

# Corporate Governance

## Corporate Governance Practices

The Company 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 2015. In respect of code provision A.6.7 of the CG Code, Dr Xu Jinwu (independent non-executive director) was not able to attend the extraordinary general meeting of the Company held on 16 March 2015 ("2015 EGM") due to 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.

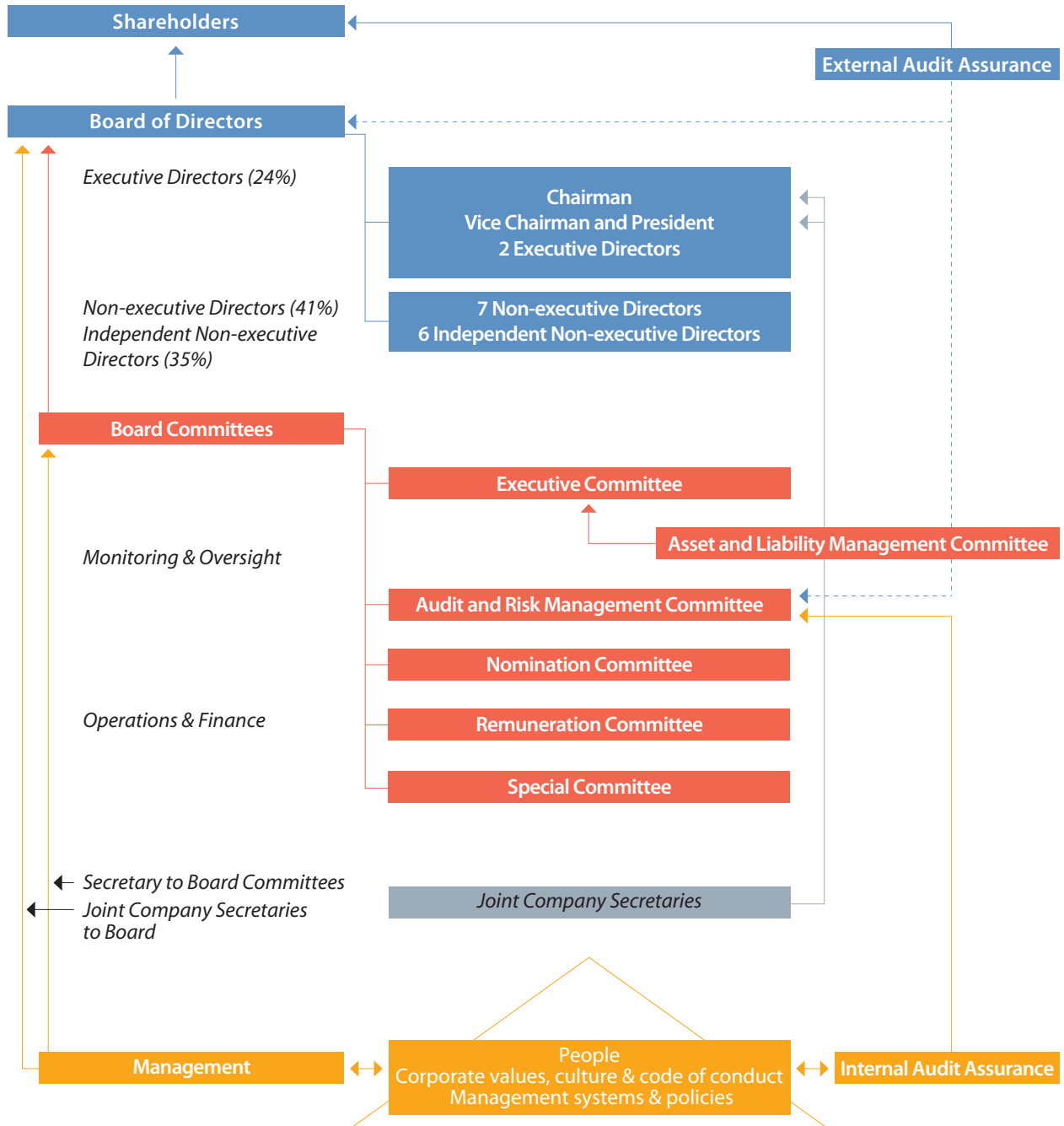
## Preservation of Value and Strategy

The Company is China's largest conglomerate. Our businesses extend globally covering sectors such as financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses 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/her 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

The Company announced the following changes in board composition.

On 14 May 2015, Mr Dou Jianzhong retired as an executive director, vice president and a member of the executive committee of the Company.

At the annual general meeting held on 2 June 2015 ("2015 AGM"), Mr Alexander Reid Hamilton retired as an independent non-executive director of the Company by rotation and did not seek re-election. He also resigned as a member of each of the audit and risk management committee, nomination committee and remuneration committee of the Company with effect from the conclusion of the 2015 AGM.

On 3 August 2015, Mr Yang Xiaoping and Mr Noriharu Fujita were appointed as non-executive director and independent non-executive director of the Company respectively.

On 24 December 2015, Mr Zhang Jijing retired from the board as an executive director and the chairman of the asset and liability management committee which is established under the executive committee. Ms Li Qingping and Mr Pu Jian were appointed as executive directors of the Company on the same date.

On 18 March 2016, Ms Cao Pu retired from the board as a non-executive director and a member of the audit and risk management committee of the Company. On the same date, Mr Song Kangle and Mr Li Rucheng were appointed as non-executive directors of the Company and Mr Paul Chow Man Yiu was appointed as an independent non-executive director of the Company.

The expertise and experience of the new members to the board would complement the existing board and bring significant benefit to the development of the Company's businesses both in China and overseas.

The board currently has 17 directors, comprising four executive directors, seven non-executive directors and six independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than three-fourths 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 seven 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, Mr Liu Yeqiao and Mr Song Kangle 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 (a shareholder of the Company), Mr Yang Xiaoping is the vice chairman of the Charoen Pokphand Group and Mr Li Rucheng is the chairman of Youngor Group Co., Ltd. (a 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 110 to 114.

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, Ms Li Qingping, Mr Pu Jian, Mr Yang Xiaoping and Mr Noriharu Fujita who were appointed as directors of the Company during the year 2015, and Mr Song Kangle, Mr Li Rucheng and Mr Paul Chow Man Yiu who were appointed as directors of the Company on 18 March 2016 shall hold office only until the forthcoming annual general meeting of the Company to be held on 8 June 2016 ("2016 AGM") and are eligible for re-election at such meeting. Thereafter, they will be subject to retirement by rotation and re-election in accordance with the Company's articles of association. Induction materials were provided to the above directors upon their appointment.

## **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 90 to 100.

## Continuous professional development programme

The Company 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.

In addition, every 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. In 2015 and in March 2016, seven directors were appointed. The Company has arranged briefings given by external legal counsel to the new directors.

Under the Company’s CPD Programme, directors attended briefings/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. A record of the directors’ participation in the CPD Programme is kept at the company secretariat office.

A summary of directors’ participation in the Company’s CPD Programme and other external training for the period from 1 January 2015 to 31 December 2015 is as follows:

	Reading materials/ regulatory updates/ management monthly updates	Briefings/ seminars
<b>Executive Directors</b>		
Mr Chang Zhenming	✓	
Mr Wang Jiong	✓	
Ms Li Qingping <sup>(2)</sup>	✓	
Mr Pu Jian <sup>(2)</sup>	✓	
<b>Non-executive Directors</b>		
Mr Yu Zhensheng	✓	✓
Mr Yang Jinming	✓	✓
Mr Liu Yeqiao	✓	✓
Mr Song Kangle <sup>(3)</sup>		
Mr Liu Zhongyuan	✓	
Mr Yang Xiaoping <sup>(1)</sup>	✓	
Mr Li Rucheng <sup>(3)</sup>		
<b>Independent Non-executive Directors</b>		
Mr Francis Siu Wai Keung	✓	
Dr Xu Jinwu	✓	
Mr Anthony Francis Neoh	✓	
Ms Lee Boo Jin	✓	
Mr Noriharu Fujita <sup>(1)</sup>	✓	
Mr Paul Chow Man Yiu <sup>(3)</sup>		

Note:

- (1) appointed with effect from 3 August 2015 and induction materials and briefing by external legal counsel were provided in respect of their appointment.
- (2) appointed with effect from 24 December 2015 and induction materials and briefing by external legal counsel were provided in respect of their appointment.
- (3) appointed with effect from 18 March 2016 and induction materials and briefing by external legal counsel were provided in respect of their appointment.

Mr Dou Jianzhong retired as an executive director with effect from 14 May 2015, Mr Alexander Reid Hamilton retired as an independent non-executive director and did not seek re-election at the 2015 AGM, Mr Zhang Jijing retired from the board as an executive director with effect from 24 December 2015, and Ms Cao Pu retired from the board as a non-executive director with effect from 18 March 2016. 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 one special board meeting were held in 2015. 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. A special board meeting was held in January 2015 to approve a subscription agreement for the subscription by Chia Tai Bright Investment Company Limited of 3,327,721,000 fully paid convertible preferred shares of the Company and other matters related thereto in which detailed information of the transactions were presented to the board. Details of the aforesaid subscription are set out in the Company's announcement dated 20 January 2015.

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 secretariat 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 2015 is set out below:

	Board Meeting	Extraordinary General Meeting on 16 March 2015	Annual General Meeting on 2 June 2015
<b>Number of Meetings</b>	5	1	1
<b>Current Directors</b>			
<b>Executive Directors</b>			
Mr Chang Zhenming (Chairman)	5/5	✓	✓
Mr Wang Jiong (Vice Chairman and President)	5/5	✓	✓
Ms Li Qingping <sup>(2)</sup>	N/A	N/A	N/A
Mr Pu Jian <sup>(2)</sup>	N/A	N/A	N/A
<b>Non-executive Directors</b>			
Mr Yu Zhensheng	5/5	✓	✓
Mr Yang Jinming	5/5	✓	✓
Mr Liu Yeqiao	5/5	✓	✓
Mr Song Kangle <sup>(3)</sup>	N/A	N/A	N/A
Mr Liu Zhongyuan	5/5	✓	✓
Mr Yang Xiaoping <sup>(1)</sup>	2/2	N/A	N/A
Mr Li Rucheng <sup>(3)</sup>	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>			
Mr Francis Siu Wai Keung	4/5	✓	✓
Dr Xu Jinwu	5/5	–	✓
Mr Anthony Francis Neoh	4/5	✓	✓
Ms Lee Boo Jin	5/5	✓	✓
Mr Noriharu Fujita <sup>(1)</sup>	2/2	N/A	N/A
Mr Paul Chow Man Yiu <sup>(3)</sup>	N/A	N/A	N/A
<b>Directors who retired during the year and up to the date of this report</b>			
<b>Executive Directors</b>			
Mr Dou Jianzhong <sup>(4)</sup>	2/2	–	N/A
Mr Zhang Jijing <sup>(6)</sup>	5/5	✓	✓
<b>Non-executive Director</b>			
Ms Cao Pu <sup>(7)</sup>	5/5	✓	✓
<b>Independent Non-executive Director</b>			
Mr Alexander Reid Hamilton <sup>(5)</sup>	3/3	✓	✓

Note:

- (1) appointed with effect from 3 August 2015
- (2) appointed with effect from 24 December 2015
- (3) appointed with effect from 18 March 2016
- (4) retired with effect from 14 May 2015
- (5) retired with effect from the conclusion of the 2015 AGM
- (6) retired with effect from 24 December 2015
- (7) retired with effect from 18 March 2016

## Chairman and the president

Mr Chang Zhenming serves as the chairman of the Company. Mr Wang Jiong is the president of the Company. 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 an executive committee to assist the board in the business operations and management of the Company. 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, 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 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 asset and liability management committee is established as a sub-committee under the executive committee. During the year, authority was granted by the board to the executive committee in terms of financing.

The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members are Mr Wang Jiong (being executive director, vice chairman and president of the Company and also serves as vice chairman of the committee), Mr Zhu Xiaohuang (who serves as vice chairman of the committee), Mr Feng Guang, Ms Li Qingping (being executive director and vice president of the Company), Mr Pu Jian (being executive director and vice president of the Company) and Mr Zhu Gaoming (being vice president of the Company). The committee met eight times in 2015. Full minutes of the meetings are kept at the executive office, which are sent to the committee members after each meeting.

## **Audit and risk management committee**

The audit and risk management committee oversees the relationship with the external auditor, and to review the Company's financial reporting, annual audit and interim report. The committee acts on behalf of the board in providing oversight of the Company's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews the Company's policies and practices on corporate governance. The committee currently consists of three independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee), Dr Xu Jinwu and Mr Anthony Francis Neoh (appointed on 18 March 2016). Mr Francis Siu Wai Keung has the relevant professional qualification and expertise in financial reporting matters. 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). At 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. The 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, accounting and financial reporting functions, 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 of the committee members are as follows:

### Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
<b>Independent Non-executive Directors</b>		
Mr Francis Siu Wai Keung (chairman)	4/4	
Dr Xu Jinwu	2/2	Appointed with effect from 2 June 2015
Mr Anthony Francis Neoh	N/A	Appointed with effect from 18 March 2016
Mr Alexander Reid Hamilton	2/2	Resigned with effect from 2 June 2015
<b>Non-executive Director</b>		
Ms Cao Pu	4/4	Resigned with effect from 18 March 2016
<b>Other Attendees</b>		
Representatives of Audit and Compliance Department	4/4	
Representatives of Financial Control Department	4/4	
Representatives of Office of the Board of Directors	4/4	
External Auditor	4/4	

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 Audit and Compliance Department, Financial Control Department, Office of the Board of Directors 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 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. Full minutes of the meetings are kept at the company secretariat office.

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 2015

The audit and risk management committee performed the following in 2015:

Financial reporting	<p>Reviewed the 2014 annual financial statements, annual report and results announcement</p> <p>Reviewed the 2015 half-year financial statements, half-year report and results announcement</p> <p>Recommended to the board approval of the 2014 annual report and 2015 half-year report</p> <p>Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements</p>
External audit and interim review	<p>Reviewed Audit Committee Report provided by the external auditor on their statutory audit of the 2014 annual financial statements and their independent review of the 2015 half-year financial statements</p> <p>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</p> <p>Reviewed the external auditor plans for their independent review of the Company's 2015 half-year financial statements and their statutory audit of the 2015 annual financial statements, including the audit scope and the nature of their work</p> <p>Considered the independence of the external auditor of the Company</p>
Engagement of external auditor	<p>Recommended to the board the appointment of PricewaterhouseCoopers ("PwC") as new external auditor</p>
Internal control and internal audit	<p>Examined management's annual self-assessments of the effectiveness of the risk management and internal control of the Group, including adequacy of the staff resources, qualifications and experience of the Company's internal audit, risk management, accounting and financial reporting functions</p> <p>Reviewed and approved the revised internal audit charter, whistle blowing policy and code of conduct; and approved group internal audit's annual internal audit plan and reviewed the overall audit work progress in each committee meeting</p> <p>Reviewed group internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters</p> <p>Noted any significant changes in financial or other risks faced by the Company and reviewed management's response to them</p>
Corporate governance and code requirements	<p>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</p> <p>Reviewed the training and continuous professional development of directors</p> <p>Reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report</p>

In the meeting held on 21 March 2016, the audit and risk management committee reviewed and approved the Company's annual financial statements and annual report for the year ended 31 December 2015, and considered reports from the external and internal auditors. The audit and risk management committee recommended that the board approves the 2015 annual report.

## 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-termsreference-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 achieving 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 approval. 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 comprises two executive directors and three independent non-executive directors, and is chaired by the chairman of the board. The 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, one nomination committee meeting was held and three sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the nomination committee meeting and the draft minutes were sent to all committee members within a reasonable time after the meeting.

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

### Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
<b>Executive Directors</b>		
Mr Chang Zhenming (chairman)	1/1	
Mr Wang Jiong	1/1	
<b>Independent Non-executive Directors</b>		
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Anthony Francis Neoh	1/1	Appointed with effect from 2 June 2015
Mr Alexander Reid Hamilton	N/A	Resigned with effect from 2 June 2015

### Work done in 2015

The nomination committee completed the following work in 2015:

1. reviewed the structure, size, composition and diversity of the board;
2. reviewed the board diversity policy and discussed the measurable objectives;
3. recommended the appointment of two executive directors, a non-executive director and an independent non-executive director to the board for approval; and
4. made recommendations to the board on the re-election of directors retiring at the 2015 EGM and 2015 AGM respectively.

In March 2016, the nomination committee by means of written resolutions resolved to recommend to the board (1) the appointment of two non-executive directors and an independent non-executive director and (2) the re-election of directors at the 2016 AGM.

## 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, salaries paid by comparable companies, regulations promulgated by national regulatory authorities on the remuneration of directors and senior management, time commitment and responsibilities and employment conditions elsewhere at the Group, so as to align management incentives with shareholder interests.

The committee currently comprises two independent non-executive directors and a non-executive director. The chairman of the committee is Mr Francis Siu Wai Keung, an independent non-executive director. The committee meets at least once a year. The joint company secretary, Mr Tang Zhenyi serves as the secretary of the committee. 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.

During the year, one remuneration committee meeting was held and two sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the remuneration committee meeting and the draft minutes were sent to all committee members within a reasonable time after the meeting.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:

### Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
<b>Independent Non-executive Directors</b>		
Mr Francis Siu Wai Keung (chairman)	1/1	
Dr Xu Jinwu	1/1	Appointed with effect from 2 June 2015
Mr Alexander Reid Hamilton	N/A	Resigned with effect from 2 June 2015
<b>Non-executive Director</b>		
Mr Yang Jinming	1/1	

## Work done in 2015

The remuneration committee completed the following work in 2015:

1. recommended to the board (i) the increase in directors' fees for non-executive directors (including independent non-executive directors); and (ii) additional remuneration for non-executive directors serving on the audit and risk management committee;
2. reviewed and approved the 2015 remuneration plan for the senior management (including executive directors) of the Company in May 2015; and
3. reviewed and approved the 2014 pay level for the senior management (including executive directors) of the Company in December 2015.

Details of the Company's remuneration policies are set out in the Environmental, Social and Governance Report on page 151 and directors' remuneration and retirement benefits are disclosed on pages 212 to 215. Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 125 to 126.

The remuneration paid to the directors, by name, for the year ended 31 December 2015 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2015 is set out below.

### Remuneration of senior management other than directors for the full year 2015

<b>Total Remuneration Bands</b>	<b>Number of Executives</b>
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 2015.
- (2) The data set out above have been converted from RMB based on the average exchange rate for 2015 (HKD1=RMB0.80294).



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

A special committee has been established to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, the Company and its directors, arising from the 2008 forex incident, including but not limited to by the Market Misconduct Tribunal (“MMT”), the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force (the “Investigation”). The Special Committee is authorised by the board and empowered to

- approve communications between the Company and any relevant authorities or third parties in relation to the Investigation;
- 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 currently comprises two members, namely, Mr Zhang Jijing and Mr Francis Siu Wai Keung. No physical committee meetings were held during the year, and the committee members dealt with certain administrative matters concerning the MMT proceedings and the protection of legal professional privilege by way of circulation.

In respect of the appeal against the Court of First Instance’s judgment dated 19 December 2011, the Court of Appeal has on 29 June 2015 handed down a judgment on the first part of the appeal in the Company’s favour with costs. The remaining part of the appeal was adjourned in order to give the Department of Justice and the Police time to inspect the documents subject to the appeal (on a limited waiver and a completely confidential basis) to consider if they would continue to oppose the Company’s appeal. That inspection process was completed in September 2015. Subsequently, the Police/Department of Justice have agreed not to contest the remainder of the Appeal, subject to the parties’ agreement on the directions for the disposal of the Appeal. The parties have been negotiating the further directions and orders to be sought from the Court for the purpose of the disposal of the remainder of the appeal.

In respect of the proceedings brought by the Hong Kong Securities and Futures Commission at the MMT against the Company and five of its former executive directors (further particulars of which are set out in note 46 to the Notes to the consolidated financial statements), the hearing was part heard in November and December 2015. It is expected that the hearing will resume in April 2016.

## Other management committee

The Company has established the Asset and Liability Management Committee (“ALCO”) as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of the Company. The principal responsibilities of the ALCO are to

- monitor and control the asset and liability financial position of the Company on a regular basis;
- monitor and control the following issues of the Company:
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commodities
  - commitments and contingent liabilities

- review financing plans of the Company and manage the cash flow of the Company on the basis of the annual budget; and
- establish hedging policies and approve the use of new financial instruments for hedging.

Mr Zhang Jijing, an executive director of the Company until 23 December 2015, was the chairman of the ALCO and chaired 9 meetings in 2015. Mr Zhu Gaoming (being vice president of the Company and a member of the executive committee) became the chairman of the ALCO on 24 December 2015. Other members include responsible persons of the Financial Control Department, Treasury Department, Strategic Development Department and the Office of the Board of Directors. Full minutes of the meetings are kept by the ALCO Secretariat Office and sent to the committee members after each meeting.

## 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 pages 171 to 172.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2015 are set out in the Independent Auditor's Report on pages 315 to 316.

### External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. PwC was engaged as the Company's external auditor since 1989 and retired at the close of the annual general meeting held on 16 May 2013. KPMG was engaged in place of PwC as the Company's external auditor and subsequently retired at the close of the 2015 AGM. The Company initiated the process of engaging new external auditor for the year 2015 as its largest listed subsidiary, China CITIC Bank Corporation Limited was required to change its external auditor. PwC was appointed as the Company's external auditor with effect from the close of the 2015 AGM. For 2015, PwC's fees were approximately as follows:

Statutory audit fee: HK\$73 million (2014: HK\$113 million (KPMG)).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK\$7 million (2014: HK\$6 million (KPMG)).

Other audit firms provided statutory audit services at a fee of approximately HK\$90 million (2014: HK\$45 million) as well as other services for fees of HK\$16 million (2014: HK\$2 million).

## Internal control

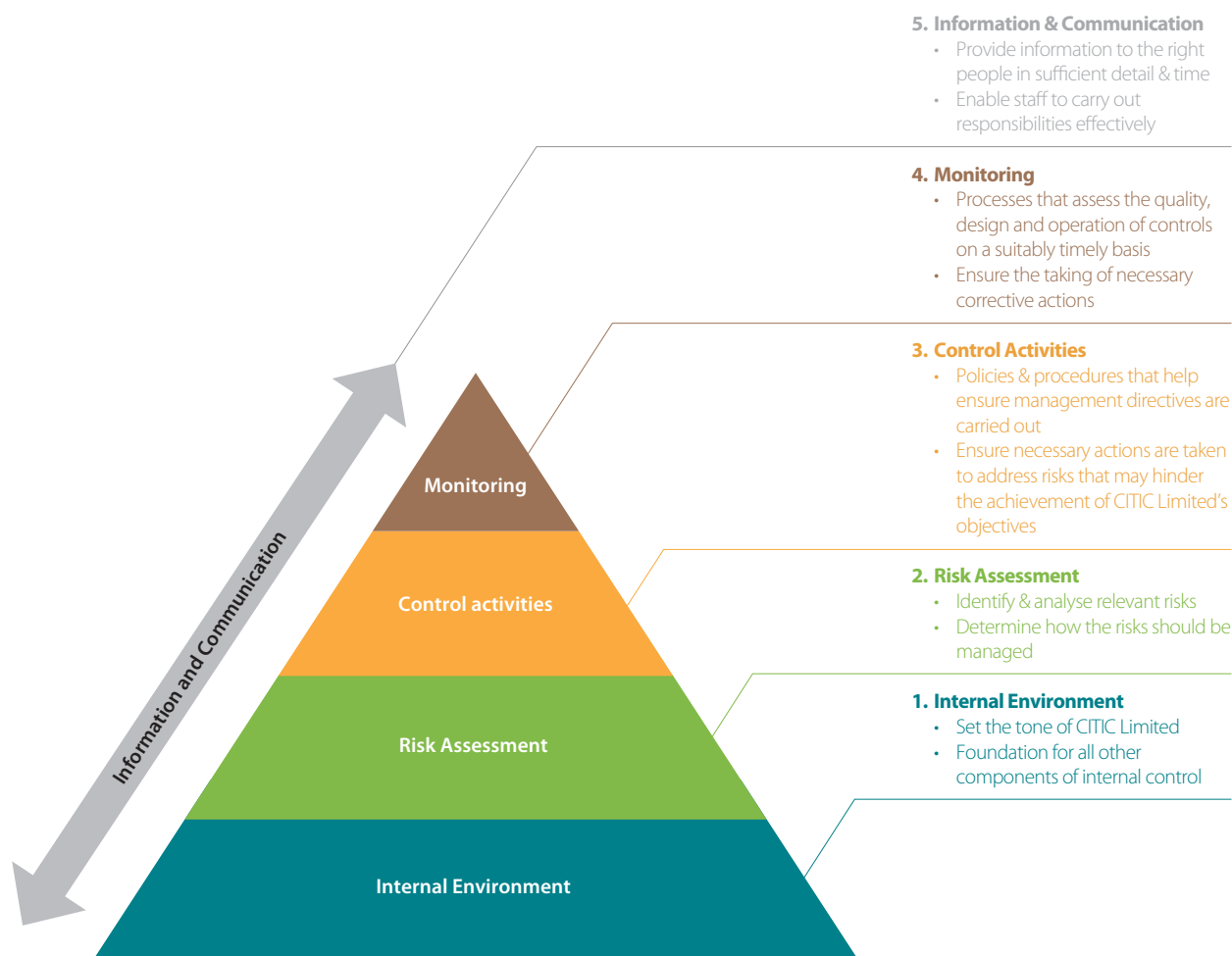
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Limited in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets;
- 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 is committed to constantly improving its internal control framework for providing assurance of the achievement of its business objectives, which is consistent with the core content of risk management and internal control 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 Group's internal control framework, risk management and internal control are primarily the collective responsibilities of management and the employee. For consistent compliance by every person across the Group, the following key control policies and measures have been implemented:

<b>Key control policies and measures implemented by CITIC Limited</b>	
<b>Internal Environment</b>	<ul style="list-style-type: none"> <li>• The Group has a corporate governance policy, human resources policy and code of conduct for its business operation and governance, as well as periodic reviews and refresher training sessions on important ethical practices.</li> <li>• A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice.</li> <li>• An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.</li> </ul>
<b>Risk Assessment</b>	<ul style="list-style-type: none"> <li>• In addition to the risk management function, relevant functions of CITIC Limited will also identify and assess financial and other risks in terms of 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.</li> <li>• The executive committee of CITIC Limited constantly monitors the business, operational and other risks of the business units.</li> <li>• The risk management function 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 major projects and businesses.</li> <li>• Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately.</li> </ul>
<b>Control Activities</b>	<ul style="list-style-type: none"> <li>• Major control system and processes include budgetary and cost controls, financial reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>• Constant monitoring of compliance and review of risk management and internal control are conducted under the supervision of the audit and risk management committee. (Please refer to the section on "Monitoring of Internal Control Effectiveness").</li> <li>• 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.</li> <li>• The internal audit function reports directly to the audit and risk management committee, and is responsible for independent review of risk management and internal control.</li> </ul>

### Key control policies and measures implemented by CITIC Limited

#### Information and Communication

- Implementation, maintenance and constant 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 constantly reviews policies and work related to audit supervision, risk management and internal control (including but not limited to investment authorisation, the code of conduct, fund management, guarantees and payments by subsidiaries), in order to enhance its management and control over these areas.

### Monitoring of internal control effectiveness

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

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

Internal control monitoring	Particulars of major tasks completed	Observations
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Reviewed the internal audit report.</li> <li>• Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting.</li> <li>• Reported to the board on such reviews when necessary.</li> </ul>
<b>Compliance Assessment</b>	<ul style="list-style-type: none"> <li>• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, provisions under industry regulation, internal policies and rules; reported on an annual basis any matters subject to criminal convictions, administrative punishments, investigation by competent authorities and other punitive measures as a result of non-compliance; rectified non-compliance and ongoing supervision to ensure completion of such rectification.</li> </ul>	<ul style="list-style-type: none"> <li>• No non-compliance cases were noted during the year.</li> </ul>

Internal control monitoring	Particulars of major tasks completed	Observations
<b>Self-assessments on Risk Management and Internal Control</b>	<ul style="list-style-type: none"> <li>Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions.</li> <li>Ensured that the supporting documents of the self-assessments on risk management and internal control by the management were reviewed by the internal audit function or risk management function.</li> <li>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 Group.</li> </ul>	<ul style="list-style-type: none"> <li>No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement.</li> <li>Management issued a positive confirmation.</li> </ul>
<b>Review of the Internal Audit, Risk Management, Accounting and Financial Functions</b>	<ul style="list-style-type: none"> <li>Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget.</li> </ul>	<ul style="list-style-type: none"> <li>Resources in the internal audit, risk management, accounting and finance functions were adequate.</li> <li>On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory.</li> <li>Training activities and budgets were given constant attention and remained satisfactory during the year.</li> </ul>

The board and the management will establish sufficient and effective management and controls through the risk management and internal control framework of CITIC Limited, which will ensure compliance with the Listing Rules and other legal or regulatory requirements of the jurisdictions in which the Group operates, in order to improve the risk management and 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 independent and objective internal assurance and consulting services, evaluate and improve the effectiveness of risk management and internal control processes for the Company so as to add value and improve the Company's operations and accomplish its objectives.

### **Authority**

Under the internal audit charter of CITIC Limited, the internal audit department can obtain and access all records, personnel and physical properties relevant to internal audit. The head of the internal audit department has unrestricted access to the board and senior management.

### **Responsibility**

The responsibilities of the internal audit are set out in the internal audit charter, which stipulates that (a) examination and assessment are conducted in respect of risk management and internal control to evaluate whether risks related to the following are effectively controlled: achievement of strategic objectives, reliability and integrity of financial and operational information, efficiency and effectiveness of operations, safeguarding of assets, and compliance with the laws, regulations and policies of the Company; (b) follow-up audits and other measures are conducted to track corrective actions in respect of audit findings; (c) special audits are conducted when required by the board and senior management.

### **Internal audit staffing and tasks completed in 2015**

At 31 December 2015, CITIC Limited had approximately 500 internal audit staff members in the internal audit departments of the head office and major subsidiaries, providing audit services to various business units and functions of the Company.

During the year, the internal audit department prepared an annual internal audit plan in accordance with risk-based principles. Pursuant to the approved annual plan, detailed audit planning for each audit was devised, followed by field audits and discussions with management. Audit reports addressed to the management were prepared after completion of the audits. Work reports were also tabled for review at each meeting of the audit and risk management committee, which included audit findings and follow-up results, work progress and staffing of internal audit.

In 2015, the internal audit department issued audit reports together with reviews on various business segments and subsidiaries of the Company, including financial services, property and infrastructure, project contracting, resources and energy, manufacturing and other businesses.

Other tasks performed by the internal audit department during the year included the following:

- Special training sessions on the revised corporate governance code of the Stock Exchange were held to introduce revised provisions and requirements on internal audit, risk management and internal control to various functional departments and business units of the Company, with the aim of promoting knowledge of the laws and regulations of Hong Kong on the part of relevant staff members and ensuring compliance in the operations.
- Continuous training and development programme, including online training, regular sharing sessions and seminars, for internal audit staff to enhance their audit skills and knowledge.

## 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 and regions 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 our daily business activities, the Company has adopted a code of conduct which has defined a set of ethical standards for our employees. All employees are required to strictly comply with all applicable laws and regulations and the aforementioned code of conduct, to protect the goodwill and reputation of the Company and to ensure that the interest of the Company is not compromised. In 2015, we have conducted training sessions regarding to the code of conduct and anti-corruption for the purpose of ensuring all new and existing employees fully understand the code of conduct and major applicable laws and regulations. Management and responsible person of our Group members are required to periodically report any breach of the code of conduct. Non-compliance would result in disciplinary action, which ranges from a reprimand, payment of a fine, demotion or dismissal. No breaches of the code of conduct were material to the Group’s financial statements or overall operation. The Company would continue to develop our internal control system and provide appropriate training to our staff to foster a culture consistent with our CITIC Spirit.

### Whistle-blowing policy

CITIC Limited 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 has established 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. For year 2015, there was a total of 67 cases of whistle-blowing. All cases were considered and internal investigations were made where appropriate. Appropriate remedial actions were also taken if required, after internal investigation. The Company strives to act responsively on any reported misconduct, malpractices or irregularities, in particular where the complaints relate to corruption or bribery.

### 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 2015. The interests held by individual directors in the Company's securities as at 31 December 2015 are set out in the Report of the Directors on page 138.

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 inside information/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 Tang Zhenyi and Mr Choy Wing Kay, Ricky are the joint company secretaries of the Company. The joint company secretaries report to the chairman and/or the vice chairman/president of the Company. During the year, both Mr Tang and Mr Choy took no less than 15 hours of relevant professional training respectively.

## Constitutional Documents

At the extraordinary general meeting held on 16 March 2015, a special resolution was passed to amend the articles of association of the Company to incorporate the terms of the preferred shares with effect immediately upon the issue of the preferred shares in accordance with the subscription agreement, details of which are set out in the Company's circular dated 16 February 2015. The amendments to the articles of association took effect from 3 August 2015, being the date on which completion of the aforesaid preferred shares subscription took place. The amended articles of association 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 2015, 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. We recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that our objectives and shareholder objectives should be aligned for long-term value creation and 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 financial and non-financial information that is relevant and material, and 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 Listing Rules.

## Board of Directors

### **CHANG Zhenming** *(Executive Director and Chairman)*

Age 59: 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 56: an executive director, vice chairman and president of the Company since 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.

### **LI Qingping** *(Executive Director)*

Age 53: an executive director of the Company with effect from 24 December 2015. Ms Li is the vice president and a member of the executive committee of the Company. Ms Li is currently executive director of CITIC Group Corporation, executive director and 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** *(Executive Director)*

Age 57: an executive director of the Company with effect from 24 December 2015. Mr Pu is the vice president and a member of the executive committee of the Company. Mr Pu is currently executive director of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited. He 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. 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 researcher and a graduate of Fordham University with a master's degree in business administration.

**YU Zhensheng** *(Non-executive Director)*

Age 59: a non-executive director of the Company since 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. With effect from 12 April 2016, Mr Yu resigned as a non-executive director of the Company due to his other work commitments.

**YANG Jinming** *(Non-executive Director)*

Age 58: a non-executive director of the Company since 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.

**LIU Yeqiao** *(Non-executive Director)*

Age 54: a non-executive director of the Company since 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.

**SONG Kangle** *(Non-executive Director)*

Age 52: a non-executive director of the Company with effect from 18 March 2016. Mr Song is currently serving as Counsel at director general level in Department of Asset Management of Ministry of Finance. He worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as Department of Human Resource Development, Department of External Financing, Department of External Affairs and Department of Enterprise. He graduated from School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a postgraduate degree holder.

**LIU Zhongyuan** *(Non-executive Director)*

Age 46: a non-executive director of the Company since 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.

**YANG Xiaoping** *(Non-executive Director)*

Age 52: a non-executive director of the Company with effect from 3 August 2015. Mr Yang is currently the vice chairman of the CP Group, an executive director and the vice chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, a non-executive director of Ping An Insurance (Group) Company of China, Ltd. and a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited. Mr Yang previously acted as the manager of Nichiyo Co., Ltd for China Division and the chief representative of Nichiyo Co., Ltd, Beijing Office. He is also a member of The Twelfth National Committee of Chinese People's Political Consultative Conference, the vice president of the China Institute for Rural Studies of Tsinghua University, a director of China NGO Network for International Exchanges, the vice president of Beijing Association of Enterprises with Foreign Investment and an adviser of Foreign Investment to Beijing Municipal Government. Mr Yang obtained a bachelor degree from Jiangxi Institute of Technology and has experience in overseas studies in Japan.

**LI Rucheng** *(Non-executive Director)*

Age 64: a non-executive director of the Company with effect from 18 March 2016. Mr Li is currently vice chairman of China Association for Public Companies, chairman of The Listed Company Association of Ningbo. He serves as the chairman of the Eighth Board of Directors of Youngor Group Co., Ltd., executive director of Ningbo Shengda Development Co., Ltd. and chairman of Ningbo Youngor Holdings Co., Ltd.. He was the representative to the Ninth, Tenth, and Eleventh National People's Congress. He served as managing director of Youth Development Company, chairman and general manager of Ningbo Youngor Garment Co., Ltd, as well as chairman and general manager of Youngor Group. Mr Li is a senior economist.

**Francis SIU Wai Keung** *(Independent Non-executive Director)*

Age 61: 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, CGN Power Co., Ltd., China International Capital Corporation Limited (became a listed company on the Hong Kong Stock Exchange on 9 November 2015), and Beijing Gao Hua Securities Company Limited. He is also appointed as chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd. (a company incorporated in Singapore and act as manager of BHG Retail REIT which has been listed on the Singapore Stock Exchange since 11 December 2015) with effect from 12 November 2015. He was an independent non-executive director of Hua Xia Bank Co., Limited, Beijing Hualian Hypermarket Co., Ltd, Hop Hing Group Holdings Limited, Shunfeng International Clean Energy Limited, and China Huishan Dairy Holdings Company 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 66: an independent non-executive director of the Company since 2012. Dr Xu is a member of the audit and risk management committee, the remuneration committee and 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 69: an independent non-executive director of the Company since 2014. Mr Neoh is a member of the audit and risk management committee and the nomination committee. He 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 and Industrial and Commercial Bank of China Limited. He was a non-executive director of Global Digital Creations Holdings Limited. He also served as an independent non-executive director of Link Asset Management Limited, manager of Link Real Estate Investment Trust, China Shenhua Energy Company Limited and Bank of China Limited.

**LEE Boo Jin** (*Independent Non-executive Director*)

Age 45: an independent non-executive director of the Company since 2014. Ms Lee is currently the president and chief executive officer of Hotel Shilla Co., Ltd., the president of Corporate Strategy for Cheil Industries 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.

**Noriharu FUJITA** *(Independent Non-executive Director)*

Age 65: an independent non-executive director of the Company with effect from 3 August 2015. Mr Fujita has established Fujita Noriharu Accounting Firm since July 2013. From April 1973 to May 1978, he performed audit engagements in Japanese accounting firms. From July 1980 to December 1988, he worked in Imperial Chemical Industries PLC and stationed in London and Tokyo office. From January 1989 to June 2007, Mr Fujita was a partner of Ernst & Young, LLP Chicago and New York office. From July 2007 to June 2013, he was an executive partner of Ernst & Young ShinNihon, LLC and served as the JBS Global Services Leader. He retired in June 2013. He is a licensed Certified Public Accountant in both Japan and the United States. As an accounting professional, Mr Fujita has extensive experience in accounting. Mr Fujita graduated from Keio University with a Bachelor degree in Economics in March 1973. He also obtained a Master of Business Administration from the College of Business, University of Illinois at Urbana-Champaign in May 1980.

**Paul CHOW Man Yiu** *(Independent Non-executive Director)*

Age 69: an independent non-executive director of the Company with effect from 18 March 2016. Mr Chow currently serves as the chairman of Hong Kong Cyberport Management Company Limited, an independent non-executive director of Bank of China Limited, China Mobile Limited, Julius Baer Group Ltd. and Bank Julius Baer Co. Ltd. Mr Chow also serves as a member of Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and a member of Asian Advisory Committee of AustralianSuper Pty. Ltd. Mr Chow was an executive director and chief executive of Hong Kong Exchanges and Clearing Limited from May 2003 to January 2010. He served as the chief executive, Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003. Mr Chow was awarded the title of Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the HKSAR Government in 2003, 2005 and 2010 respectively.

## New Director to the Board

On 11 April 2016, the board announced the appointment of Ms Yan Shuqin as a non-executive director of the Company with effect from 12 April 2016.

**YAN Shuqin** *(Non-executive Director)*

Age 55: a non-executive director of the Company with effect from 12 April 2016. Ms Yan is currently serving as chief inspector of Ningbo Supervision & Inspection Office of Ministry of Finance. She worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, director, assistant inspector, deputy inspector and chief inspector in Jiangxi Supervision & Inspection Office and Ningbo Supervision & Inspection Office. She graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics. She is a certified public accountant.



## Senior Management

### **ZHU Xiaohuang**

Age 59: a vice chairman of the executive committee of the Company since 2014. Mr Zhu is currently chairman of the supervisory board of CITIC Group Corporation and non-executive director of China CITIC Bank Corporation Limited. 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.

### **FENG Guang**

Age 58: a member of the executive committee of the Company since 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.

### **ZHU Gaoming**

Age 51: vice president and a member of the executive committee of the Company since 2015. Mr Zhu formerly served as secretary to the Board of Directors, general manager of Credit Approval Department, general manager of Corporate Banking Department, general manager of Small Enterprise Finance Department and concurrently that of Investment Banking Department of Head Office of Agricultural Bank of China ("ABC"). He also served as president and vice president of ABC Jiangsu Branch, and vice president of ABC Shanghai Branch. Mr Zhu is a senior economist who has extensive experience in banking industry. He graduated from Fudan University and from the University of Sheffield with Master's degree in economics and in business administration respectively.

# Report of the Directors

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2015.

## Principal Activities

The Company is 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 and real estate as well as other businesses both in China and overseas.

## Dividends

The directors declared an interim dividend of HK\$0.10 per share (2014: HK\$0.015 per share) for the year ended 31 December 2015 which was paid on 2 October 2015. The directors recommended, subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 8 June 2016 (the "2016 AGM"), the payment of a final dividend of HK\$0.20 per share (2014: HK\$0.20 per share) in respect of the year ended 31 December 2015, payable on Wednesday, 29 June 2016 to shareholders on the Company's register of members at the close of business on 17 June 2016. This represents a total distribution for the year of HK\$8,727 million.

## Business Review

The business review of the Group for the year ended 31 December 2015 and the material factors underlying its results and financial position are set out in the sections headed "Chairman's Letter to Shareholders", "Our Businesses" and "Financial Review" respectively from pages 4 to 7, pages 8 to 65, and pages 66 to 75 of this annual report.

Description of the principal risks and uncertainties facing the Group can be found in the "Risk Management" section from pages 76 to 82 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015 (if any) and the likely future development in the Company's business can also be found in this annual report.

In addition, an account of the Company's performance by reference to environmental and social-related policies is provided in the "Environmental, Social and Governance Report" from pages 142 to 159 of this annual report.

## Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion 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 (the "Preferred Shares Subscription"). The preferred shares may be converted into the ordinary shares of the Company at the conversion price initially being HK\$13.80 per ordinary share, subject to adjustment in accordance with the terms of the amendments to the Company's Articles of Association in light of the issue of the preferred shares. The proceeds will be used to further develop the Company's businesses and to invest in emerging opportunities in sectors well matched to the Company and China's development and as additional working capital for the daily operations of the Group. The introduction of CT Bright as a strategic investor shall benefit the Company in such aspects: (1) globalisation and diversification of shareholding structure and improvement of corporate governance practices; (2) raising of capital to further develop the Company's businesses and invest in emerging opportunities; (3) further access to business opportunities in the Asia Pacific region and the global market; and (4) strengthen the capital base of the Company and enhance its capabilities and flexibility in financing.

On the same day, CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group Corporation (“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 ordinary shares of the Company to CT Bright for a total consideration of HK\$34,366,586,609 (the “Sale of Shares”). Completion of the Preferred Shares Subscription is conditional upon the completion of the Sale of Shares. Details of the Preferred Shares Subscription and the Sale of Shares are set out in the Company’s announcement dated 20 January 2015 and the Company’s circular dated 16 February 2015.

At the extraordinary general meeting of the Company held on 16 March 2015, the proposed Preferred Shares Subscription and the proposed amendments to the Company’s Articles of Association with effect immediately upon the issue of the preferred shares were approved by the Company’s shareholders.

Completion of the Sale of Shares and the Preferred Shares Subscription took place on 30 April 2015 and 3 August 2015 respectively. Further details are set out in the Company’s announcements dated 30 April 2015, 15 July 2015 and 3 August 2015.

On 17 July 2015, the Company and Xin Ma Apparel International Limited (“Youngor”), a wholly-owned subsidiary of Youngor Group Co., Ltd, entered into a subscription agreement pursuant to which Youngor had conditionally agreed to subscribe for 859,218,000 new ordinary shares (the “Subscription Shares”) of the Company at the subscription price of HK\$13.95 per share (the “Subscription”). The Subscription Shares were issued under the general mandate granted to the directors by a resolution of the shareholders passed at the Company’s annual general meeting held on 2 June 2015. The Subscription is to increase the public float percentage to a level which enables the full conversion of the preferred shares. The net proceeds of HK\$11,986,091,100 from the Subscription will be used for general corporate purposes. Details of the Subscription are set out in the Company’s announcement dated 17 July 2015.

Completion of the Subscription took place on 12 August 2015 and further details of which are set out in the Company’s announcement dated 12 August 2015.

On 13 August 2015, the Company received a conversion notice from CT Bright for the conversion of the preferred shares in the amount of HK\$45,922,549,800 in full. As a result of the conversion of the preferred shares at the conversion price of HK\$13.80 per ordinary share, the Company allotted and issued a total of 3,327,721,000 ordinary shares to CT Bright on 14 August 2015. Details of the conversion of the preferred shares are set out in the Company’s announcement dated 14 August 2015.

## Share Capital and Reserves

Movements in the share capital and reserves of the Company and the Group during the year are set out in Note 44 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” of this annual report.

## Fixed Assets

Movements in fixed assets during the year are set out in Note 32 to the consolidated financial statements.

## Major Customers and Suppliers

During the year, both the aggregate percentage of purchases from the Company and its subsidiary companies' five largest suppliers and the aggregate percentage of sales to the Company and its subsidiary companies' five largest customers were less than 30%.

None of the directors, their associates nor any shareholders (which to the best knowledge and belief of the directors own more than 5% of the Company's issued shares) had interest during the year in the above suppliers or customers.

## Subsidiary Companies

The name of the principal subsidiaries, 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 2015 are set out in Notes 41, 42 and 44 to the consolidated financial statements.

## Equity-linked Agreements

The equity-linked agreements entered into by the Company during the year are disclosed in the preceding section headed "Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares".

Save as disclosed above and the Share Option Plan adopted by the Company as described below, no other equity-linked agreements were entered into during the year or subsisted at the end of the year.

## 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*)

Ms Li Qingping (*appointed on 24 December 2015*)

Mr Pu Jian (*appointed on 24 December 2015*)

### *Non-executive Directors*

Mr Yu Zhensheng

Mr Yang Jinming

Mr Liu Yeqiao

Mr Song Kangle (*appointed on 18 March 2016*)

Mr Liu Zhongyuan

Mr Yang Xiaoping (*appointed on 3 August 2015*)

Mr Li Rucheng (*appointed on 18 March 2016*)

### *Independent Non-executive Directors*

Mr Francis Siu Wai Keung

Dr Xu Jinwu

Mr Anthony Francis Neoh

Ms Lee Boo Jin

Mr Noriharu Fujita (*appointed on 3 August 2015*)

Mr Paul Chow Man Yiu (*appointed on 18 March 2016*)

Mr Dou Jianzhong and Mr Zhang Jijing retired as executive directors of the Company with effect from 14 May 2015 and 24 December 2015 respectively. Ms Cao Pu retired as non-executive director of the Company with effect from 18 March 2016. Mr Alexander Reid Hamilton retired as an independent non-executive director of the Company by rotation and did not seek re-election at the annual general meeting held on 2 June 2015. Mr Dou, Mr Zhang, Ms Cao and Mr Hamilton have confirmed that they have no disagreement with the board and nothing relating to the affairs of the Company needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 95 of the Company's articles of association, Ms Li Qingping, Mr Pu Jian, Mr Yang Xiaoping and Mr Noriharu Fujita who were appointed as directors of the Company during the year 2015, and Mr Song Kangle, Mr Li Rucheng and Mr Paul Chow Man Yiu who were appointed as directors of the Company on 18 March 2016 shall hold office only until the 2016 AGM and all, being eligible, offer themselves for re-election. In addition, pursuant to Article 104(A) of the Company's articles of association, Mr Wang Jiong, Mr Yang Jinming and Mr Anthony Francis Neoh shall retire by rotation and all, being eligible, offer themselves for re-election at the 2016 AGM.

The biographical details of directors and senior management as at the date of this report are set out in the "Board of Directors" and "Senior Management" sections on pages 110 to 115 of this annual report.

## Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at [www.citic.com](http://www.citic.com).

## Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the sections headed "Connected Transactions" and "Non-exempt Continuing Connected Transactions" below and "Material Related Party" in Note 48 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company's subsidiaries, fellow subsidiaries or its holding company was a party or were parties and in which a director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 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).

## Permitted Indemnity

Pursuant to the Company's Articles of Association and subject to the provisions of the Companies Ordinance (Cap 622 of the Laws of Hong Kong), every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. As disclosed in the "Corporate Governance" section of this annual report, 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.

## Related Party Transactions

The Company and its subsidiaries entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Material Related Party Transactions", the details of which are set out in Note 48 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 this annual report and the consolidated financial statements of the Company. The full text of each announcement can be found on <http://www.citic.com/InvestorRelations/Announcements>.

1. As disclosed in the preceding section headed "Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares", the Company, CITIC Group Corporation ("CITIC Group", the controlling shareholder of the Company), Chia Tai Bright Investment Company Limited ("CT Bright"), CPG Overseas Company Limited ("CPG Overseas") and ITOCHU Corporation ("ITOCHU") entered into a subscription agreement (the "Preferred Shares Subscription Agreement") on 20 January 2015, 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 "Preferred Shares Subscription"). On the same date, CITIC Polaris Limited (a wholly-owned subsidiary of CITIC Group), CITIC Group, CT Bright, CPG Overseas 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 shares of the Company as at the date of signing the Share Purchase Agreement, for a total consideration of HK\$34,366,586,609 (the "Sale of Shares"). Whilst CT Bright was not a connected person of the Company when it entered into the Preferred Shares Subscription Agreement, completion of the Preferred Shares Subscription is, amongst other things, conditional upon the completion of the Sale of Shares. Accordingly, the proposed transaction contemplated under the Preferred Shares Subscription Agreement was treated as a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Completion of the Sale of Shares and the Preferred Shares Subscription took place on 30 April 2015 and 3 August 2015 respectively. On 13 August 2015, the Company received a conversion notice from CT Bright for the conversion of the preferred shares in the amount of HK\$45,922,549,800 in full. On 14 August 2015, the Company allotted and issued a total of 3,327,721,000 ordinary shares to CT Bright at the conversion price of HK\$13.80 per ordinary share.

2. On 24 August 2015, CITIC Group and CITIC Telecom International Holdings Limited ("CITIC Telecom", a subsidiary of the Company) agreed to implement the acquisition arrangement (the "Acquisition Arrangement"), whereby CITIC Group has proposed to sell, and CITIC Telecom has proposed to bid (or to procure its subsidiary including CITIC Telecom International CPC Limited to bid) for, in an open tender process at China Beijing Equity Exchange (北京產權交易所), up to 39% equity interest (the "Sale Interest") in CITIC Networks Co., Ltd. (中信網絡有限公司) ("CITIC Networks", a wholly-owned subsidiary of CITIC Group) from CITIC Group (the "Acquisition").

Under the Acquisition Arrangement, assuming the Sale Interest equals to the maximum 39% equity interest in CITIC Networks, the corresponding intended consideration for the Sale Interest is set at RMB1,170 million (the "Proposed Consideration") which, the parties acknowledged, will be subject to adjustment with reference to an independent appraisal of the Sale Interest as filed with and approved by the Ministry of Finance of the PRC (the "Appraised Consideration"). At present, CITIC Telecom intends to only proceed with the bidding and the Acquisition if the Appraised Consideration does not exceed RMB1,287 million, being 110% of the Proposed Consideration. If CITIC Telecom (or its subsidiary) is successful in the open tender process, the purchase price in winning the bid (the "Final Consideration") shall be payable in cash by CITIC Telecom (or its subsidiary).

The obligation of CITIC Telecom (or its subsidiary) to submit the bidding application to China Beijing Equity Exchange is subject to certain conditions precedent, including inter alia, the obtaining of requisite consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere being fulfilled or waived by CITIC Telecom on or before 30 June 2017, or such later date as CITIC Group and CITIC Telecom may agree in writing.

Under the Acquisition Arrangement, CITIC Group agreed to procure CITIC Networks to implement certain reorganisation, such that all assets and business not related to the nation-wide optical fibre backbone network of the PRC (the "China Express Network") shall be hived off from CITIC Networks (the "Reorganisation"). It is expected that upon completion of the Reorganisation, CITIC Networks shall then hold China Express Network together with the telecoms licenses as its main asset and engage mainly in the operation of the China Express Network.

Subject to CITIC Telecom (or its subsidiary) having been confirmed and determined by China Beijing Equity Exchange as the successful transferee in the open tender process, CITIC Group and CITIC Telecom (or its subsidiary) will enter into a share transfer agreement and obtain the necessary consents and approvals of the relevant PRC governmental authorities to effect the Acquisition.

In connection with the Acquisition, on 24 August 2015, CITIC Group and CITIC Telecom entered into a share subscription agreement (the "Share Subscription Agreement") whereby CITIC Group has conditionally agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 new shares of CITIC Telecom (the "Subscription Shares") at the subscription price of HK\$3.00 per Subscription Share (the "Share Subscription"), subject to the terms and conditions of the Share Subscription Agreement.

The total consideration of the Share Subscription (the "Subscription Consideration") would be the Hong Kong dollar equivalent for the amount of the Final Consideration (to be converted at the central parity exchange rate between RMB and Hong Kong dollar as published by the People's Bank of China as of the date of the payment of the Subscription Consideration), but in any event not exceeding HK\$1,562,139,658.

CITIC Group is the controlling shareholder of the Company which in turn is the indirect holding company of CITIC Telecom. Therefore, CITIC Group is a connected person of the Company and CITIC Telecom. The Company is not a party to the Acquisition and the Share Subscription (collectively, the "Transactions") but because CITIC Telecom is its subsidiary, the Transactions constitute connected transactions of the Company.

3. On 16 October 2015, CITIC Holdings Co., Ltd., ("CITIC Holdings", an indirect wholly-owned subsidiary of the Company) entered into a shareholders agreement ("Joint Venture Agreement") with CPG Overseas, SII International Holding Ltd. ("SII International"), ITOCHU, China Mobile International Holdings Limited ("China Mobile") and Wealth Partner Global Limited ("Wealth Partner"), pursuant to which, all parties agreed to set up a joint venture company F2F Cayman Islands Holdings Limited (the "Joint Venture") in order to operate cross-border e-commerce business in the People's Republic of China. According to the Joint Venture Agreement, CITIC Holdings, CPG Overseas, SII International, ITOCHU, China Mobile and Wealth Partner agreed to make the capital contribution in cash in the proportion of 16%, 16%, 16%, 16%, 16% and 20% respectively through the subscription for ordinary shares of the Joint Venture at a price of US\$1 per share with a total aggregate investment amount of US\$483,880,000.

CPG Overseas and ITOCHU each holds 50% equity interests in but do not individually have control over CT Bright, which in turn holds 20% equity interests in the Company. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has confirmed to the Company that as the transaction was conducted with both beneficial shareholders of CT Bright, the transaction contemplated under the Joint Venture Agreement would constitute a connected transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.



## 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 this annual report and the consolidated financial statements of the Company. The full text of each announcement can be found on <http://www.citic.com/InvestorRelations/Announcements>.

1. On 30 September 2014, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CITIC Group 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 (the "Connected Persons") 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 with CITIC Group 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 the Connected Persons

Period: commencing from 25 August 2014 and ending on 31 December 2016

Annual	<i>for year ended 31/12/2015</i>	<i>for year ending 31/12/2016</i>
Caps:	RMB660,000,000	RMB720,000,000

The transaction amount under the Sales FA for the year ended 31 December 2015 was approximately RMB272,560,694.88.

- (b) Advertising and Promotion Framework Agreement — provision of advertising and promotion services by the Group to the Connected Persons

The term of the above agreement expired on 31 December 2014. As both parties intended to continue to carry out the relevant transactions, the Company and CITIC Group entered into a new advertising and promotion framework agreement ("Advertising and Promotion FA") on 30 March 2015.

Period: commencing from 30 March 2015 and ending on 31 December 2017

Annual	<i>for year ended 31/12/2015</i>	<i>for year ending 31/12/2016</i>	<i>for year ending 31/12/2017</i>
Caps:	RMB400,000,000	RMB450,000,000	RMB550,000,000

There were no transactions under the Advertising and Promotion FA for the year ended 31 December 2015.

- (c) Financial Assistance Framework Agreement (“Financial Assistance FA”) — financial assistance provided by the Group to the Connected Persons in the form of entrusted loans or commercial loans

The maximum daily balance of the financial assistance was adjusted under the Supplemental Agreement dated 30 March 2015 (the “Supplemental Agreement”), details of which are set out in the Company’s announcement dated 30 March 2015.

Period: commencing from 25 August 2014 and ending on 31 December 2016

Revised Maximum	<i>for year ended 31/12/2015</i>	<i>for year ending 31/12/2016</i>
Daily Balance:	RMB6,830,000,000	RMB8,830,000,000

The maximum daily balance of the financial assistance under the Supplemental Agreement to the Financial Assistance FA for the year ended 31 December 2015 was approximately RMB1,465,614,192.

2. Reference is made to the announcement dated 8 December 2014 and the circular dated 2 January 2015 issued by China CITIC Bank Corporation Limited (“CITIC Bank”, a non wholly-owned subsidiary of the Company), with respect to, among other things, the asset transfer framework agreement (the “Asset Transfer FA”) entered into on 8 December 2014 between CITIC Bank and CITIC Group in relation to the transfer of loan and other related assets between CITIC Bank and the Connected Persons.

Under the Asset Transfer FA, the asset transfer transactions with the Connected Persons, including but not limited to CITIC Factoring Corporation Ltd. and CITIC Futong Financial Leasing Co., Ltd., constitute continuing connected transactions of the Company. Details of the above are set out in the Company’s announcement dated 30 March 2015.

Annual	<i>for year ended 31/12/2015</i>	<i>for year ending 31/12/2016</i>	<i>for year ending 31/12/2017</i>
Caps:	RMB10,000,000,000	RMB11,000,000,000	RMB12,600,000,000

The transaction amount for the asset transfer transactions under the Asset Transfer FA for the year ended 31 December 2015 was approximately RMB4,074,923,100.

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2015 (the “Transactions”) and confirm that:

- the Transactions have been entered into in the ordinary and usual course of business of the Group;
- the Transactions have been entered into on normal commercial terms or better; and
- 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 (Revised) “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 123 to 124 of this 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 Stock Exchange.

## Share Option Plan Adopted by the Company

### (i) 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 Company's shares 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 Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares 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 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 granted six lots of share options:

<b>Date of grant</b>	<b>Number of share options</b>	<b>Exercise price per share</b> HK\$
28.05.2002	11,550,000	18.20
01.11.2004	12,780,000	19.90
20.06.2006	15,930,000	22.10
16.10.2007	18,500,000	47.32
19.11.2009	13,890,000	22.00
14.01.2010	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 400,000 shares have lapsed during the year ended 31 December 2015. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2015 is as follows:

Employees of the Company under continuous contracts (as defined in the Employment Ordinance), other than the directors

<b>Date of grant</b>	<b>Exercise Price</b> HK\$	<b>Balance as at</b> <b>01.01.2015</b>	<b>Number of share options</b>		<b>Balance as at</b> <b>31.12.2015</b>
			<b>Exercised/ cancelled during the year ended 31.12.2015</b>	<b>Lapsed during the year ended 31.12.2015</b>	
14.01.2010	20.59	400,000	–	400,000	–

## (ii) 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 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 2016, 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 Company's shares 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 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 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 2015.

## Share Option Plan Adopted by Subsidiaries of the Company

### CITIC Telecom International Holdings Limited (“CITIC Telecom”)

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, Officers and Employees (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 and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries (collectively the “CITIC Telecom Directors, Officers and Employees”) 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 2016, the maximum number of CITIC Telecom Shares available for issue under the CITIC Telecom Share Option Plan is 132,430,919, representing approximately 3.91% 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:

<b>Date of grant</b>	<b>Number of share options</b>	<b>Exercise period</b>	<b>Exercise price per share</b> HK\$
23.05.2007	18,720,000	23.05.2007–22.05.2012	3.26
17.09.2009	17,912,500	17.09.2010–16.09.2015	2.10
17.09.2009	17,912,500	17.09.2011–16.09.2016	2.10
19.08.2011	24,227,500	19.08.2012–18.08.2017	1.54
19.08.2011	24,227,500	19.08.2013–18.08.2018	1.54
26.06.2013	81,347,000	26.06.2013–25.06.2018	2.25
24.03.2015	43,756,250	24.03.2016–23.03.2021	2.612
24.03.2015	43,756,250	24.03.2017–23.03.2022	2.612

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:

<b>Date of grant</b>	<b>Before Adjustments</b>		<b>After Adjustments</b>	
	<b>Number of outstanding share options</b>	<b>Exercise price per share</b> HK\$	<b>Number of outstanding share options</b>	<b>Exercise price per share</b> HK\$
17.09.2009	19,451,000	2.10	21,438,072	1.91
19.08.2011	32,332,500	1.54	35,635,462	1.40

The closing price of CITIC Telecom Shares immediately before the grant on 24 March 2015 was HK\$2.59. All options granted on 24 March 2015 were accepted except for options for 398,000 CITIC Telecom Shares.

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

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012 and the first 50% of the share options granted on 17 September 2009 have expired at the close of business on 16 September 2015. 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.

As at 1 January 2015, options for 94,478,688 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2015, options for 26,667,686 CITIC Telecom Shares were exercised and options for 1,807,245 CITIC Telecom Shares have lapsed and options for 398,000 CITIC Telecom Shares were cancelled. As at 31 December 2015, options for 67,388,757 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

A summary of the movements of the share options during the year ended 31 December 2015 is as follows:

### A. Employees of the Company/CITIC Telecom under continuous contracts (as defined in the Employment Ordinance)

Date of grant	Number of share options					Balance as at 31.12.2015
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015 <sup>(1)</sup>	Cancelled during the year ended 31.12.2015 <sup>(2)</sup>	Lapsed during the year ended 31.12.2015 <sup>(3)</sup>	
17.09.2009	12,711,695	–	7,292,435	–	47,187	5,372,073
19.08.2011	22,619,176	–	5,885,251	–	60,058	16,673,867
26.06.2013	58,747,817	–	13,490,000	–	315,000	44,942,817
24.03.2015	–	86,312,500	–	398,000	1,385,000	84,529,500

### B. Others<sup>(4)</sup>

Date of grant	Number of share options		
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Balance as at 31.12.2015
26.06.2013	400,000	–	400,000
24.03.2015	–	1,200,000	1,200,000

Notes:

- (1) The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$3.19.
- (2) These are in respect of options granted to employees under continuous contracts who had not accepted the options. These options were cancelled during the year ended 31 December 2015.
- (3) These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2015.
- (4) These are in respect of options granted to independent non-executive directors of CITIC Telecom who are not employees under continuous contracts. None of these options were exercised, cancelled or lapsed during the year ended 31 December 2015.



The average fair value of an option of the lot granted on 24 March 2015 on one ordinary share of CITIC Telecom measured at the date of grant of 24 March 2015 was HK\$0.673 based on the following assumptions using the binomial option pricing model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.1 years respectively;
- Expected volatility of CITIC Telecom's share price at 40% per annum (based on historical movements of CITIC Telecom's share prices);
- Expected annual dividend yield of 4.0%;
- Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;
- Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and
- Risk-free interest rate of 1.18% and 1.30% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

The result of the binomial option pricing model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the model.

The total expense recognised in CITIC Telecom Group's consolidated income statement for the year ended 31 December 2015 in respect of the above grant of options was HK\$28,120,000.

## **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:

1. 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.
2. 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.
3. 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 Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 24 March 2016, the maximum number of shares available for issue under the DCHH Scheme is 114,400,000, representing approximately 6.24% 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.
4. 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.

5. 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.
6. 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.
7. 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 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 Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.
8. 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 – 29.04.2019*	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 share options had expired by the close of business on 6 July 2015.

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 1.4 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 3.3 years.

The grantees were certain 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) Employees of the DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance)**

Date of Grant	Number of share options					Balance as at 31.12.2015
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	
07.07.2010	5,140,000	–	–	5,100,000	40,000 <sup>(2)</sup>	–
08.06.2012	19,750,000	–	–	1,000,000	–	18,750,000
30.04.2014	26,350,000	–	–	1,950,000	–	24,400,000

**b) Others <sup>(1)</sup>**

Date of Grant	Number of share options					Balance as at 31.12.2015
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	
07.07.2010	900,000	–	–	800,000	100,000 <sup>(2)</sup>	–
08.06.2012	3,450,000	–	–	–	–	3,450,000
30.04.2014	1,500,000	–	–	–	–	1,500,000

Notes:

- (1) These are in respect of share options granted to former employees of DCH Holdings group whose employment was terminated other than for cause or misconduct.
- (2) The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK\$5.06.

As at 1 January 2015, options for 57,090,000 DCH Holdings' shares were outstanding under the DCHH Scheme. During the year ended 31 December 2015, options for 140,000 shares in DCH Holdings were exercised, options for 8,850,000 DCH Holdings' shares were lapsed and none of the options were cancelled. As at 31 December 2015, options for 48,100,000 DCH Holdings' shares under the DCHH Scheme were exercisable.

**CITIC Resources Holdings Limited ("CITIC Resources")**

CITIC Resources adopted a share option scheme on 30 June 2004 (the "Old Scheme") for a term of 10 years, which expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiry of the Old Scheme remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

A summary of the movements of the share options of CITIC Resources under the Old Scheme during the year ended 31 December 2015 is as follows:

Date of grant	Exercise Price* HK\$	Exercise Period	Number of share options		
			Balance as at 01.01.2015	Exercised/ Lapsed/ Cancelled during the year ended 31.12.2015	Balance as at 31.12.2015
06.11.2013	1.770	06.11.2014–05.11.2018	200,000,000	–	200,000,000
06.11.2013	1.770	06.11.2015–05.11.2018	200,000,000	–	200,000,000

\* 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.

Notes: The share options are subject to the following vesting conditions:

- (i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and
- (ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

The grantee was a director of CITIC Resources.

As at 31 December 2015, CITIC Resources had 400,000,000 share options outstanding under the Old Scheme.

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 persons to subscribe for shares of CITIC Resources subject to the terms and conditions stipulated therein. A summary of some of the principal terms of the New Scheme is as follows:

- (a) To allow CITIC Resources (i) 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; (ii) 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 (iii) 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.
- (b) The eligible persons include employees and directors of CITIC Resources and 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.
- (c) The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of CITIC Resources shall not exceed 10% of the total number of shares of CITIC Resources in issue as at the date of adoption of the New Scheme.

- (d) The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any 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.
- (e) 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.
- (f) The minimum period for which an option must be held before it can be exercised is one year.
- (g) The exercise price payable in respect of each share of CITIC Resources shall be not less than the greater of (i) the closing price of the shares of CITIC Resources on 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 price 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 shares of CITIC Resources.
- (h) 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.

No share options were granted under the New Scheme during the year ended 31 December 2015.

### **CITIC Envirotech Ltd. (formerly United Envirotech Ltd) ("CITIC Envirotech")**

CITIC Envirotech is a company incorporated in Singapore and whose shares are listed on the main board of the Singapore Exchange. It became a subsidiary of the Company since April 2015 and changed its name from United Envirotech Ltd to CITIC Envirotech Ltd. on 30 July 2015.

CITIC Envirotech adopted the Employee Share Option Scheme (the "Scheme") on 2 February 2010. A summary of the Scheme is as follows:

1. The Scheme is primarily a share incentive scheme. It provides CITIC Envirotech with the means to use share options as part of a compensation scheme for attracting as well as promoting long-term staff retention. The objectives of the Scheme are to (a) to motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the CITIC Envirotech group; (b) to make employee remuneration sufficiently competitive to recruit and retain participants whose contributions are important to the long-term growth and profitability of the CITIC Envirotech group; (c) to instil loyalty to, and a stronger identification by the participants with the long-term development and growth of, CITIC Envirotech; (d) to attract potential employees with relevant skills to contribute to the CITIC Envirotech group and to create value for the shareholders; (e) to align the interests of the participants with the interests of the shareholders; and (f) to give recognition to the contributions made or to be made by the CITIC Envirotech group non-executive directors (including independent directors) to the success of the CITIC Envirotech group.
2. The participants of the Scheme are group employees (including group executive directors) and group non-executive directors (including independent directors) of CITIC Envirotech.

3. The aggregate number of shares in respect of which options may be granted on any date under the Scheme, when added to the amount of shares issued and issuable and/or transferred and transferable in respect of:
  - (a) all shares available under the Scheme; and
  - (b) all shares, options or awards granted under any other share option or share scheme of CITIC Envirotech then in force,

shall not exceed 15% of the number of issued shares (excluding treasury shares) of CITIC Envirotech on the day immediately preceding the relevant date of grant (or such other limit as the Singapore Exchange may determine from time to time). The options which have already been granted shall not be invalidated in the event that a reduction of CITIC Envirotech's capital or a buy back of its shares (if applicable) results in the shares issuable and/or transferable under outstanding options exceeding 15% of CITIC Envirotech's issued share capital (excluding treasury shares).

The aggregate number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to all controlling shareholders and their associates of CITIC Envirotech shall not exceed 25% of the shares available under the Scheme.

The number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to each controlling shareholder or each of his associates of CITIC Envirotech shall not exceed 10% of the shares available under the Scheme.

4. The aggregate number of shares in respect of which options may be offered to a grantee for subscription in accordance with the Scheme shall be determined at the discretion of the remuneration committee of CITIC Envirotech who shall take into account criteria such as rank, past performance, years of service and potential for future development of the participant.
5. If the options remain unexercised after a period of 10 years (executive directors and employees) and 5 years (non-executive directors) from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.
6. The vesting period is 1 year for non-discount options and 2 years for discounted options.
7. The consideration for the grant of an option is S\$1.00.
8. The exercise price is based on the price that is equivalent to the Market Price\*; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of shareholders shall have been obtained in a separate resolution.

\* Market Price: a price equal to the average of the last dealt prices for the shares on the Singapore Exchange over the five consecutive trading days, immediately preceding the date of grant of that option, as determined by the remuneration committee of CITIC Envirotech by reference to the daily official list or any other publication published by the Singapore Exchange.

9. The Scheme shall continue to be in force at the discretion of the remuneration committee of CITIC Envirotech, subject to a maximum period of 10 years, commencing on February 2010. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required. The Scheme may be terminated at any time by the remuneration committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated, no further options shall be offered by CITIC Envirotech hereunder.

Since the adoption of the Scheme, CITIC Envirotech has granted the following share options:

<b>Date of grant</b>	<b>Number of share options</b>	<b>Exercise price per share</b> S\$	<b>Exercise period</b>	<b>Number of share options exercised during the year ended 31.12.2015</b>	<b>Closing price per share</b> S\$
01.03.2010	4,375,000	0.2780	01.03.2011–01.03.2020	200,000	1.675*
01.03.2010	4,375,000	0.2224	01.03.2012–01.03.2020	200,000	1.675*
20.07.2010	1,500,000	0.3830	20.07.2011–20.07.2020	–	–
20.07.2010	1,500,000	0.3064	20.07.2012–20.07.2020	–	–
15.02.2013	49,950,000	0.552	15.02.2015–15.02.2023	14,724,500	1.675*
15.02.2013	49,950,000	0.552	15.02.2015–15.02.2023	1,050,000	1.59*
28.03.2013	12,000,000	0.584	28.03.2015–28.03.2023	–	–
25.07.2014	6,000,000	1.135	25.07.2016–25.07.2024	–	–

\* This represented the weighted average closing price of the ordinary shares of CITIC Envirotech immediately before the date on which the share options were exercised.

Under the Scheme, the ordinary shares of CITIC Envirotech under option may be exercised in full or a multiple thereof, on the payment of the exercise price.

The grantees were certain directors and employees of CITIC Envirotech. None were granted to the directors, chief executives or substantial shareholders of the Company. As at 1 January 2015, 70,950,000 ordinary shares of CITIC Envirotech under option were outstanding. During the year ended 31 December 2015, 16,174,500 ordinary shares of CITIC Envirotech under option were exercised, and 900,000 ordinary shares of CITIC Envirotech under option were cancelled. As at 31 December 2015, 53,875,500 ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of share options under the Scheme during the year ended 31 December 2015 is as follows:

### (a) Directors of CITIC Envirotech

Date of grant	Number of share options						Weighted average closing price per share S\$
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	
01.03.2010	1,500,000	–	–	–	–	1,500,000	–
01.03.2010	1,500,000	–	–	–	–	1,500,000	–
15.02.2013	1,050,000	–	–	–	1,050,000	–	1.59
28.03.2013	12,000,000	–	–	–	–	12,000,000	–

### (b) Employees of CITIC Envirotech

Date of grant	Number of share options						Weighted average closing price per share S\$
	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	
01.03.2010	200,000	–	–	–	200,000	–	1.675
01.03.2010	200,000	–	–	–	200,000	–	1.675
15.02.2013	48,500,000	–	–	–	14,724,500	33,775,500	1.675
25.07.2014	6,000,000	–	900,000	–	–	5,100,000	–

No options were granted during the financial year.

## Directors' Interests in Securities

As at 31 December 2015, none of the directors of the Company had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Listing Rules.



## Arrangement to Acquire Shares or Debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

## Interests of Substantial Shareholders

As at 31 December 2015, 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, or which were notified to the Company, were as follows:

Name	Nature of interest/capacity	Number of shares of the Company	Approximate percentage to the number of issued shares
CITIC Group Corporation ("CITIC Group") <sup>(1)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	26,055,943,755 (Long position)	89.57% (Long position)
CITIC Glory Limited ("CITIC Glory") <sup>(2)</sup>	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") <sup>(3)</sup>	Beneficial owner and interests in a section 317 concert party agreement	18,609,037,000 (Long position)	63.97% (Long position)
Chia Tai Bright Investment Company Limited ("CT Bright") <sup>(4)</sup>	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") <sup>(5)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") <sup>(6)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
ITOCHU Corporation ("ITOCHU") <sup>(7)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)

## Notes:

- (1) CITIC Group is deemed to be interested in 26,055,943,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares 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 Preferred Shares Subscription Agreement.
- (2) CITIC Glory is beneficially interested in 7,446,906,755 shares of the Company.
- (3) CITIC Polaris is deemed to be interested in 18,609,037,000 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares 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 Preferred Shares Subscription Agreement.
- (4) CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares 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 Preferred Shares 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 is deemed to be interested in 22,728,222,755 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 22,728,222,755 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, its wholly-owned subsidiary.
- (7) ITOCHU is deemed to be interested in 22,728,222,755 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 2015:

<b>Number of shares held</b>	<b>Number of shareholders</b>	<b>Percentage</b>
1 to 1,000	4,117	52.45
1,001 to 10,000	2,926	37.27
10,001 to 100,000	733	9.34
100,001 to 1,000,000	61	0.78
1,000,001 to 100,000,000	6	0.08
100,000,001 to 500,000,000	1	0.01
500,000,001 to 2,000,000,000	2	0.02
2,000,000,001 above	4	0.05
<b>Total:</b>	<b>7,850</b>	<b>100</b>

As at 31 December 2015, the total number of ordinary shares in issue of the Company was 29,090,262,630 and based on the share register records of the Company, HKSCC Nominees Limited held 8,086,104,350 ordinary shares in entities ranging from 1,000 to 100,000,000 ordinary shares and representing 27.7966% of the total number of ordinary shares in issue of the Company.

## Shares Issued

During the year, the Company issued shares as follows:

- (i) allotment and issue of 3,327,721,000 fully paid convertible preferred shares to CT Bright on 3 August 2015 for a total consideration of HK\$45,922,549,800;
- (ii) allotment and issue of 859,218,000 ordinary shares to Xin Ma Apparel International Limited on 12 August 2015 for a total consideration of HK\$11,986,091,100; and
- (iii) allotment and issue of 3,327,721,000 ordinary shares to CT Bright upon full conversion of the preferred shares on 14 August 2015.

Details of the above shares issued are disclosed in the preceding section headed “Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares” and shown in Note 44 to the consolidated financial statements.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiary companies has purchased or sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

## Sufficiency of Public Float

The 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 of CITIC Corporation Limited (the “Acquisition”) on 25 August 2014. 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 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.

## Auditor

At the close of the 2015 AGM, Messrs KPMG, Certified Public Accountants, retired as auditor of the Company upon expiration of its term of office and Messrs PricewaterhouseCoopers, Certified Public Accountants, was appointed as new auditor of the Company to hold office until the conclusion of the 2016 AGM.

The accounts for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who shall retire and, being eligible, offer themselves for re-appointment.

By Order of the Board,

**Chang Zhenming**

*Chairman*

Hong Kong, 24 March 2016