**2014 HK$ million**	Effective interest rate (note(ii))	2013 HK$ million (Restated)
Liabilities				
Bank borrowings and debt instruments issued	**4.8%**	**82,444**	4.7%	68,323

Notes:

(i) The Group's investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. The calculation of effective interest rates is based on the interest yielding part of the financial assets. Apart from the foregoing, the Company's investments also include investments in subsidiaries.

(ii) The effective interest rate of the Company takes into account the effect of the interest rate swaps.

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2014, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$549 million (2013: increase or decrease by HK$1,867 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before tax resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

48 Financial risk management and fair values (continued)

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project will be denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Company's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) have been designated as an accounting hedge against other US$ loans at the corporate level. Cross currency swaps were employed to minimise currency exposure for Japanese Yen ("JPY") notes.

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed HK$ in million):

The Group

	2014				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**109,195**	**373,760**	**4,921,746**	**29,842**	**5,434,543**
Total financial liabilities	**(146,374)**	**(539,477)**	**(4,440,071)**	**(44,222)**	**(5,170,144)**
Financial asset-liability gap	**(37,179)**	**(165,717)**	**481,675**	**(14,380)**	**264,399**

	2013 (Restated)				
	HK$	US$	RMB	Others	Total
Total financial assets	78,547	346,096	4,378,052	24,650	4,827,345
Total financial liabilities	(151,973)	(416,320)	(4,089,847)	(57,562)	(4,715,702)
Financial asset-liability gap	(73,426)	(70,224)	288,205	(32,912)	111,643

48 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The Company

	2014			
	US$	**RMB**	**Others**	**Total**
Total financial assets	**77,686**	**5,713**	**100**	**83,499**
Total financial liabilities	**(64,005)**	**(1,267)**	**(99)**	**(65,371)**
Financial asset-liability gap	**13,681**	**4,446**	**1**	**18,128**

	2013			
	US$	RMB	Others	Total
Total financial assets	66,088	12,287	89	78,464
Total financial liabilities	(50,790)	(1,275)	(88)	(52,153)
Financial asset-liability gap	15,298	11,012	1	26,311

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, an 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2014 would decrease or increase the Group's profit before taxation by HK$3,016 million (2013: decrease or increase the Group's profit before taxation by HK$1,851 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; and (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

48 Financial risk management and fair values (continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying values of financial instruments measured at fair value at the balance sheet dates across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group

	2014			
	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
Assets				
Financial assets at fair value through profit or loss	**4,280**	**32,947**	**21**	**37,248**
Derivative financial assets	**21**	**10,564**	**9**	**10,594**
Available-for-sale financial assets	**35,390**	**258,417**	**34,255**	**328,062**
	39,691	**301,928**	**34,285**	**375,904**
Liabilities				
Derivative financial liabilities	**1**	**12,708**	**765**	**13,474**

	2013 (Restated)			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Financial assets at fair value through profit or loss	1,655	13,949	54	15,658
Derivative financial assets	19	9,932	15	9,966
Available-for-sale financial assets	23,150	227,250	23,737	274,137
	24,824	251,131	23,806	299,761
Liabilities				
Derivative financial liabilities	–	11,410	119	11,529

48 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The Company

	2014			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Derivative financial assets	–	99	–	99
Liabilities				
Derivative financial liabilities	–	1,732	–	1,732

	2013			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Derivatives financial assets	–	88	–	88
Liabilities				
Derivatives financial liabilities	–	1,455	–	1,455

During the year ended 31 December 2014, there were no significant transfers between instruments in different levels (2013: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2013: Nil).

48 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

The Group

	2014				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2014	54	15	23,737	23,806	(119)
Total gain/(losses):	–	(10)	4,383	4,373	(640)
– in profit or loss	–	(10)	(101)	(111)	(640)
– in other comprehensive income	–	–	4,484	4,484	–
Settlements	(33)	4	6,135	6,106	(6)
At 31 December 2014	21	9	34,255	34,285	(765)
Total losses for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	–	(10)	(101)	(111)	(640)

	2013 (Restated)				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2013	53	225	14,507	14,785	(351)
Total gain/(losses):	3	(79)	(803)	(879)	229
– in profit or loss	3	(79)	(845)	(921)	229
– in other comprehensive income	–	–	42	42	–
Settlements	(2)	(131)	10,033	9,900	3
At 31 December 2013	54	15	23,737	23,806	(119)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	3	(79)	(845)	(921)	229

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above tables are presented in "net trading gain" in the consolidated income statement.

48 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

The Group

	2014				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	**225,700**	**225,944**	**1,947**	**223,726**	**271**
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	**70,126**	**74,023**	**3,584**	**70,439**	**–**
– Notes issued	**54,450**	**54,899**	**–**	**54,899**	**–**
– Subordinated bonds issued	**104,368**	**106,119**	**9,062**	**97,057**	**–**
– Certificates of deposits (not for trading purpose)	**14,156**	**14,190**	**–**	**14,190**	**–**
– Certificates of interbank deposit issued	**30,026**	**31,662**	**–**	**31,662**	**–**
	273,126	**280,893**	**12,646**	**268,247**	**–**

	2013 (Restated)				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	196,886	187,101	696	186,380	25
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	65,345	76,571	19,162	57,409	–
– Notes issued	57,978	52,165	645	51,520	–
– Subordinated bonds issued	57,593	51,692	8,878	42,814	–
– Certificates of deposits (not for trading purpose)	16,177	16,194	–	16,194	–
– Certificates of interbank deposit issued	3,775	3,760	–	3,760	–
– Convertible bonds issued	283	355	355	–	–
	201,151	200,737	29,040	171,697	–

48 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value) (continued)

The Company

	2014				
	Carrying amount HK$ million	**Fair value HK$ million**	**Level 1 HK$ million**	**Level 2 HK$ million**	**Level 3 HK$ million**
Financial liabilities					
Bank and other loans	**47,776**	**47,985**	**–**	**47,985**	**–**
Debt instruments issued	**34,668**	**38,459**	**–**	**38,459**	**–**
	82,444	**86,444**	**–**	**86,444**	**–**

	2013				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial liabilities					
Bank and other loans	41,349	39,116	–	39,116	–
Debt instruments issued	26,974	26,929	–	26,929	–
	68,323	66,045	–	66,045	–

48 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Debt securities and equity investments

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), available-for-sale financial assets, and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

49 Material related party

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Other related party transactions

(i) Transaction amounts with related parties:

	2014			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	451	18	469
Purchase of goods	–	1,347	4	1,351
Interest income (Note 2)	40	48	3	91
Interest expenses	33	12	149	194
Fee and commission income	–	8	304	312
Fee and commission expenses	–	–	36	36
Income from other services	398	16	3	417
Expenses for other services	–	508	10	518
Interest income from deposits and receivables	–	90	17	107
Other operating expenses	29	7	77	113

	2013 (Restated)			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	–	8	8
Purchase of goods	–	143	5	148
Interest income (Note 2)	–	67	3	70
Interest expenses	37	7	481	525
Fee and commission income	–	4	35	39
Fee and commission expenses	–	–	2	2
Income from other services	244	1	–	245
Expenses for other services	–	401	65	466
Interest income from deposits and receivables	–	153	14	167
Other operating expenses	–	–	65	65

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group or the Company and the corresponding related parties on a case by case basis.

49 Material related party (continued)

(b) Other related party transactions (continued)

(ii) Outstanding balances with related parties:

	2014			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	**79**	**3,667**	**6,280**	**10,026**
Loans and advances (Note 2)	**–**	**999**	**500**	**1,499**
Placements with banks and non-bank financial institutions	**–**	**17**	**–**	**17**
Trade and other payables	**1,330**	**456**	**550**	**2,336**
Deposits from customers	**691**	**1,601**	**11,122**	**13,414**
Deposits from bank and non-bank financial institutions	**–**	**2**	**19,707**	**19,709**
Guarantees provided (Note 3)	**–**	**–**	**11,925**	**11,925**

	2013 (Restated)			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	10	1,718	4,404	6,132
Loans and advances (Note 2)	–	1,084	90	1,174
Placements with banks and non-bank financial institutions	–	27	–	27
Trade and other payables	3,136	284	543	3,963
Deposits from customers	682	1,192	4,692	6,566
Deposits from bank and non-bank financial institutions	–	4	19,327	19,331
Guarantees provided (Note 3)	–	–	5,069	5,069

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group or the Company and the corresponding related parties on a case by case basis.

(3) Terms on guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related.

49 Material related party (continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in note 49(b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- leases of assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services; and
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities.

(d) Key management personnel remuneration

For the year ended 31 December 2014, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$31.52 million.

50 Involvement with unconsolidated structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include wealth management products, investment management products managed by securities companies, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through issuance of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet dates in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

50 Involvement with unconsolidated structured entities (continued)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The Group

Carrying amount	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Financial assets held under resale agreements HK$ million	Interest receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
				2014				
Wealth management products	–	31,127	99,964	–	2,026	133,117	–	133,117
Investment management products managed by securities companies	–	1,408	575,791	2,671	10,021	589,891	–	589,891
Trust investment plans	–	12,050	137,582	20	1,964	151,616	3,255	154,871
Asset-backed financings	9,013	11	–	–	–	9,024	–	9,024
Investment funds	–	1,868	474	–	–	2,342	–	2,342
Total	9,013	46,464	813,811	2,691	14,011	885,990	3,255	889,245

Carrying amount	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Financial assets held under resale agreements HK$ million	Interest receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
				2013 (Restated)				
Wealth management products	–	26,785	83,386	–	712	110,883	–	110,883
Investment management products managed by securities companies	–	549	146,257	9,802	1,266	157,874	–	157,874
Trust investment plans	25	12,663	123,377	2,481	629	139,175	3,266	142,441
Asset-backed financings	257	18	–	–	–	275	–	275
Investment funds	–	1,168	–	–	–	1,168	–	1,168
Total	282	41,183	353,020	12,283	2,607	409,375	3,266	412,641

The maximum exposures to loss in the above wealth management products, investment management products managed by securities companies, trust investment plans and investment funds are the fair value of the assets held by the Group as at the balance sheet dates. The maximum exposures to loss in the asset-backed financings are the amortised cost or fair value of the assets held by the Group as at the balance sheet dates in accordance with the line items of these assets recognised in the balance sheets.

50 Involvement with unconsolidated structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and trust plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through issuance of notes to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 31 December 2014, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group is HK$1,667,100 million (2013: HK$1,241,500 million).

As at 31 December 2014, the carrying amounts of management fee receivables and the investments being recognised in the balance sheet are HK$1,373 million (2013: HK$603 million), and HK$11,341 million (2013: HK$8,809 million), respectively.

As at 31 December 2014, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group is HK$21,296 million (2013: HK$7,314 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December for 2014 is HK$499,354 million (2013: HK$314,805 million).

During the year ended 31 December 2014, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is HK$49,970 million (2013: HK$9,476 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2014, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group is HK$10,113 million (2013: HK$9,050 million).

Securitisation vehicle

During the year ended 31 December 2014, the Group transferred corporate loans to an unconsolidated securitisation vehicle. The aggregate carrying amount of the loans at the time of transfer was HK$7,856 million. As part of the consideration, the Group received 5% of the total asset-backed securities issued by the securitisation vehicle, which are recorded as available-for-sale assets.

51 Business combination under common control during the year

As disclosed in Note 1, the Acquisition was completed on 25 August 2014.

Pursuant to the Share Transfer agreement, the total transfer consideration was RMB226,996 million (approximately HK$286,585 million). The cash consideration portion of HK$53,357 million was paid by the Company to the designated account of CITIC Group; the share consideration portion of HK$233,228 million was satisfied by issue of a total of 17,301,765,470 shares by the Company to CITIC Group's designated wholly-owned subsidiaries.

The Acquisition represents a business combination under common control as CITIC Corporation and the Company were ultimately controlled by CITIC Group both before and after the Acquisition, and that control is not transitory. The Company paid the transfer consideration on 25 August 2014 and has obtained control of CITIC Corporation since then. Accordingly, 25 August 2014 was determined to be the acquisition date.

The financial statements of CITIC Corporation are included in the Group's consolidated financial statements as if the combination had occurred from the date when the ultimate controlling shareholder first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated.

In the Former CITIC Pacific's circular to shareholders dated 14 May 2014, the acquired entities under common control in the Acquisition was referred to as "the Target Group". The total revenue and net profit attributable to shareholders of the Target Group for the period from 1 January 2014 to 25 August 2014 (the acquisition date) are HK$195,995 million and HK$31,266 million respectively.

52 Supplementary information to the consolidated cash flow statement

Cash and cash equivalents held by the Group are as follows:

The Group

	2014 HK$ million	2013 HK$ million (Restated)
Cash	**9,214**	8,764
Bank deposits on demand	**48,754**	71,787
Surplus deposit reserve funds	**88,945**	84,019
Investments in debt securities due within three months	**20,915**	15,313
Deposits with banks and non-bank financial institutions due within three months	**118,376**	124,158
Placements with banks and non-bank financial institutions due within three months	**61,687**	33,853
Cash and cash equivalents in the consolidated cash flow statement	**347,891**	337,894

53 Parent and ultimate holding company

The parent and the ultimate holding company of the Company is CITIC Group.

54 Post balance sheet events

(a) Proposed dividends

The 2014 final dividend proposed by the board of directors is disclosed in note 15.

(b) Proposed issue of preferred shares

On 20 January 2015, the Company entered into a subscription agreement and agreed to allot and issue to Chia Tai Bright Investment Company Limited ("CT Bright") 3,327,721,000 fully paid convertible preferred shares of the Company for a total consideration of HK$45,922,549,800 ("Preferred Shares"). Such transaction is fully described in a circular to shareholders of the Company dated 16 February 2015 ("the Circular"). The Preferred Shares may be converted into the ordinary shares of the Company at an initial conversion price of HK$13.80 per ordinary share, subject to adjustment in accordance with the terms of the amendments to the Articles of Association in light of the issue of the Preferred Shares. Based on the conversion price of HK$13.80, a maximum of 3,327,721,000 shares will be issued upon the full conversion of the Preferred Shares, representing approximately 13.36% of the total issued share capital of the Company as at 13 February 2015, being the latest practicable date of the Circular and approximately 11.79% of the total issued share capital of the Company as enlarged by the full conversion of the Preferred Shares (assuming no other shares are issued). This proposed subscription of Preferred Shares by CT Bright was approved in the Extraordinary General Meeting on 16 March 2015. A number of other conditions precedents remain to be satisfied as at the date of this report.

On the same day, CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group and one of the controlling shareholders of the Company, entered into the share purchase agreement and agreed to sell 2,490,332,363 shares of the Company to CT Bright, representing 10.00% of the total issued share capital of the Company at the last practicable date of the Circular, for a total consideration of HK$34,366,586,609. Upon the completion of the subscription of the Preferred Shares and the purchase of sale shares from CITIC Polaris Limited by CT Bright, assuming full conversion of the Preferred Shares into shares and without taking into account the minimum public float percentage imposed upon the Company by The Stock Exchange of Hong Kong Limited, CITIC Group will indirectly hold approximately 59.90% and CT Bright will directly hold approximately 20.61% of the enlarged total issued share capital of the Company. Up to the date of this report, the proposed acquisition has not been completed.

(c) Proposed acquisition

A company jointly owned by CITIC Environment (International) Company Limited, one of the Company's wholly-owned subsidiaries, and KKR China Water Investment Holdings Limited, proposed to acquire a majority stake in United Envirotech Ltd. ("UEL"). The maximum purchase consideration in respect of this acquisition is expected to be approximately S$1,256 million. UEL is listed on the Main Board of the Singapore Exchange Securities Trading Limited, and is a leading membrane-based water and wastewater treatment and reclamation solution provider with businesses mainly in the PRC's chemical, petrochemical and industrial park sectors. Up to the date of this report, the proposed acquisition has not been completed.

(d) Private placement

CITIC Bank proposed to issue no more than 2,462,490,897 A shares to China National Tobacco Corporation, raising no more than RMB11,918 million in aggregate. The proceeds from this issue will be used to replenish core tier 1 capital after deducting issuance costs. This private placement proposal was approved by CBRC on 5 March 2015, and will be executed after obtaining the approval of CSRC.

55 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2015.

56 Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results and financial position except for HKFRS 15 and HKFRS 9, which may have an impact on the Group's results and financial position. The Group has not completed its assessment of the full impact of adopting HKFRS 15 and HKFRS 9 and therefore its possible impact on the Group's results and financial position has not been quantified.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

57 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	46,881	100%	100%	0%
Jiangsu CP Xingcheng Special Steel Co., Ltd. 江蘇泰富興澄特殊鋼有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%
Daye Special Steel Co., Ltd. 大冶特殊鋼股份有限公司	Mainland China	Manufacturing	449,408,480	58.13%	0%	58.13%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Investment Holding	1,831,993,000	56.08%	0%	56.08%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and Energy	1	100%	100%	0%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,355,674,412	59.23%	0%	59.23%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	46,787,327,000	67.13%	0%	67.13%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Financial Services	7,459,172,916	47.21%	0%	70.32%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Real Estate Co., Ltd. 中信房地產股份有限公司	Mainland China	Real estate and infrastructure	6,790,000,000	88.37%	0%	88.37%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Real estate and infrastructure	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate and infrastructure	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate and infrastructure	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate and infrastructure	N/A	100%	0%	100%

57 Principal subsidiaries, associates and joint ventures (continued)

(a) Principal subsidiaries (continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Resources Holdings Limited 中信資源控股有限公司	Hong Kong	Resources and Energy	7,868,527,149	59.41%	0%	59.41%
CITIC United Asia Investments Limited 中信裕聯投資有限公司	Hong Kong	Resources and Energy	916,829,000	100%	0%	100%
CITIC Metal Co., Ltd. 中信金屬有限公司	Mainland China	Resources and Energy	N/A	100%	0%	100%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and Energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and Energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	2,740,000,000	71.04%	0%	71.04%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%
CITIC Dicastal Co., Ltd. 中信戴卡股份有限公司	Mainland China	Manufacturing	781,526,221	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集團股份有限公司	Mainland China	Publishing	100,000,000	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	Service	N/A	51.03%	0%	51.03%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

57 Principal subsidiaries, associates and joint ventures (continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	11,016,908,400	20.30%	0%	20.30%
CITIC Dameng Holdings Limited 中信大錳控股有限公司	Bermuda	Resources and Energy	3,024,795,000	33.44%	0%	49.26%
Hong Kong Resort Company Limited 香港興業有限公司	Hong Kong	Real estate	N/A	50%	0%	50%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC-Prudential Life Insurance Co., Ltd. 信誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
CITIC Capital Holdings Limited 中信資本控股有限公司	Hong Kong	Investment management	N/A	24.06%	0%	24.06%
中船置業有限公司	Mainland China	Real estate	N/A	50%	50%	0%

Independent Auditor's Report

Independent auditor's report to the shareholders of CITIC Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 154 to 307, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2015

Major Properties Held by the Group

As at 31 December 2014

Major investment properties

	Location	Leasehold expiry	Group's interest %	Approximate area (sq.m.)	Existing use
1	6 Xinyuannanlu, Chaoyang District, Beijing	2053	100	140,200	Office
2	1168 Nanjing West Road, Shanghai	2044	100	132,300	Office, retail
3	19 Jianguomenwai Avenue, Chaoyang District, Beijing	2053	100	62,200	Office
4	111 Lee Nam Road, Ap Lei Chau, Hong Kong	2047	100	60,800	Motor Services and Godown
5	Tower B, 555 Jingjia Road, Ningbo	2046	100	49,000	Office
6	CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	2047	100	52,000	Office, retail
7	688-1 Xizang South Road, Shanghai	2072	100	23,000	Retail
8	CITIC Tower, 1 Jianxin South Road, Jiangbei District, Chongqing	2046	100	10,800	Retail
9	1288 Longdongdadao, Shanghai	2054	100	10,500	Office

Major properties held for sale

	Location	Leasehold expiry	Group's interest %	Approximate area (sq.m.)	Existing use
1	4775 Jingyue Boulevard, Changchun	2056	60	1,055,100	Residential
2	Dongjiang New Town, Huicheng District, Huizhou	2077	100	658,900	Residential
3	111 Zhongyi'erlu, Tianxin District, Changsha	2082	100	485,500	Residential
4	Phase II of CITIC Kaixuan Town Garden, 2 Wenzhusanlu, Sandong Town, Huicheng District, Huizhou	2077	100	300,800	Residential
5	Nanfeng Tower, Pingnanxikengwei, Mianbei Street, Chaoyang District, Shantou	2079	51	255,000	Residential
6	139 Dongguan Boulevard, Nancheng District, Dongguan	2073	100	243,400	Parking lot
7	Sihuan Road, Dongcheng District, Dongguan	2063	100	230,800	Residential
8	CITIC New Town, Danshuibaiyunliulu, Huiyang District, Huizhou	2077	100	221,400	Residential
9	88 Hanjiang North Road, Yangzhou	2045-2076	100	43,162	Residential, retail

Major Properties Held by the Group

As at 31 December 2014

Major properties under development

	Location	Status	Estimated completion date	Classification	Leasehold expiry	Group's interest %	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)
1	Court 6, Luhua Road, Beijing Economic and Technological Development Area	Construction in progress	In phases from 2008 onwards	Residential	2080	80	966,100	1,974,300
2	CITIC Kaixuan Town Garden, Zhuzaiyuan, Sandong Town, Huizhou	Construction in progress	In phases from 2013 onwards	Residential	2077	100	569,200	1,909,400
3	Resort Development Shenzhou Peninsula Wanning, Hainan	Construction in progress	In phases from 2011 onwards	Hotel, retail, residential	2057-2079	80-100	3,898,100	1,429,500
4	City Plaza, Shiyijing Road, Hedong District, Tianjin	Construction in progress	November 2022	Office, retail, hotel, residential	2076	51	135,500	1,200,700
5	Hepulonghutan, Haojiang District, Shantou	Construction in progress	December 2017	Residential	2063	100	927,500	1,139,200
6	No. 10 Building, CITIC Redwood Bay, 333 Qianhe West Road, Xiangzhou, Zhuhai	Construction in progress	August 2018	Residential	2088	100	272,200	839,100
7	Longxi Street, Zhongshan District, Dalian	Construction in progress	September 2015	Residential	2050	80	147,000	725,200
8	Lu Jia Zui Harbour City, Yincheng Road 9, Shanghai	Construction in progress	In phases from 2011 onwards	Office, residential, retail	2044-2074	50	198,900	583,800
9	Land lot Z15 in the prime location of CBD of Chaoyang District, Beijing	Construction in progress	March 2019	Office	2050	100	11,500	437,000

Definition of Terms

Return on total assets:	Profit attributable to ordinary shareholders divided by the average of total assets at the beginning of the year and total assets at the end of the year.
Return on net assets:	Profit attributable to ordinary shareholders divided by the average of ordinary shareholders' equity at the beginning of the year and ordinary shareholders' equity at the end of the year.
Member companies:	Member companies mean the entities included in the consolidated financial statements of CITIC Limited.

Corporate Information

Registered Office

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Central, Hong Kong
Telephone: +852 2820 2111
Fax: +852 2877 2771

Beijing Office

Capital Mansion, 6 Xinyuannanlu
Chaoyang District
Beijing 100004, China

Website

www.citic.com contains a description of the Company's business, copy of the full report to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	28 May 2015 to 2 June 2015 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	8 June 2015 to 10 June 2015 (both days inclusive)
Annual General Meeting:	2 June 2015, 11:00 a.m. Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong
Dividend payment:	19 June 2015

Annual Report 2014

Our Annual Report is printed in English and Chinese and is available on our website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to the Company's Share Registrar.

Shareholders having difficulty in gaining access to the Annual Report will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

Non-shareholders are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.

CITIC Limited

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Stock code 00267

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