Contents

Highlights

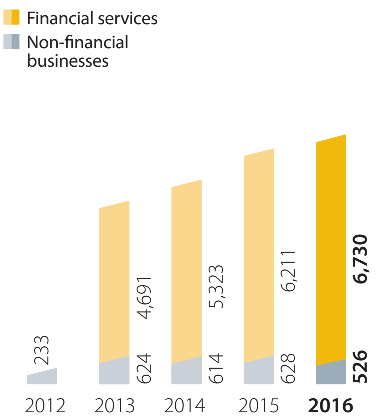
HK$ million	Year ended 31 December 2016	2015 (Restated)	Increase/ (Decrease)
Continuing operations			
Revenue	**380,822**	395,310	(14,488)
Profit before taxation	**70,723**	78,645	(7,922)
Profit/(loss) attributable to ordinary shareholders	**43,119**	41,812	1,307
– Continuing operations	**32,782**	40,501	(7,719)
– Discontinued operations	**10,337**	1,311	9,026
Basic earnings per share from (HK$):	**1.48**	1.58	(0.1)
– Continuing operations	**1.13**	1.53	(0.4)
– Discontinued operations	**0.35**	0.05	0.3
Diluted earnings per share from (HK$):	**1.48**	1.57	(0.09)
– Continuing operations	**1.13**	1.52	(0.39)
– Discontinued operations	**0.35**	0.05	0.3
Dividend per share (HK$)	**0.33**	0.30	0.03
Net cash generated from operating activities	**280,465**	309	280,156
– Continuing operations	**274,809**	(451)	275,260
– Discontinued operations	**5,656**	760	4,896
Capital expenditure	**48,264**	45,704	2,560

HK$ million	As at 31 December 2016	As at 31 December 2015	Increase/ (Decrease)
Total assets	**7,237,995**	6,803,309	434,686
Total liabilities	**6,542,144**	6,140,140	402,004
Total ordinary shareholders' funds and perpetual capital securities	**490,633**	492,902	(2,269)
Return on total assets (%)	**1%**	1%	–
Return on net assets (%)	**9%**	9%	–
Staff employed	**127,610**	133,526	(5,916)

	Business assets		Revenue from continuing operations		Profit attributable to ordinary shareholders from continuing operations	
Businesses *HK$ million*	**As at 31 December 2016**	Increase/ (Decrease)	**Year ended 31 December 2016**	Increase/ (Decrease)	**Year ended 31 December 2016**	Increase/ (Decrease)
Financial services	**6,729,902**	518,726	**187,537**	(17,841)	**38,406**	(14,347)
Resources and energy	**135,784**	(5,909)	**50,254**	4,590	**(6,899)**	10,352
Manufacturing	**96,112**	(1,096)	**62,350**	2,273	**1,740**	(756)
Engineering contracting	**36,796**	(5,449)	**11,023**	(3,653)	**1,675**	(926)
Real Estate	**143,596**	(89,213)	**4,900**	(1,125)	**1,774**	(1,052)
Others	**113,090**	(648)	**64,723**	1,375	**1,987**	(514)

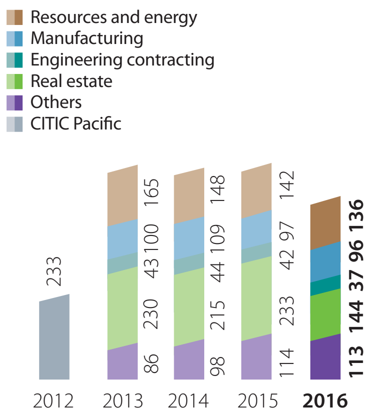
Assets by business

HK$ billion



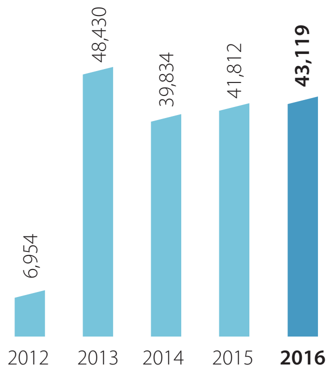
Assets of non-financial businesses

HK$ billion



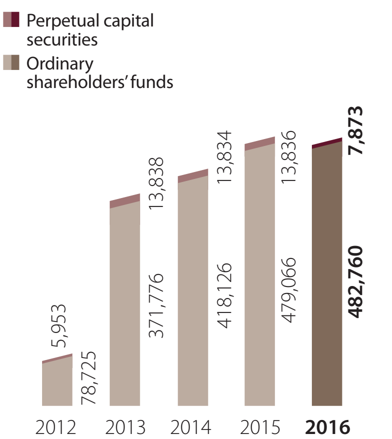
Profit attributable to ordinary shareholders

HK$ million



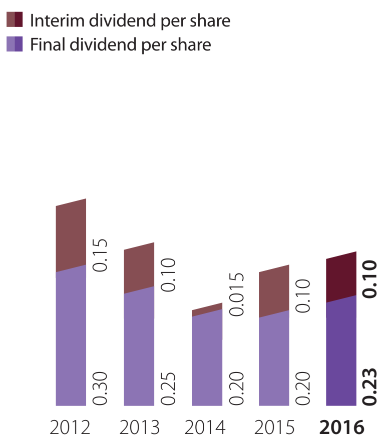
Total ordinary shareholders' funds and perpetual capital securities

HK$ million



Dividend per share

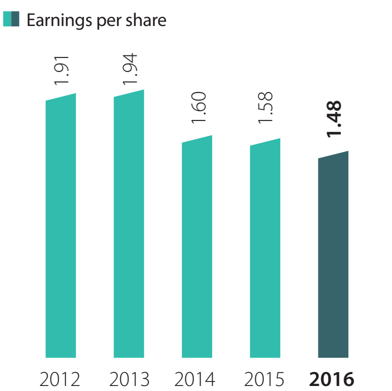
HK$



Note: Assets by business, profit attributable to ordinary shareholders, total ordinary shareholders' funds and perpetual capital securities, dividend per share, earnings per share and ordinary shareholders' funds per share for the year 2012 are from the annual reports of the former CITIC Pacific. Those for the years from 2013 to 2016 are from the audited information of CITIC Limited.

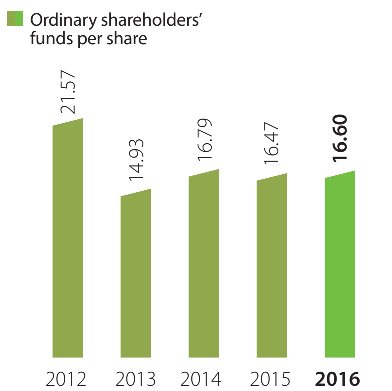
Earnings per share

HK$



Ordinary shareholders' funds per share

HK$



Chairman's letter to shareholders

Dear Shareholders,

As we reflect on 2016 and events such as the Brexit vote, the US presidential election and continued political and economic tensions across the world, global companies are grappling with pronounced uncertainty and volatility. At home, China's economy is in the midst of a structural transition, as industrial output and double digit growth moderate but consumption, services, and higher value-added manufacturing increase. The world is changing, and companies need to stay nimble and prepare to adapt, while striking a balance between reacting to outside factors and navigating steadily through rough waters to achieve their business goals.

We live in an increasingly interconnected world, where one nation's interests can easily converge with another's. Countries, and indeed companies, have become interdependent. At CITIC, we know from our own transformation over the last 38 years that we have become more dependent than ever on our global customers and partners, and they on us. Economic globalisation has brought all of us closer.

These days, CITIC and its subsidiaries employ people of different nationalities across many countries. We're involved in cross-border capital flows as well as the sharing of ideas and best practices. We have not only absorbed technology from abroad but exported technology to the world, such as magnetite iron ore mining and processing to Western Australia's mineral-rich Pilbara region. When we operate in other countries, we seek to harness local expertise. Likewise, when our business partners work with us in China, we offer them our "Chinese DNA" and the knowledge we've accumulated over many decades. Our new partnership with McDonald's is a case in point.

I remember in 1992 when the world's largest McDonald's at the time opened in the centre of Beijing, and I can vividly recall the novelty of eating a Big Mac in China. Fast-forward to 2017, and I am again struck by the changing times, as this year CITIC announced plans to acquire a majority stake in McDonald's business in mainland China and Hong Kong, where it already serves over one billion people annually in its more than 2,600 restaurants.

McDonald's is ubiquitous here now, but it was not always so. Such is the deep-rooted impact of globalisation that there's now a generation of Chinese citizens who have never known a China devoid of the golden arches on the main streets of their towns and cities. There are many more examples of popular international brands that have become a part of Chinese consumers' everyday lives. As the world and China evolve, so does CITIC.

Our 2016 Results

Profit attributable to ordinary shareholders for 2016 was HK$43.1 billion. Although this was a modest 3% increase from last year, there is no doubt that the challenging operating environment continued to affect our businesses. Other factors affecting the result included our reduced interest in CITIC Bank and the depreciation of the Renminbi given that our reporting currency is the Hong Kong dollar. Breaking down the result further, a non-cash impairment charge of HK$7.2 billion (after tax) was made on our Sino Iron mine, mainly due to lower forecasts for the long-term price of iron ore. On the other hand, a gain of HK$10.3 billion was recorded when the sale of residential property assets in mainland China to China Overseas Land and Investment was completed.

The board recommends a final dividend payment of HK$0.23 per share, thus giving shareholders a total dividend of HK$0.33 per share for the year 2016, 10% more than last year.

In the financial services sector, CITIC Bank's profit grew slightly, dampened by a higher impairment for non-performing loans. Non-interest income improved, as CITIC Bank continued to diversify its revenue streams. Due to a lacklustre A share market, CITIC Securities saw its profit decrease significantly. CITIC-Prudential, on the other hand, saw its premium income grow, leading to an increase in its net profit. CITIC Trust profit for the year remained stable. In our 2016 annual report we will spotlight CITIC Trust, a market leader in the growing Chinese trust sector.

In the non-financial sector, CITIC Pacific Special Steel and CITIC Dicastal continued to impress. Net profit from our steel business rose significantly due to an optimal product mix and lower raw material cost, the result of an effective procurement strategy. Strong demand for CITIC Dicastal's products, particularly wheels, delivered double digit growth in revenue and net profit. However, CITIC Heavy Industries suffered a considerable loss due to factors that included continuing weak demand from downstream industries for heavy machinery and equipment, and an impairment charge. Going forward, in addition to further strengthening its core competencies, CITIC Heavy Industries will accelerate the development and application of products in new areas such as special purpose robots, which are seeing increasing demand.

In the engineering and construction area, although profits were lower in 2016, we are encouraged to see new projects coming on board, such as a road rehabilitation project in Kazakhstan and the KK Phase II municipal infrastructure project in Angola.

For the property business, our focus is on developing large integrated projects in cities with strong development potential. I am glad to report that we recently acquired four mixed-use commercial projects in Wuhan with a total gross floor area of approximately 2.7 million m^2.

In the resources area, the performance of CITIC Resources improved compared with 2015. At our Sino Iron mine in Western Australia, construction of all six processing lines was completed, and our operational focus is now on ramping up production, improving efficiency and lowering operating cost. While progress has been significant, we face ongoing challenges that go beyond the usual operational issues associated with such a massive industrial undertaking. To place Sino Iron on a long-term sustainable footing, the cooperation of other parties is critically important. As we reported last month, resolution of matters involving Mineralogy will have a major bearing on the future viability of Sino Iron.

Embracing the Consumer Economy

When we announced the McDonald's transaction, I was asked by many friends and colleagues why CITIC made this investment and how we can help this successful global brand grow further in China.

The fact that China's economy is now the second largest in the world is well known, and its shift to consumption and services is one of the defining stories of the early 21st century. However, the country's consumption as a proportion of GDP is still very low in comparison with more developed markets. Continued urbanisation, an expanding middle class and increasing discretionary household income should translate into further spending. Against this backdrop, we believe that there is still huge growth potential for McDonald's, particularly in Tier 3 and 4 cities.

Our investment and partnership with McDonald's gives CITIC direct exposure to this exciting growth dynamic. CITIC's rich resources and local knowledge can help this fast food giant reach its full potential in China. In return, McDonald's extensive network and consumer base will provide us with invaluable insights, which we will leverage to the benefit of our existing businesses.

CITIC's participation in the consumer space was already broad before the McDonald's deal and will continue to expand. We have a range of businesses that are serving this growing sector. Our subsidiary Dah Chong Hong has been distributing motor vehicles, food and consumer products in Asia for decades and has recently secured a foothold in healthcare through the acquisition of LF Asia. International brands come to Dah Chong Hong to understand the complex market landscape in China and other Asian countries and ensure that their products are skillfully distributed to their target consumers.

Our banking and financial services businesses have been competing in the consumer space for many years. The innovative financial products we design and offer are rooted in our understanding of customers' needs. Our venture into fintech is the latest example. CITIC Bank has joined forces with Baidu to form Baixin Bank, a direct banking service provider. CITIC Bank owns 70% of the Beijing-based lender, and Baidu holds the remainder. Competing in this area further extends our reach to an even wider community, in particular a new breed of internet-savvy consumers.

Another very interesting example of our consumer-facing businesses is CITIC Press. This is a relatively small but growing business in our large CITIC family. In 2016, it generated a net profit of RMB128 million, which was 28% more than the previous year. By anticipating and adapting to readers' changing needs, CITIC Press has evolved from a traditional publisher to an intellectual property hub and a content curator. Through both its digital and brick-and-mortar channels, CITIC Press influences millions of Chinese readers. Today, people like to link a company's survival to its "e-power". For CITIC Press, success rests on its passion for knowledge and ability to inspire, from *enlightening* children via educational and learning series to *equipping* executives with professional training and *enriching* people from all walks of life.

Not that long ago in China, big companies had all the power in determining what products would be made available to the market. That era is long gone, and consumption models have changed to reflect the primacy of customer desires and demands. With greater mobile penetration, people have never been more informed when it comes to making their purchasing decisions. Choice is at their fingertips, and only the companies that observe closely and respond appropriately will endure.

At CITIC, we know well that old business models are being disrupted by technological advancement. We are determined to stay on the front foot and challenge ourselves to view our businesses through the lens of customers. Underpinned by the inherent strength of our existing businesses, we're well positioned to capture emerging opportunities both in China's maturing economy and abroad. We're guided by an investment strategy that is customer-centric, commercially-driven and supported by a disciplined approach to ensure the wise and timely allocation of capital and resources.

Conclusion

In President Xi Jinping's recent keynote speech at Davos, he referenced Charles Dickens' famous line, "It was the best of times, it was the worst of times", to describe the contradictions of the period we are living through. I believe that it is up to us as companies and individual managers to embrace the opportunities presented by this period of uncertainty, turning them to our advantage. In order to flourish and create long-term value for our shareholders, we will have to be market leaders and prudent planners, looking inside and outside the company today to identify the businesses of tomorrow.

CITIC Limited is committed to good governance and serving the interests of all shareholders and the society at large. As we take steps to reshape our business, your continued support, patience and understanding are appreciated. Thank you for your faith in us.

Chang Zhenming
Chairman
Hong Kong, 23 March 2017

OUR BUSINESSES

FINANCIAL SERVICES

Our financial business spans the banking, trust, insurance and securities sectors. CITIC Limited offers a full-service platform to provide integrated financial solutions for customers.

Major subsidiaries

CITIC Bank is a fast-growing commercial bank providing corporate banking, retail banking and financial markets services.

CITIC Trust is the largest trust company in China in terms of total assets under management.

CITIC-Prudential is a joint venture between CITIC Corporation and Prudential that provides life, health, accident insurance as well as other reinsurance services.

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

HK$ million	**2016**	2015	Change
Revenue	**187,537**	205,378	(9%)
Profit attributable to ordinary shareholders	**38,406**	52,753	(27%)
Total assets	**6,729,902**	6,211,176	8%
Capital expenditure	**16,350**	13,819	18%

In 2016, CITIC Limited's financial services business recorded revenue of HK$187.5 billion, a drop of 9% from last year. Profit attributable to ordinary shareholders was HK$38.4 billion. Excluding the impact of a one-off equity disposal gain and new share placement by CITIC Securities in 2015 as well as the decrease of CITIC Limited's average shareholding of CITIC Bank and the depreciation of Renminbi that affected our reporting currency in Hong Kong dollar, profit attributable to ordinary shareholders was 3% lower than last year.

Affected by the replacement of the business tax with a value-added tax, the revenue from the banking business nevertheless recorded growth that was 6% higher than last year. The income mix was further improved with growing non-interest income while total interest-earning assets continued to increase. However, an increased impairment for non-performing loans dragged down the bottom line, which increased slightly by 1% compared with 2015. Sluggish equity markets in China, meanwhile, had a significant impact on the greatly reduced revenue and net profit performance of CITIC Securities. Net profit at CITIC Trust largely remained stable compared with 2015. Throughout the year, premium income at CITIC-Prudential grew steadily, leading to an overall net profit increase of 83%.

CITIC Bank

CITIC Bank is a fast-growing commercial bank engaged in the corporate banking, retail banking and financial markets businesses.

Year in review

RMB million	**2016**	2015	Change
Revenue	**154,159**	145,545	6%
Profit attributable to ordinary shareholders	**41,629**	41,158	1%
Total assets	**5,931,050**	5,122,292	16%

Ongoing reform of the financial system and interest rate liberalisation continued to drag down the performance of the Chinese banking sector in 2016, compounded by volatility in global markets and rising competition from fast-growing fintech players. These headwinds presented an increasingly challenging operating environment for Chinese banks, raising new obstacles to sustained profitability, effective risk management and competitive operational efficiency.

Despite these challenges, CITIC Bank continued to make some achievements during the year through enhancements to the integrated service capabilities and the overhaul of the retail banking business, resulting in an improved revenue structure and greater profitability. To improve the capital allocation, the bank focused growth in off-balance sheet financing and other capital-light businesses. More stringent risk management and disciplined control also kept the asset quality manageable in 2016.

Even with the replacement of the business tax with a value-added tax during 2016, revenue was recorded at RMB154.2 billion, a year-on-year increase of 6%. The income mix was further improved with the growing non-interest income while the increasing total interest-earning assets largely offset the impact from the narrowed margin. After the impairment for non-performing loans was increased, profit attributable to ordinary shareholders was RMB41.6 billion, up slightly 1% over last year.

Corporate banking

As CITIC Bank's main revenue contributor, corporate banking generated 56% of total revenue last year. Corporate loans and corporate deposits continued to grow steadily, ending the year, up 4% year-to-date at RMB1,846.3 billion and up 17% at RMB3,081.3 billion, respectively. In terms of total volume, both these figures gave the bank a first-place ranking among joint-stock banks[1] in 2016.

During the year, CITIC Bank closely aligned itself with macroeconomic policies to support the development of the real economy in China. It also improved the credit profile by increasing the bank's exposure to top global and Chinese businesses, as well as industry leaders.

Capitalising on opportunities emerging from Chinese companies' Go Global strategies, the bank also provided financing for several important international M&A transactions, acting as the pioneer of the market.

RMB million	**Revenue 2016**	**By percentage 2016**	Revenue 2015	By percentage 2015
Corporate banking	**85,639**	**56%**	85,314	58%
Retail banking	**40,175**	**26%**	33,333	23%
Financial markets	**16,109**	**10%**	18,359	13%
Others	**12,236**	**8%**	8,539	6%

Retail banking

The revenue contribution from retail banking again increased during the year as a result of productivity gains from the ongoing transformation of this business. Revenue grew by 21% to reach RMB40.2 billion, accounting for 26% of total revenue.

As at the end of 2016, CITIC Bank deepened its exposure to more profitable customer segments, increasing the pool of medium- and high-end customers by 21% to 504,500. The number of private banking customers, meanwhile, grew to over 22,000, up 31% year-on-year. Through the renewed focus on these customer segments, the business had largely optimised returns

[1] Including China CITIC Bank, China Merchants Bank, China Minsheng Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank.

on its service capacity by the end of the year. AUM and individual loans in 2016 exceeded RMB1.3 trillion and RMB950 billion, respectively, while revenue in the credit card business hit a historical high of RMB25.5 billion, up 36% from 2015. Popular services like Going-abroad Finance and collateral loans pledged by house also continued to grow.

In internet finance, CITIC Bank made several breakthroughs over the year. It led the establishment of a new "Online Finance Alliance", a shared platform of 11 commercial banks, while continuing to deepen its collaboration with JD.com and develop the Baidu-partnered Baixin Bank. In 2017, Baixin Bank was approved by the China Banking Regulatory Commission as an independent legal entity to offer direct banking service.

CITIC Bank also enhanced its digital capabilities throughout the year, particularly the mobile platform. To upgrade the online customer service capabilities, it launched a new and improved website while added centralised payment and other integrated functions. In addition, it introduced new online payment products such as E-pos, CITIC e-pay and Cross-border pay. As a result of these improvements, the total volume of CITIC Bank's online customer base, online sales penetration and digital revenue contribution rose over the year. On the back of all this growth, the bank also improved the utilisation of data analytics to develop a more targeted digital marketing capability.

Across its branch network, CITIC Bank improved the cost structure and introduced new services, including self-service, at various facilities, in line with the strategy of optimising the offerings of each branch location and its unique local customer profile. The overall streamlined processes helped reduce costs while improving the customer experience and service efficiency.

Financial markets

CITIC Bank's financial markets business is focused on monetary, capital and international financial markets. Products and services include bond market-making and underwriting, foreign currencies, currency trading, interbank market, bank bill, and wealth management products, as well as a range of other specialised investment and financing offers.

Amidst rapid changes taking place in financial markets during the year, the bank reduced the exposure to increasingly low-yield, high-risk assets. Leveraging its network, funds, expertise and brand, it expanded the offerings among services promising higher returns, particularly in relation to the foreign exchange and interbank wealth management products.

In 2016, the financial markets arm of CITIC Bank enjoyed a leading market position among China's joint-stock banks in 2016 in terms of turnover of foreign exchange spot trading, balance of international payments, AUM of bank bills, and turnover of electronic billing. CITIC Bank was named as market maker in direct trading of Chinese Yuan Renminbi to South African Rand, Canadian Dollar, Danish Krone, Norwegian Krone, covering the domestic interbank market of less actively traded currencies and further improving our leading position in this market. In addition, CITIC Bank's Asset Management Business Center was formally established as a platform for cooperation with over 200 institutional clients comprising securities firms, insurance companies and trust companies.

CITIC Trust

CITIC Trust is the largest trust company in China with total trust assets under management (AUM) of over RMB1,764 billion as at the end of 2016, a year-on-year growth of 27%. For past 10 consecutive years, the company has been the country's largest trust provider in terms of total AUM.

Organic growth remained stable through 2016 and generated revenue of RMB5.8 billion in 2016, representing a year-on-year decrease of 2% if excluding the one-off investment gain from the sale of Taikang Insurance's equity. The decline was mainly due to the year-on-year reduction in investment gain under its proprietary business. Net profit attributable to shareholders amounted to RMB3.1 billion, largely stable compared to last year while the trust profit attributable to beneficiaries was RMB56.1 billion.

The net capital adequacy ratio remained solid at 172% at the end of 2016 while net capital of the company was RMB13.9 billion, both much higher than the regulatory requirements.

Year in review

RMB million	**2016**	2015	Change
Revenue	**5,818**	10,263	(43%)
Net profit attributable to shareholders	**3,122**	3,145	(1%)
Total assets	**27,922**	23,799	17%

The company has been able to maintain its leading position because of the comprehensive range of integrated solutions it offers across financing, asset management and trust services. Clients are primarily institutional investors and wealthy individuals. CITIC Trust's businesses consist of client-facing trust business, as well as a proprietary business and a range of specialised subsidiaries.

- The trust business offers financing, investment and asset management across financial market and industrial market under trust law. As of the end of 2016, trust assets amounted to RMB1,424.9 billion, an increase of 39% over the previous year. In 2016, revenue from the trust business reached RMB4.3 billion, comprising 74% of total revenue.

- The proprietary business provides sufficient liquidity for and serves as a cornerstone for the trust business by effectively managing internal capital utilisation. As of the end of 2016, proprietary assets amounted to RMB27.9 billion, representing an increase of 17% over the previous year.

- Specialised subsidiaries aim to explore and increase CITIC Trust's exposure to asset management, overseas businesses and consulting service in order to provide synergies and add value for the core business.

In response to the asset shortage in 2016, CITIC Trust continued to innovate, creating a new growth engine. The company introduced a new brand "CITIC Family Trust" and launched its first cross-border employee stock ownership trust in China. It also was nominated as the fund manager for Guizhou Province's PPP Fund with the fund size of RMB10 billion. With all of these achievements, the company was recognised as the most innovative trust company in China.

CITIC-Prudential

CITIC-Prudential is a fifty-fifty joint venture between CITIC Corporation Limited and Prudential Corporation Holdings Limited, offering life, health and accident insurance, as well as reinsurance services. As of the end of 2016, CITIC-Prudential had a total of 167 branches in 67 cities across China.

Year in review

RMB million	**2016**	2015	Change
Operating Revenue	**9,845**	8,183	20.3%
Net profit attributable to shareholders	**700**	382	83.3%
Total assets	**54,672**	47,975	14.0%

The role of commercial insurance in China continued to grow in 2016, driven by the ongoing maturation of the Chinese economy, accelerating supply-side reform and a rapidly aging population. Innovation within the industry also gathered pace as new applications for data analytics and an emerging consumer appetite for buying insurance products online created a boom in new products and consumer-facing platforms. Additionally, risks associated with capital usage increased against the background of an economic downturn and falling interest rates. Accordingly, the nature of insurance industry — hedging against the risk of losses, has been re-addressed by the Chinese Insurance Regulatory Commission.

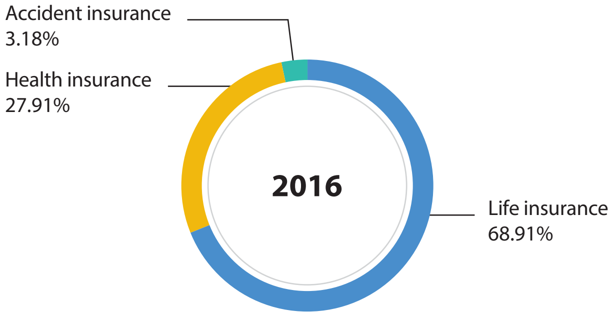
In this market environment, CITIC-Prudential achieved solid growth across all business segments for the year, while accelerating reform and innovation. Operating revenue was RMB9.8 billion, representing an increase of 20%, while total assets were RMB54.7 billion, up 14% year-on-year. Despite an overall downturn in industry performance in 2016, net profit grew by 83% to reach RMB700 million.

Another key strategic focus for CITIC-Prudential in 2016 was to optimise risk management. After successfully implementing a new framework for managing solvency risks, we received "A" grades in Integrated Risk Rating for Q1 to Q4 2016.

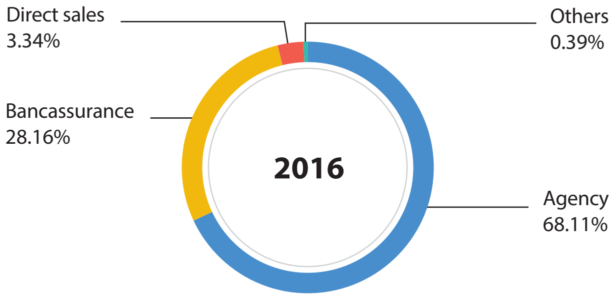
Products

CITIC-Prudential's core businesses offer life and health insurance, complemented by accident insurance and asset management services. For the year 2016, the company recorded total premium income RMB8.2 billion, increased by 32% and premium income RMB5.7 billion in its life insurance business, representing an annual increase of 25%. Health insurance premium income, meanwhile, reached RMB2.3billion, an increase of 59% year-on-year, and the proportion increased by 4.7%.

Premium income by insurance type



Breakdown of insurance premium income by channel

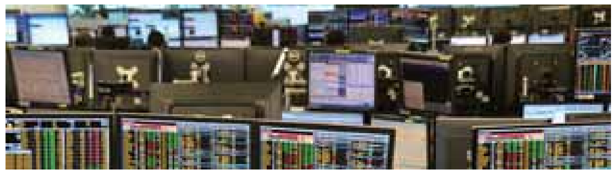


CITIC-Prudential achieved growth in terms of both premium income and embedded value, the company achieved growth by adding more HNWI clients to its traditional customer base through product mix optimisation. The development of long-term protection products was further enhanced in the agency channel and, in a successful brand-building exercise for CITIC-Prudential, upgraded primary health products to reinforce its leading position in this market. In bancassurance, the company remodelled this channel for value enhancement and scaled down the business in short or medium duration products. Thanks to stronger efforts to the development and promotion of regular-pay products, the proportion of regular-pay business increased significantly thus achieving stable value.

Distribution

Agency and bancassurance are CITIC-Prudential's two primary distribution channels. In 2016, CITIC-Prudential grew its agency force substantially, ending the year with 33,075 agents for an annual increase of 51%. Insurance premium income from the agency channel was also strong, accounting for 68% of CITIC-Prudential's total premium income of RMB5.6 billion, and the proportion increased by 0.59%. Although still in the initial stage, remodelling the bancassurance channel business has been successful as a result of the significant optimisation of the product mix. Moreover, insurance premiums from first year regular-pay premium increased from 9% in 2015 to 39% as a percentage of total income. Breakthroughs were also made in new bancassurance partnerships with Agricultural Bank of China and Minsheng Bank, while strategic partnerships were expanded with CITIC Bank and Standard Chartered Bank. In the e-commerce channel, we further standardised processes in accordance with regulatory procedures and established internet business management platform.

CITIC Securities



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

Year in review

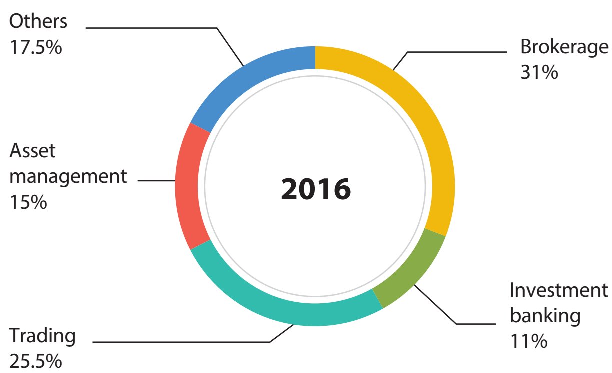
RMB million	**2016**	2015	Change
Revenue	**50,067**	72,924	(31.3%)
Net Profit attributable to shareholders	**10,365**	19,800	(47.7%)
Assets	**597,439**	616,108	(3%)

In 2016, both revenue and profit of CITIC Securities maintained the first in the industry in mainland China, and all its other businesses outperformed those of most of its competitors. Affected by the general market environment in 2016, CITIC Securities recorded a decrease in operating results in 2016 as compared to the corresponding period in 2015. In particular, its operating income and net profit attributable to shareholders of the parent decreased by 31.3% and 47.7% over 2015 respectively.

Investment banking

CITIC Securities' equity financing business continued to post significant growth in 2016, cementing the firm's leadership over the A-share market. As the lead underwriter on transactions with an aggregate value of RMB240.8 billion, the business closed the year with a market share of 12%.

Revenue distribution



The company's debt and structured financing business, also the market leader in China, completed 320 projects with an aggregate value of RMB379.7 billion, in lead underwriting bonds, medium term notes, commercial papers and asset-backed securities, representing a market share of 2.6%, ranking second in the industry.

CITIC Securities completed material assets restructuring of A-share companies with an aggregate value of RMB119.7 billion, ranking first in the industry. In mergers and acquisitions, CITIC Securities was number two among Chinese securities firms for merger and acquisition transactions participated by Chinese companies.

CITIC Securities lead sponsored a total of 174 enterprises for listing on China's over-the-counter market, the National Equities Exchange and Quotation exchange, with an aggregate amount raised of approximately RMB14.1 billion, ranking first in the market.

Globally, CITIC Securities International and CLSA Limited also completed 11 IPOs, 13 re-financing projects, 16 debt financing projects and 13 financial advising projects.

Brokerage Services

In 2016, CITIC Securities' brokerage business maintained its market-leading position with improvement in its key market indicators. Its market share in terms of net income from brokerage fee was 5.3%, an increase of 4% as compared to 2015, jumping three spots to number two in the market ranking. The trading turnover of equities and funds handled by CITIC Securities was RMB14.9 trillion with a market share of 5.7%, maintaining the second highest in the industry.

Asset management

The asset management business continued to grow strongly in 2016: total AUM amounted to RMB1.8 trillion at the end of the year. Among securities firms in China, CITIC Securities' asset management business maintained the first ranking in terms of total AUM.

CITIC Securities is also the largest shareholder of China AMC, a leading asset management company with RMB1 trillion under management as at the end of 2016, an increase of 16% over the previous year.

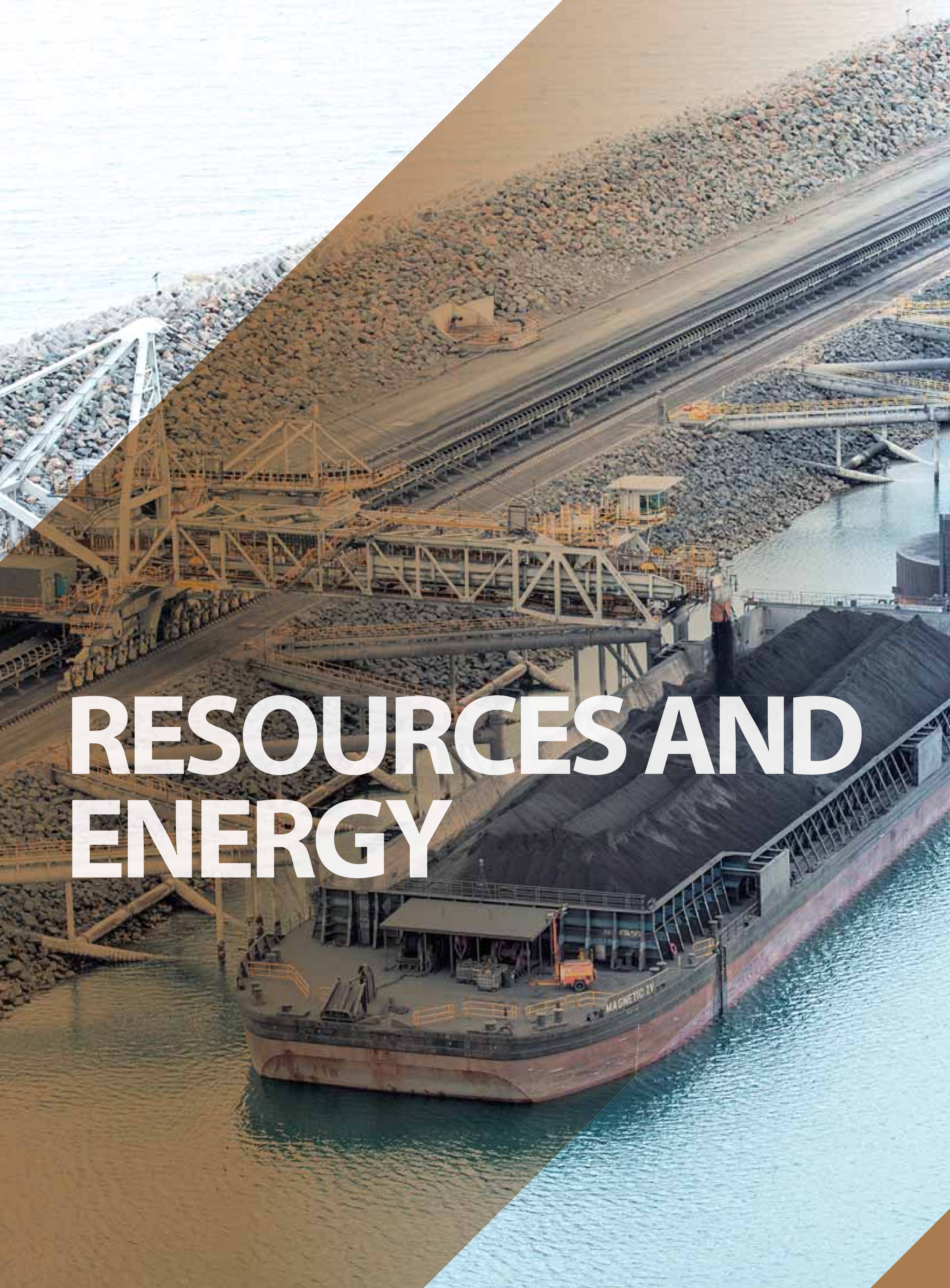
Trading

CITIC Securities' trading business includes both flow-based business and proprietary trading.

For flow-based business, CITIC Securities provides its clients financial services such as equity flow-based business, fixed income, commodities and prime services. The balance of the margin financing and securities lending reached RMB62.7 billion, with a market share of 6.67%, making it the top in the market.

The company makes both proprietary trading and alternative investment. The Company strengthened its risk management protocols in 2016 by taking risk-to-revenue ratio as a mandatory criterion in investment decisions.

RESOURCES AND ENERGY



Our resources and energy business comprises the exploration, mining, processing and trading of energy products and mineral resources as well as power generation. We hold interests in projects in China, Australia, Brazil, Peru, Gabon, Indonesia and Kazakhstan.

Major subsidiaries

CITIC Resources has interests in oil exploration, development and production, coal mining, import and export of commodities, aluminium smelting, bauxite mining, alumina refining, and manganese mining and processing. The company is listed on the Hong Kong Stock Exchange.

CITIC Mining International, through its Australian subsidiary CITIC Pacific Mining, develops and operates the Sino Iron project, the largest magnetite operation in Australia.

CITIC Metal Group invests in minerals projects and trades commodities.

Sunburst Energy manages a number of power plants and a coal mine in China.

HK$ million	**2016**	2015	Change
Revenue	**50,254**	45,664	10%
Profit attributable to ordinary shareholders	**(6,899)**	(17,251)	60%
Total assets	**135,784**	141,693	(4%)
Capital expenditure	**4,874**	12,059	(60%)

Year in review

In 2016, the resources and energy business generated revenue of HK$50.3 billion, increased 10% from the previous year. It incurred a loss of HK$6.9 billion, due mainly to a HK$7.2 billion non-cash impairment charge (after-tax) on the Sino Iron project in Western Australia.

Global demand for commodities and energies tracked up in 2016, but oil and commodity prices were still at a low level, which affected our crude oil business. CITIC Resources became profitable in 2016 against the backdrop of challenging environment. CITIC Limited's power generation business remained a stable cash generator. In Peru, the Las Bambas copper mine project, in which CITIC Metal Group holds a 15% interest, also became profitable once it began commercial production in 2016.

CITIC Metal Group is a newly-established subsidiary formed through the integration of two former subsidiaries, CITIC Metal and CITIC United Asia, to enhance the business' investment strength and trading power in the commodities markets. As of May 2016, all six lines of the Sino Iron Project were operational.

Energy products

Crude oil

At the start of 2016, oil prices continued to decline, with the Brent oil price falling at one point to US$26 per barrel in January. A modest recovery began in February and thereafter trended upwards for the rest of the year, albeit the recovery was modest and oil prices still remained at relatively low levels, which had a significant impact on CITIC Resources' oil business.

In 2016, CITIC Resources produced an average of 50,580 barrels per day (100% basis[1]), an overall increase in oil production for the year and a year-on-year increase of 2%.

JSC Karazhanbasmunai (KBM), a 50% joint venture between CITIC Resources and JSC KazMunaiGas Exploration

[1] 100% basis: based on the production of every oilfield

Production, produced a daily average of 38,800 barrels (100% basis), a slight drop of 1% compared with 2015.

The Yuedong oilfield in China, in which CITIC Resources holds a 90% interest, utilised thermal recovery on a more extensive scale during the year, resulting in a boost to average daily production of 10% year-on-year to 8,010 barrels (100% basis).

The Seram Block in Indonesia, in which CITIC Resources holds a 51% interest, increased its average daily production by 13% to 3,770 barrels (100% basis), attributable to the commencement of production on new development wells.

Oilfields (100% basis)	Proved oil reserves estimates as of 31 December 2016 (million barrels)
Karazhanbas oilfield	241.3
Yuedong oilfield	19.2
Seram Block	2.9

Coal

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

In China, Sunburst Energy has a 30% interest in Xin Julong coal mine in Shandong Province, of which the production capacity was 7 million tonnes in 2016.

Power generation

Sunburst Energy manages a number of coal-fired power stations in China, with a total installed capacity of over 6,340MW. In 2016, these stations yielded total electricity generation of 31.6 billion kWh, contributed in large part by the Ligang Power Plant in Jiangsu Province, one of the largest coal-fired power stations in the country with an installed capacity of 3,980 MW. The operating environment in 2016 was full of challenges, because higher coal price sent the cost of electricity generation soaring and the on-grid tariff was lowered. Although the net profit of the power generation business declined compared with 2015, it has outperformed most of its peers owing to an agile operation strategy by the management team.

In 2016, CITIC Limited acquired a 30% interest in Shenglu Power Plant, which is a coal-fired power station with two 1,000MW generating units in Inner Mongolia as part of the ±800kV ultra-high-voltage electricity transmission system between Shanghaimiao, Inner Mongolia and Shandong Province. The Shenglu Power Plant opened the tender process for construction last year.

Metals and minerals

Magnetite iron ore

CITIC Limited, through CITIC Mining International, has the right to mine 2 billion tonnes of magnetite iron ore at Cape Preston, 100km southwest of Karratha in Western Australia's Pilbara region, and has exercised the option to acquire an additional billion tonnes. Sino Iron is the largest magnetite mining and processing project in Australia and has a mine life of over 25 years.

In 2016, Sino Iron achieved significant milestones. In May, lines five and six joined the other four lines in producing premium magnetite concentrate.

In the second half of 2016, Sino Iron began to ramp up concentrate production, while ensuring an integrated "pit-to-port" operation supported by site-based energy and water supply.

From January 2016 to the end of February 2017, more than 13 million wet metric tonnes of premium magnetite concentrate had been delivered to CITIC Limited's own special steel plants and other steel mills in China. In the year ahead, Sino Iron will continue to optimise its production capabilities by increasing production, maximising efficiency and lowering operating costs as it seeks to achieve the appropriate economies of scale.

Copper

The Las Bambas copper mine project in Peru, in which CITIC Metal Group holds a 15% interest, completed its first shipment of copper concentrate in mid January 2016. The project began commercial production in July and reached design capacity in September. As of the end of 2016, production of copper in concentrates had reached 330,227 tonnes.

Through this partnership, CITIC Metal Group has also secured distribution rights on 26.25% of the copper concentrates extracted from the site. In 2016, 220,000 metric tonnes of copper concentrates were distributed through CITIC Metal Group.

Ferroniobium

CITIC Metal Group holds a small indirect stake in Brazilian miner CBMM, which produces about 80% of the world's ferroniobium. Through their partnership, CITIC Metal Group holds exclusive distribution rights on this resource in China.

Ferroniobium is used in the production of high strength low alloy steel. CITIC Metal Group primarily serves the medium to large segment.

Manganese

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

Trading

CITIC Metal Group and CITIC Resources trade commodities. Major products include iron ore, ferroniobium, copper, aluminium, coal, platinum and steel.

MANUFACTURING

Our manufacturing business includes the manufacture of special steel, heavy equipment and aluminium wheels and castings, all of which enjoy leading market positions in their respective segments in China.

Major subsidiaries

CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China.

CITIC Heavy Industries is one of the largest manufacturers of heavy equipment in China.

CITIC Dicastal is the world's largest aluminium wheel manufacturer and exporter.

HK$ million	**2016**	2015	Change
Revenue	**62,350**	60,077	4%
Profit attributable to ordinary shareholders	**1,740**	2,496	(30%)
Total assets	**96,112**	97,208	(1%)
Capital expenditure	**5,405**	4,937	9%

In 2016, the business recorded revenue of HK$62.4 billion, representing a year-on-year increase of 4%. Profit attributable to ordinary shareholders was HK$1.7 billion, 30% down from last year.

CITIC Pacific Special Steel recorded higher sales compared with 2015. With a focus on higher-margin products and an optimised procurement strategy to manage raw material costs, CITIC Pacific Special Steel achieved a profit growth of over 20% in 2016, excluding the impairment recorded last year. Strong domestic and overseas demand for CITIC Dicastal's products delivered double digit growth in revenue and profit. Heavy Industries suffered a considerable loss due to factors that included continuing weak demand from downstream industries for heavy machinery and equipment, and an impairment charge.

CITIC Pacific Special Steel

CITIC Pacific Special Steel ("Special Steel") is the largest dedicated manufacturer of special steel in China, with a production capacity of 9 million tonnes per annum. It operates two plants — Jiangyin Xingcheng Special Steel and Hubei Xin Yegang — for producing bars, plates, seamless steel tubes, wires, forging steel and casting billets. Its customers are primarily in the auto components, energy, machinery manufacturing, oil and petrochemicals, transportation, shipbuilding and other industrial sectors.

Year in review

HK$ million	**2016**	2015	Change
Revenue	**35,166**	35,211	(0.1%)
Net profit attributable to shareholders	**1,942**	1,220	59%
Total assets	**53,051**	53,221	(0.3%)

Global demand for steel remained weak in 2016. Despite government efforts to step up supply side reform, the Chinese steel market suffered from overcapacity, resulting in a chronically challenging business environment for Chinese steelmakers. Against these headwinds, total sales were up 12% over last year with an end-of-year volume of 7.82 million tonnes. Nevertheless, a lower average selling price left revenue flat at approximately HK$35.2 billion.

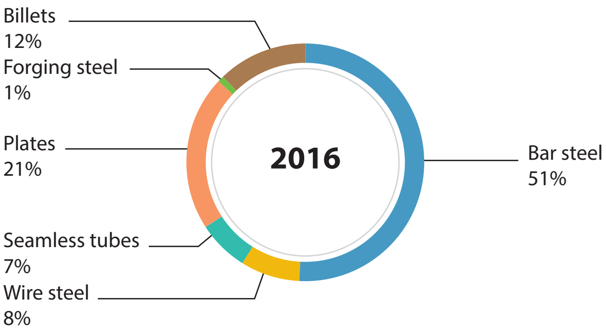
In 2016, Special Steel continued to refine its procurement strategy and maintained overall raw material costs below market levels, despite rising commodities prices throughout the year. This, coupled with increased sales in higher-margin product categories, enabled the company to end the year with a net profit increase of over 20%, excluding the impairment recorded last year.

More than half of all products manufactured by CITIC Pacific Special Steel in 2016 were sold to the auto components and machinery manufacturing sectors, similar to their contribution last year. Bar steel, plates and seamless steel tubes — the major products of the company contributed over three quarters of total sales volume. The company's distribution of sales remained

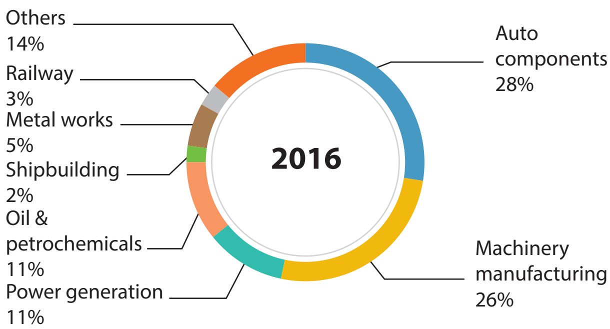
consistent with last year, with over 80% of its products sold in China. Despite the enforcement of international anti-dumping measures against Chinese steel, the company also achieved a total growth in export sales of 8.9%.

With the establishment of a centralised sales office in 2016, Special Steel achieved further gains integrating domestic sales and production capacity planning. The company also continued to invest in optimising its product mix, including increased production of higher quality bar steel products. What's more, it also developed 1.17 million tonnes of new products, which comprised 15% of total production in 2016, up 6.4% over last year.

Sales by product



Sales by industry



Key Customers

Customer	Profile	Sales, by volume
Anyo Automotive Material Co., Ltd	"One-stop" procurement platform of SAIC Motor, the largest passenger car maker in China	150,000 tonnes
Shaeffler Group	One of the world's most renowned bearings manufacturers	140,000 tonnes
Wanxiang Group	The largest auto component manufacturer in China	110,000 tonnes
SKF Group	A leading global bearings manufacturer and a global strategic partner of CITIC Pacific Special Steel	100,000 tonnes
Xuzhou Rothe Erde Ring Mill Co., Ltd	A leading global manufacturer of seamless rolled rings and a wholly-owned subsidiary of thyssenkrupp AG	80,000 tonnes

CITIC Heavy Industries

CITIC Heavy Industries is one of the world's leading suppliers and service providers of heavy mining and cement equipment, and one of the largest heavy machinery manufacturers in China. The company engages in the design, manufacturing and sales of large equipment, complete technical equipment and key basic parts in the area of heavy machinery, EPC projects, robotics and intelligent equipment, energy conservation and environmental protection, new energy power equipment and others. The company's main facilities are located in Luoyang in Henan Province, Tangshan in Hebei Province, and Lianyungang in Jiangsu Province. It also operates a production facility in Vigo, Spain.

As one of the few cement and mining equipment manufacturers certified in both the United States and Europe, CITIC Heavy Industries has customers that include leading industrial companies such as Lafarge, Holcim, Cemex, Heidelberg Cement, Italcementi, VALE, BHP Billiton, China Shenhua Energy, China Huaneng Group, China National Gold Group, and Conch Cement.

Year in review

RMB million	**2016**	2015	Change
Revenue	**3,771**	4,021	(6.2%)
Net profit attributable to shareholders	**(1,584)**	62	NM
Total assets	**19,774**	20,765	(4.77%)

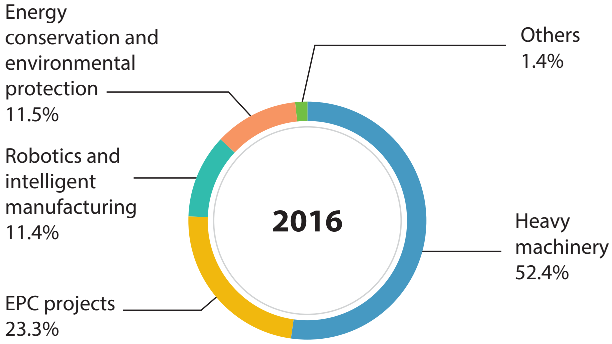
CITIC Heavy Industries ended the year with revenue of RMB3,771 million, a decline of 6.2% from the year before. The company recorded a loss of RMB1,584 million, mainly due to continuous weak demand for heavy machinery and equipment from downstream industries and a decline in consolidated gross margin caused by significantly increased prices of bulk raw materials and energy. Provisions for asset impairment also dampened profit.

Sales in the construction, mining and power electronics continued to be the main revenue drivers in 2016, representing 35.3%, 19.0% and 13.36% of total revenue, respectively. The company further diversified its sources of revenue by increasing sales in new business areas such as robotics and intelligent manufacturing, energy conservation and environmental protection, as well as new energy power. Annual revenue from traditional and new businesses accounted for about 75.75% and 24.25% of total revenues, respectively. Geographically, about 40.04% of revenue came from overseas markets, representing a decrease of 2.72% over 2015.

As the weak demand that affected all heavy machinery manufacturers in 2016 is expected to continue through the foreseeable future, CITIC Heavy Industries has redoubled its efforts to streamline its business model as a core manufacturing + integrated service provider. Based on its advantages in core manufacturing, CITIC Heavy Industries has made an effort to develop a comprehensive service business. This includes the provision of an integrated industrial solution, including equipment selection, design, manufacturing and related services, which will increase the company's competitiveness and overall profitability. To complement organic growth across these areas, CITIC Heavy Industries is exploring relevant M&A opportunities.

CITIC Heavy Industries' robotics division expanded significantly last year, and its focus today is on the manufacture of special robots for use in high-risk environments such as fire rescue and mining solutions. CITIC Heavy Industries owns two special robot industrial facilities, i.e. Tangshan and Luoyang, making CITIC Heavy Industries the largest special robot manufacturer in China. The special robots manufactured by CITIC Heavy Industries, particularly its fire-fighting robot, have been highly recognised in the market.

Source of revenue



In 2016, CITIC Heavy Industries continued developing the overseas and domestic markets for EPC projects. During the year, the company signed a new contract (total value: RMB957 million) with Century Peak Holdings Corp. in the Philippines for the construction of a 5,000tpd cement plant. Its Cambodia CMIC 5,000tpd Cement Line EPC Project also entered production. EPC projects in 2016 comprised about 60% of all new orders.

Research and development

CITIC Heavy Industries' core competitive advantages are its strength in product development and unique technologies, with a technical centre in China that has the most comprehensive research facilities in the country for mining equipment. It also has an R&D centre in Australia that works closely with international customers to develop new products across the region. As of the end of 2016, CITIC Heavy Industries owned 746 registered trademarks and 202 patents in China. New products represented over 70% of total production in 2016.

CITIC Dicastal

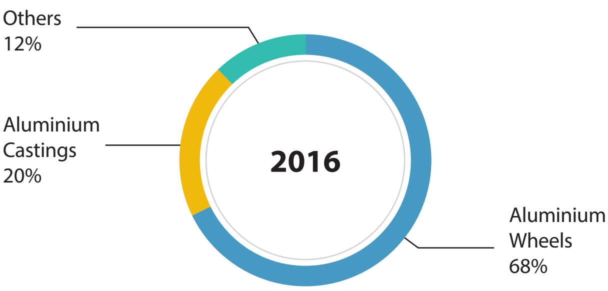
CITIC Dicastal ("Dicastal") is the world's largest producer and exporter of automotive aluminium wheels. The company also manufactures a full range of lightweight aluminium cast components for automotive powertrain, chassis and body systems under KSM Castings. With engineering, research and manufacturing teams across the globe, Dicastal focuses today on accelerating the development of the lightweight components and integrated processes that will drive the future of transportation in automotive and beyond.

A wholly-owned subsidiary of CITIC Limited, Dicastal is headquartered in Qinhuangdao, Hebei Province of Northern China. The company has 21 facilities across China, North America and Europe and employs more than 6,400 staff around the world. Total annual production capacity is 48 million aluminium wheels and 97,800 tonnes of aluminium castings.

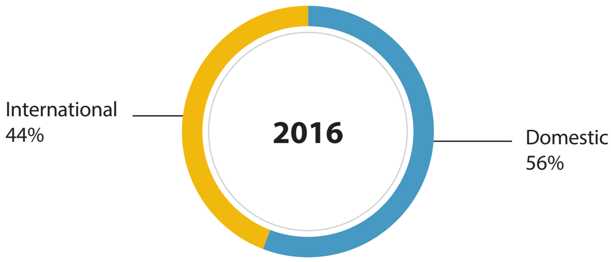
Year in review

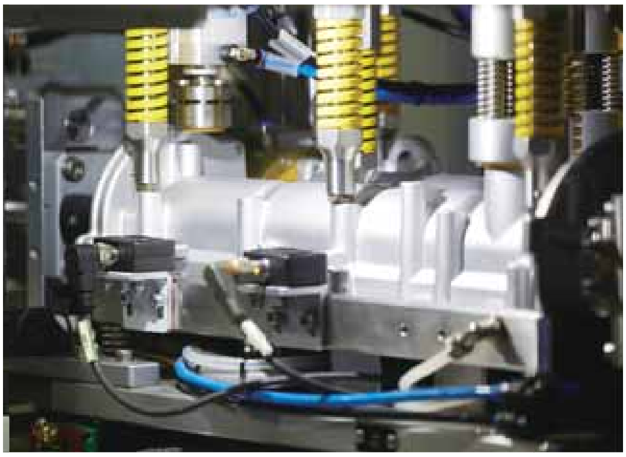
RMB million	**2016**	2015	Change
Revenue	**19,693**	16,198	21.6%
Net profit attributable to shareholders	**875**	725	20.7%
Total assets	**18,677**	14,150	32%

Sales by product



Sales by area





In 2016, growth remained decent in the Chinese automotive sector. Total automobile production volume was estimated at approximately 28 million vehicles, representing an increase of 13.7% over 2015. Demand in the US and Europe, however, picked up only gradually.

Throughout the year, Dicastal achieved increasing margins in premium product sales and greater overall economies of scale as a result of its ongoing investment in new production technologies. Outperforming the market, the company increased its total sales by 21.6% to RMB19.7 billion. Net profit was recorded at RMB875 million, up 20.7% over 2015. In 2016, Dicastal sold 45.7 million units of wheels, a 21.7% increase over 2015. Castings sales recovered, growing 6.6% to reach approximately 74,000 tonnes.

During the year, construction of several new production facilities, expanding the company's overall production capacity to catch up with growing demand.

In the US, Dicastal's new wheel plant in Michigan entered trial operation in early 2016, completing its first bulk dispatch in late May. The facility has a designed annual capacity of 3 million wheels. In China, as domestic demand for high quality aluminium cast components continued to rise, the company began trial production in January 2017 at its KSM (Chengdu) Phase I plant. This facility has a designed annual capacity of 20,000 tonnes. After the full commissioning of Phase I, construction of Phase II will follow, which will add another 20,000 tonnes of capacity upon completion. The company also upgraded its Wuxi manufacturing base to increase production capacity by 2.6 million wheels per year. All of the new facilities are equipped with advanced robotics and smart production systems.

At the headquarters, it completed the installation of new proprietary testing equipment, established a dedicated mould development centre and launched an innovation taskforce.

Dicastal's new testing facility has set an industry benchmark for crash and stress tests. Unlike traditional road test facilities, it is capable of conducting fully simulated in-house wheel and chassis tests, thereby minimising safety concerns.

Expanding Dicastal's capacity to directly produce a greater range of products on site, the new mould centre has an annual capacity of 2,300 sets.

A long-term investment in research and development, Dicastal's new innovation taskforce has the mandate of creating a long-standing technological advantage over its peers. The taskforce has a wide range of sophisticated modelling and processing tools at its disposal, including digital sludge systems, 3D printers and virtual reality machines, to help it improve existing services and explore new technologies. The team's priority is to extend Dicastal's offering in synchronous design services to include the exterior design of wheels, a function previously fulfilled by clients.

Customers

Major customers for Dicastal's aluminium wheels include the 12 leading global automakers, as well as 6 Chinese automakers. Dicastal is also a global strategic partner of various leading automotive companies.

Major customers for lightweight aluminium cast components include Daimler and Volkswagen and parts manufacturers such as TRW, ZF and Bosch.

In 2016, Dicastal's top 10 customers accounted for over 39% of total sales.

In July 2016, the company has formed a strategic alliance with Williams, one of the world's leading Formula One teams in Oxford, for motor racing and advanced engineering.

ENGINEERING CONTRACTING

Our engineering contracting business serves infrastructure, housing, industrial construction, and municipal engineering projects.

Major subsidiaries

CITIC Construction is a provider of integrated engineering construction services. Its main business covers general engineering contracting in infrastructure, civil construction, and industrial projects. In addition, the company is involved in importing and exporting mechanical and electrical equipment. It is also exploring opportunities in energy resources engineering, agricultural engineering and other related fields.

CITIC Engineering Design is a municipal engineering design and management company.

HK$ million	**2016**	2015	Change
Revenue	**11,023**	14,676	(25%)
Profit attributable to ordinary shareholders	**1,675**	2,601	(36%)
Total assets	**36,796**	42,245	(13%)
Capital expenditure	**1,564**	508	208%

In 2016, revenue from the engineering contracting business amounted to HK$11 billion, representing a year-on-year decrease of 25%. Net profit attributable to ordinary shareholders was HK$1.7 billion, which was 36% less than the year before. New projects have not yet contributed to revenue as they are either recently signed or still at a preliminary stage, a major reason for the business' revenue and profit decrease for the year.

CITIC Construction

CITIC Construction is an integrated service provider of the engineering construction. With key markets in Africa, Latin America and countries along the Belt and Road, the company is currently expanding its operations in developed markets such as Great Britain and Mainland China. In addition to its established foothold in infrastructure, housing and industrial construction, the company is developing its business in the areas of resources, energy, agriculture and environmental protection.

Leveraging CITIC's vast resources and network, CITIC Construction not only provides EPC services, but also a suite of value-added, integrated services such as project planning, design, investment, financing, management, procurement, operation and maintenance. The range of these services provides a significant competitive advantage in developing countries.

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

Year in review

RMB million	**2016**	2015	Change
Revenue	**7,739**	10,174	(24%)
Net profit attributable to shareholders	**1,184**	1,807	(34%)
Total assets	**31,656**	32,977	(4%)

In 2016, CITIC Construction recorded revenue of RMB7,739 million and a net profit attributable to shareholders of RMB1,184 million. New projects have not yet contributed to revenue or profit as they are either recently signed or still at a preliminary stage, a major reason for the company's revenue and profit decrease for the year.

Deepening economic and social challenges in Africa and Latin America, both of which are established markets for CITIC Construction, increasingly had an impact on the business in 2016. However, CITIC Construction responded to this changing market context by exploring new opportunities emerging from China's Belt and Road initiative. It has successfully signed a road rehabilitation project in Kazakhstan. As of early 2017, it is approaching completion of an automobile production line in Belarus for Chinese automaker Geely. The company is also aggressively pursuing opportunities at home, as demonstrated by its recent successful bids for contracting on PPP projects in Yunnan and Guizhou.

By the end of the year, the total value of signed contracts by CITIC Construction was RMB36.2 billion, of which RMB204.2 billion was contributed by new contracts signed during the year.

Major projects

Air Force and Navy Command Headquarters Building Project, Venezuela

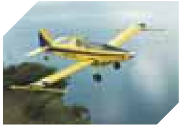
General information:	Located on both sides of Street Bolivar in the Fuerte Tiuna area of Caracas, this project has a total land area of about 7 hectares and a total construction area of about 210,000 m^2, consisting of two buildings.
Contract signing date:	August 2014
Contract value:	Around US$760 million
Construction start date:	March 2015
Progress as of the end of 2016:	44% complete

Desalination Plant Project, Venezuela

General information:	This 10,000tpb desalination plant sits on Margarita Island, Venezuela with a production capacity of 110L/s to supply a population of 27,000.
Contract signing date:	July 2016
Contract value:	Around US$130 million
Contract period:	12 months
Construction start date:	September 2016
Progress as of the end of 2016:	14% complete

Substation Project, Myanmar

General information:	This project is to upgrade a 230/66/11kV substation in Rangoon, Myanmar.
Contract signing date:	February 2016
Contract value:	Around US$18 million
Contract period:	24 months
Construction start date:	September 2016
Progress as of the end of 2016:	56% complete



Geological Study Project, Angola

General information:	This project is to carry out airborne geophysical surveys, 1:250,000 geochemical surveys, 1:250,000 regional geological mapping, 1:50,000 professional geotechnical engineering exploration research, 1:50,000 metal mineral exploration and 1:50,000 building materials mineral exploration in the northwest quarter of the Angolan homeland.
Contract signing date:	October 2013
Contract value:	Around US$77 million
Contract period:	60 months
Construction start date:	August 2014
Progress as of the end of 2016:	19% complete, in which airborne geophysical exploration work has finished.

Geely Automobile Production Line Project, Belarus

General information:	This project is to build an automobile production line with an annual output of 60,000 passenger cars, including a welding shop, paint shop (including the small piece paint shop) and assembly shop. As the EPC contractor, CITIC Construction is responsible for the design, procurement, civil construction, equipment installation, commissioning, performance testing and training of operational staff of the employer.
Contract signing date:	March 2015
Contract value:	Around US$290 million
Contract period:	21 months
Construction start date:	August 2015
Progress as of the end of 2016:	92% complete

Road Rehabilitation Project, TKU Expressway, Kazakhstan

General information:	TKU Expressway is part of Kazakhstan's national highway network from Taldykorgan, capital of Almaty Region, to Ust-Kamenogorsk/Oskemen, administrative centre of East Kazakhstan Region. After the rehabilitation, the expressway will be 763km in length.
Contract signing date:	May 2016
Contract value:	Around US$936 million
Contract period:	54 months
Construction start date:	Tentatively in the second half of 2017
Progress as of the end of 2016:	Field survey, investigation, and design ongoing as scheduled.

Phase I, Royal Albert Dock Project, UK

General information:	The Royal Albert Dock project is a signature real estate development to be delivered in the UK by a Chinese construction company. It is an integrated office, retail, and apartment development in the London Borough of Newham in East London, envisaged as a bridge for Asian and European economic collaboration. It covers an area of 14 hectares with a GFA of 420,000 m^2, including the biggest landscaped area of any project in London. The first phase, with a GFA of 638,900 ft^2, consists of twenty type A buildings and one type B office building, an energy centre, restoration of two historic buildings, and supporting infrastructure.
Contract signing date:	November 2016
Contract value:	Around £222 million
Contract period:	98 weeks
Construction start date:	Tentatively in the second quarter of 2017

CITIC Engineering Design

CITIC Engineering Design is an engineering design, investment and management company focused on EPC projects in urban planning, ecological preservation and environmental protection.

It holds many patents in architectural and urban design. It has led and assisted in preparing various national standards and specifications, and manages projects across the country.

In 2016, the company transformed its business model, adding investment and EPC services to its historical core in municipal engineering design and management. Over the year, one of its EPC projects in Wuhan, with a total value of RMB5.1 billion, was officially included in China's Third Batch of Demonstration Projects of Public-Private Partnership. It also signed an investment and financing agreement for another project in Wuhan with a total value of RMB2.3 billion. The company also won the bid for phase I of Wuhan Jinkou New Town (total contract value: RMB300 million).

In 2016, revenue from CITIC Engineering Design amounted to RMB1.95 billion, representing a year-on-year increase of 15.4%, while net profit was RMB248 million, representing a decrease of 11.4% from 2015.

REALESTATE

Our real estate business comprises the development, sale and management of commercial properties and integrated property projects in mainland China and Hong Kong.

Major subsidiaries

CITIC Pacific Properties, a property developer focused on high-end commercial properties as well as integrated urban projects

CITIC Urban Development & Operation, a property developer focused on real estate finance, urban renewal, urban development and operations, and PPP projects

HK$ million	**2016**	2015	Change
Revenue	**4,900**	6,025	(19%)
Profit attributable to ordinary shareholders	**12,111**	4,137	193%
Total assets	**143,596**	232,809	(38%)
Capital expenditure	**5,979**	3,013	98%

In 2016, the real estate business recorded revenue of HK$4.9 billion, while profit attributable to ordinary shareholders was HK$12.1 billion, including a gain of HK$10.3 billion was derived from the sale of residential property assets to China Overseas Land & Investment Limited ("COLI").

Year in Review

In March 2016, CITIC Limited sold a 100% equity interest in CITIC Real Estate, as well as the mainland residential property assets of CITIC Pacific, to COLI. Since the completion of this transaction in September, CITIC has held an approximately 10% equity stake in COLI, and the focus of its real estate business has shifted to integrated property projects, PPP projects and the primary development of land.

With the refocusing of the real estate business, CITIC has been aggressively pursuing new commercial opportunities in first and second tier mainland Chinese cities such as Wuhan. In 2016, the company bought two Grade-A office buildings — A1 and A3, with a total combined GFA of over 230,000 m^2 — in Wuhan Tiandi. Building A3 finished construction during the year and is ready for lease, while construction of building A1 will be completed in 2019. These two office buildings will become the company's flagship investment properties in the city. During the year, CITIC also acquired a 50% equity interest in the Wuhan Finance Street project, which is a mixed-use commercial project, with a total GFA of approximately 90,000 m^2. In January 2017, the company partnered with Shui On Land to successfully bid for land in the commercial area of Wuhan Optics Valley, with a total GFA of around 1,200,000 m^2. In February, it also won the bid for a site in the Wuhan Two-Seven Riverside Commercial Zone at a total GFA of around 1,180,000 m^2. Both sites will be used to develop mixed-use commercial projects.

Good progress was also made on PPP projects, including CITIC Coast New Town, a quasi-PPP project located at Haojiang District, Shantou. Awarded to CITIC in 2012, the project began work on shield tunnelling construction and public facilities at the end of 2016. In

addition, CITIC together with China Construction Third Bureau successfully won the tender for the construction and maintenance of infrastructure projects, including roads, pipelines, bridges and urban greening sites, in the Wuhan Two-Seven Riverside Commercial Zone.

In Hong Kong, our existing projects continued to make progress throughout the year. KADOORIA, CITIC's new 77-unit luxury residential project in Kadoorie Hill, obtained the occupation permit in 2016. It is currently in the process of completing the finishing works, with sales scheduled to begin at the end of 2017. Foundation work on the Lok Wo Sha residential project, with a gross floor area of approximately 21,000 m^2, is also in progress and scheduled for completion at the end of 2019. The Discovery Bay development project, which is 50%-owned by CITIC, is well underway, and all remaining units of Phase 15, Positano were sold in 2016. Phase 16 (a high-rise development of 17,000 m^2), Phase 17 (a detached villa development of 4,000 m^2) and Phase 18 (a low-rise development of 4,000 m^2) are under construction with scheduled completion dates over the next few years.

Our Hong Kong investment property portfolio continued to deliver stable rental income. The overall average occupancy was approximately 97% in 2016.

Key projects

I. China Zun, Beijing

(100% owned)

Site area:	11,478 m^2
Gross floor area:	437,000 m^2
Usage:	Office

Located in Chaoyang District, China Zun will have a height of 528-metre when completed, making it the tallest building in Beijing and a new landmark for the city. Delivery is expected in 2019.

The structural height of China Zun reached 330-metre on 18 August 2016, making it the tallest building in Beijing. As of 31 December 2016, structural construction had been completed for 88 floors, with a height of 419-metre.

II. Lujiazui Harbour City, Shanghai

(50% owned)

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

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

The project has delivered five office buildings to China Construction Bank, Agricultural Bank of China, United Overseas Bank (UOB), China Industrial Bank and Shanghai HY Investments Company, respectively. Two other buildings also finished construction and will be delivered to China ICBC Bank and China Life in 2017. The Mandarin Oriental Hotel and serviced apartments located within this project are currently in operation.

III. CITIC Pacific Technology and Fortune Plaza, Shanghai

(50% owned)

Site area:	60,335 m^2
Gross floor area:	238,629 m^2
Usage:	Office and retail

Located in the western part of Shanghai, this mixed-use office and retail development will integrate high rises and community and commercial centres at street level. Construction of the basement of this project, which is directly connected to the city's subway system at North Meiling Road, is underway.

IV. KADOORIA, Hong Kong

(100% owned)

Site area:	5,400 m^2
Gross floor area:	14,200 m^2
Usage:	Residential

Located at No. 111-133 Kadoorie Avenue in Kadoorie Hill, Hong Kong, KADOORIA is a prime residential development offering 77 luxury apartments. The project obtained the occupation permit in 2016, and fitting out works are in progress. Sales of the project are scheduled for the end of 2017.

V. CITIC Coast New Town, Shantou

(51% owned)

Site area:	168 km^2
Usage:	New town

Located in Haojiang District of Shantou in Guangdong Province, this project is a large urban complex involving primary land development, a cross-harbour tunnel and public facilities. It is a model urbanisation project being constructed by the Shantou government and CITIC as a quasi-PPP business model. The project will cover the overall planning and operation of an area of 168 km^2 in Haojiang District, for a total estimated investment of RMB50 billion. As of December 2016, the skin of the original start shaft for shield tunnelling and some public facilities had been completed.

VI. Western China International Expo Centre, Chengdu

(100% owned)

Site area:	573,000 m^2 (860 mu)
Gross floor area:	570,000 m^2
Usage:	Exhibition

Located in Chengdu Tianfu New Area, Western China International Expo Centre is one of the key projects in Sichuan and an example of a successful foreign investment brought in by local government. When in operation, this project will become a permanent venue for hosting the Western China International Fair and, in the future, a platform for MICE (meetings, incentives, conferences and exhibitions) events. As of July 2016, construction of the primary structure had been completed.

Major Investment Properties

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

Others

Information Services

CITIC Limited provides services in two areas: one is telecommunications, covering mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services operated by CITIC Telecom International; the other is the leasing and sale of satellite transponders operated by AsiaSat.

CITIC Telecom International covers international telecommunications services including mobile, Internet, voice and data services, and integrated telecoms services in Macau. Through its wholly-owned subsidiary CITIC Telecom International CPC Limited ("CPC"), it has also established numerous Points of Presence around the world, especially in Asia providing data and telecoms services, namely VPN, Cloud, network security, co-location and Internet access, to multinational corporations. CPC is one of the most trusted partners of leading multinational and business enterprises in APAC.

CITIC Telecom International holds a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecoms services providers and the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau and plays an important role in its ongoing development.

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

Infrastructure

CITIC Limited's infrastructure business is involved in the investment and management of expressways and port terminals in China through CITIC Industrial Investment. It also has an interest in The Western Harbour Tunnel in Hong Kong through CITIC Pacific.

Expressway projects, in which CITIC Industrial Investment has three interests — the Chengdu-Chongqing Expressway, Chongqing-Guizhou Expressway and Shanghai-Chongqing Expressway — have a combined cumulative distance of 283km. With extensive operational experience in the sector, CITIC Industrial Investment has set up an investment, construction management and operation team with rich experience and strong execution capabilities. Furthermore, good cooperation has been formed with partners and local government of Chongqing. In the future, new projects will focus on upstream and downstream of the highway industry, domestic and overseas infrastructure and PPP projects.

The port terminals business mainly consists of investment in and the proprietary operation of liquefied oil terminals and storage, as well as the operation of other types of berths, such as container berths. CITIC Industrial Investment's objective in this business is to become a major investor in and operator of port terminals and storage facilities in the domestic port terminal industry. Investment in liquefied oil, the main line of CITIC Industrial Investment's business, will concentrate in Yangtze River Delta, Pearl River Delta, Bohai Economic Rim, and Yangtze River Economic Belt.

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

General Trading

Dah Chong Hong ("DCH") is engaged in the trading, distribution and logistics business. The company is involved in the sale of motor vehicles and associated services, food and consumer products, as well as the provision of logistics services. The preferred partner of over 1,000 brands in more than 30 countries and regions, DCH has well-established networks in Asia Pacific.

In 2016, DCH acquired Li & Fung's consumer and healthcare distribution business, diversifying its product lines and portfolio in growing areas of consumer demand.

Environmental Services

CITIC Environment Investment Group ("CITIC Environment") is CITIC Limited's specialised investment and operational platform in the field of environmental protection. It specialises in three major sectors, namely water, solid waste treatment and energy saving services.

In 2015, CITIC Environment successfully acquired Singapore's leading water treatment company United Envirotech Ltd ("UEL") and became the controlling shareholder of UEL. This latter company was renamed CITIC Envirotech Ltd ("CITIC Envirotech") in June of the same year. In 2016, CITIC Environment brought in a new strategic investor for CITIC Envirotech — China Reform Fund, which is now the second largest shareholder of CITIC Envirotech. As of the end of 2016,

CITIC Environment had won 21 projects in form of EPC, BOT, and TOT in China and major economies along the Belt and Road, of which the total investment is approximately RMB4.6 billion. The company's water treatment plants during this period had a combined daily treatment volume of over 5 million tonnes. CITIC Envirotech also made breakthroughs in many other areas, including winning its first circular economy PPP project in an industrial park in Shantou, Guangdong, its first PPP river remediation project in Yixing, Jiangsu, and its first project for the harmless disposal of sludge and hazardous waste in Weifang and Rizhao, Shandong. In membrane technology, it embarked on the research and application of nanofiltration and reverse osmosis, starting to extend its business to the overseas market, especially European and American market.

In 2016, CITIC Environment made progress on multiple fronts. In the area of waste-to-energy, for example, it became the second largest shareholder of Chongqing Sanfeng Environmental Industrial Group Co., Ltd after acquiring 13.58% of its shares. In addition, it started the strategic development in solid waste treatment sector, such as soil remediation.

Modern Agriculture

CITIC Agriculture Investment is a platform for CITIC Limited to invest in the agricultural industry. It integrates science, technology and agricultural services in China to improve their standards. It is also committed to investing in and cultivating cooperation agreements with leading enterprises in the international industry.

In January 2016, CITIC Limited officially became the largest and controlling shareholder of Yuan Longping High-tech Agriculture Co., Ltd ("Longping High-tech"). Longping High-tech is one of the major companies in China producing grain, vegetable and fruit seeds and is a leader in the breeding and distribution of hybrid rice, all with the aim of becoming "the flagship of Chinese seed companies in the global market" in 10 years. In June 2016, CITIC Agri Fund Management Co., Ltd. was jointly established by CITIC Agriculture, Longping High-Tech and two other listed agricultural companies. CITIC Agri Fund (Limited Partnership) is the first domestic partnership established by CITIC Agri Fund Management Co., Ltd. to invest in the core value of agriculture.

Publishing

CITIC Press is a large-scale and influential integrated cultural services provider in China, principally engaged in book publishing, digital publishing, education and training, bookstore retailing and investment in other cultural activities. It also offers high-quality content and creative services for customers. CITIC Press has obtained all licenses issued by the State Administration of Press, Publication, Radio, Film and Television for its publication, distribution and retail operations.

CITIC Press was officially listed on the National Equities Exchange and Quotations at the end of 2015, becoming the first listed state-owned company in the publishing industry.

General Aviation

The main businesses of CITIC Offshore Helicopter ("COHC") include offshore oil helicopter operation services, general aviation services such as aerial photography, maritime patrol, polar survey operations, HPS, forest fire prevention and powerline operations, as well as general aviation maintenance. COHC's offshore oil helicopter services have maintained the top position in the industry in terms of market share. It is the only general aviation enterprise engaged in helicopter pilotage.

COHC's main operation is based in Shenzhen, with branches in the South China Sea, East China Sea, Bohai Sea, Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei, as well as Northeast China and Southwest China. COHC also operates the service centre of Airbus Helicopters in China.

Special Feature: **CITIC Trust**

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

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

Registered capital:
10
RMB billion

Total AUM:
1.7+
RMB trillion

Total assets:
27.9
RMB billion

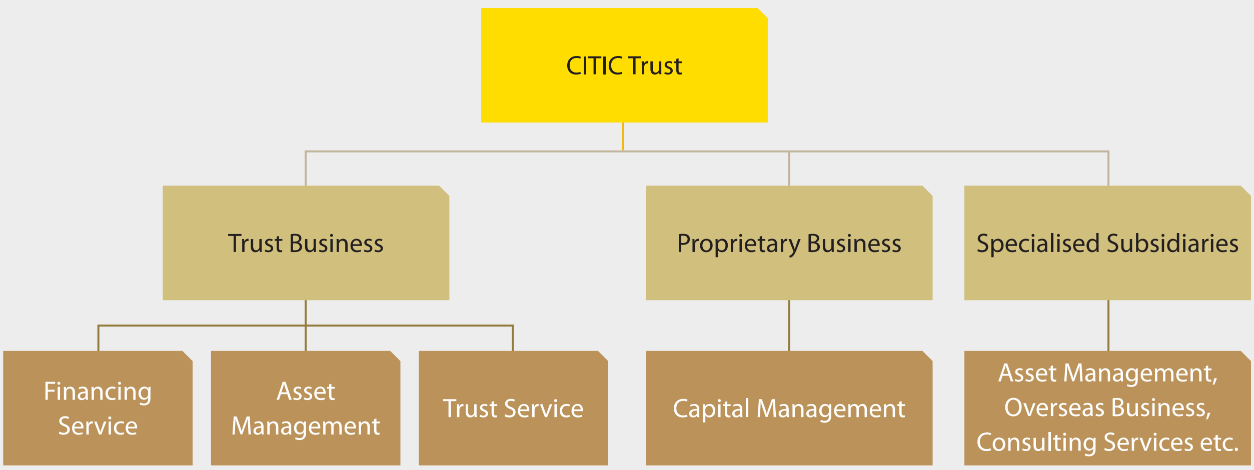
Net profit:
3.1
RMB billion

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

Guided by its mission to create shared value and balance risk and return, CITIC Trust acts as a provider of integrated financial products and services, including financing, asset management and trust. It has the industry's largest portfolio of trust products, giving clients the opportunity to participate in China's growth story through a wide range of financial instruments. CITIC Trust has developed innovative trust solutions in diverse sectors, including infrastructure, real estate, consumer markets, manufacturing, agribusiness, healthcare, the internet and the financial market.

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

Corporate Structure



Unparalleled AUM

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

Superior client network

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

Innovative product range

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

Professional team

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

Rigorous risk management

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

Special Feature

Our Story

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

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

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

Milestone

1988
- Founded CITIC Industrial Investment Company, the predecessor of CITIC Trust

2002
- Restructured as CITIC Trust with registered capital of RMB500 million

2003
- Launched the first securitisation trust product backed by non-performing loans in China
- Launched the first assembled funds trust in foreign currency in China

2008
- Became one of the first trust companies with approval to access the China interbank market

2010
- Founded the largest charity trust in China jointly with China Development Bank and China Merchants Bank

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

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

It is in this aspect that CITIC Trust excels. The company has grown from one of the first trust companies in China into one of the largest today, with registered capital of RMB10 billion, total assets of RMB27.9 billion, and AUM of more than RMB1.7 trillion. Not only is the company's heritage rooted in the very foundation of the industry, it continues to lead its evolution today, as evidenced by its comprehensive family of products. In 2010, the company established the largest charity trust in China in collaboration with China Development Bank and China Merchants Bank. It was among the first Chinese trust companies to receive approval for asset securitisation in 2013, the same year it began to sign land circulation trust products. By 2016, the size of its asset securitisation business exceeded RMB230 billion, ranking it first within the trust industry. And in 2014, CITIC Trust launched the first online consumer trust product with Baidu and, in 2015, the first family office in the trust industry. Most recently, in 2016 the company introduced a new brand — CITIC Family Trust — and launched its first cross-border employee stock ownership trust in China. It was also nominated as the fund manager for Guizhou Province's PPP Fund, with a fund size of RMB10 billion.

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

2012

- Introduced a wealth management brand, Xinhui Wealth, and established wealth management offices in Beijing, Shanghai, Guangzhou, Hangzhou, and other major cities
- Founded subsidiary CITIC Juxin, the first professional PE platform in China's trust industry

2013

- Approved as one of the first trust companies in China for asset securitisation business
- Launched first land circulation trust plan in China

2014

- Raised its registered capital to RMB10 billion after several capital injections
- Rolled out the first online consumer trust product, jointly with Baidu
- Launched the first insurance trust, jointly with CITIC-Prudential
- Launched the first pension trust product in China
- Founded subsidiary CTI Capital Management as a platform for offshore business

2015

- Implemented the first PPP trust project in China for the Tangshan International Horticultural Exposition
- Launched China's first corporate asset securitisation backed by commercial property rental income as the underlying asset
- Approved as the first trust company in China to access the overseas RMB investment and lending market
- Established the first family office in China's trust industry

2016

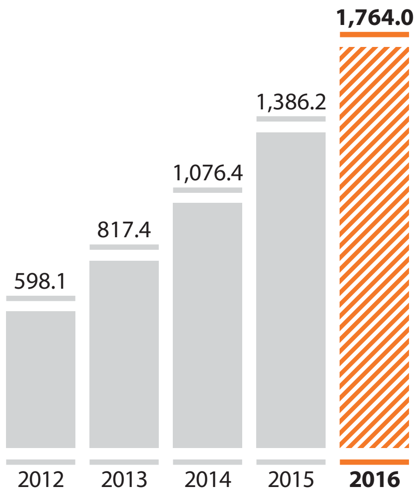
- Introduced a new brand, CITIC Family Trust
- Launched the first cross-border employee stock ownership trust in China
- Nominated as the fund manager for Guizhou Province's PPP Fund, with a fund size of RMB10 billion.

Special Feature

Growing AUM

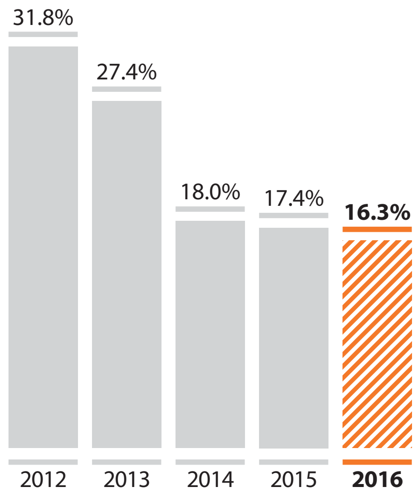
RMB billion

Total AUM



High ROE

ROE

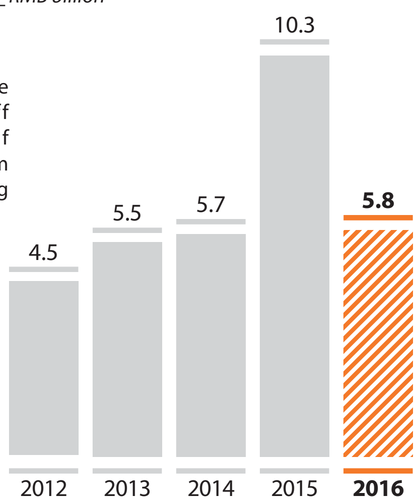


Steady revenue

RMB billion

Revenue

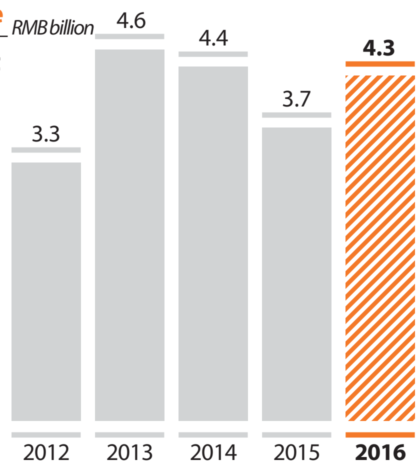
Note: 2015 revenue included a one-off investment gain of RMB4.3 billion from the sale of Taikang Insurance's equity



Consistently high trust business revenue

RMB billion

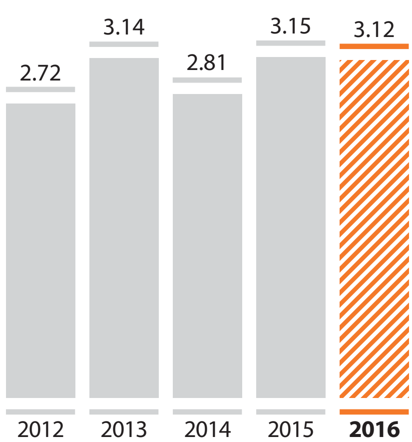
Revenue of trust business



Stable bottom line

RMB billion

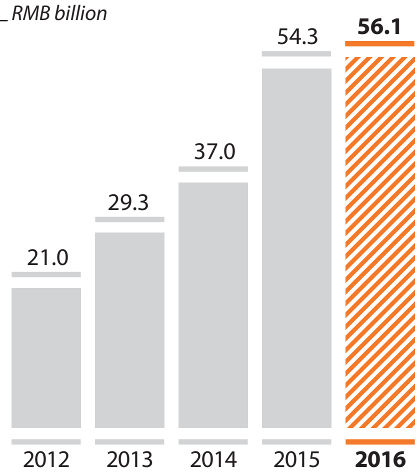
Net profit



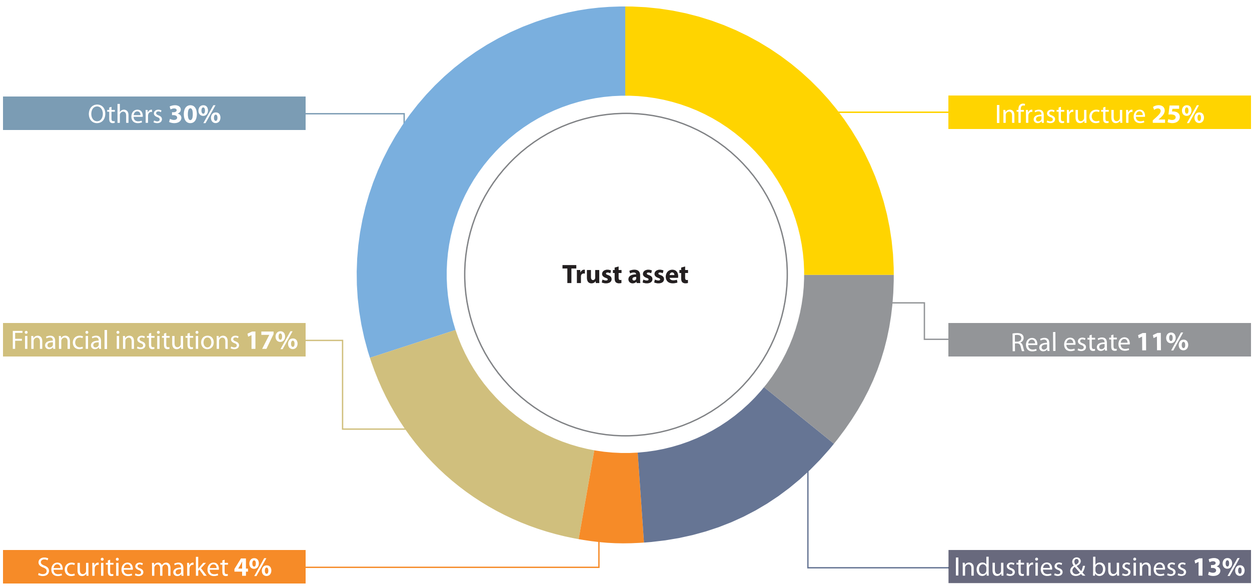
Shared value for customers

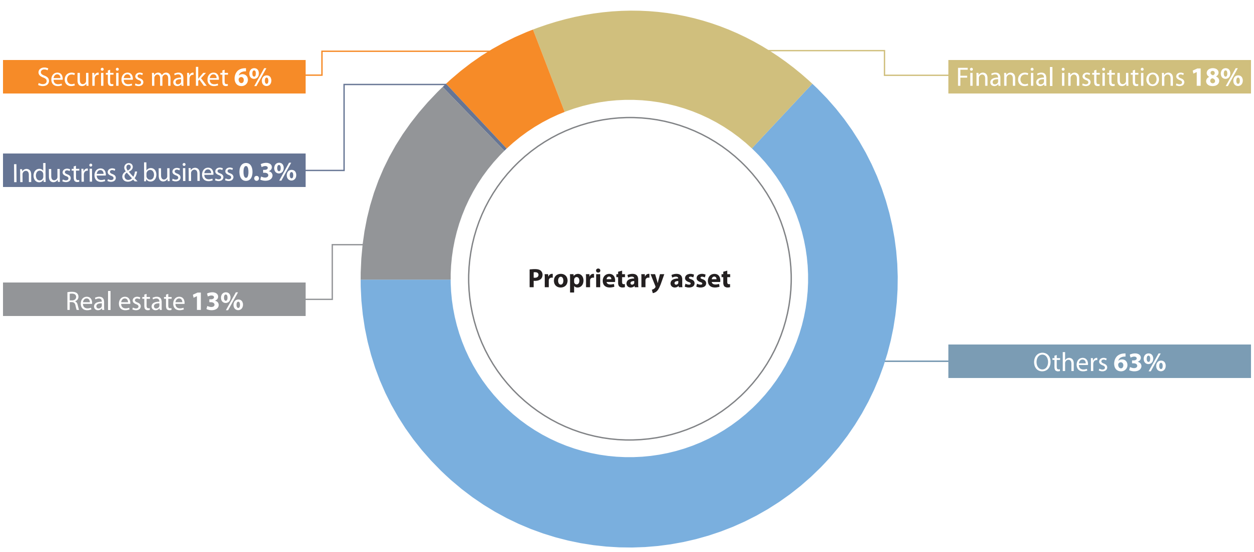
RMB billion

Trust profit attributable to beneficiaries



2016 asset allocation by industry





Key Service and Products

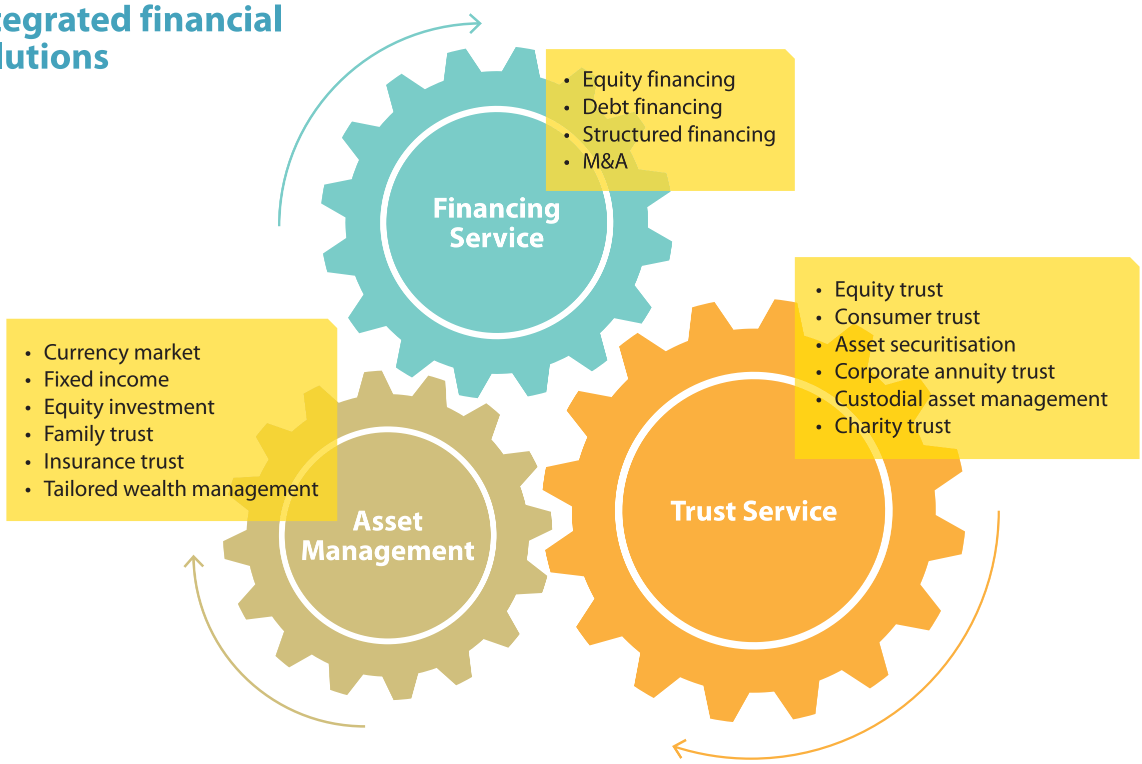
At the core of its business, CITIC Trust acts as a bridge between the financing and investment needs of clients. In effect, the company acts as an integrated platform to enable more efficient capital and asset allocation for each side of its client base. It offers main services across financing, asset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

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

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

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

Integrated financial solutions



Highlighted services and products pioneered by CITIC Trust

Family Trust

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

CITIC provides two kinds of family trust services — a customised service requiring a minimum AUM of RMB30 million and a standard service with minimum AUM of RMB6 million. In addition, products such as Insurance Trust have been set up with CITIC-Prudential, a subsidiary of CITIC Limited, to cater for the unique needs of family trust clients. The team includes financial advisors, lawyers, accountants and trust specialists, who provide integrated wealth management solutions. As of the end of 2016, over 650 clients with total AUM of approximately RMB6 billion had opened accounts with CITIC Trust, making its family trust service the largest among trust companies in China. Family Trust Services will become a sustainable income contributor over the long term for CITIC Trust.

Public-Private Partnerships (PPP)

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

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

Asset Securitisation Products

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

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

Consumer Trust Products

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

CITIC Trust cooperates with domestic internet giants such as Baidu, Ant Financial, and NetEase to integrate online and offline consumer trust product pilot activities under the emerging Internet + Finance + Consumer model. In 2015, CITIC Trust also rolled out the first trust product in China's diamond trade — a new, experimental investment model in the rigid diamond investment industry. The offering enabled investors to share in both investment and collection opportunities. In 2016, the company launched an online monetary fund, Le Mai Bao, which quickly reached RMB2.2 billion.

Overseas Businesses

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

Risk Management

Risk management framework

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

As most trust products are not standardised, CITIC Trust's comprehensive risk system has strong internal controls across each of the front, middle office and back offices — a system known as the "three lines of defence." The front office comprises the advisory and customer service teams; the middle office includes compliance personnel across the finance and legal functions; and the back office is composed of audit teams who review historical decisions and activity. As a result, the company is able to maintain a robust system of controls and monitoring at all stages of project development across all functions and service offerings.

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

Risk-mindfulness is embedded in all corporate strategy and development decisions

Board level
- Strategic Planning Committee
- Audit Committee
- Risk Management Committee
- Trust Committee
- Remuneration & Nomination Committee

Senior Management level
- Operational Decision & Executive Committee
- Trust Business Review Committee
- Proprietary Business Review Committee

Three lines of defence:
- Front office: Risk-ready incentive structures for staff in business development and client relations
- Middle office: On-site and real-time monitoring by staff in risk management, compliance, legal, finance, and administration
- Back office: On- and off-site review of decisions and activity by staff in auditing and asset preservation teams to deal with higher risk projects and lower loss

Solid Capital

The Measures for the Administration of Net Capital of Trust Companies came into force in 2010, which improved the regulatory framework for the trust industry. The regulation calls for trust companies to adopt more stringent risk management and focus on the light capital business itself. CITIC Trust's capital remained strong and stable during the year. As of the end of 2016, CITIC Trust's registered capital was RMB10 billion. Its net capital adequacy ratio remained stable at 172%, while the net capital of the company was RMB13.9 billion, both much higher than the regulatory requirements. This solid capital provides buffers and helps to absorb losses for long-term growth and business innovation.

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

Innovation: **Our Key to Success**

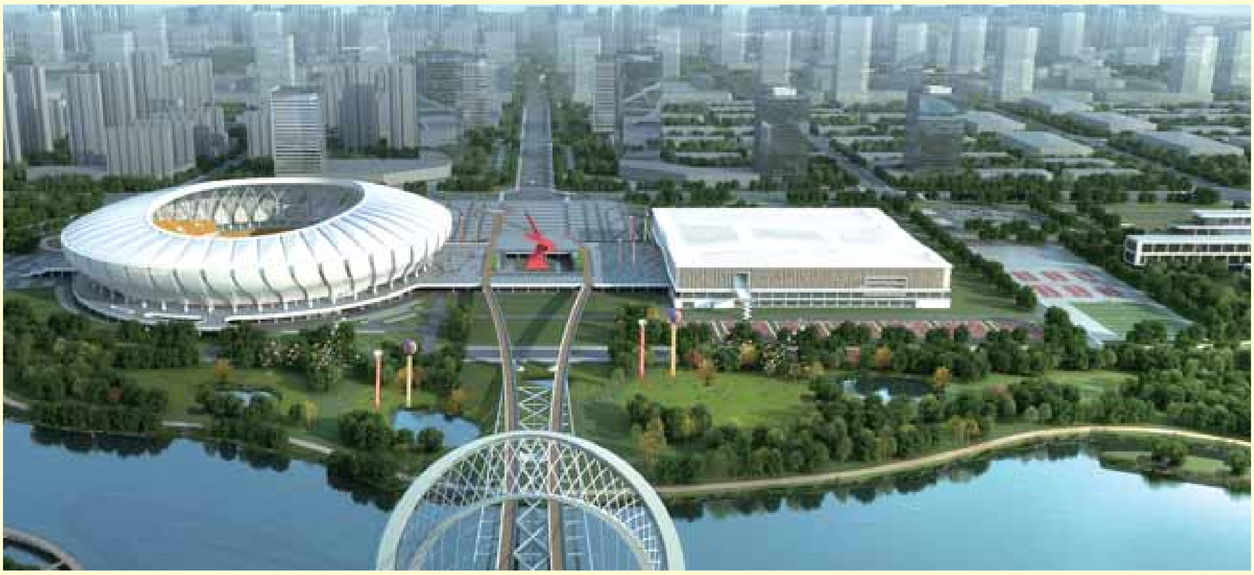
ZHAO Na
Vice President of CITIC Trust

Innovation,
the core of our success

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

Persistent improvement

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



PPP consortium,

a win-win for all

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

A supermarket of

financial instruments

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

Greater flexibility
to invest through equity and debt

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

Securitisation
as an exit strategy

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

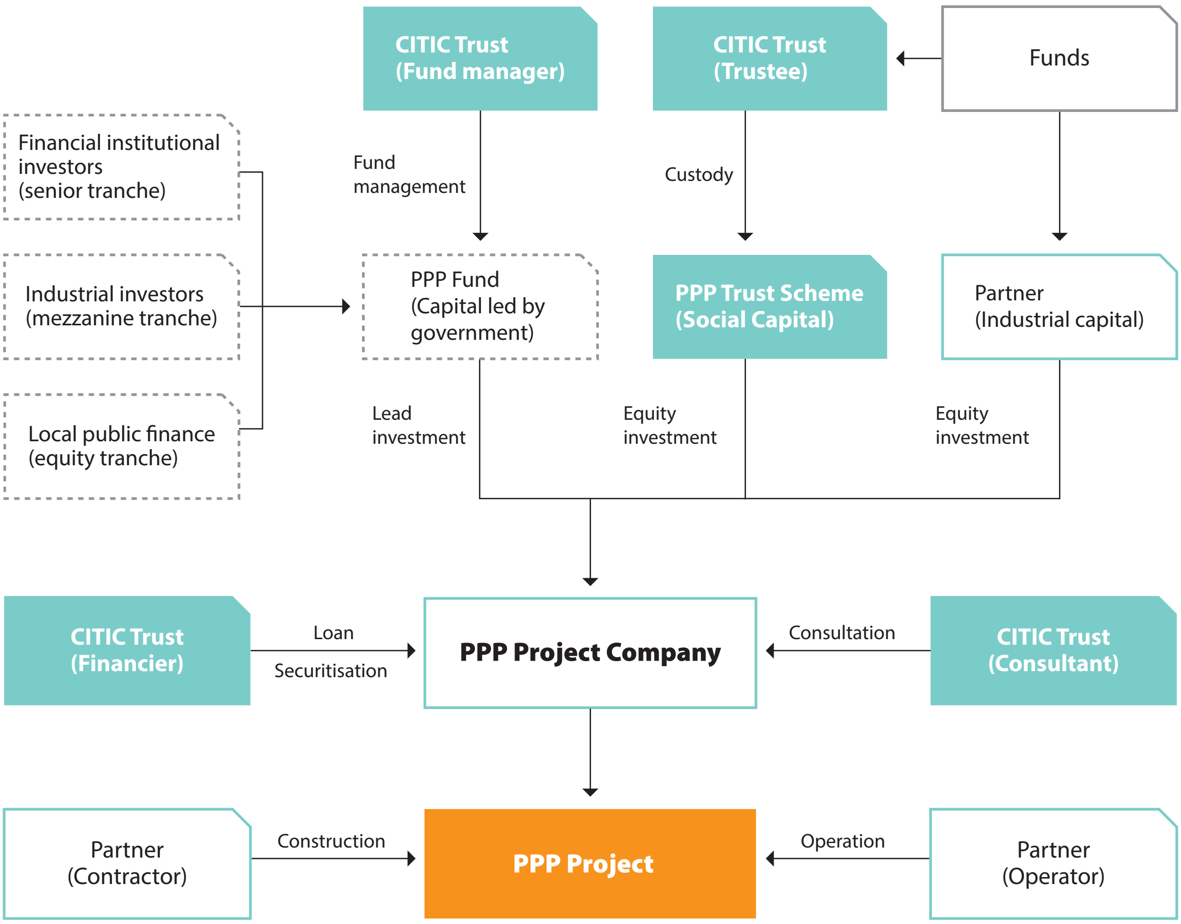
Leveraging our platform
to build a CITIC PPP consortium

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

Staying dynamic

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

An example of PPP project structure



What is PPP?

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

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

Financial Review

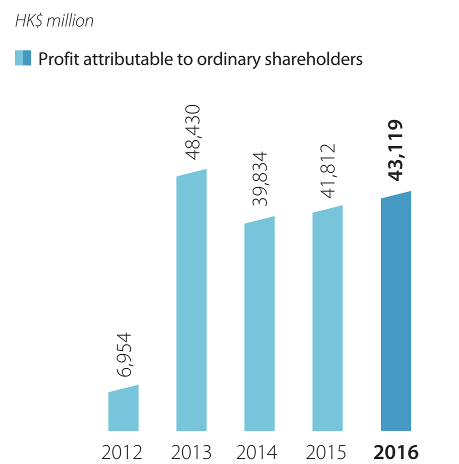
Overview

Profit attributable to ordinary shareholders

During 2016, the Group achieved net profit attributable to ordinary shareholders of HK$43,119 million, an increase of HK$1,307 million, or 3% from 2015. It included a gain of HK$10,337 million from the transfer of interests in certain domestic residential real estate projects held respectively by CITIC Real Estate and CITIC Pacific to China Overseas Land & Investment Limited, and an after tax impairment charge of HK$7,223 million taken on the Sino Iron Project. Excluding the impact of translation into Hong Kong dollars, the Company's reporting currency, resulting from the depreciation of Renminbi during the period given CITIC Limited's main operations and assets are in mainland China, an increase would have been HK$3,718 million, or 9% from 2015.

The financial services segment recorded net profit attributable to ordinary shareholders of HK$38,406 million. Excluding the gains recognised for the same period last year as a result of the disposal of equity interest in CITIC Securities and the dilution of CITIC Limited following the placing of new shares by CITIC Securities, the decrease in percentage of the Group's shareholdings in CITIC Bank, as well as the impact of translation due to RMB depreciation, the decrease from 2015 would have been HK$1.4 billion or 3%.The banking business experienced a slowdown in growth in net profit as a result of the increase in provision, but it remained the principal source of profit for the financial services segment. Following RMB depreciation and the introduction of China National Tobacco Corporation as a strategic investor of CITIC Bank, the percentage of the Group's shareholdings in CITIC Bank decreased as compared to the same period last year, resulting in a corresponding 8% decrease in net profit of CITIC Bank attributable to the Group. The trust business maintained stable performance, while the insurance business achieved rapid growth. The net profit increased 83% from 2015. The securities business experienced a significant decline in results in line with the overall conditions of China's securities market from 2015.

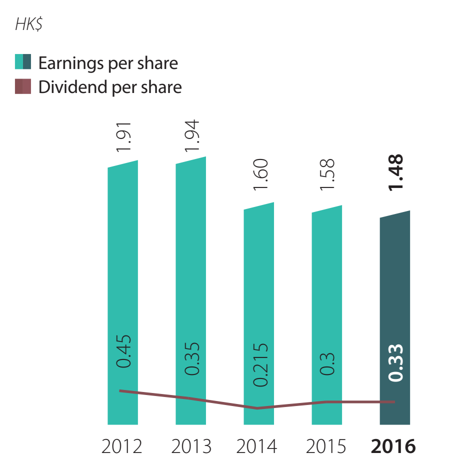
For the non-financial segments, the manufacturing business achieved net profit attributable to ordinary shareholders of HK$1,740 million, a decrease of HK$756 million, or 30% from 2015, mainly due to the weaker market demand in the heavy machinery business, and the increase in provision. The engineering contracting business recorded net profit attributable to ordinary shareholders of HK$1,675 million, representing a year-on-year decrease of HK$926 million or 36%, mainly because the project was in the inception stage. The resources and energy business reported to reduce loss of HK$10,352 million as a result of the improvements in the crude oil business and bulk commodity trade business, the Company's greater effort in cost reduction and efficiency enhancement, as well as the decrease in impairment loss of assets.



Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.48 in 2016, a decrease of 6% from HK$1.58 in 2015. As at 31 December 2016, the number of ordinary shares outstanding was 29,090,262,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK$0.23 per share to ordinary shareholders. Together with the interim dividend of HK$0.10 per share paid in September 2016, the total ordinary dividend will be HK$0.33 (2015: HK$0.30 per share). This equates to an aggregate cash distribution of HK$9,600 million.

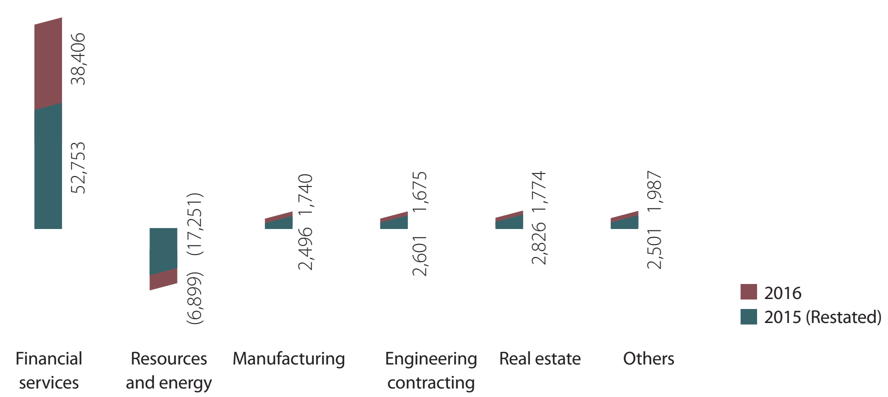


Profit/(loss) and assets by business

HK$ million	Profit/(loss) For the year ended 31 December 2016	2015 (Restated)	Assets as at 31 December 2016	2015 (Restated)
Financial services	**55,498**	70,183	**6,729,902**	6,211,176
Resources and energy	**(6,522)**	(18,318)	**135,784**	141,693
Manufacturing	**1,310**	2,624	**96,112**	97,208
Engineering contracting	**1,673**	2,601	**36,796**	42,245
Real estate	**2,264**	2,820	**143,596**	232,809
Others	**3,218**	3,600	**113,090**	113,738
Total	**57,441**	63,510	**7,255,280**	6,838,869
Operation management	**(4,698)**	(5,072)		
Discontinued operations	**10,309**	1,472		
Elimination	**(413)**	783		
Profit attributable to non-controlling interests and holders of perpetual capital securities	**19,520**	18,881		
Profit attributable to ordinary shareholders	**43,119**	41,812		

Profit/(loss) attributable to ordinary shareholders from continuing operations by business

HK$ million



Financial services:

In 2016, the financial services segment recorded net profit attributable to ordinary shareholders of HK$38,406 million. Excluding the gains recognised for the same period last year as a result of the disposal of equity interests in CITIC Securities, the dilution of CITIC Limited's equity interests following the placing of new shares by CITIC Securities and the decrease in shareholding in CITIC Bank by the Group, as well as the impact of translation due to RMB depreciation, the decrease from 2015 would have been HK$1.4 billion or 3%.

The banking business reported growth in net profit and remained the principal source of profit for the financial services segment. CITIC Bank continued to optimize its revenue mix and percentage share of the non-interest income increasingly expanded, and the increase in size of the non-interest income and the interest-bearing assets led to an increase in net profit over 2015. Following the impact of translation due to RMB depreciation, the introduction of China National Tobacco Corporation as a strategic investor of CITIC Bank, the percentage of the Group's shareholdings in CITIC Bank decreased as compared to last year, resulting in a corresponding 8% decrease in net profit of CITIC Bank attributable to the Group. The trust business reported stable performance in 2016, the size of its asset management has been ranked no. 1 in the industry for consecutive 10 years. The securities business has been affected by the general securities market in China, reporting a decrease in profit by 48%. The insurance business has grown rapidly with an increase in profit by 83%.

Resources and energy:

International demand for bulk commodities and energy has been increasing in 2016. Price of crude oil was still at a historical low even though it rose in 2016, having greater impact on the Group's crude oil business. The rise in coal price and the decline of the on-grid electricity price have made adverse impact on the Group's power generation business.

The resources and energy business recorded a loss of HK$6,899 million in 2016, representing a decrease in loss of HK$10,352 million as compared to last year. In particular, the Company made an impairment provision of approximately HK$7,223 million (net of tax) following a valuation appraisal conducted for the Sino Iron Project principally due to downward adjustment of forward price forecast of iron ore by independent institutions regardless of recent increase in iron ore spot price. Loss recorded in the crude oil business has significantly reduced as compared to last year due to decrease in taxes and dues as well as costs control. The power generation business continued to generate stable cash flow to the Company. The Las Bambas copper mine project in Peru, in which CITIC Metal holds a 15% interest, has made profit contribution to the Group upon the commencement of commercial production.

CITIC Limited carried out a merger combining its two principal subsidiaries engaging resources and energy business, namely CITIC Metal and CITIC United Asia, by setting up CITIC Metal Group Limited in order to strengthen its competitiveness and investment return in mining investment and bulk commodities trading. The Sino Iron Project passed an important milestone in 2016 that all six production lines of the Sino Iron Project have been in operation with approximately 11 million wet metric tonnes of concentrate produced for export in 2016.

Manufacturing:

The manufacturing business recorded net profit attributable to ordinary shareholders of HK$1,740 million in 2016, representing a decrease of HK$756 million or 30% from 2015. Owing to the focus on higher margin products, and an optimised procurement strategy to manage raw material cost, net profit of special steel business increased over 20% compared with 2015, excluding the impairment recorded in 2015. CITIC Dicastal recorded an increase in net profit by 21% over 2015 due to relatively rapid growth in sales of aluminium wheels and castings encouraged by increase in global and domestic demand for automobiles. However, the heavy equipment recorded a significant loss in 2016 due to reduction of demand from downstream sector, resulting in limited effectiveness achieved from new business investment, as well as the effect of impairment provision for inventory.

Engineering contracting:

The engineering contracting segment recorded net profit attributable to ordinary shareholders of HK$1,675 million, a decrease of HK$926 million from 2015. Such decrease was principally due to all new projects at initial stage or in phase of contract negotiation, but was partially offset by collection of amounts due from the Algerian expressway project.

Real Estate:

The Group recorded a gain of HK$10.3 billion from the disposal of interest in certain residential real estate projects in the PRC held by CITIC Corporation and CITIC Pacific respectively to China Overseas Land & Investment Limited, and the operating results and cash flow of the items were presented under the discontinued operations of the Group. For details, please refer to notes 17(a) and 50 to the financial statements.

For continued operations of the Group, the real estate business recorded a decline in profit due to the gains from the sales of Royal Pavilion (華山公寓) in 2015 and a decrease in gains from the revaluation of investment properties in 2016. The average occupancy rate for investment properties was approximately 95% as at 31 December 2016, which was comparable with preceding years.

Others:

Others segment recorded net profit attributable to ordinary shareholders of HK$1,987 million in 2016, a decrease of HK$514 million from 2015. The infrastructure business, such as expressways and ports, and the international telecommunications service business continued to generate stable profit and cash flow. Dah Chong Hong recorded a decline in profit due to weak performance of food business and consumer goods in China.

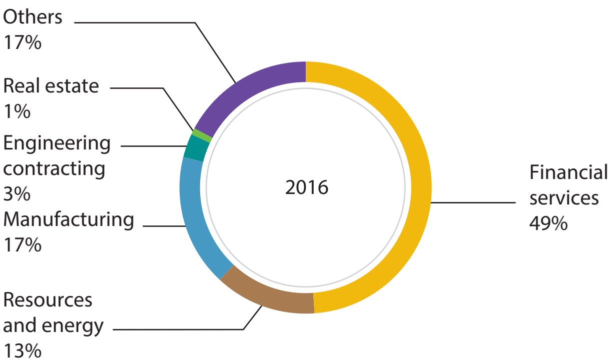
CITIC Envirotech, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited of which controlling stakes were acquired by the Group on 24 April 2015, reported substantial year-on-year growth in net profit in 2016 after expanding its EPC, water treatment and membrane product businesses.

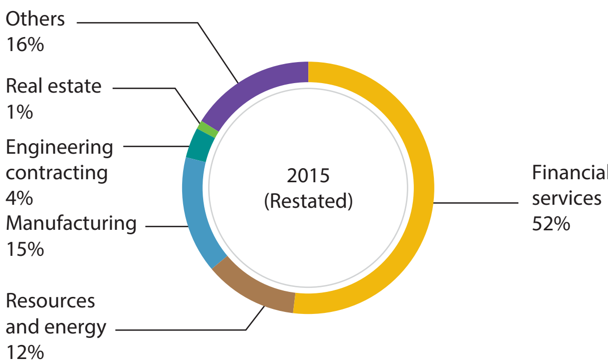
Group Financial Results

Revenue

For 2016, CITIC Limited recorded revenue of HK$380,822 million from continuous operations, a decrease of HK$14,488 million or 4%, as compared with the same period last year. Excluding gains of HK$12.2 billion recognised for the same period last year as a result of the disposal of 3.16% equity interests in CITIC Securities and the dilution of CITIC Limited's equity interests following the placing of new shares by CITIC Securities, as well as the impact of translation due to RMB depreciation for the current period, the increase amounted to HK$14 billion or 4%. Revenue from financial services was decreased by HK$17,841 million or 9% to HK$187,537 million. Excluding gains recognised for the same period last year as a result of the disposal of 3.16% equity interests in CITIC Securities and the dilution of CITIC Limited's equity interests following the placing of new shares by CITIC Securities, as well as the impact of translation due to RMB depreciation for the current period, the increase amounted to HK$6.4 billion or 3%, mainly attributable to the revenue contribution from banking business. The gradual increase in the international demand for bulk commodities and energy drove the increase in revenue from iron ore and copper trade. The Sino Iron project were in full operation in the second half of the year, recording revenue of approximately HK$3.6 billion. Revenue contributions from the power generation and platinum operations decreased year-on-year due to factors including lower prices, partially offsetting the aforesaid growth. The manufacturing segment recorded revenue of HK$62,350 million, an increase of HK$2,273 million or 4%, due to the sales of aluminum wheels and castings grew, but the escalating competition in the heavy machinery industry and the decline in order prices partially offset the aforesaid growth, in addition, even though the prices of special steel products keeping declining, the sales volume grew, revenue from special steel business maintained stable. The engineering contracting business recorded revenue of HK$11,023 million, a year-on-year decrease of HK$3,653 million or 25%, as its new projects were at initial stage or in phase of contract negotiation. Revenue from continuous operations of the real estate segment amounted to HK$4,900 million. Revenue from other businesses amounted to HK$64,723 million, an increase of HK$1,375 million or 2%, mainly attributable to the increase in revenue from Dah Chong Hong's acquisition of LF Asia's food and healthcare business and the notable year-on-year increase in the business scale of CITIC Envirotech, but the decline in traditional telecommunications services and international automobile sales partially offset the growth impact.

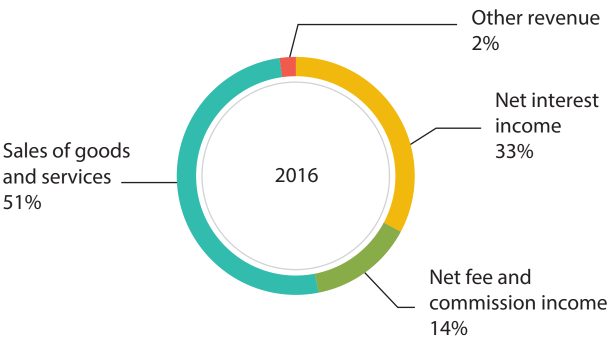
	Year ended 31 December		Increase/(decrease)	
Continuing operations *HK$ million*	**2016**	2015 (restated)	Amount	%
Financial services	**187,537**	205,378	(17,841)	(9%)
Resources and energy	**50,254**	45,664	4,590	10%
Manufacturing	**62,350**	60,077	2,273	4%
Engineering contracting	**11,023**	14,676	(3,653)	(25%)
Real estate	**4,900**	6,025	(1,125)	(19%)
Others	**64,723**	63,348	1,375	2%

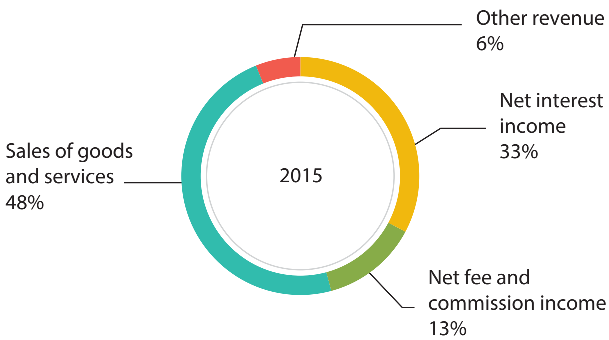




By nature

Continuing operations *HK$ million*	Year ended 31 December 2016	2015 (restated)	Increase/(decrease) Amount	%
Net interest income	**125,923**	131,883	(5,960)	(5%)
Net fee and commission income	**54,578**	48,899	5,679	12%
Sales of goods and services	**193,292**	189,880	3,412	2%
– Sales of goods	**156,528**	149,628	6,900	5%
– Services rendered to customers	**26,895**	27,370	(475)	(2%)
– Revenue from construction contracts	**9,869**	12,882	(3,013)	(23%)
Other revenue	**7,029**	24,648	(17,619)	(71%)





Impairment losses

In 2016, the Group recorded an asset impairment of HK$73,590 million, a year-on-year decrease of HK$5,598 million or 7%. Of the total impairment, CITIC Bank accounted for HK$61,171 million, which mainly includes HK$53,481 million impairment on its loans and advances to customers. The other major impairment loss of HK$10,152 million was related to the Sino Iron Project in Australia.

Net finance charges

In 2016, finance costs amounted to HK$8,688 million, a decrease of HK$551 million or 6% compared with the same period last year, mainly attributable to a year-on-year decrease in debt size both at operation management and subsidiaries in the non-financial segments.

In 2016, finance income from operation management and subsidiaries in the non-financial segments amounted to HK$1,552 million, a year-on-year decrease of HK$806 million or 34%. This increase mainly came from interest income on bank deposits.

Interest expense capitalised

In 2016, interest expense capitalised amounted to HK$576 million, a year-on-year decrease of HK$1,562 million or 73%. This was mainly because that the 6 production lines of Sino Iron were in full operation, interest expense capitalised decreased correspondingly.

Income tax

In 2016, income tax of the Group was HK$18,393 million, a decrease of HK$1,031 million compared with the same period last year. This was in line with the change in profit before taxation.

Group Cash Flows

HK$ million	CITIC Limited Year ended 31 December 2016	2015 (restated)	Increase/ (Decrease)	%	CITIC Bank Year ended 31 December 2016	2015	Increase/ (Decrease)	%
Net cash generated from operating activities	**280,465**	309	280,156	90665%	**255,982**	(25,948)	281,930	(1087%)
– Continuing operations	**274,809**	(451)	275,260	(61033%)	**255,982**	(25,948)	281,930	(1087%)
– Discontinued operations	**5,656**	760	4,896	644%	**–**	–	–	–
Net cash used in investing activities	**(211,586)**	(143,528)	(68,058)	47%	**(206,426)**	(177,540)	(28,886)	16%
– Continuing operations	**(196,699)**	(142,570)	(54,129)	38%	**(206,426)**	(177,540)	(28,886)	16%
Including: Proceeds from disposal and redemption of financial investments	**681,246**	884,132	(202,886)	(23%)	**638,353**	795,726	(157,373)	(20%)
Payments for purchase of financial investments	**(855,582)**	(1,018,145)	162,563	(16%)	**(835,866)**	(965,341)	129,475	(13%)
– Discontinued operations	**(14,887)**	(958)	(13,929)	1454%	**–**	–	–	–
Net cash generated from/(used in) financing activities	**94,155**	162,486	(68,331)	(42%)	**128,830**	192,080	(63,250)	(33%)
– Continuing operations	**105,958**	164,846	(58,888)	(36%)	**128,830**	192,080	(63,250)	(33%)
Including: Proceeds from new bank and other loans and new debt instruments issued	**96,264**	91,972	4,292	5%	**707,081**	387,284	319,797	83%
Repayment of bank and other loans and debt instruments issued	**(706,253)**	(359,657)	(346,596)	96%	**(594,111)**	(190,918)	(403,193)	211%
Interest paid on bank and other loans and debt instruments issued	**(28,920)**	(21,853)	(7,067)	32%	**(16,603)**	(10,486)	(6,117)	58%
Dividends paid to ordinary shareholders	**(8,727)**	(7,890)	(837)	11%	**(12,136)**	–	(12,136)	100%
Dividends/distribution paid to non-controlling interests/ holders of perpetual capital securities	**(7,141)**	(3,119)	(4,022)	129%	**(183)**	(171)	(12)	7%
– Discontinued operations	**(11,803)**	(2,360)	(9,443)	400%	**–**	–	–	–
Net (decrease)/increase in cash and cash equivalents	**163,034**	19,267	143,767	746%	**178,387**	(11,408)	189,795	(1664%)
Cash and cash equivalents at 1 January	**354,111**	347,891	6,220	2%	**270,195**	289,496	(19,301)	(7%)
Effect of exchange rate changes	**(23,007)**	(13,047)	(9,960)	76%	**(17,781)**	(7,893)	(9,888)	125%
Cash and cash equivalents at 31 December	**494,138**	354,111	140,027	40%	**430,801**	270,195	160,606	59%

Capital Expenditures

HK$ billion

	Year ended 31 December		Increase/(Decrease)	
HK$ million	**2016**	2015	Amount	%
Financial services	**16,350**	13,819	2,531	18%
Resources and energy	**4,874**	12,059	(7,185)	(60%)
Manufacturing	**5,405**	4,937	468	9%
Engineering contracting	**1,564**	508	1,056	208%
Real estate	**5,979**	3,013	2,966	98%
Others	**14,092**	11,368	2,724	24%
Total	**48,264**	45,704	2,560	6%

Capital Commitments

As at 31 December 2016, the contracted capital commitments of the Group amounted to approximately HK$18,004 million. Details are disclosed in note 46(f) to the financial statements.

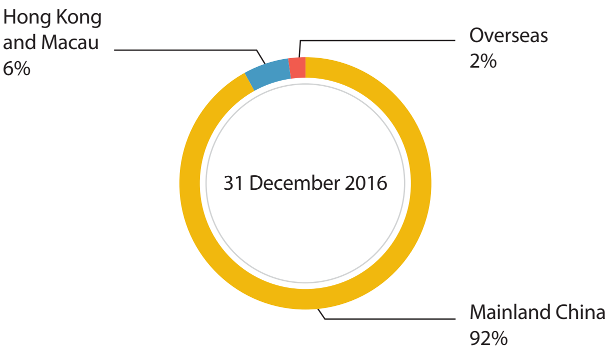
Group Financial Position

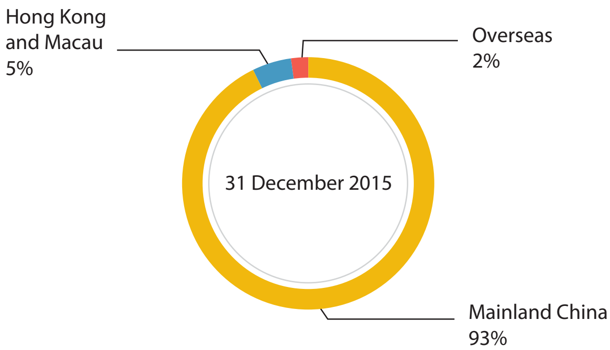
HK$ million	**As at 31 December 2016**	As at 31 December 2015	**Increase/(Decrease)** Amount	%	Note to the Financial Statements
Total assets	**7,237,995**	6,803,309	434,686	6%	
Loans and advances to customers and other parties	**3,137,906**	2,947,798	190,108	6%	25
Investments classified as receivables	**1,166,325**	1,331,281	(164,956)	(12%)	28
Cash and deposit	**927,259**	801,615	125,644	16%	18
Available-for-sale financial assets	**642,477**	494,786	147,691	30%	26
Held-to-maturity investments	**244,151**	216,267	27,884	13%	27
Fixed assets	**172,236**	183,740	(11,504)	(6%)	32
Inventories	**48,905**	130,447	(81,542)	(63%)	23
Total liabilities	**6,542,144**	6,140,140	402,004	7%	
Deposits from customers	**4,031,522**	3,766,848	264,674	7%	40
Deposits from banks and non-bank financial institutions	**1,097,164**	1,275,421	(178,257)	(14%)	36
Debt instruments issued	**543,893**	449,772	94,121	21%	42
Borrowing from central banks	**205,755**	44,761	160,994	360%	
Financial assets sold under repurchase agreements	**134,534**	84,949	49,585	58%	39
Bank and other loans	**112,819**	147,221	(34,402)	(23%)	41
Total ordinary shareholders' funds and perpetual capital securities	**490,633**	492,902	(2,269)	(0.5%)	

Total assets

Total assets increased from HK$6,803,309 million as at 31 December 2015 to HK$7,237,995 million as at 31 December 2016, mainly attributable to an increase in loans and advances to customers and other parties, available-for-sale financial assets and cash and deposits.

By geography





Loans and advances to customers and other parties

As at 31 December 2016, the loans and advances to customers and other parties of the Group was HK$3,137,906 million, an increase of HK$190,108 million or 6% compared to 31 December 2015. The proportion of loans and advances to customers and other parties to total assets was 43.35%, an increase of 0.02 percentage point compared to 31 December 2015.

HK$ million	**As at 31 December 2016**	As at 31 December 2015	**Increase/(Decrease)** Amount	%
Corporate loans	**2,073,150**	2,115,285	(42,135)	(2%)
Discounted bills	**83,949**	110,721	(26,772)	(24%)
Personal loans	**1,069,417**	798,078	271,339	34%
Total loans and advances to customers and other parties	**3,226,516**	3,024,084	202,432	7%
Impairment allowances	**(88,610)**	(76,286)	(12,324)	16%
Net loans and advances to customers and other parties	**3,137,906**	2,947,798	190,108	6%

Deposits from customers

As at 31 December 2016, deposits from customers of the financial institutions under the Group were HK$4,031,522 million, an increase of HK$264,674 million or 7% compared to 31 December 2015. The proportion of deposits from customers to total liabilities was 61.62%, a decrease of 0.27 percentage point compared to 31 December 2015.

HK$ million	**As at 31 December 2016**	As at 31 December 2015	**Increase/(Decrease)** Amount	%
Corporate deposits				
Time deposits	**1,554,160**	1,727,112	(172,952)	(10%)
Demand deposits	**1,845,451**	1,385,738	459,713	33%
Subtotal	**3,399,611**	3,112,850	286,761	9%
Personal deposits				
Time deposits	**363,387**	432,611	(69,224)	(16%)
Demand deposits	**260,433**	213,561	46,872	22%
Subtotal	**623,820**	646,172	(22,352)	(3%)
Outward remittance and remittance payables	**8,091**	7,826	265	3%
Total	**4,031,522**	3,766,848	264,674	7%

Bank and other loans

HK$ million	**As at 31 December 2016**	As at 31 December 2015	**Increase/(Decrease)** Amount	%
Financial services	**2,964**	1,339	1,625	121%
Resources and energy	**41,398**	42,562	(1,164)	(3%)
Manufacturing	**15,088**	16,521	(1,433)	(9%)
Engineering contracting	**1,276**	1,282	(6)	(0.5%)
Real estate	**10,721**	85,618	(74,897)	(87%)
Others	**32,863**	37,672	(4,809)	(13%)
Operation management	**21,749**	12,586	9,163	73%
Elimination	**(13,240)**	(50,359)	37,119	(74%)
Total	**112,819**	147,221	(34,402)	(23%)

Debt instruments issued

HK$ million	**As at 31 December 2016**	As at 31 December 2015	**Increase/(Decrease)** Amount	%
Financial services	**432,579**	345,120	87,459	25%
Resources and energy	**1,453**	446	1,007	226%
Manufacturing	**4,242**	5,033	(791)	(16%)
Engineering contracting	**–**	–	–	–
Real estate	**–**	4,750	(4,750)	(100%)
Others	**4,682**	5,283	(601)	(11%)
Operation management	**100,937**	89,804	11,133	12%
Elimination	**–**	(664)	664	(100%)
Total	**543,893**	449,772	94,121	21%

Total ordinary shareholders' funds and perpetual capital securities

As at 31 December 2016, total ordinary shareholders' funds and perpetual capital securities amounted to HK$490,633 million, a decrease of HK$2,269 million compared to 31 December 2015. In addition to the redemption of the perpetual capital securities of US$750 million (HK$5,850 million) on 15 April 2016 by the Company, the decrease mainly was attributable to other comprehensive loss, such as exchange differences on translation of financial statements resulted from RMB depreciation in the currency period.

Risk Management

CITIC Limited has established a risk management and internal control system covering all business segments to identify, assess and manage various risks in the Group's business activities. The business, operating results, financial position and profitability of CITIC Limited may be subject to a number of risk factors and uncertainties, directly or indirectly, relating to the Group. The risk factors set out below are not exhaustive and CITIC Limited, in addition to these risk factors, may also be exposed to other unknown risks or risks that may not be material at present but may become material in future.

Financial Risk

As a sub-committee of the Executive Committee, the Asset and Liability Management Committee ("ALCO") has been established to monitor financial risks of the Group in accordance with the relevant treasury and financial risk management policies.

Asset and liability management

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

1. Debt

ALCO centrally manages and regularly monitors the existing and projected debt levels of CITIC Limited and its major non-financial subsidiaries to ensure that the Group's debt size, structure and cost are at reasonable levels.

As at 31 December 2016, consolidated debt of CITIC Limited[1] was HK$656,712 million, including loans of HK$112,819 million and debt instruments issued[2] of HK$543,893 million. Debt of the head office of CITIC Limited[3] accounted for HK$68,247 million and debt of CITIC Bank[4] HK$432,579 million. In addition, the head office of CITIC Limited had cash and deposits of HK$4,897 million and available committed facilities from banks and subsidiaries of HK$17,000 million.

The details of debt are as follows:

As at 31 December 2016		HK$ million
Consolidated debt of CITIC Limited		656,712
Among which:	Debt of the head office of CITIC Limited	68,247
	Debt of CITIC Bank	432,579

Note:

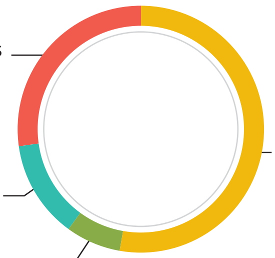
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit and certificates of interbank deposit issued;

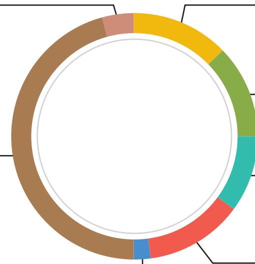
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

(4) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit and certificates of interbank deposit issued.

Consolidated debt by maturity as at 31 December 2016



Consolidated debt by type as at 31 December 2016



The debt to equity ratio of CITIC Limited as at 31 December 2016 is as follows:

HK$ million	**Consolidated**	**Head office**
Debt	656,712	68,247
Total equity[5]	695,851	397,507
Debt to equity ratio	94%	17%

Note:

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

2. Liquidity risk management

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

CITIC Limited's liquidity management involves the regular cash flow forecast for the next three years and the consideration of its liquid assets level and new financings necessary to meet future cash flow requirements.

CITIC Limited centrally manages its own liquidity and that of its major non-financial subsidiaries and improves the efficiency of fund utilisation. With flexible access to domestic and overseas markets, CITIC Limited seeks to diversify sources of funding through different financing instruments, in order to raise low-cost funding of medium and long terms, maintain a mix of staggered maturities and minimise refinancing risk.

Details of liquidity risk management are set out in Note 47(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2016 are set out in Note 46 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets and intangible assets pledged as security for CITIC Limited's loan as at 31 December 2016 are set out in Note 41(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	Moody's
31 Dec. 2016	A–/Negative	A3/Negative

Treasury risk management

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

- Interest rate risk
- Currency risk
- Counterparty risk for financial products
- Commodity risk
- Market price risk

CITIC Limited manages the above risks by using appropriate financial derivatives or other means, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKAS 39 in performing treasury risk management responsibilities. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

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

1. Interest rate risk

CITIC Limited regularly monitors current and projected interest rate changes, with each of the operating entities of the Group implementing its own interest rate risk management system covering identification, measurement, monitoring and control of market risks. Interest rate risk is managed by taking into account market conditions and controlled at a reasonable level.

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

For our head office and non-financial subsidiaries, the interest rate risk arises primarily from debt. Borrowings at floating rates expose CITIC Limited to cash flow interest rate risk, while borrowings at fixed rates expose CITIC Limited to fair value interest rate risk. Based on its balance sheet and market conditions, CITIC Limited and its non-financial subsidiaries will conduct analysis and sensitivity testing on interest rate risk, adopt a flexible approach in choosing financing instruments at floating and fixed rates, or choose to employ, at the suitable time, the interest rate swaps and other derivative instruments approved for use by the ALCO to manage interest rate risk.

Details of interest rate risk management are set out in Note 47(c) to the consolidated financial statements.

2. Currency risk

CITIC Limited has major operations in mainland China, Hong Kong and Australia, with Renminbi ("RMB"), Hong Kong dollar ("HKD") and United States dollar ("USD") as functional currencies respectively. The Group's member companies are exposed to currency risk from gaps between financial assets and liabilities, future commercial transactions and net investments in foreign operations that are denominated in a currency that is not the member company's functional currency. The reporting currency of the consolidated financial statements of CITIC Limited is HKD. Translation exposures from the consolidation of subsidiaries, whose functional currency is not HKD, are not hedged by using derivative instruments as no cash exposures are involved.

CITIC Limited measures its currency risk mainly by currency gap analysis. Where it is appropriate, the Group seeks to lower its currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currency or using forward contracts and cross currency swaps, provided that hedging is only considered for firm commitments and highly probable forecast transactions.

Details of currency risk management are set out in Note 47(d) to the consolidated financial statements.

3. **Counterparty risk for financial products**
CITIC Limited has business with various financial institutions, including deposits, interbank lending, financial investment products and derivative financial instruments. To mitigate the risk of non-recovery of deposited funds or financial instrument gains, member companies of CITIC Limited approve and adjust the list of counterparties and credit limits of approved financial institutions through internal credit extension processes. A regular report is required.

4. **Commodity risk**
Some businesses of CITIC Limited involve the production, procurement, and trading of commodities, and they face exposure to price risks of commodities such as iron ore, crude oil, gas and coal.

To manage some of its raw material exposures such as supply shortages and price volatility, CITIC Limited has entered into long-term supply contracts for certain inputs or used plain vanilla futures or forward contracts for hedging. While CITIC Limited views that natural offsetting is being achieved to a certain extent across its different business sectors, it performs a continual risk management review to ensure commodity risks are well understood and controlled within its business strategies.

5. **Market price risk**
CITIC Limited holds investments in financial assets classified as available-for-sale financial assets or financial assets at fair value through profit or loss in the consolidated balance sheet. To control price risks arising from such investments, the Group actively monitors the price changes and diversifies the relevant investment risks through appropriate asset allocation.

Economic Environment

CITIC Limited operates diversified businesses globally in various countries and regions. As a result, its financial condition, operational results and business prospects are, to a significant degree, subject to the development of both international and domestic economies, as well as the political and legislative environment.

As China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. With the sluggish global economic recovery, growth remains soft in the developed economies and tends to be more divergent across regions due to significant differences in inherent structures. In emerging markets, economic growth continues to slow down. The economic rebound is still vulnerable due to the uncertainty of potential market growth and commodity prices, as well as capital outflows. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on its operational results, financial condition and profitability.

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

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 2016. In respect of code provision A.6.7 of the CG Code, Mr Liu Yeqiao (non-executive director) was not able to attend the annual general meeting of the Company held on 8 June 2016 ("2016 AGM") due to other engagements. Details of attendance records of all directors at the 2016 AGM are set out in the section below headed "Board meetings and attendance".

For the year 2016, the Company had made further progress with its corporate governance practices including:

- Established the Strategic Committee to accommodate the strategic development of the Company and enhance its core competitiveness, make and implement the development plan of the Company, streamline the investment-related decision making procedures and procure well-advised and efficient decision making

- Re-designated the Executive Committee as the highest authority of the management of the Company, accountable to but not a committee under the board

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.

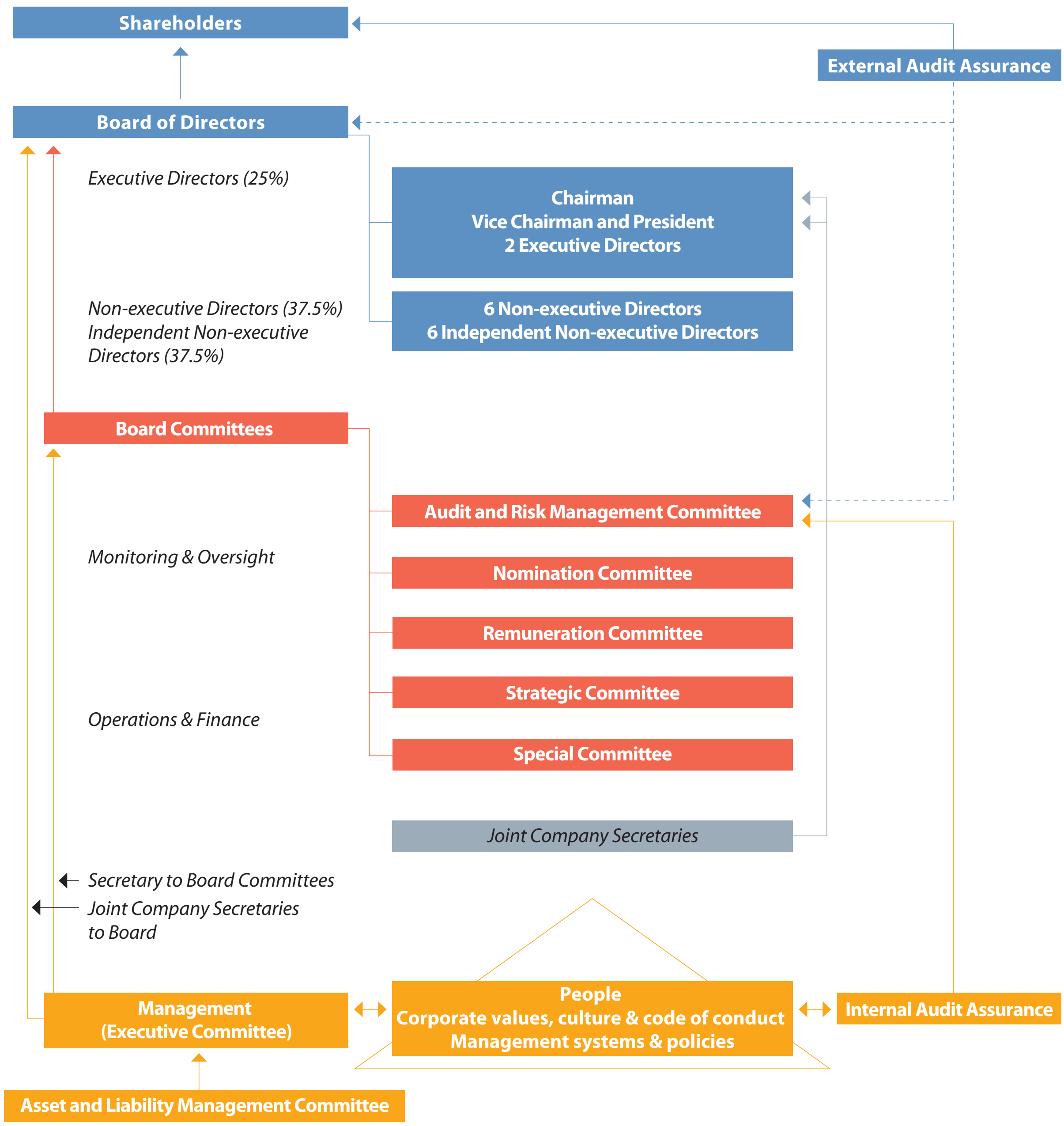
Preservation of Value and Strategy

The Company is the largest conglomerate in China and a constituent of the Hang Seng Index. 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 committee. 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

During the year 2016, the Company announced the following changes in board composition.

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.

On 12 April 2016, Mr Yu Zhensheng retired from the board as a non-executive director of the Company and Ms Yan Shuqin was appointed as a non-executive director of the Company.

On 20 December 2016, Mr Li Rucheng resigned from the board as a 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 16 directors, comprising four executive directors, six non-executive directors and six independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise 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 six non-executive directors who are not independent (as considered by The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), Mr Yang Jinming, Mr Liu Yeqiao, Mr Song Kangle and Ms Yan Shuqin 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) and Mr Yang Xiaoping is the senior vice chairman of the Charoen Pokphand Group.

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 109 to 112.

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 the articles of association of the Company, Mr Song Kangle, Mr Li Rucheng, Mr Paul Chow Man Yiu and Ms Yan Shuqin who were appointed as directors of the Company during the year shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of the Company and then shall be eligible for re-election at such meeting. All of the above directors were re-elected at the 2016 AGM. Mr Li Rucheng subsequently resigned as a non-executive director of the Company with effect from 20 December 2016 due to his other work commitments.

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 operation and management powers are delegated to the executive committee which reports 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 is also responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The audit and risk management committee which acts on behalf of the board conducts a review of the effectiveness of the risk management and internal control systems annually and reports to the board on such review. Details are set out in the section below headed "Risk management and internal control".

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$2 billion.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 87 to 95.

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. During the year, four 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 2016 to 31 December 2016 is as follows:

	Reading materials/ regulatory updates/ management monthly updates	Attending briefings/ seminars	Board retreat meeting/ paying site visits
Executive Directors			
Mr Chang Zhenming	✓		✓
Mr Wang Jiong	✓		✓
Ms Li Qingping	✓		✓
Mr Pu Jian	✓		✓
Non-executive Directors			
Mr Yang Jinming	✓	✓	✓
Mr Liu Yeqiao	✓	✓	✓
Mr Song Kangle(1)	✓	✓	✓
Ms Yan Shuqin(2)	✓	✓	✓
Mr Liu Zhongyuan	✓		✓
Mr Yang Xiaoping	✓		✓
Independent Non-executive Directors			
Mr Francis Siu Wai Keung	✓		✓
Dr Xu Jinwu	✓		✓
Mr Anthony Francis Neoh	✓		✓
Ms Lee Boo Jin	✓		
Mr Noriharu Fujita	✓		✓
Mr Paul Chow Man Yiu(1)	✓		✓

Note:

(1) appointed with effect from 18 March 2016 and induction materials and briefing by external legal counsel were provided in respect of their appointment.
(2) appointed with effect from 12 April 2016 and induction materials and briefing by external legal counsel were provided in respect of her appointment.

Ms Cao Pu and Mr Yu Zhensheng retired from the board as non-executive directors with effect from 18 March 2016 and 12 April 2016 respectively. Mr Li Rucheng was appointed as a non-executive director with effect from 18 March 2016 and subsequently resigned on 20 December 2016. Reading materials, regulatory updates and management monthly updates were provided to the above directors during the period of their tenure.

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 were held in 2016. 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 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 2016 is set out below:

	Board Meeting	Annual General Meeting on 8 June 2016
Number of Meetings	4	1
Current Directors		
Executive Directors		
Mr Chang Zhenming (Chairman)	4/4	✓
Mr Wang Jiong (Vice Chairman and President)	3/4	✓
Ms Li Qingping	3/4	✓
Mr Pu Jian	4/4	✓
Non-executive Directors		
Mr Yang Jinming	3/4	✓
Mr Liu Yeqiao	3/4	–
Mr Song Kangle(1)	4/4	✓
Ms Yan Shuqin(2)	3/3	✓
Mr Liu Zhongyuan	4/4	✓
Mr Yang Xiaoping	4/4	✓
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	4/4	✓
Dr Xu Jinwu	4/4	✓
Mr Anthony Francis Neoh	4/4	✓
Ms Lee Boo Jin	4/4	✓
Mr Noriharu Fujita	4/4	✓
Mr Paul Chow Man Yiu(1)	4/4	✓
Directors who retired or resigned during the year		
Non-executive Directors		
Ms Cao Pu(3)	N/A	N/A
Mr Yu Zhensheng(4)	1/1	N/A
Mr Li Rucheng(5)	4/4	✓

Note:

(1) appointed with effect from 18 March 2016
(2) appointed with effect from 12 April 2016
(3) retired with effect from 18 March 2016
(4) retired with effect from 12 April 2016
(5) appointed with effect from 18 March 2016 and resigned with effect from 20 December 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 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:

Audit and risk management committee

The audit and risk management committee oversees the relationship with the external auditor, and reviews 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 two non-executive directors and three independent non-executive directors. The chairman of the committee is Mr Francis Siu Wai Keung, an independent non-executive director. Mr Francis Siu Wai Keung has the relevant professional qualification and expertise in financial reporting matters. The audit and risk management committee holds 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 terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/managementcommittee.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
Independent Non-executive Directors		
Mr Francis Siu Wai Keung (chairman)	4/4	
Dr Xu Jinwu	4/4	
Mr Anthony Francis Neoh	4/4	Appointed with effect from 18 March 2016
Non-executive Directors		
Mr Liu Yeqiao	1/1	Appointed with effect from 11 November 2016
Mr Yang Xiaoping	0/1	Appointed with effect from 11 November 2016
Ms Cao Pu	N/A	Resigned with effect from 18 March 2016
Other Attendees		
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 by the company secretary.

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 2016

The audit and risk management committee performed the following in 2016:

Financial reporting	Reviewed the 2015 annual financial statements, annual report and results announcement
	Reviewed the 2016 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2015 annual report and 2016 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed report provided by the external auditor on their statutory audit of the 2015 annual financial statements and their independent review of the 2016 half-year financial statements
	Discussed financial reporting and control matters set out in the report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of the Company's 2016 half-year financial statements and their statutory audit of the 2016 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of the Company
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the 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
	Approved annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters
	Noted any significant changes in financial or other risks faced by the Company and reviewed management's response to them
Corporate governance and code requirements	Reviewed reports submitted by the management on the Company's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work
	Reviewed the training and continuous professional development of directors
	Reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report

In the meeting held on 21 March 2017, the audit and risk management committee reviewed and approved the Company's annual financial statements and annual report for the year ended 31 December 2016, and considered reports from the external and internal auditors. The audit and risk management committee recommended that the board approves the 2016 annual report.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/nomination.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 currently comprises two executive directors, one non-executive director and four independent non-executive directors, and is chaired by Mr Chang Zhenming, 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.

Committee composition and meeting attendance

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
Executive Directors		
Mr Chang Zhenming (chairman)	1/1	
Mr Wang Jiong	0/1	
Non-executive Director		
Ms Yan Shuqin	1/1	Appointed with effect from 11 November 2016
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Anthony Francis Neoh	1/1	
Ms Lee Boo Jin	1/1	Appointed with effect from 11 November 2016

Work done in 2016

The nomination committee completed the following work in 2016:

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 three non-executive directors 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 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, pension rights, compensation payments (including any compensation payable for loss or termination of office or appointment) 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 in the Group, so as to align management incentives with shareholder interests.

The committee currently comprises four independent non-executive directors and a non-executive director. The chairman of the committee is Mr Anthony Francis Neoh, an independent non-executive director. The committee meets at least once a year. A joint company secretary serves as the secretary of the committee. The terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/remuneration.pdf) and the Stock Exchange's website.

During the year, one remuneration committee meeting was held and one set of written resolutions was passed by all the committee members. A 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.

Committee composition and meeting attendance

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
Independent Non-executive Directors		
Mr Anthony Francis Neoh (chairman)	1/1	Appointed with effect from 11 November 2016
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Paul Chow Man Yiu	1/1	Appointed with effect from 11 November 2016
Non-executive Director		
Mr Yang Jinming	1/1	

Work done in 2016

The remuneration committee completed the following work in 2016:

1. reviewed and approved the 2016 annual salary for executives in charge (including executive directors and senior management) of the Company in August 2016; and

2. reviewed and approved (i) the 2015 remuneration for executives in charge (including executive directors and senior management) of the Company; (ii) monthly salary of Mr Cai Huaxiang, (vice chairman of executive committee) and (iii) granting of a living allowance for executives in charge (including executive directors and senior management) of the Company in December 2016.

Details of the Company's remuneration policies are set out in the Environmental, Social and Governance Report on page 137 and directors' remuneration and retirement benefits are disclosed on pages 206 to 209.

The remuneration paid to the directors, by name, for the year ended 31 December 2016 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2016 is set out below.

Remuneration of senior management other than directors for the full year 2016

Total Remuneration Bands	Number of Executives
Below HK$500,000	2
HK$500,001 – HK$1,000,000	2
	4

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 2016.
(2) The data set out above have been converted from RMB based on the average exchange rate for 2016 (HKD1=RMB0.85479).

Strategic committee

A strategic committee was established by the board on 11 November 2016 to accommodate the strategic development of the Company and enhance its core competitiveness, make and implement the development plan of the Company, streamline the investment-related decision making procedures and procure well-advised and efficient decision making.

The strategic committee shall be accountable to and report to the board and its power and duties are:

(i) considering the major strategic directions of the Company and making proposals to the board;

(ii) considering the mid-to-long term development plan and 5-year development plan of the Company and making proposals to the board;

(iii) considering the impact of the macro economic conditions on the development of various business sectors of the Company and making proposals to the board; and

(iv) other matters in connection with strategy planning pursuant to authorization of the board.

The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include Mr Wang Jiong (being executive director, vice chairman and president of the Company), Mr Song Kangle, Ms Yan Shuqin and Mr Yang Xiaoping (being non-executive directors), Mr Anthony Francis Neoh and Mr Noriharu Fujita (being independent non-executive directors). Mr Li Rucheng, being a former non-executive director of the Company continues to serve as a member of the strategic committee in the capacity as a consultant to the Company. No strategic committee meeting was held during the year since its establishment on 11 November 2016. The Strategic development department is responsible for preparing all the minutes for the strategic committee and distributing the draft minutes to all the committee members within a reasonable time after the meeting is held. The joint company secretary is responsible for keeping all the minutes of the meetings.

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 meetings were held during the year.

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(e)(i) to the Notes to the consolidated financial statements), the hearing was completed in July 2016 and the MMT has not yet delivered its report.

Management Committees

Executive committee

The Executive Committee established by the board on 26 September 2014 was re-designated as the highest authority of the management of the Company accountable to the board with effect from 22 November 2016.

The functions and powers of the executive committee are:

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

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

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

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

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

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

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

(viii) to review and approve proposals to establish and adjust the Company's management and organizational 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 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 Cai Huaxiang (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), Mr Zhu Gaoming (being vice president of the Company) and Mr Cai Xiliang (being vice president of the Company). Seven committee meetings were held in 2016. The minutes of the meetings are kept at the executive office, which were sent to the committee members after each meeting.

Asset and Liability Management Committee

The Company has established the asset and liability management committee (the "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

The committee is chaired by Mr Zhu Gaoming (being vice president of the Company and a member of the executive committee), and other members include responsible persons of the financial control department, treasury department, strategic development department, the office of the board of directors and legal and compliance functions.

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 the Company'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 166 to 167.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2016 are set out in the Independent Auditor's Report on pages 303 to 310.

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 annual general meeting held on 2 June 2015 ("2015 AGM"). Since then, PwC has been appointed as the Company's external auditor in place of KPMG with effect from the close of the 2015 AGM as its largest listed subsidiary, China CITIC Bank Corporation Limited was required to change its external auditor. For 2016, PwC's fees were approximately as follows:

Statutory audit fee: HK$75 million (2015: HK$73 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK$25 million (2015: HK$7 million).

Other audit firms provided statutory audit services at a fee of approximately HK$81 million (2015: HK$90 million) as well as other services for fees of HK$31 million (2015: HK$16 million).

Risk management and internal control

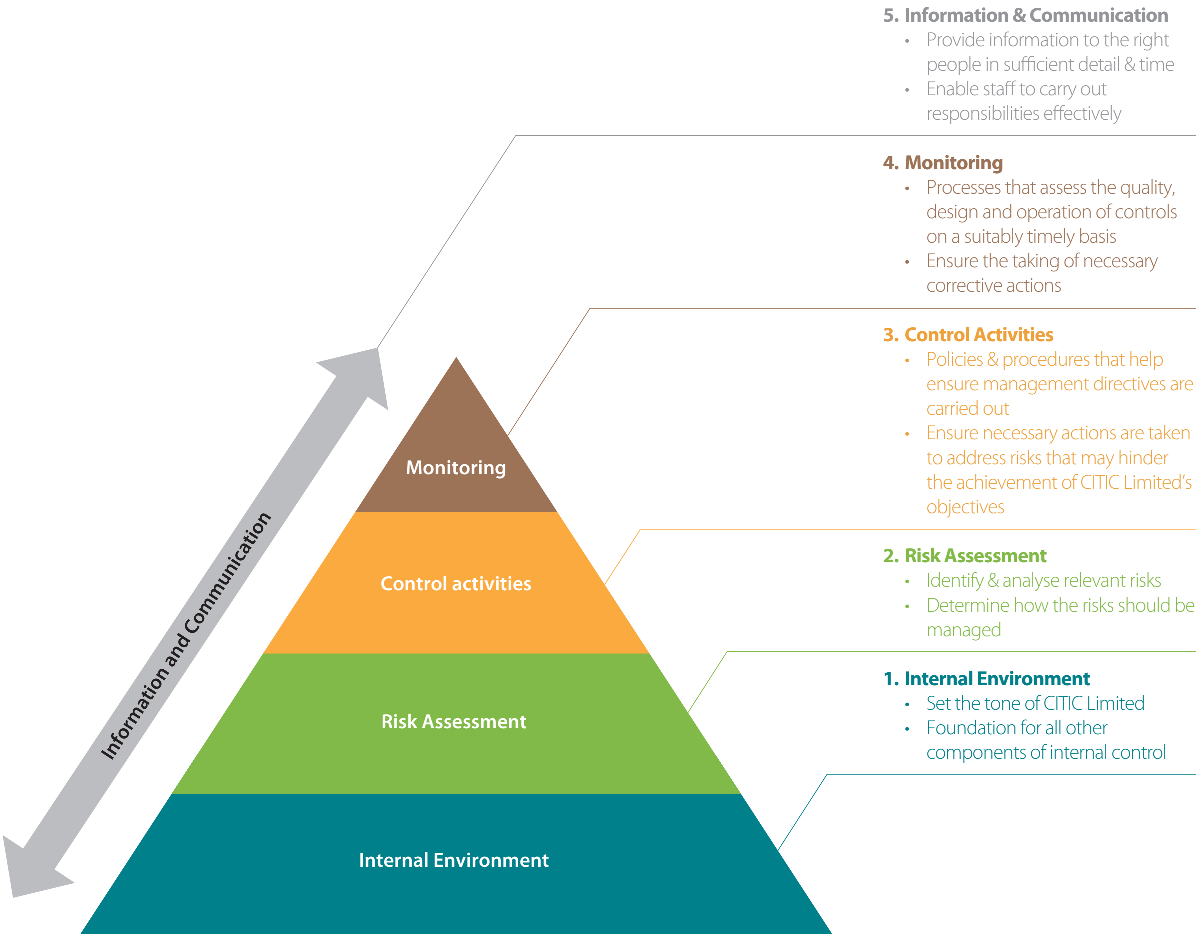
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in 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.

Overview of risk management and internal control

The risk management and internal control system of CITIC Limited is established along the core concepts 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 jointly issued by five ministries and commissions (Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC) in 2008, as well as relevant guidelines and governmental policies.

The framework of risk management and internal control adopted by CITIC Limited is illustrated below:



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

The board has overall responsibility for maintaining a sound and effective risk management and internal control system. The audit and risk management committee acts on behalf of the board in providing oversight of the Group's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews the Group's policies and practices on corporate governance.

As a sub-committee of the Executive Committee, the Asset and Liability Management Committee ("ALCO") has been established to monitor financial risks of the Group in accordance with the relevant treasury and financial risk management policies. Based on the annual budget, ALCO reviews CITIC Limited's financing plan and instruments, oversees fund management and cash flow positions, and manages risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities. It is also responsible for formulating hedging policy and approving the use of new risk management tools.

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 by subsidiaries, guarantees and payments), in order to enhance its management and control over these areas.

Relevant departments of CITIC Limited are responsible for communicating and implementing the decisions, monitoring the adherence of the management policies and preparing relevant reports. All units have the responsibility for identifying, effectively managing and reporting risks on a timely basis, in accordance with the overall risk framework under the management policies and within the scope of authorisation.

CITIC Limited is committed to constantly improving its risk management and internal control framework at all levels; strengthening the risk assessment and monitoring of major projects and key businesses; staying fully informed of the operations, financial condition and major business progress of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise; reporting on a timely basis any weaknesses and potential risks; supervising and implementing management and control measures; and improving the completeness and effectiveness of its risk management and internal control practices across the Group.

Key control policies and measures

The Group's risk management and internal control are primarily the collective responsibilities of management and the employee. For consistent compliance by every person in the Group, the following key control policies and measures have been implemented:

Key control policies and measures	
Internal environment	• 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. • A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice. • An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.
Risk assessment	• The executive committee of CITIC Limited constantly monitors the business, operational and other risks of the business units. • 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. • Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately. • 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.

Key control policies and measures	
Control activities	• Major control systems and processes include budgetary and cost controls, relevant reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.
Monitoring	• 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 "Monitoring of risk management and internal control effectiveness"). • The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements. • The internal audit function reports directly to the audit and risk management committee, and is responsible for examination of risk management and internal control.
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.

Monitoring of risk management and 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. The reviews covered material controls, including financial, operational and compliance controls, 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 risk management and internal control reviews during the year were as follows:

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Internal audit	• Reviewed the internal audit report. • Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.	• Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.
Compliance assessment	• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, listing rules, 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.	• No major non-compliance cases were noted during the year.
Review of risk management and internal control system	• Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year. • Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management. • Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions. 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. • Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation.	• No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement. • Management issued a positive confirmation.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of the internal audit, risk management, accounting and financial functions	• 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.	• Resources in the internal audit, risk management, accounting and finance functions were adequate. • On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory. • Training activities and budgets were given constant attention and remained satisfactory during the year.

The board and the management will establish sufficient and effective supervision, 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 constantly 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 and examine 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 2016
At 31 December 2016, CITIC Limited had approximately 400[1] 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 by the internal audit department 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. The internal audit department issued audit reports on various business segments and subsidiaries of the Company.

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

- Implementation of internal audit assessment to evaluate the audit work of major subsidiaries in terms of management, quality, performance, communication and coordination, in order to facilitate the effective execution of internal audit.

- Continuous training and development programme, including online training, 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

We stick to core values and corporate culture & spirits with the characteristics of "CITIC SPIRIT", think highly of employees' integrity, morality and professional integrity, require employees to strictly obey the laws, regulations and disciplines in their operational activities. The company's Code of Conducts regulates the basic requirements, standards of behaviors and prohibited issues, including employees' professional integrity, external contacts, dealing with internal relationship, protecting the corporate interests and honoring the social obligations, to allow employees to understand the redlines and restricted zone. In 2016, we organised the training in terms of professional integrity, anti-fraud and anti-corruption according to the types of industries and levels of posts. Various publicizing platforms including the internal network, official accounts of Wechat and APP were utilised to educate and guide employees to establish and maintain their excellent conducts and behaviors. The company developed the system of regular self-criticism to detect the risks to honesty and justice, to investigate and punish all sorts of illegal behaviors, to analyze and evaluate the effective implementation of this system, to propose advices for further improvement and correction, and to stably improve the levels of internal control management.

[1] As CITIC Bank restructured the audit organization, the statistical standard for calculating the number of staff members excluded compliance management staff members at bank branches.

Whistle-blowing policy

Employees are encouraged to propose complaints against the possible misconducts. The dedicated organization has been established with many channels including e-mails, phone call and fax and the dedicated personal have been put into charge. All reports with regard to misconducts received by the company shall be seriously treated with appropriate measures for internal investigations. The informer-protection mechanism has been established and implemented to keep the confidentiality of informers' identity and issues having been reported. The range of information needing told to the relevant parties shall be strictly restricted in the investigative process.

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 2016. As at 31 December 2016, none of the directors of the Company had interests in the securities of the Company as referred to in the Report of the Directors on page 131.

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 acted as the joint company secretaries of the Company during the year. The joint company secretaries report to the chairman and/or the vice chairman/president of the Company. Both Mr Tang and Mr Choy took no less than 15 hours of relevant professional training respectively during the year. Mr Wang Kang was appointed by the board of directors as a joint company secretary of the Company in place of Mr Tang Zhenyi with effect from 12 April 2017. Mr Choy continues to act as the other joint company secretary of the Company. Prior to joining the Company, Mr Wang was a joint company secretary of a listed subsidiary of the Company and had received relevant professional training.

Constitutional Documents

There were no changes in the constitutional documents of the Company during the year under review.

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 2016, 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 60: 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 the executive committee, the nomination committee and the strategic committee. He is also the chairman of CITIC Group Corporation, CITIC Corporation Limited and CITIC Hong Kong (Holdings) Limited, the vice chairman of CITIC International Financial Holdings Limited and a non-executive director of China CITIC Bank Corporation Limited ("China CITIC Bank"). He was the chairman of the board of China CITIC Bank, 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 57: 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 and the strategic committee. He 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 54: an executive director of the Company since 2015. Ms Li is the vice president and a member of the executive committee of the Company. She is currently executive director of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited, and chairperson and executive director of China CITIC Bank. She no longer served as the president of China CITIC Bank with effect from 20 July 2016. 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 58: an executive director of the Company since 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.

YANG Jinming *(Non-executive Director)*
Age 59: a non-executive director of the Company since 2014. Mr Yang is a member of the remuneration committee. He 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 55: a non-executive director of the Company since 2014. Mr Liu is a member of the audit and risk management committee. He 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 53: a non-executive director of the Company since 2016. Mr Song is a member of the strategic committee. He 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.

YAN Shuqin *(Non-executive Director)*
Age 56: a non-executive director of the Company since 2016. Ms Yan is a member of the nomination committee and the strategic committee. She 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.

LIU Zhongyuan *(Non-executive Director)*
Age 47: 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; director-general of the Overseas Investment Department of the National Council for Social Security Fund and director-general of Equity & Fixed-Income 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 53: a non-executive director of the Company since 2015. Mr Yang is a member of the audit and risk management committee and the strategic committee. He is currently the senior 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. Mr Yang 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, the associate dean of Institute of Global Development of Tsinghua University, the chairman of Related Party Transaction Committee of the board of directors — China Minsheng Investment (Group) Corp., Ltd.. Mr Yang holds a Bachelor's degree from Jiangxi Institute of Technology and has experience of studying in Japan.

Francis SIU Wai Keung *(Independent Non-executive Director)*
Age 62: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of the audit and risk management committee and a member of the remuneration committee, 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 and Beijing Gao Hua Securities Company Limited. He is also the chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd.. 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 67: 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 70: an independent non-executive director of the Company since 2014. Mr Neoh is the chairman of the remuneration committee, and a member of the audit and risk management committee, the nomination committee and the strategic committee. He has until October 2016, been a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). He also 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 and in 2016, he was also awarded the Degree

of Doctor of Social Science, *honoris causa*, by Lingnan University. Mr Neoh is an independent non-executive director of Industrial and Commercial Bank of China Limited. He has also been appointed as an independent non-executive director of New China Life Insurance Company Ltd. with effect from 12 September 2016. He ceased to be an independent non-executive director of China Life Insurance Company Limited with effect from 20 July 2016. 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 46: an independent non-executive director of the Company since 2014. Ms Lee is a member of the nomination committee. She is currently the president and chief executive officer of Hotel Shilla Co., Ltd.. She was formerly the president of corporate strategy for Cheil Industries and an advisor to Samsung C&T Corporation from December 2010 to December 2015, with the two companies merging to become Samsung C&T Corporation in September 2015. All these companies herein-before 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 66: an independent non-executive director of the Company since 2015. Mr Fujita is a member of the strategic committee. He is currently an independent director of Sanken Electric Co., Ltd.. He 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 70: an independent non-executive director of the Company since 2016. Mr Chow is a member of the remuneration committee. He currently serves as an independent non-executive director of China Mobile Limited, Julius Baer Group Ltd. and Bank Julius Baer Co. Ltd.. He has also assumed the membership of the remuneration committee and chairman of the nomination committee of China Mobile Limited in May 2016. 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. He retired as the chairman of Hong Kong Cyberport Management Company Limited on 4 June 2016 after completing 6 years of services as well as a member of the Asian Advisory Committee of AustralianSuper Pty. Ltd. on 28 February 2017 after completing 4 years of services. He retired from the office as a member of Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") on 31 March 2017. He also retired from the office as independent non-executive director, chairman of the personnel and remuneration committee, member of the audit committee, member of the risk policy committee and member of the connected transactions control committee of Bank of China Limited (the "Bank") with effect from 18 August 2016 after serving the Bank for 6 years. 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.

Senior Management

CAI Huaxiang
Age 57: a vice chairman of the executive committee of the Company with effect from 22 September 2016. Mr Cai formerly served as deputy director general of the Human Resources Department, president of Nanchang branch, president of Jiangxi branch, general manager of the Operations Department and president of Beijing branch of China Development Bank; vice president of China Development Bank Corporation; vice president and executive director of Agricultural Bank of China Limited. Mr Cai is a senior economist. He graduated from China University of Geosciences in industrial engineering with a college diploma and holds a Master's degree in engineering.

FENG Guang
Age 59: 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 52: 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.

CAI Xiliang
Age 50: vice president and a member of the executive committee of the Company with effect from 12 August 2016. Mr Cai formerly served as deputy dean of Shanghai University of Finance and Economics, president of Shanghai Jinzhong Development Co., Ltd., president of CITIC East China (Group) Corp., Ltd., president and chairman of CITIC Daxie Development Company, dean of Ningbo Daxie Development Zone Economic Development Bureau, director of CITIC Group, president of CITIC Industrial Investment Group Corp., Ltd.. Mr Cai has extensive experience in industrial investment. He graduated from Shanghai University of Finance and Economics with a Master's degree in economics.

Report of the Directors

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2016.

Principal Activities

The Company is the largest conglomerate in China. 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 (2015: HK$0.10 per share) for the year ended 31 December 2016 which was paid on 30 September 2016. The directors recommended, subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 13 June 2017 (the "2017 AGM"), the payment of a final dividend of HK$0.23 per share (2015: HK$0.20 per share) in respect of the year ended 31 December 2016, payable on Friday, 30 June 2017 to shareholders on the Company's register of members at the close of business on 21 June 2017. This represents a total distribution for the year of HK$9,600 million.

Business Review

The business review of the Group for the year ended 31 December 2016 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 63, and pages 64 to 74 of this annual report.

Description of the principal risks and uncertainties facing the Group can be found in the "Risk Management" section from pages 75 to 79 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2016 (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 135 to 155 of this annual report.

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 2016 are set out in Notes 41, 42 and 44 to the consolidated financial statements.

Equity-linked Agreements

Save as disclosed below in the section headed "Share Option Plan Adopted by the Company", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company 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
Mr Pu Jian

Non-executive Directors
Mr Yang Jinming
Mr Liu Yeqiao
Mr Song Kangle *(appointed on 18 March 2016)*
Ms Yan Shuqin *(appointed on 12 April 2016)*
Mr Liu Zhongyuan
Mr Yang Xiaoping

Independent Non-executive Directors
Mr Francis Siu Wai Keung
Dr Xu Jinwu
Mr Anthony Francis Neoh
Ms Lee Boo Jin
Mr Noriharu Fujita
Mr Paul Chow Man Yiu *(appointed on 18 March 2016)*

Ms Cao Pu and Mr Yu Zhensheng retired as non-executive directors of the Company with effect from 18 March 2016 and 12 April 2016 respectively. Mr Li Rucheng was appointed as a non-executive director of the Company on 18 March 2016 and subsequently resigned with effect from 20 December 2016. Ms Cao, Mr Yu and Mr Li 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.

Pursuant to Article 95 of the Company's articles of association, Mr Song Kangle, Ms Yan Shuqin and Mr Paul Chow Man Yiu who were appointed as directors of the Company during the year shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of the Company and then shall be eligible for re-election at such meeting. All of the above directors were re-elected at the annual general meeting held on 8 June 2016.

Pursuant to Article 104(A) of the Company's articles of association, Mr Chang Zhenming, Mr Liu Yeqiao, Mr Liu Zhongyuan, Dr Xu Jinwu and Ms Lee Boo Jin shall retire by rotation and, all being eligible, offer themselves for re-election at the 2017 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 109 to 113 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.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the sections headed "Connected Transaction" and "Non-Exempt Continuing Connected Transactions" below and "Material related parties" 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$2 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 Transaction" and/or "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 Transaction

On 25 April 2014, CITIC Telecom International Holdings Limited ("CITIC Telecom", a subsidiary of the Company) and CITIC Networks Co., Ltd. (中信網絡有限公司) ("CITIC Networks", a wholly-owned subsidiary of CITIC Group Corporation ("CITIC Group")) entered into the funding and loan support agreement (the "Funding and Loan Support Agreement") in relation to the provision of financial assistance by CITIC Telecom to CITIC Networks in respect of the operation of the nation-wide optical fibre backbone network (the "China Express Network") of the People's Republic of China ("PRC").

On 22 April 2015, CITIC Telecom and CITIC Networks entered into a supplemental agreement to the Funding and Loan Support Agreement (the "Funding Supplemental Agreement") to extend the term of the Funding and Loan Support Agreement from the original two years to three years from the date of the Funding and Loan Support Agreement.

On 1 September 2016, CITIC Telecom and CITIC Networks entered into a second supplemental agreement (the "Funding Second Supplemental Agreement") to extend the Funding and Loan Support Agreement (as amended and supplemented by the Funding Supplemental Agreement) for a term of three years to 31 August 2019. The parties agreed that CITIC Telecom (or its subsidiary(ies) as procured by CITIC Telecom) shall provide funds or financial support with a maximum amount of RMB340 million to CITIC Networks if and when a shortage of funds arises in the operation of China Express Network at any time during the term of the Funding Second Supplemental Agreement. CITIC Telecom shall charge the finance costs to CITIC Networks for any funds advanced or financial assistance provided, with reference to the usual finance costs of CITIC Telecom which shall not be higher than the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period. CITIC Telecom and CITIC Networks agreed that the finance costs shall be charged by CITIC Telecom as and when CITIC Telecom is permitted to provide the funding and loan support to CITIC Networks directly in the capacity of lender under the relevant PRC laws and regulations.

CITIC Networks is a wholly-owned subsidiary of CITIC Group which is the controlling shareholder of the Company. Therefore, CITIC Group is a connected person of the Company and CITIC Telecom and the aforesaid transaction constitutes a connected transaction of the Company.

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 Corporation ("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 — sale of manganese ore by the Group to the Connected Persons

    The term of the Sales Framework Agreement dated 30 September 2014 ("Original Sales FA") commenced from 25 August 2014 and ended on 31 December 2016. As the Company and CITIC Group intended to continue to carry out the relevant transactions, both parties entered into a new sales framework agreement ("New Sales FA") on 30 November 2016, details of which are set out in the Company's announcement dated 30 November 2016.

    Original Sales FA

Period:	commencing from 25 August 2014 and ended on 31 December 2016
Annual Cap:	*for year ended 31/12/2016* RMB720,000,000

    New Sales FA

Period:	commencing from 1 January 2017 and ending on 31 December 2019		
Annual Caps:	*for year ending 31/12/2017* RMB840,000,000	*for year ending 31/12/2018* RMB1,050,000,000	*for year ending 31/12/2019* RMB1,050,000,000

    The transaction amount under the Original Sales FA for the year ended 31 December 2016 was approximately RMB308,054,077.21.

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

The term of the Advertising and Promotion Framework Agreement dated 30 September 2014 commenced from 25 August 2014 and ended on 31 December 2014. As the Company and CITIC Group intended to continue to carry out the relevant transactions, both parties entered into a new advertising and promotion framework agreement ("New Advertising and Promotion FA") on 30 March 2015, details of which are set out in the Company's announcement dated 30 March 2015.

New Advertising and Promotion FA

Period:	commencing from 30 March 2015 and ending on 31 December 2017	
Annual Caps:	*for year ended 31/12/2016* RMB450,000,000	*for year ending 31/12/2017* RMB550,000,000

There were no transactions under the New Advertising and Promotion FA for the year ended 31 December 2016.

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

The term of the Financial Assistance Framework Agreement dated 30 September 2014 ("Original Financial Assistance FA") commenced from 25 August 2014 and ended on 31 December 2016. The Company entered into the supplemental agreement ("Supplemental Agreement to the Original Financial Assistance FA") on 30 March 2015 with CITIC Group to adjust the maximum daily balance of the financial assistance, details of which are set out in the Company's announcement dated 30 March 2015. As the Original Financial Assistance FA expired on 31 December 2016, a new financial assistance framework agreement ("New Financial Assistance FA") was entered into on 30 November 2016 by the Company and CITIC Group, details of which are set out in the Company's announcement dated 30 November 2016.

Supplemental Agreement to the Original Financial Assistance FA

Period:	commencing from 25 August 2014 and ended on 31 December 2016
Revised Maximum Daily Balance:	*for year ended 31/12/2016* RMB8,830,000,000

New Financial Assistance FA

Period:	commencing from 1 January 2017 and ending on 31 December 2019		
Maximum Daily Balance:	*for year ending 31/12/2017* RMB9,500,000,000	*for year ending 31/12/2018* RMB10,200,000,000	*for year ending 31/12/2019* RMB11,000,000,000

The maximum daily balance of the financial assistance under the Supplemental Agreement to the Original Financial Assistance FA for the year ended 31 December 2016 was approximately RMB2,488,000,000.00.

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	*for year ended 31/12/2016*	*for year ending 31/12/2017*
Caps:	RMB11,000,000,000	RMB12,600,000,000

   There were no transactions under the Asset Transfer FA for the year ended 31 December 2016.

3. Reference is made to the announcement dated 8 December 2014 and the circular dated 2 January 2015 issued by CITIC Bank, with respect to, among other things, the wealth management and investment service agreement (the "Wealth Management and Investment Service Agreement") entered into on 8 December 2014 between CITIC Bank and CITIC Group in relation to transactions of (i) non-principal-guaranteed wealth management and agency services; (ii) principal-guaranteed wealth management; and (iii) investment with CITIC Bank's own funds contemplated under the Wealth Management and Investment Service Agreement (collectively the "Wealth Management and Investment Transactions").

   Under the Wealth Management and Investment Service Agreement, the Wealth Management and Investment Transactions with the Connected Persons, including but not limited to Ningbo Xinning Industrial Investment Corporation Limited and CITIC Ningbo Group Corporation, constitute continuing connected transactions of the Company. Details of the above are set out in the Company's announcement dated 29 March 2016.

   Non-principal-guaranteed wealth management and agency services

Annual	*for year ended 31/12/2016*	*for year ending 31/12/2017*
Caps: *(Service Fees)*	RMB300,000,000	RMB300,000,000

   The service fees in respect of non-principal-guaranteed wealth management and agency services under the Wealth Management and Investment Service Agreement for the year ended 31 December 2016 was approximately RMB7,400.00.

   Principal-guaranteed wealth management and investment services

Annual Caps:	*for year ended 31/12/2016*	*for year ending 31/12/2017*
(Proceeds & Cost — Bank Investment)	RMB800,000,000	RMB960,000,000
Maximum Daily	*for year ended 31/12/2016*	*for year ending 31/12/2017*
Balance: *(Investment)*	RMB9,000,000,000	RMB10,800,000,000

   There were no transactions in respect of principal-guaranteed wealth management and investment services under the Wealth Management and Investment Service Agreement for the year ended 31 December 2016.

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2016 (the "Transactions") and confirm that:

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (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 118 to 120 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 of Hong Kong Limited (the "Hong Kong Stock Exchange").

Share Option Plan Adopted by the Company

CITIC Pacific Share Incentive Plan 2011

The CITIC Pacific Share Incentive Plan 2000 adopted by the Company on 31 May 2000 for a term of ten years 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 23 March 2017, 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 Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.

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

No share options were granted under the Plan 2011 during the year ended 31 December 2016.

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 Hong Kong Stock Exchange on the date of grant; and (ii) the average closing price of CITIC Telecom's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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 23 March 2017, the maximum number of CITIC Telecom Shares available for issue under the CITIC Telecom Share Option Plan is 133,982,519, representing approximately 3.79% of the CITIC Telecom Shares in issue.

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

Date of grant	**Number of share options**	**Exercise period**	**Exercise price per share** HK$
23.05.2007	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:

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

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

The share options granted on 23 May 2007 and 17 September 2009 have expired. 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 2016, options for 153,118,257 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2016, options for 10,572,284 CITIC Telecom Shares were exercised and options for 2,012,314 CITIC Telecom Shares have lapsed. No share options were granted nor cancelled in 2016. As at 31 December 2016, options for 99,033,409 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 2016 is as follows:

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

		Number of share options			
Date of grant	**Exercise period**	**Balance as at 01.01.2016**	**Exercised during the year ended 31.12.2016** (Note 1)	**Lapsed during the year ended 31.12.2016** (Note 2)	**Balance as at 31.12.2016**
17.09.2009	17.09.2011–16.09.2016	5,372,073	5,323,947	48,126	–
19.08.2011	19.08.2012–18.08.2017	5,710,139	310,818	–	5,399,321
19.08.2011	19.08.2013–18.08.2018	10,963,728	842,936	20,088	10,100,704
26.06.2013	26.06.2013–25.06.2018	44,942,817	1,827,000	70,000	43,045,817
24.03.2015	24.03.2016–23.03.2021	42,264,750	1,867,583	509,600	39,887,567
24.03.2015	24.03.2017–23.03.2022	42,264,750	–	1,364,500	40,900,250

B. Others (Note 3)

		Number of share options		
Date of grant	**Exercise period**	**Balance as at 01.01.2016**	**Exercised during the year ended 31.12.2016** (Note 4)	**Balance as at 31.12.2016**
26.06.2013	26.06.2013–25.06.2018	400,000	–	400,000
24.03.2015	24.03.2016–23.03.2021	600,000	400,000	200,000
24.03.2015	24.03.2017–23.03.2022	600,000	–	600,000

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.06.
2. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned; or ii) lapsed upon the expiry of the relevant share options during the year.
3. 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 cancelled or lapsed during the year ended 31 December 2016.
4. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.16.

Dah Chong Hong Holdings Limited ("DCH Holdings")

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

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

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

(c) The maximum number of shares over which share options may be granted under the DCHH Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Hong Kong Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 23 March 2017, the maximum number of shares available for issue under the DCHH Scheme is 118,200,000, representing approximately 6.45% of the issued shares of DCH Holdings. Share options lapsed in accordance with the terms of the DCHH Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

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

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

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

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

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

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

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
07.07.2010	23,400,000	07.07.2010–06.07.2015	4.766
08.06.2012	24,450,000	08.06.2013–07.06.2017*	7.400
30.04.2014	28,200,000	30.04.2015–29.04.2019*	4.930

* Subject to a vesting scale

The share options granted on 7 July 2010 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 0.4 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 2.3 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)

	Number of share options					
Date of Grant	**Balance as at 01.01.2016**	**Granted during the year ended 31.12.2016**	**Cancelled during the year ended 31.12.2016**	**Lapsed during the year ended 31.12.2016**	**Exercised during the year ended 31.12.2016**	**Balance as at 31.12.2016**
08.06.2012	18,250,000 (Note 2)	–	–	1,100,000	–	15,300,000 (Note 3)
30.04.2014	23,300,000 (Note 2)	–	–	1,400,000	–	20,050,000 (Note 3)

(b) Others (Note 1)

	Number of share options					
Date of Grant	**Balance as at 01.01.2016**	**Granted during the year ended 31.12.2016**	**Cancelled during the year ended 31.12.2016**	**Lapsed during the year ended 31.12.2016**	**Exercised during the year ended 31.12.2016**	**Balance as at 31.12.2016**
08.06.2012	3,950,000 (Note 2)	–	–	–	–	5,800,000 (Note 3)
30.04.2014	2,600,000 (Note 2)	–	–	–	–	4,450,000 (Note 3)

Notes:

1. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.
2. 500,000 share options (granted on 8 June 2012) and 1,100,000 share options (granted on 30 April 2014) were added to the opening balance in "Others" subsequent to certain employees having retired on 1 January 2016.
3. 1,850,000 share options (granted on 8 June 2012) and 1,850,000 share options (granted on 30 April 2014) were added to the ending balance in "Others" subsequent to certain employees retired during the year ended 31 December 2016.

As at 1 January 2016, options for 48,100,000 DCH Holdings' shares were outstanding under the DCHH Scheme. During the year ended 31 December 2016, options for 2,500,000 DCH Holdings' shares were lapsed and none of the options were exercised and cancelled. As at 31 December 2016, options for 45,600,000 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 2016 is as follows:

			Number of share options		
Date of grant	**Exercise Price*** HK$	**Exercise Period**	**Balance as at 01.01.2016**	**Exercised/ Lapsed/ Cancelled during the year ended 31.12.2016**	**Balance as at 31.12.2016**
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 2016, 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 Hong Kong Stock Exchange as stated in the Hong Kong 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 Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the 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 2016.

CITIC 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 adopted the Employee Share Option Scheme (the "Scheme") on 2 February 2010. A summary of some of the principal terms 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 (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:

Date of grant	**Number of share options**	**Exercise price per share** S$	**Exercise period**
01.03.2010	4,375,000	0.2780	01.03.2011–01.03.2020
01.03.2010	4,375,000	0.2224	01.03.2012–01.03.2020
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
15.02.2013	49,950,000	0.552	15.02.2015–15.02.2023
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

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 CITIC Limited. As at 1 January 2016, 53,875,500 ordinary shares of CITIC Envirotech under option were outstanding. During the year ended 31 December 2016, 162,500 ordinary shares of CITIC Envirotech under option were exercised, and 120,500 ordinary shares of CITIC Envirotech under option were cancelled. As at 31 December 2016, 53,592,500 ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of the share options under the Scheme during the year ended 31 December 2016 is as follows:

(a) Directors of CITIC Envirotech

	Number of share options					
Date of grant	Balance as at 01.01.2016	Granted during the year ended 31.12.2016	Cancelled during the year ended 31.12.2016	Lapsed during the year ended 31.12.2016	Exercised during the year ended 31.12.2016	Balance as at 31.12.2016
01.03.2010	1,500,000	–	–	–	–	1,500,000
01.03.2010	1,500,000	–	–	–	–	1,500,000
28.03.2013	12,000,000	–	–	–	–	12,000,000

(b) Employees of CITIC Envirotech

	Number of share options						
Date of grant	Balance as at 01.01.2016	Granted during the year ended 31.12.2016	Cancelled during the year ended 31.12.2016	Lapsed during the year ended 31.12.2016	Exercised during the year ended 31.12.2016	Balance as at 31.12.2016	Weighted average closing price per shares S$
15.02.2013	33,775,500	–	120,500	–	162,500	33,492,500	1.2168
25.07.2014	5,100,000	–	–	–	–	5,100,000	–

No options were granted during the financial year.

Directors' Interests in Securities

As at 31 December 2016, 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 Hong Kong 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

Save for the share option plans as disclosed above, 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 2016, 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 ordinary shares held	Approximate percentage to the total number of issued shares
CITIC Group Corporation ("CITIC Group") (Note 1)	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") (Note 2)	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") (Note 3)	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")(Note 4)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") (Note 5)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") (Note 6)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
ITOCHU Corporation ("ITOCHU") (Note 7)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long 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 2016:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,089	52.69
1,001 to 10,000	2,876	37.06
10,001 to 100,000	721	9.29
100,001 to 1,000,000	63	0.81
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	1	0.01
2,000,000,001 above	4	0.05
Total:	7,761	100

As at 31 December 2016, 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 9,749,998,209 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.52% of the total number of ordinary shares in issue of the Company.

Purchase, Sale or Redemption of Listed Securities

On 15 April 2016, the Company redeemed all the U.S.$750,000,000 7.875% perpetual subordinated capital securities issued on 15 April 2011. The securities were delisted from the Hong Kong Stock Exchange effective on 27 April 2016.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Sufficiency of Public Float

The Hong Kong Stock Exchange has granted a waiver (the "Waiver") to the Company from strict compliance with the minimum public float of 25% upon completion of the acquisition 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

The Group's consolidated financial statements for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the 2017 AGM.

By Order of the Board,
Chang Zhenming
Chairman
Hong Kong, 23 March 2017

Environmental, Social and Governance Report

Overview – the Company in 2016

As a good corporate citizen, CITIC Limited incorporates sustainability into its development strategies and day-to-day management for the benefit of our shareholders, customers, business partners, employees, the environment and community. In 2016, we continued to provide employment opportunities and established our human resources strategy based on "bolstering the company through the appointment of high-calibre personnel" (the "Talent Strategy"). This strategy is being carried out by fostering five talent teams. We also continued to deliver high quality products and services to customers, underpinned by constant improvements in our service regime to ensure complete customer satisfaction. In addition, we formed three CITIC Coordination Circles so that we can work more closely with our partners and create a responsible supply chain. These Coordination Circles fully utilise our strengths and help to achieve mutual benefit with our partners. In accordance with the Government's principle of green development, we have undertaken water treatment, solid waste disposal, energy conservation and discharge reduction projects in China and Singapore through our subsidiary CITIC Environment. We also provided programmes tailored to the needs of the community and encouraged employees to participate in voluntary services through the respective volunteer organisations of our subsidiaries. During the year, CITIC Construction's Young Volunteers Association of Africa won the gold prize in the grand finale of the 3rd China Young Voluntary Service Contest.

Staff Development	• Employed 127,610 staff, a reduction of 5,916 employees from the previous year. • Formed five teams among our senior management; provided industry leadership and advanced technology for international business and outstanding young talent. • Organised a total of 52 training sessions at the Head Office, with a total enrolment of approximately 4,700 participants. Seminars on the 5 major development concepts [Note 1], a tripartite joint training programme CITIC-CP Group-Itochu and training sessions for Hong Kong-based CITIC employees were held for the first time.
Promoting Business Ethics and Integrity	• Successful handover by CITIC Construction of the Malanje Farm project in Angola, a signature project for CITIC in the country; CITIC Heavy Industries named National Advanced Enterprise in Quality and Integrity. • Formed three CITIC Coordination Circles: CITIC Mini Union, CITIC PPP [Note 2] Union and CITIC PPP Coordination Circle. • Organised two visits for relevant company personnel to the ICAC in Hong Kong to learn about the SAR's measures in the regulation and prevention of corruption.
Environmental Protection	• CITIC Environment completed its investment in Chongqing Sanfeng Environmental Industrial Group Co., Ltd ("CSEG") to build a business platform for solid waste processing; acquired 21 projects in the domestic and international markets to enhance our water treatment business platform, representing total investments of close to RMB4,600 million and an increase in our daily water processing capacity to nearly 5 million tonnes.
Support for local communities	• CITIC Limited and its subsidiaries contributed RMB31.76 million and HK$18.69 million in community donations. • CITIC Construction's Young Volunteers Association of Africa won the gold prize in the grand finale of the 3rd China Young Voluntary Service Contest, and CITIC Heavy Industries Young Volunteers' Association received the 11th China Young Volunteers Award for Outstanding Organisation.

Notes:

1. The 5 major concepts in development refers to the concepts of "innovation, coordination, greenness, openness and sharing" proposed by the Chinese Government in October 2015.

2. PPP is short for Public and Private Partnership.

Growing together with our employees

One of the missions of CITIC Limited is to build a platform on which employees can showcase their talents and abilities. More than asking what employees can do for us, we are concerned with what we can do for our employees. Through a variety of initiatives, we are committed to achieving growth for both our employees and the Company.

Equality as the foundation of growth

Legal Compliance

All of our labour contracts were established and modified in strict accordance with relevant laws and regulations to protect the legal rights of our employees and to develop a harmonious relationship with our staff. Our labour contract signing rate was 100%.

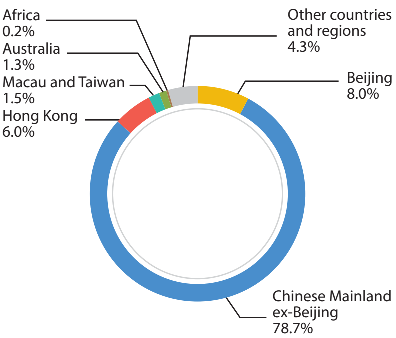
Equal job opportunities

We remained committed to the provision of fair opportunities in our staff recruitment process by adhering to the principle of open recruitment based on merit, without regard to race, nationality, religion, physical disability or gender. CITIC Group was named one of the Top 100 Best Employers in China 2016 by zhaopin.com and the Peking University Social Survey and Research Centre.

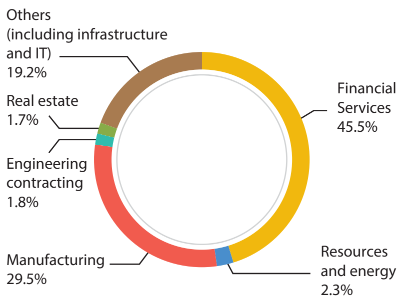
Staff overview

At the end of December 2016, CITIC Limited had a total of 127,610 employees, a reduction of 5,916 employees as compared with the previous year.

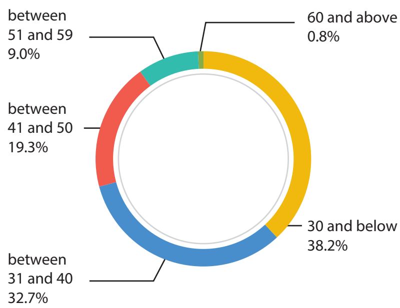
Percentage of employees by region



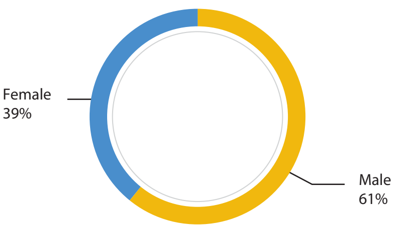
Percentage of employees by business segment



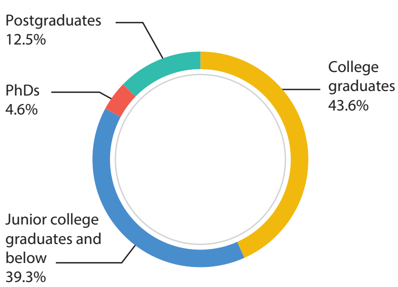
Percentage of employees by age group



Percentage of employees by gender



Percentage of employees by educational background



Incentives to consolidate growth

Staff compensation

Remuneration management

We have a medium-to long-term remuneration mechanism in place across all of our subsidiaries, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism makes reference to statistical data on salaries and remuneration prepared by professional consultants with equal emphasis on market competitiveness and fairness. In accordance with national policies, we are investigating the feasibility of a staff shareholding scheme to attract and retain talent and enhance the Company's competitiveness and staff morale.

Welfare and benefits

We continued to improve the insurance, benefit schemes, working hours and annual leave provisions we offer to our staff. In accordance with local government requirements, we provided basic social insurance policies, and most of our subsidiaries have instituted corporate annuities (supplementary pension insurance) and supplementary medical insurance schemes.

Appraisal mechanism

We optimised our performance appraisal and remuneration systems during the year. Based on the different business characteristics and development stages of our subsidiaries as well as the principle of "one company, one policy", we made improvements to the industry benchmark matching system. This helped to create a closer link between performance appraisal results and staff remuneration/incentives, with a strong emphasis on value creation and shareholder returns for our subsidiaries, as well as for the Company's overall strategic direction. We also reallocated our remuneration pool in response to concerns about the gap in remuneration between the senior management and general staff of the subsidiaries. Instituting a remuneration regime that is appropriately valued, reasonably structured, uniformly administered and effectively supervised has enabled us to motivate employees at all levels more effectively.

Training for future growth

Career paths

In line with our people-oriented philosophy, we arranged for staff postings and exchanges between the headquarters and subsidiaries, among subsidiaries, and between CITIC and relevant provincial and municipal governments. This has broadened the training of our staff and gave them exposure to our operations in the field. We also identified qualified younger people to replenish our talent pool and launched training programmes for our younger officers through our CITIC Excellence Training Project.

Talent strategy

For the implementation of our Talent Strategy during the 13th FYP period, we formed five teams comprising the senior management team, industry leaders' team, a senior technical team to provide advanced skills and technologies, the international team, and outstanding young officers' team. These teams will act as a talent pool in support of the Company.

Training programmes

In the Company's education and training plan for the 13th FYP period, we have proposed to optimise the allocation of resources and provide innovative training approaches, which aim to foster innovative leadership for company leaders, creativity for specialised technical personnel and executive power for management teams. The annual plan for education and training encourages the sharing of training resources among subsidiaries.

In 2016, the Head Office organised 52 training sessions with a total enrolment of approximately 4,700 participants. New seminars were held based on the five major development concepts. New trainings also include the tripartite CITIC-CP Group-Itochu joint training programme, training for Hong Kong-based CITIC employees, and training for senior managers. Additionally, we entered into agreements for reciprocal staff postings with reputable overseas corporations, including Daiwa Securities in Japan for 10 key officers. The annual expenditure of CITIC Securities on staff training amounted to RMB22.67 million, and each employee received an average of 20 hours of training. CITIC Heavy Industries worked with Zhejiang University and China Europe International Business School (Online) to launch a joint training programme. CITIC Construction organized staff to post online micro-class to give lecture on the Company's rules and regulations for overseas staff, while CITIC Dicastal implemented its China-US-Germany joint personnel training initiative for domestic employees and expatriate employees. CITIC Pacific (China) Investment Co., Ltd. developed a new induction training system for new staff, open lessons and large-group lectures for general staff, specialisation training for business personnel, Eaglet training camps for management trainees, and Flying Eagle training camps for intermediary and senior management.

Selected training programmes in 2016

No.	Project	Contents	Participants	Enrolment	Duration
1	CITIC Limited: CITIC — CP Group — Itochu joint training programme	Introduction to China, Thailand and Japan corporate cultures, corporate governance structure and business management	Senior managers or above of CITIC Limited	10	10 days
2	CITIC Bank: basic skills for international personnel	Training in international business and project rotation	The second group of international personnel of CITIC Bank	45	19 days
3	CITIC Heavy Industries: training for leaders of worker-maker teams	Craftsmanship, advanced processes and technologies, mastery of key technologies and sharing experiences in innovation	Leaders of worker-maker teams of CITIC Heavy Industries	22	3 days
4	CITIC Pacific: workshop for human resource strategies	Strategic HR diagnosis and analysis by participants for their respective business units under the instruction of a professor from Hong Kong Baptist University	HR supervisors and managers of CITIC Pacific at various levels	28	1 days

Case study:

Training to promote cooperation and interaction between Mainland Chinese and Hong Kong staff

CITIC organised two training sessions for Hong Kong employees in June and October 2016, respectively, to promote a better understanding of CITIC by Hong Kong-based employees and greater interaction and cultural inclusion between employees in the Mainland and Hong Kong. Experts were invited to provide lectures on CITIC's corporate culture and business development. Participants also had the opportunity to visit CITIC Heavy Industries, CITIC Pacific Special Steel and the CITIC Bank Credit Card Centre, and to attend a forum with CITIC Chairman Chang Zhenming as well as other senior management. Through these activities, staff were able to increase their knowledge of the Company and enhance their sense of pride as members of the CITIC team. We plan to incorporate this into the regular training programme of the Company in 2017 with improvements in format and scheme as this will contribute to the development of CITIC.

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1. Reporting session of the action-based learning programme for middle and young officers of CITIC Limited.
2. Worker-maker training session at CITIC Heavy Industries.
3. HR strategic workshop at CITIC Pacific.
4. Hong Kong employees attend Beijing Guoan football match at its home pitch.
5. Visit by Hong Kong employees to Rong Yiren Memorial Hall.

Employee Health and Safety

As part of our commitment to providing a safe and healthy work environment, we keep improving safety management regimes at the headquarters and subsidiaries level to safeguard our employees against occupational diseases and to promote their physical and psychological well-being.

2016 Safety Management and Measures

Business sectors	Safety measures
Financial services	Safety management regimes and related regulations were introduced with regard to fire prevention, traffic safety, office safety and safety at other business venues. The safety officers for each level have been specified. Manual, physical and technical preventive facilities for office areas were enhanced and regular safety inspections of all facilities conducted to eliminate safety hazards. No material safety incidents were reported during the year.
Resources and energy	CITIC Resources: the Seram HSE and medical teams conducted an emergency medical evacuation drill at Bula Airport to ensure maximum protection of staff in the event of a real emergency. The Non-Bula Block of the Seram Oilfield reported a consecutive safe production run of over 6 million work hours, without any incident that would result in a production halt. This was above the safety standard of 5 million work hours without halting incidents set by the local government for medium-sized upstream oil exploration and production companies. As a result, the Seram Oilfield received the MIGAS Safe Production Award 2016 from MIGAS, the petroleum and gas authority of the Indonesian Ministry of Energy and Mineral Resources.
Manufacturing	CITIC Heavy Industries continued to make improvements to its HSE regime in order to identify, assess and ascertain environmental hazards specific to each production unit. Real-time classified management of dangerous operations was implemented for key operations. Protective standards that are more exacting than national standards have been formulated for key positions subject to toxic hazards, and special protective gear, such as toxic masks, has been introduced. Inspections for identifying occupational hazards are conducted on an annual basis and measures such as process improvement and equipment replacement are adopted where there are excessive indicators. In 2016, a total of 595 specific safety training sessions were held at the 15 principal production units and auxiliary units of CITIC Heavy Industries, with an aggregate enrolment of 80,839 participants. CITIC Dicastal conducts regular investigations of position-specific risks. Risk control is maintained through assessments of inherent risks and evaluations of the effectiveness of existing technologies and control measures with suggestions proposed and implemented to reduce these risks. In 2016, safety management staff and selected production section leaders of CITIC Dicastal received occupational health training. Professional medical personnel were invited to instruct participants on first aid for work injuries, such as bandages for bone fractures and resuscitation; drills and practice sessions were also held.

Emergency medical evacuation drill at Bula Airport conducted by the Seram Oilfield of CITIC Resources.

Fire-fighting training and drills organised by the African Business Department of CITIC Construction.

Business sectors	Safety measures
Engineering contracts	CITIC Construction has set up a safety management committee to review relevant rules and regulations and contingency plans on a regular basis. All business departments and project departments have conducted emergency drills in strict compliance with the Overseas Safety Contingency Plan and other regulations to enhance the response capabilities of overseas staff. Working reports on local safety conditions were submitted to the emergency office on a bi-weekly basis. In 2016, the Latin American Business Department and the African Business Department of CITIC Construction prepared contingency plans to ensure the safety of staff in areas where public security is a concern. In addition, the African Business Department invited the public health specialists of the Chinese Centre for Disease Control and Prevention stationed in Angola to conduct training on the prevention of epidemic diseases for the staff of CITIC Consortium.

Promoting Business Ethics and Integrity

In keeping with our customer-centric philosophy, our subsidiaries are committed to providing premium products and integrated service so as to improve service regime. Based on our strengths in business integration, we strive to achieve all-win with our partners and to ensure that we have a responsible supply chain with partners who comply with our high standards of business ethics opposed to corruption and bribery.

Product and service responsibility

Harvest at the Malanje Farm built by CITIC Construction in Angola

Three publications by CITIC Press were named among the Top 50 Books People Love to Read 2016, making it first among all publishers in China in terms of the number of publications making the list.

Provision of quality products and services	CITIC Bank introduced a 10-step service model [Note 1], the 6S management model [Note 2], smart tellers and integrated financial services with the aim of offering the best customer experience. Its network of self-service outlets has been optimised with improved self-service facilities that support contactless cards and mobile payments using services such as Apple Pay and Samsung Pay. As at the end of 2016, CITIC Bank's network comprised 1,424 outlets, among which 47 outlets were named among the Top 1,000 PRC Bank Branches in Standardised Services 2016. Financial services were provided to 4.85 million customers by 93,700 staff. Financial products issued by the Bank have generated direct gains of RMB38,071 million for customers. CITIC Construction has undertaken signature projects that have elevated the CITIC brand, such as the Malanje Farm project in Angola. This modern farm required five years of development before its completion in 2016 and now produces annual corn volume of 10,000 tonnes on what was once wasteland. Manuel Vicente, the vice president of Angola, visited the farm and hailed it as the exemplary model for the revival of agriculture in Angola. CITIC Press has introduced an innovative publisher platform to create diversified content, which aims to consolidate publishing resources to develop a hierarchical product pool to meet differentiated needs from mass readers. In 2016, a number of CITIC Press publications were named among the Top 50 Books People Love to Read 2016, by the State Administration of Press, Publication, Radio, Film and Television, Most Beautiful Books of China by Shanghai Press and Publication Bureau, and Monthly Picks of Good Books in China by the China Book Review Institute.
Improved service system	Protection of investors' interests is a top priority for CITIC Trust, as indicated by its rules and regulations covering all stages of production and sales. In 2016, CITIC Trust launched the Trust Culture in China campaign to raise public awareness of investors' rights, including improvements to the mechanism for handling consumer complaints and protecting investors' interests, which has been included as one of the benchmarks for appraising performance. CITIC Trust also established a crisis response mechanism for monitoring and responding to negative media reports or material events related to investor rights.
Strengthened quality control	CITIC Heavy Industries visited over 100 units engaged in mining, building materials, metallurgy and frequency converter under the Quality Promotion Scheme 2016 and introduced plans to improve customer service and its brand. In addition, the Company implemented product upgrade projects that have taken the Company to a new level in product quality, process management and on-site management. In 2016, CITIC Heavy Industries received National Advanced Enterprise in Quality and Integrity, the Second Session of the China Quality Award and was named an Advanced Enterprise of Henan Province in Quality Management and AAA Industrial Enterprise of Henan Province in Institutions for Quality and Integrity.

Note

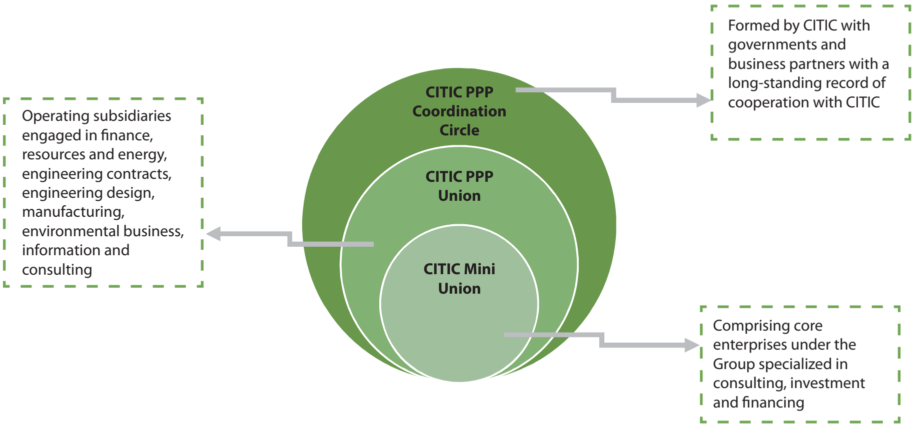
1. 10-step service model comprises "greeting, smiling, inquiring, guiding, reminding, instructing, caring, offering drink, showing the way and saying goodbye".

2. The 6S management model comprises "Sorting, Setting in order, Shining, Standardising, Safety and Sustaining".

Improving our coordination strategy

In recent years, in keeping with national PPP policy, CITIC Limited has participated in CITIC Group's initiatives to upgrade its coordination strategy and improve the related systems and mechanisms. Capitalised on CITIC Group's diversified businesses and mature practices in business coordination, CITIC Limited have contributed a lot to the establishment of three CITIC Coordination Circles.

The Three CITIC Coordination Circles



Responsible procurement

All companies within CITIC Group have procurement duty committees responsible for the management of their respective supply chains according to the Measures for the Administration of Procurement and Tenders formulated by CITIC Limited. According to our rules and regulations, we support and purchase products and services from responsible suppliers.

Case study:

Procurement at CITIC Heavy Industries: A Sunshine Policy

As part of its effort to drive sustainable development, CITIC Heavy Industries has incorporated the concept of social responsibility into its end-to-end supplier management, seeking to jointly create and develop a responsible supply-chain regime that is fair, just and open.

Enhanced transparency of procurement	• A strategy of "Sunshine procurement" has been adopted through the ERP information system and network in strict accordance with CITIC Heavy Industries' administrative regulations that pertain to procurement control procedures and tenders.
Improved systems and regimes	• A range of regulations for supply-chain management have been formulated including Supplier Management Measures that are designed to enhance the audit and management of the entire life cycle of a supplier. This encompasses criteria for admission through the establishment of a transparent and efficient merit-based mechanism for the selection and removal of suppliers so as to enhance fulfilment ability of suppliers and to effectively lower the risks of supply-chain management

Stringent management of supplier admission	• Stringent legal checks on the suppliers' business licenses and examination of their qualifications in quality management and HSE systems; • Due diligence on the supplier's ability to provide assurances in the quality of its products and services, in HSE matters and in compliance with pertinent laws and regulations; • Stringent on-site inspections to examine the supplier in respect of 6S compliance and assurance of corporate security; • Further elements including the supplier's legal compliance, their integrity regarding business co-operation and their execution of social responsibilities are documented in survey sheets. These are contractual and binding undertakings.
Enhanced processes and dynamic management	• If the suppliers deviate from agreed responsibilities, warning letters will be sent demanding timely rectification and preventive measures. These will encourage them to improve the supervision and control of any potential risks inherent in the supply chain. • The suppliers' performance and cooperation will be regularly appraised, as will their credentials, creditworthiness, quality, services, social responsibility and trade security. Any non-compliant suppliers will be removed in order to optimise our portfolio of suppliers and develop a quality supply chain.

There are currently 2,286 qualified suppliers on the list of CITIC Heavy Industries located in China, Japan, Germany, Sweden, Switzerland, the United Kingdom, the United States, Brazil and Australia. There are 2,123 Chinese suppliers, accounting for 92.87%, 1,208 Henan-based suppliers, accounting for 52.84%, and 914 Luoyang-based suppliers, accounting for 39.98%. Co-operation with locally-based suppliers has not only improved our efficiency but also greatly supported local economic development.

CITIC Heavy Industries aims to grow into a top tier Chinese company with an international reputation. Its objective in procurement is to improve the quality of its products, ensure their timely delivery, enhance fulfilment of its social responsibilities and lower procurement risks by purchasing primarily from well-known domestic and international manufacturers and suppliers. This collaborative relationship with suppliers endeavours to create a healthy, safe and sustainable business environment for the industry.

Anti-corruption

Through adherence to the principles of honesty, integrity and fair competition, and via internal and external supervision measures, we have effectively prevented any ethical risks, safeguarded the Company's assets and upheld its corporate image. In 2016, we enhanced relevant education and training by arranging anti-corruption presentations at our headquarters and the offices of our subsidiaries. This enhanced training for middle-level management ensured compliance with the CITIC Limited Code of Staff Conduct; more than 90 supervisory staff from our subsidiaries were also trained. We also arranged two visits for relevant departments to the ICAC in Hong Kong, where they learned about measures to prevent corruption, with staff gaining useful experience in strengthening corporate governance and improving the Company's internal anti-corruption systems.

Environmental Protection

As CITIC Limited has grown and the public's expectations of a company's environmental performance has risen, we find ourselves faced with challenges regarding environmental protection. In line with government policy, CITIC Limited has strictly complied with the environmental laws and regulations of the countries and regions in which it operates. Its subsidiaries have continuously worked to improve their environmental impact, while remaining committed to corporate citizenship regarding environmental protection.

Contributions to the development of carbon emission trading in China

We have been working to enhance the management of carbon assets with initiatives that have included coordinating carbon emission resources across various segments. Subsidiaries with significant carbon emissions have conducted exploratory investigations and adopted effective measures to reduce carbon and conserve energy. Subsidiaries in the financial sector have continued to develop green finance business models with rigorous controls implemented on loans extended to enterprises with high levels of energy consumption and emissions. These collaborative efforts will help the nation achieve its goals in the reduction of carbon dioxide emissions.

Case study:

Development of carbon emissions trading in China

The professional carbon trade and investment team formed by CITIC Securities in 2011 has been actively involved in carbon trading in China and elsewhere. Their goal has been to drive the development of the financial aspect of China's carbon market and to help enterprises gain value from their carbon assets. They have also been encouraged to expedite technological upgrades to lower energy consumption, pollution and carbon emissions across various industries. In 2015, CITIC Securities completed trades in carbon emission rights with a total volume of over one million tonnes, while also launching China's first ever forward trade of carbon emission quotas. By the end of the third quarter of 2016, CITIC Securities had undertaken green bonds (including asset securitisation products) with an aggregate amount of RMB3 billion. This ranked them second among eleven lead underwriters of green bonds and managers of green asset securitisation products, according to the Green Charity Ranking published by the Securities Association of China.

Did you know: The China Emissions Exchange, the first platform for the trading of carbon emission rights in China, commenced operation in Shenzhen on 18 June 2013, a key milestone towards the development of the country's first carbon market. Since then, carbon emission trading has been conducted on a trial basis in Beijing, Tianjin, Shanghai, Guangdong, Hubei and Chongqing. According to the China-US Joint Presidential Statement on Climate Change issued in September 2015, China has pledged to commence a national carbon emission trading system by 2017.

A new platform for the environment business

Through CITIC Environment, we have made concerted efforts to commence operations relating to water treatment, solid waste disposal, energy conservation and a reduction in emissions in China and Singapore. This subsidiary serves as a platform for energy conservation and our environmental businesses, one which has made positive contributions to advances in energy conservation technologies and industrial upgrades.

In 2016, CITIC Environment completed the acquisition of a 13.58% equity interest in Chongqing Sanfeng Environmental Industrial Group Co., Ltd (CSEG) in order to acquire a capability in solid waste processing. To expand its water treatment business, a total of 21 water treatment projects in the domestic and international markets were taken on with this acquisition, representing a total investment of close to RMB4.6 billion.

Water treatment	**Daily waste water processing capacity close to 5 million tonnes** In 2016, CITIC Envirotech owned almost 60 water treatment plants across China with an average daily processing capacity of close to 5 million tonnes. CITIC Changyang Water Treatment Co., Ltd and Ningbo Daxie Development Zone Ecology Sewage Treatment Co., Ltd processed approximately 13 million tonnes of waste water during the year.
Solid waste disposal	**Acquisition of CSEG** In August 2016 CITIC Environment completed its investment in CSEG to become the second largest shareholder. As of at the end of 2016, they have invested in 25 BOT/PPP projects in power generation resulting from waste incineration, with a total designed processing capacity of 37,000 tonnes per day, up 30% year on year. It ranks top on the industry's chart in terms of total PPP project. In 2016, CSEG has an aggregate processing capacity of 4,690,000 tonnes per year, up 27% year on year and has a total power generation capacity of 1,560 million kwh per year, up 31% compared with 2015.
Energy conservation services	**Power consumption savings of approximately 30 million kwh for project owners** CITIC Environment has invested in a number of energy conservation projects such as the LED energy-saving conversion project for municipal roads in the Daxie Development Zone and an energy-saving conversion of the compressed air station of Xingcheng Industry Gas Co., Ltd. Elsewhere, projects have included LED road lighting in Meishan, lighting along the Chongqing Expressway, lighting system conversion at CITIC Dicastal Industrial Park and the upgrade of the furnace energy conservation control system of Daye Special Steel. The total power savings for owners in 2016 amounted to approximately 20 million kwh. The residual heat power generation project of a subsidiary, Ningxia Jingxin Energy Conservation and Environmental Protection Co., Ltd. completed approximately 10.50 million kwh of power generation in 2016, while reducing coal consumption by 4,512 tonnes of standard coal and carbon dioxide emissions by 10,062.77 tonnes.

Development of Green Finance

Green Credit

CITIC Bank has stated that it will "strongly support the development of green, recycling and low-carbon economies, such as energy conservation, environmental protection and new energy, while stringently controlling financing for high-consumption and high-pollution sectors; it would vigorously support industrial upgrades for high-end and traditional manufacturing sectors and strictly comply with the ban in loans against four types of projects in its credit policies, for sectors including equipment manufacturing, petrochemical, cement production and auto manufacturing[1], as well as the 6 pre-requisites for the approval of project loans[2]. For 2016, the balance of loans under the green loan projects of CITIC Bank amounted to RMB25,478 million, representing an increase of RMB1,782 million, up 7.52% compared with 2015.

Loans to sectors subject to high pollution, high emissions and excessive capacity

CITIC Bank monitored risks associated with high pollution, high emission and industries with excessive capacity. Through a new policy, companies are differentiated and rated on a case-by-case assessment as "supported, maintained, reduced or terminated". As at the end of 2016, the balance of loans extended to "high-pollution" and "high emissions" sectors by CITIC Bank amounted to RMB43,745 million, representing a decrease of 12.82%, a decrease of 0.28 percentage points as a share of total company loans. Breaking down this number further, the balance of loans to the steel industry amounted to RMB21,963 million, representing a decrease of RMB314 million, down 1.41%, the balance of loans to the coal-fired power plant amounted to RMB9,426 million, a decrease of RMB2211 million, down 19.00% compared with the previous year.

Upgrading e-banking transactions

Along with the rapid growth in e-banking, CITIC Bank has continued to roll out mobile finance initiatives on the back of Internet-based finance. This is in line with the strategy of balanced dual development underpinned by initiatives to "enhance the financial aspects of Internet businesses" and to "introduce Internet-based financial businesses". As at the end of 2016, CITIC Bank had 19,584,800 mobile phone banking customers, representing a 53.89% increase compared with the end of the previous year. Its personal Internet banking business also reported stable growth with 23,081,900 existing users, representing an increase of 5.05 million new users, or 28.01% compared with the end of the previous year. The replacement ratio related to e-banking transactions was 97.83%, which was 1.7 percentage points higher compared with 2015.

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1 "Four types of projects banned for loans": these are projects that have not obtained the approval of official environmental authorities; new projects under the "restricted" category and projects under the "phase-out" category of national industrial policies; high-pollution projects included under the categories of "restricted regions" or "restricted river coastal regions"; and enterprises and projects involved in violations of environmental laws.

2 "Six pre-requisite conditions": fulfilment of regulations and requirements such as industrial policies and market entry thresholds; project approval and examination or filing procedures, pre-examination for land use, approval of environmental impact assessment, energy conservation assessment and examination, and credit, safety and city planning. No credit facilities should be granted to projects that do not comply with the "six pre-requisite conditions".

Resources and Energy

CITIC Resources is committed to clean production through the employment of advanced technologies, which is part of our concerted effort to protect the natural environment of our operating areas and the local communities.

Description	Initiatives	Achievements
Discharge control	Full-scale environmental monitoring over water and air pollution controls, hazardous waste management and control of the discharge of oil-contaminated at the Seram Oilfield in Indonesia. All involve reporting to local governments on a regular basis	The Seram Oilfield achieved a "Blue" rating in the Program for Pollution Control, Evaluation, and Rating (PROPER) overseen by the Indonesian government with the purpose of enhancing environmental performance.
Waste water treatment	The Yuedong Oilfield in Liaoning investigated and researched the existing conditions of waste water discharge systems from its domestic equipment manufacturers and domestic offshore platforms. It formulated a waste water system upgrade plan applicable to all platforms across the Yuedong Oilfield.	Waste water discharge indicators are in compliance with national standards following the completion of waste water system conversion across all platforms.

Case study:

Karazhanbas Oilfield: protect environmental with better management

Since its acquisition of the Karazhanbas Oilfield in Kazakhstan in 2007, CITIC Resources has continued to deal with environmental issues inherited from past operations. Through an annual plan, they have continued their efforts to deliver on its environmental responsibilities. In an international market of persistently low oil prices, last year the Karazhanbas Oilfield formulated its Environmental Work Plan 2016-2025, pledging to resolve underground and surface oil contamination and other historical environmental issues of the oilfield over the next 10 years. It has further undertaken advances in environmental treatment and protection through greater efforts to protect and restore the operating environment. The plan has been approved by local environmental authorities.

CITIC Mining International renewed its environmental management system in accordance with international and Australian standards as well as the recently updated ISO/AS 14001. At the Sino Iron project, the HSE performance was upgraded under SinoSAFE environmental initiatives. In addition, as an important part of its environmental management initiative CITIC Mining International has also monitored the terrestrial and marine habitats surrounding the Sino Iron project site to minimise the impact of its operations.

Discharge samples for testing at the Seram Oilfield

Inspection of coral samples by CITIC Mining International

Manufacturing

At the beginning of each year, **CITIC Heavy Industries** conducts a meeting on energy conservation and emissions reduction, during which they analyse current conditions and formulate plans and interim measures. In 2016, the desulphurisation gypsum and dehydration GDYT filter for power plants developed by CITIC Heavy Industries was officially delivered to Luoyang Thermal Power Co., Ltd. and presentations were made to market the unit to the power industry. The unit is capable of reducing the integrated energy consumption of power plant desulphurisation systems by 50%-80%, while preventing the generation of waste water, acid waste and other forms of environmental pollution.

CITIC Dicastal adopted the following measures in environmental protection, energy conservation and emissions reduction in 2016:

Description	Initiatives	Achievements
Waste water treatment	Planning on water consumption for production processes at the industrial park zone; recycling water used in production processes into crude water.	Recycled water is used in garden irrigation and for surface cleaning. Statistics indicate estimated annual savings of RMB1.09 million in water consumption.
Utilisation of energy	Conversion of existing residual heat equipment at east plant area.	The recovery of flue gas heat at the smelting furnace and the utilisation of heat generated from the air compressor's circulating water has increased heat generation by 1300KW, thereby providing heat and warmth for the new spraying line.

CITIC Pacific Special Steel puts a strong emphasis on the processing of gas, waste water and particles. Major environmental initiatives in 2016 have included the following:

Description	Initiatives	Achievements
Waste water treatment	Deep-processing of reclaimed water at Xingcheng Special Steel	Facilitating zero discharge of waste water through deep-processing. Upon commissioning, the project is expected to reduce the discharge of industrial waste water into the Yangtze River by 3.60 million tonnes each year.
Utilisation of energy	New PSA oxygen generator unit project of Xingcheng Special Steel	Protection of oxygen consumption at the blast furnace and lowering of oxygen generation costs by reducing per-unit energy consumption. The project is expected to facilitate annual cost savings of approximately RMB17.44 million upon commissioning.

Desulphurisation gypsum and dehydration GDYT filter for power plants developed by CITIC Heavy Industries

Conversion of residual heat equipment at the east plant area of CITIC Dicastal

Green office and low-carbon living

CITIC Limited and its subsidiaries advocate the philosophy of green office and low-carbon living by encouraging careful moderation of staff consumption of water, electricity, food and more. Employees are also asked to conserve resources by exercising self-discipline.

Case study:

e-office progress for the paperless office

CITIC Limited continued to enhance the development of its e-office programme in 2016. Two upgrades of the original OA system were introduced before it was then implemented across all subsidiaries, meaning that CITIC Limited now transmits all internal non-classified business documents via electronic means. In addition, the mobile office system and senior management e-bulletin allow business documents, mail, internal publications and statements to be read by staff on mobile devices during business trips, as opposed to the former method of faxing office work to remote locations. This has resulted in greater efficiency and further advancements of the paperless office at CITIC.

Support for local communities

CITIC Limited believes that contributing to the prosperity of the communities in which it operates will also benefit its businesses. Consequently, our subsidiaries support the development of these communities through education programmes and aid for the underprivileged. Programmes are tailored to address the needs of each community and employees are encouraged to offer their time and skills via our subsidiaries' volunteer platforms.

Educational donations

At CITIC Trust, the Aerospace Science Charitable Trust (the Company's first charitable trust) made an initial donation of RMB2.2 million to support the 5th CITIC Aerospace Talent Award which, under the Soong Ching Ling Foundation, recognises 10 outstanding aerospace scientists. CITIC Trust will continue to provide strong support to the development of charitable trusts.

CITIC Pacific has committed HK$1 million to Lingnan University in Hong Kong for two new schemes, the CITIC Pacific Faculty of Business Scholarships and CITIC Pacific Overseas Exchange Scholarships. The Faculty of Business Scholarships were awarded to Faculty of Business students with outstanding academic achievements, while the Overseas Exchange Scholarships support less privileged students in overseas exchange programmes. Over the next five years, these annual scholarships are expected to provide financial assistance to 10 academically-outstanding students.

Award ceremony of the 5th CITIC Aerospace Development Talent Award under the Song Qingling/Soong Ching Ling Foundation.

Zhang Jijing, Chairman of CITIC Pacific, and other members of the company's leadership team meet with Lingnan University's scholarship awardees.

Aid to the underprivileged

Building "nurseries closest to the sun"

Following local government approval, CITIC Securities has been supporting nurseries in Xainza since 2013 through the construction or upgrade of facilities to provide more pre-school places for local children. In the past four years, CITIC Securities and its subsidiary China Asset Management have invested more than RMB12 million in local pre-school services through the construction of four village-level nurseries: Baza Rural Area No. 7 Village Meiduo Nursery (opened in September 2014), Taerma Rural Area No. 4 Village Zhunbu Nursery (opened in September 2015), Xiong Mei Town No. 8 Village Jiaxiong Nursery and Xainza County No. 6 Village Qubu Nursery (both scheduled to open in April 2017).

The construction of four nurseries in Xainza, which is 4,700 metres above sea level, was understandably difficult. Arguably the highest altitude nurseries in China, they are known as "the nurseries closest to the sun". Local people praised CITIC Securities' efforts by comparing the nurseries to the precious snow lotus of the highlands.

Handover ceremony of No. 4 Village Zhunbu Nursery in Taerma Rural Area

Baza Rural Area No. 7 Village Meiduo Nursery

Ceremony to mark the completion and inaugural term of The Confucius Institute of The Agostinho Neto University

Contributing to community development

The Confucius Institute of The Agostinho Neto University:

A new platform for Chinese-Angolese cultural exchange

The Confucius Institute of The Agostinho Neto University in Luanda, Angola, was founded by CITIC Construction, The Agostinho Neto University and Harbin Normal University, and is the first to be sponsored by a Chinese enterprise. CITIC Construction has donated almost US$1.5 million for the construction of the academic block and the faculty and staff quarters. Covering more than 600 square metres, the Institute includes a local language research centre, library and multi-functional hall that provide a versatile venue for teaching, seminars and activities. The foundation laying ceremony for The Confucius Institute of The Agostinho Neto University was held in Luanda, the capital of Angola, in February 2015. Then, in September 2016 the completion ceremony was held to mark the inaugural term. Adam do Nascimento, Angola's Minister of Higher Education, commented: "The Confucius Institute of The Agostinho Neto University is an important platform for Chinese-Angolan cultural exchange and its commencement opens the door to the learning of Chinese culture for Angolan students."

Feature Story: CITIC Young Volunteers: Harnessing the Energy of Youth

CITIC Limited and its subsidiaries have launched multiple voluntary programmes over the years to encourage staff participation in community development and neighbourhood care. Formed by the Company in 2014, the CITIC Corporation Young Volunteers Association have developed voluntary service programmes, supported by our subsidiaries' volunteer groups, to promote the spirit of devotion, friendship, mutual help and progress. CITIC voluntary service programmes include care for the underprivileged, community service and environmental initiatives to combat pollution.

Growth	**Development of voluntary service groups, Building solidarity among CITIC volunteers**	• The CITIC Corporation Young Volunteers' Association was formed by joining our subsidiaries' volunteer groups with our own. The association now comprises 28 teams. • More than 12,000 volunteers.
Footprints	**Enhancing the CITIC brand through voluntary service**	• In 2015, more than 40 voluntary service outings enabled 8,000 participants to volunteer in 10 cities, including Beijing, Shanghai, Guangzhou and Luoyang. • More than 60 voluntary service outings with over 10,000 participants were organised in more than 20 cities including Beijing, Shanghai, Hangzhou and Wuhan in 2016.
Honours	**Promoting the spirit of volunteering Harnessing young peoples' energy**	• Love, Trust, Be Together won gold in the 2015 grand finale of the 2nd China Young Voluntary Service Contest. • In 2016, CITIC Construction's Joint Fleet Young Volunteers Association of Africa won gold in the grand finale of the 3rd China Young Voluntary Service Contest. CITIC Heavy Industry's Young Volunteers Association won the best organizing award of the 11th China Young Volunteers ceremony.

Our brand

Our range of branded voluntary service programmes delivered excellent performance in 2016.

Summer internships for Hong Kong students in Mainland China

For two years running, CITIC Corporation has organised summer internships in Mainland China for Hong Kong university students. These have helped to enhance exchanges between young people in the Mainland and Hong Kong, while allowing Hong Kong university students to better understand economic and social developments on the Mainland. The programme has since been designated by the All-China Youth Federation as an "internship base for Hong Kong university students".

In 2016, CITIC Corporation Young Volunteers' Association placed 38 university students from Hong Kong with CITIC Bank, CITIC Securities, China Securities, CITIC Trust and CITIC Prudential, allowing them to follow individual learning programmes tailored to their respective academic backgrounds and career aspirations. In addition, a national forum for young financial professionals and a sharing session for university interns from Hong Kong was also organised. Mr Chang Zhenming, Chairman of the Company, attended the event and delivered the opening speech, while government officials and senior business leaders including Mr John Tsang Chun-wah, Financial Secretary of the Hong Kong SAR Government, Mr Guo Ligen, Vice Chairman of the China Banking Regulatory Commission and Mr Ju Weimin, Deputy General Manager of China Investment Corporation delivered keynote speeches. Eight young senior management members of financial institutions from the Mainland and Hong Kong were invited to join in a dialogue, Meet-ups, sharing sessions and ceremonies were also held for university interns, including a Beijing Guoan football match. These initiatives were all enthusiastically received by the Hong Kong students.

Eight young senior management members of financial institutions in the Mainland and Hong Kong take part in a dialogue session

University interns from Hong Kong watch a Beijing Guoan match

Love, Trust, Be Together – Let charity begin with us

Love, Trust, Be Together is a community welfare programme launched by CITIC Bank's Credit Card Centre. Participants are given the option to redeem their credit card points for charity programmes such Dreams Come True, Volunteer Teachers Trips and Summer Camps, in which funds or redeemed items are donated to groups in need.

In 2016, under the Love, Trust, Be Together programme, 61 "dream centres" were built in 20 regions around the country, while 783 staff and cardholder participants enrolled in supportive education trips, covering a combined distance of more than 20,000 km. A large painting entitled Our Dream, a collective creation by students as part of their Summer Camp activity, raised RMB530,000 at an auction to fund the construction of dream centres at five schools, ultimately benefitting some 40,000 students. More than 70,000 CITIC Bank credit card holders took part in the Dreams Come True initiative and donated more than 6 billion points accrued from their credit card spending. These were then converted into RMB600,000 worth of books to be used by 50,000 students. As a result, the Love, Trust, Be Together programme participation in charitable endeavours has become much more accessible.

Dreams Come True, Volunteer Teachers Trip

The 7th Love, Trust, Be Together Summer Camp

Instructing an Angolan student in Chinese calligraphy at the BN Vocational School

Paying visit to Lar Kuzola Orphanage in Luanda, Angola

Cultural aid to Africa

CITIC Construction's Joint Fleet Young Volunteers Association of Africa is the first overseas service team for young volunteers in China's financial sector. They have launched several cultural aid programmes for Africa, including Charity training for BN vocational school, Confucius Institute-sponsored supportive education, Urban maintenance services, Table tennis cultural promotion, Charitable aid to community primary schools and Taking talent to China for expertise training. All the initiatives aim to promote mutual cultural understanding and represent a new opportunity for young Chinese volunteers to serve abroad.

In 2016, the Joint Fleet Young Volunteers Association of Africa organised numerous charitable campaigns, including a community welfare open day at the BN Vocational School, a Chinese education programme at the Confucius Institute and a donation initiative – Love for K.K. – benefitting orphanages.

By the end of 2016, 10 voluntary service teams had been formed under the Joint Fleet Young Volunteers Association of Africa; sponsorships were provided to six underprivileged Angolan teenagers; one coach provided table tennis training in China; and 17 agricultural researchers, 30 mining technicians and 19 city planning technical personnel were supported in their further studies at universities and research institutes in China. These efforts have all been widely applauded by the community.

Our unique characteristics

In addition to their ongoing voluntary services and voluntary work programmes, the CITIC Corporation Young Volunteers' Association and its branch associations launched a wide variety of new volunteer programmes in 2016 that made use of their business expertise and local insights.

The East China Young Volunteers' Cadets was formed by Headquarters in association with subsidiaries in East China to provide voluntary services, including directing traffic, street cleaning, consultation, translation and more for the G20 Summit held in Hangzhou.

CITIC Bank charity concert, the Voice of Youth

CITIC Trust made a presentation on wealth management planning for students at the Dongtieying No. 2 Primary School in Beijing.

The Chongqing and Guizhou branches of CITIC Industrial Investment launched the Operation Warm Winter voluntary service programme during the peak Chinese New Year travel season.

The Care for children with special needs; warming up the world of the hearing-impaired charity campaign, launched by the Jiangsu Lidian Energy Group

CITIC Dicastal hosted the 5th Outdoor Cleaning Day and first Clean and Protect the Great Wall initiative in Qinhuangdao, held in collaboration with the Zongheng Shanghai Outdoor Sports Association.

Past Performance and Forward-looking Statements

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

Contents of Financial Statements and Notes

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	For the year ended 31 December **2016** **HK$ million**	 2015 HK$ million (Restated)
Continuing operations			
Interest income		**251,427**	270,151
Interest expenses		**(125,504)**	(138,268)
Net interest income	5(a)	**125,923**	131,883
Fee and commission income		**58,196**	51,405
Fee and commission expenses		**(3,618)**	(2,506)
Net fee and commission income	5(b)	**54,578**	48,899
Sales of goods and services	5(c)	**193,292**	189,880
Other revenue	5(d)	**7,029**	24,648
		200,321	214,528
Total revenue		**380,822**	395,310
Cost of sales and services	6, 10	**(165,620)**	(158,346)
Other net income	7	**7,291**	8,095
Impairment losses on	8		
– Loans and advances to customers and other parties		**(53,603)**	(47,827)
– Others		**(19,987)**	(31,361)
Other operating expenses	10	**(76,858)**	(85,523)
Net valuation gain on investment properties	32	**615**	592
Share of profits of associates, net of tax		**2,323**	4,741
Share of profits/(loss) of joint ventures, net of tax		**2,876**	(155)
Profit before net finance charges and taxation		**77,859**	85,526
Finance income		**1,552**	2,358
Finance costs		**(8,688)**	(9,239)
Net finance charges	9	**(7,136)**	(6,881)
Profit before taxation	10	**70,723**	78,645
Income tax	11	**(18,393)**	(19,424)
Profit for the year from continuing operations		**52,330**	59,221
Discontinued operations			
Profit for the year from discontinued operations	50	**10,309**	1,472
Profit for the year		**62,639**	60,693

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Profit for the year		**62,639**	60,693
Attributable to:			
– Ordinary shareholders of the Company		**43,119**	41,812
– Holders of perpetual capital securities		**790**	1,135
– Non-controlling interests		**18,730**	17,746
Profit for the year		**62,639**	60,693
Profit attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**32,782**	40,501
– Discontinued operations		**10,337**	1,311
		43,119	41,812
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$):	15		
Basic earnings per share from:			
– Continuing operations		**1.13**	1.53
– Discontinued operations		**0.35**	0.05
		1.48	1.58
Diluted earnings per share from:			
– Continuing operations		**1.13**	1.52
– Discontinued operations		**0.35**	0.05
		1.48	1.57

The notes on pages 166 to 302 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Profit for the year		**62,639**	60,693
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)	16		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**(8,930)**	2,972
Cash flow hedge: net movement in the hedging reserve		**1,155**	139
Share of other comprehensive loss of associates and joint ventures		**(1,132)**	(958)
Exchange differences on translation of financial statements and others		**(40,248)**	(34,978)
Items that have not been reclassified or may not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		**28**	279
Other comprehensive loss for the year, net of tax		**(49,127)**	(32,546)
Total comprehensive income for the year		**13,512**	28,147
Attributable to:			
– Ordinary shareholders of the Company		**9,243**	15,836
– Holders of perpetual capital securities		**790**	1,135
– Non-controlling interests		**3,479**	11,176
Total comprehensive income for the year		**13,512**	28,147
Total comprehensive income/(loss) attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**(275)**	15,620
– Discontinued operations		**9,518**	216
		9,243	15,836

The notes on pages 166 to 302 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	As at 31 December 2016 HK$ million	2015 HK$ million
Assets			
Cash and deposits	18	**927,259**	801,615
Placements with banks and non-bank financial institutions	19	**186,927**	141,775
Financial assets at fair value through profit or loss	20	**77,819**	40,391
Derivative financial instruments	21	**53,281**	16,509
Trade and other receivables	22	**138,942**	141,347
Amounts due from customers for contract work		**1,949**	2,234
Inventories	23	**48,905**	130,447
Financial assets held under resale agreements	24	**193,615**	165,391
Loans and advances to customers and other parties	25	**3,137,906**	2,947,798
Available-for-sale financial assets	26	**642,477**	494,786
Held-to-maturity investments	27	**244,151**	216,267
Investments classified as receivables	28	**1,166,325**	1,331,281
Interests in associates	30	**84,125**	50,663
Interests in joint ventures	31	**19,387**	22,701
Fixed assets	32	**172,236**	183,740
Investment properties	32	**31,539**	28,508
Intangible assets	33	**19,322**	20,572
Goodwill	34	**21,871**	19,481
Deferred tax assets	35	**34,786**	27,761
Other assets		**35,173**	20,042
Total assets		**7,237,995**	6,803,309
Liabilities			
Borrowing from central banks		**205,755**	44,761
Deposits from banks and non-bank financial institutions	36	**1,097,164**	1,275,421
Placements from banks and non-bank financial institutions	37	**93,596**	58,141
Derivative financial instruments	21	**52,648**	17,475
Trade and other payables	38	**207,285**	230,636
Amounts due to customers for contract work		**2,892**	7,224
Financial assets sold under repurchase agreements	39	**134,534**	84,949
Deposits from customers	40	**4,031,522**	3,766,848
Employee benefits payables		**18,283**	18,156
Income tax payable	35	**9,999**	9,414
Bank and other loans	41	**112,819**	147,221
Debt instruments issued	42	**543,893**	449,772
Provisions	43	**3,668**	3,567
Deferred tax liabilities	35	**6,682**	6,998
Other liabilities		**21,404**	19,557
Total liabilities		**6,542,144**	6,140,140
Equity	44		
Share capital		**381,710**	381,710
Perpetual capital securities		**7,873**	13,836
Reserves		**101,050**	97,356
Total ordinary shareholders' funds and perpetual capital securities		**490,633**	492,902
Non-controlling interests		**205,218**	170,267
Total equity		**695,851**	663,169
Total liabilities and equity		**7,237,995**	6,803,309

Approved and authorised for issue by the board of directors on 23 March 2017.

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

The notes on pages 166 to 302 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	General reserve HK$ million (Note 44(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 44(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2016		381,710	13,836	(65,387)	294	4,306	37,013	131,132	(10,002)	492,902	170,267	663,169
Profit for the year	10	–	790	–	–	–	–	43,119	–	43,909	18,730	62,639
Other comprehensive income/(loss) for the year	16	–	–	–	909	(6,751)	–	–	(28,034)	(33,876)	(15,251)	(49,127)
Total comprehensive income/(loss) for the year		–	790	–	909	(6,751)	–	43,119	(28,034)	10,033	3,479	13,512
Redemption of perpetual capital securities	44(c)	–	(5,850)	–	–	–	–	–	–	(5,850)	–	(5,850)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	737	737
Issue of preference shares and other equity instruments by subsidiaries	51(c)	–	–	–	–	–	–	–	–	–	46,162	46,162
Transfer of profits to general reserve		–	–	–	–	–	7,484	(7,484)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	14	–	–	–	–	–	–	(8,727)	–	(8,727)	–	(8,727)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(6,238)	(6,238)
Distribution to holders of perpetual capital securities		–	(903)	–	–	–	–	–	–	(903)	–	(903)
New subsidiaries		–	–	–	–	–	–	–	–	–	165	165
Disposal of subsidiaries	51(b)	–	–	–	–	–	–	–	–	–	(908)	(908)
Termination of part of put options		–	–	2,229	–	–	–	–	–	2,229	–	2,229
Transaction with non-controlling interests	52	–	–	865	–	–	–	–	–	865	(8,418)	(7,553)
Others		–	–	84	–	–	–	–	–	84	(28)	56
Other changes in equity		–	(6,753)	3,178	–	–	7,484	(16,211)	–	(12,302)	31,472	19,170
Balance at 31 December 2016		381,710	7,873	(62,209)	1,203	(2,445)	44,497	158,040	(38,036)	490,633	205,218	695,851

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital HK$ million (Note 44(a))	Convertible preferred shares HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	General reserve HK$ million (Note 44(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 44(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2015		324,198	–	13,834	(60,869)	92	4,885	24,836	109,387	15,597	431,960	143,547	575,507
Profit for the year	10	–	–	1,135	–	–	–	–	41,812	–	42,947	17,746	60,693
Other comprehensive income/(loss) for the year	16	–	–	–	–	202	(579)	–	–	(25,599)	(25,976)	(6,570)	(32,546)
Total comprehensive income/(loss) for the year		–	–	1,135	–	202	(579)	–	41,812	(25,599)	16,971	11,176	28,147
Issue of shares	44(a)	11,986	45,923	–	–	–	–	–	–	–	57,909	–	57,909
Conversion of convertible preferred shares into ordinary shares	44(a)	45,923	(45,923)	–	–	–	–	–	–	–	–	–	–
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	4,143	4,143
Issue of other equity instruments by a subsidiary		–	–	–	–	–	–	–	–	–	–	1,363	1,363
Transfer of profits to general reserve		–	–	–	–	–	–	12,177	(12,177)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	14	–	–	–	–	–	–	–	(7,890)	–	(7,890)	–	(7,890)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(2,073)	(2,073)
Distribution to holders of perpetual capital securities		–	–	(1,133)	–	–	–	–	–	–	(1,133)	–	(1,133)
New subsidiaries		–	–	–	–	–	–	–	–	–	–	3,041	3,041
Disposal of subsidiaries	51(b)	–	–	–	–	–	–	–	–	–	–	(125)	(125)
Put options issued in business combinations		–	–	–	(3,034)	–	–	–	–	–	(3,034)	–	(3,034)
Transaction with non-controlling interests		–	–	–	(1,224)	–	–	–	–	–	(1,224)	9,285	8,061
Others		(397)	–	–	(260)	–	–	–	–	–	(657)	(90)	(747)
Other changes in equity		57,512	–	(1,133)	(4,518)	–	–	12,177	(20,067)	–	43,971	15,544	59,515
Balance at 31 December 2015		381,710	–	13,836	(65,387)	294	4,306	37,013	131,132	(10,002)	492,902	170,267	663,169

The notes on pages 166 to 302 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Cash flows from operating activities			
Profit before taxation from continuing operations		**70,723**	78,645
Adjustments for:			
– Depreciation and amortisation	10(b)	**12,237**	11,774
– Impairment losses	8	**73,590**	79,188
– Net valuation gain on investment properties	32	**(615)**	(592)
– Net valuation gain on investments		**(299)**	(668)
– Share of profits of associates and joint ventures, net of tax		**(5,199)**	(4,586)
– Interest expenses on debts instruments issued	5(a)	**16,438**	10,439
– Finance income	9	**(1,552)**	(2,358)
– Finance costs	9	**8,688**	9,239
– Net gain on available-for-sale financial assets		**(3,113)**	(11,195)
– Net gain on disposal of subsidiaries, associates and joint ventures		**(2,237)**	(12,961)
		168,661	156,925
Changes in working capital			
(Increase)/decrease in deposits with central banks, banks and non-bank financial institutions		**(46,273)**	4,676
Increase in placements with banks and non-bank financial institutions		**(57,754)**	(42,833)
Increase in financial assets at fair value through profit or loss		**(42,130)**	(3,142)
Increase in trade and other receivables		**(18,483)**	(14,316)
Decrease/(increase) in amounts due from customers for contract work		**285**	(787)
(Increase)/decrease in inventories		**(12,865)**	4,372
Increase in financial assets held under resale agreements		**(40,458)**	(3,433)
Increase in loans and advances to customers and other parties		**(424,930)**	(446,580)
Decrease/(increase) in investments classified as receivables		**83,565**	(575,313)
Increase in other assets		**(14,164)**	(11,272)
(Decrease)/increase in deposits from banks and non-bank financial institutions		**(101,989)**	472,768
Increase in placements from banks and non-bank financial institutions		**39,480**	36,554
Decrease in financial liabilities at fair value through profit or loss		**–**	(714)
Increase in trade and other payables		**17,270**	30,128
Decrease in amounts due to customers for contract work		**(4,332)**	(3,422)
Increase in financial assets sold under repurchase agreements		**57,525**	36,802
Increase in deposits from customers		**520,612**	388,622
Increase/(decrease) in borrowing from central banks		**171,446**	(15,630)
(Decrease)/increase in other liabilities		**(3,077)**	9,387
Increase/(decrease) in employee benefits payables		**127**	(2,730)
Increase in provisions		**101**	707
Cash generated from operating activities of continuing operations		**292,617**	20,769
Income tax paid		**(17,808)**	(21,220)
Net cash generated from/(used in) operating activities of continuing operations		**274,809**	(451)
Net cash generated from operating activities of discontinued operations		**5,656**	760
Net cash generated from operating activities		**280,465**	309

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	For the year ended 31 December **2016** **HK$ million**	 2015 HK$ million (Restated)
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		**681,246**	884,132
Proceeds from disposal of fixed assets, intangible assets and other assets		**805**	194
Proceeds from disposal of associates and joint ventures		**3,848**	14,312
Net cash received from disposal of subsidiaries	51(b)	**754**	1,411
Dividends received from equity investments, associates and joint ventures		**4,217**	5,022
Payments for purchase of financial investments		**(855,582)**	(1,018,145)
Payments for additions of fixed assets, intangible assets and other assets		**(21,824)**	(24,256)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		**(10,163)**	(5,240)
Net cash used in investing activities of continuing operations		**(196,699)**	(142,570)
Net cash used in investing activities of discontinued operations		**(14,887)**	(958)
Net cash used in investing activities		**(211,586)**	(143,528)
Cash flows from financing activities			
Capital injection received from the shareholders of the Company		**–**	57,909
Capital injection received from non-controlling interests		**686**	566
Transaction with non-controlling interests	52	**(7,553)**	7,363
Proceeds from new bank and other loans		**96,264**	91,972
Repayment of bank and other loans and debt instruments issued		**(706,253)**	(359,657)
Proceeds from new debt instruments issued		**727,321**	398,192
Proceeds from preference shares and other equity instruments issued	51(c)	**46,131**	1,363
Interest paid on bank and other loans and debt instruments issued		**(28,920)**	(21,853)
Dividends paid to non-controlling interests		**(6,238)**	(1,986)
Dividends paid to ordinary shareholders of the Company	14	**(8,727)**	(7,890)
Redemption of perpetual capital securities		**(5,850)**	–
Distribution paid to holders of perpetual capital securities		**(903)**	(1,133)
Net cash generated from financing activities of continuing operations		**105,958**	164,846
Net cash used in financing activities of discontinued operations		**(11,803)**	(2,360)
Net cash generated from financing activities		**94,155**	162,486
Net increase in cash and cash equivalents		**163,034**	19,267
Cash and cash equivalents at 1 January		**354,111**	347,891
Effect of exchange changes		**(23,007)**	(13,047)
Cash and cash equivalents at 31 December	51(a)	**494,138**	354,111

The notes on pages 166 to 302 form part of these consolidated financial statements.

1 General information

CITIC Limited (the "Company") was incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The address of its registered office is 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group"). As at 31 December 2016, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2015: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. Impacts of the adoption of the amended HKFRS are discussed below:

(i) Amendments to HKAS 1, Disclosure initiative
The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

(ii) Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation
The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Amendment to HKAS 27, Equity method in separate financial statements

The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

(iv) Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: applying the consolidation exception

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

(v) Amendment to HKFRS 11, Accounting for acquisitions of interests in joint operations

The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3, Business combinations).

(vi) Annual improvements to HKFRS 2012-2014 cycle

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

- HKFRS 5, Non-current assets held for sale and discontinued operations
- HKFRS 7, Financial instruments: Disclosures
- HKAS 19, Employee benefits
- HKAS 34, Interim financial reporting

The adoption of the above amendments has no material impact on the financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK$ for the preparation of the consolidated financial statements (see Note 2(h)). The financial statements of the Group are presented in HK$ and, unless otherwise stated, expressed in million of HK$.

2 Significant accounting policies (continued)

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see Note 2(l));
- financial assets and liabilities at fair value through profit or loss (including trading financial assets or trading financial liabilities) (see Note 2(i));
- available-for-sale financial assets, except for those whose fair value cannot be measured reliably (see Note 2(i)); and
- fair value hedged items (see Note 2(j)(i)).

(d) Use of estimates and judgement

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in Note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

(ii) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree are transferred to investment income in the period in which the acquisition occurs.

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries, as well as structured entities controlled by the Group.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

(iii) Consolidated financial statements (continued)

When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the ordinary shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 2(i).

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (capital reserve) in the consolidated balance sheet.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(f)).

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

(iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(t)(ii)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(t)(ii)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see Note 2(i)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 2(t)(ii)).

2 Significant accounting policies (continued)

(g) Goodwill

Goodwill represents the excess of the consideration transferred, including the amount of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition, over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within joint ventures and associates at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in profit or loss immediately on acquisition.

(h) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. The exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity investments, which is recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK$ at the foreign exchange rates or the rates that approximate the foreign exchange rates at the transaction dates. The resulting exchange differences are presented as "Reserves" (exchange reserve) in the consolidated balance sheet within the shareholder's equity.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(i) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred, and on the contractual terms of the financial instruments. The categories are: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative. Derivatives that do not qualify for hedge accounting (Note 2(j)) are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

– the assets are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets which would otherwise arise;

– the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise and other parties, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, investments classified as receivables, and trade and other receivables.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see Note 2(t)(i)). Where the receivables are interest-free loans made to related parties without any fixed repayment term or the effect of discounting would be immaterial, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intention and ability to hold to maturity, other than (a) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (see Note 2(t)(i)).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Note 2(w)(vii) and 2(w)(i) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see Note 2(t)(i)).

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through the profit or loss.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial liabilities or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (i) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Other financial liabilities mainly comprise borrowing from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, trade and other payables, financial assets sold under repurchase agreements, banks and other loans, and debt instruments issued.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) De-recognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group derecognises a financial asset, if the part being considered for de-recognition meets one of the following conditions: (a) the contractual rights to receive the cash flows from the financial asset expire; or (b) the contractual rights to receive the cash flows of the financial asset have been transferred, and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (c) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through requirements") and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred;

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) De-recognition (continued)

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When the securitisation of financial assets that do qualify for de-recognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets that partially qualify for de-recognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

The financial liability is derecognised only when: (a) the underlying present obligation specified in the contracts is discharged/cancelled, or (b) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Derivatives

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting in accordance with Note 2(j) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(vii) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with Note 2(i)(ii) above.

2 Significant accounting policies (continued)

(j) Hedging

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective part of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

2 Significant accounting policies (continued)

(j) Hedging (continued)

(iii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Group utilises the cumulative dollar offset method or regression analysis as effectiveness testing methodologies. For cash flow hedge relationships, the Group utilises the change in variable cash flow method or the cumulative dollar offset method using the hypothetical derivative approach.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(k) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(l) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

2 Significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(t)(ii)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction-in-progress represents property, plant and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

– Plant and buildings	5–70 years
– Machinery and equipment	3–33 years
– Office and other equipment, vehicles and vessels and others	2–33 years

Freehold land within the category of plant and buildings are not depreciated.

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(n) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2(t)(ii).

2 Significant accounting policies (continued)

(o) Intangible assets (other than goodwill)

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(t)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

– Roads and tunnels operating rights	Over the estimated useful lives of 30 years
– Mining assets	Over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven probable reserves of the mines using the unit-of-production method.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(p) Inventories

(i) Manufacturing, resources and energy segments

Inventories of the manufacturing, and resources and energy segments are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised in profit or loss in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(p) Inventories (continued)

(ii) Real estate segment

Inventories in respect of property development activities under the real estate segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property under development**

The cost of properties under development comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(bb)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(q) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 2(w)(v). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as "amount due from customers for contract work" or "amount due to customers for contract work".

(r) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 2(m) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(t)(ii). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2(w)(vi).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(l)).

2 Significant accounting policies (continued)

(s) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses.

Impairment losses on initial recognition and on subsequent remeasurement are recognised in profit or loss.

(t) Impairment of assets

(i) Financial assets

The carrying amounts of the Group's financial assets other than those measured at fair value through profit and loss are reviewed at balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes but not limited to one or more of the following loss events that occurred after the initial recognition of the asset and has an impact on the future cash flows on the assets that can be estimated reliably:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of financial difficulties;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of a financial asset.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote after all the necessary legal or other proceedings are completed, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received, discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and advances to customers and other parties are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- land use rights;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(ii) Non-financial assets (continued)

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversable.

(u) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio. Where the payment of liability is expected not to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, and the effect would be material, these liabilities are stated at their present values in the balance sheet.

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in the People's Republic of China (the "PRC") subsidiaries are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in the PRC are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subject to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other liabilities". The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(v)(iii) if and when: (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(v)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income arising from the use of entity assets by others is recognised in profit or loss based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and interests paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

(iii) Sales of goods and services

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

Revenue from sales of properties is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

(v) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

The Group measured the stage of completion by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2 Significant accounting policies (continued)

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(aa) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

- the nature of products and services;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies (continued)

(cc) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations. Intra-group balances, transactions and cash flows between discontinued and continuing operations are eliminated in preparing these financial statements.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Impairment losses on loans and advances and investments classified as receivables

Loans and advances to customers and other parties
The Group reviews its loans and advances to customers and other parties to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes estimates and judgements as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually assessed loans and advances or pools of loans and advances to customers and other parties with similar risk characteristics, as described in Note 2(t)(i) impairment of financial assets carried at amortised cost.

Significant judgements are made in the determination of whether objective evidence of impairment exists in individually assessed loans and advances to customers and other parties or pools of loans and advances to customers and other parties with similar risk characteristics. Among other things, objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, overdue status, financial position of guarantors, latest collateral valuations, concession the Group that would not otherwise be granted to borrowers for economic or legal reasons relating to their financial difficulties, as well as increasing industry sector over-capacity or obsolescence, or deterioration in national or regional economic conditions that are correlated to increasing loans and advances to customers and other parties defaults. These judgements are made both during management's regular assessments of credit quality of loans and advances to customers and other parties and when other circumstances indicate the possibility that objective evidence of impairment may exist.

3 Critical accounting estimates and judgements (continued)

(a) Impairment losses on loans and advances and investments classified as receivables (continued)

Loans and advances to customers and other parties (continued)
Where it is determined that objective evidence of impairment exists, significant judgements and estimates are made in estimating the adverse impact on future cash flows related to individually assessed impaired loans and advances to customers and other parties. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Factors affecting these estimates include the availability and granularity of information related to specific borrowers; the results of regulatory reviews and the related portfolio analysis, and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loans and advances to customer's defaults of related borrowers.

Corporate loans and advances to customers and other parties not identified as impaired from individually assessments, together with all personal loans and advances to customers and other parties are included in homogenous groups with similar credit risks characteristics for performance of impairment assessments on a collective basis. Migration model is used for corporate loans and roll rate models are used for personal loans considering the similarity of credit risks and applying key assumptions. Significant judgements are applied to the calculation of assessed impairment using these models. Critical factors affecting these judgements include modelling assumptions (e.g., loss given default) and levels of correlation between qualitative factors and loans and advances to customers and other parties default. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; (iii) high risk products and geographic locations; and (iv) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience. The Group considers the impact of the changes and uncertainty in the macro-economic environment, in which the Group operates when assessing the methodologies and assumptions used for loss estimation, makes adjustments where appropriate.

Investments classified as receivables
In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes significant estimates and judgements as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to investments classified as receivables by underlying assets or groups of underlying assets with similar risk characteristics, as described in Note 2(t)(i) Impairment of financial assets.

Where it is determined that objective evidence of impairment exists, significant judgements and estimates are made in estimating the adverse impact on future cash flows based on the underlying assets related to individually significant impaired investment classified as receivables.

Investments classified as receivables not identified as impaired from the individual assessment are included in groups with similar credit risk characteristics by underlying assets with the consideration of risk factors specific to different industries and different type of underlying assets, and assessed for impairment collectively. Significant judgements are applied to the calculation of collectively assessed impairment.

3 Critical accounting estimates and judgements (continued)

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, financial information regarding the investee and industry practice.

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Group estimates the net realisable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group's profit or loss during the year.

(d) Impairment of non-financial assets

As described in Note 2(t)(ii), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. Management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

3 Critical accounting estimates and judgements (continued)

(g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

(h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc.. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

– the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

– where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

3 Critical accounting estimates and judgements (continued)

(j) Consolidation of structured entities

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

– assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

– performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

– assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(k) Metallurgical Corporation of China ("MCC") claim

MCC were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia ("Sino Iron Project"). The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd. ("MCC WA"), its wholly owned subsidiary company responsible for delivering MCC's obligations under the contract.

As at the date of issuance of the consolidated financial statements MCC has not claimed any additional costs from Sino Iron Pty Ltd. ("Sino Iron") or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US$5 million per day, with a cap of approximately US$530 million in total). As at balance sheet date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2016.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes

Each of Sino Iron and Korean Steel Pty Ltd. ("Korean Steel"), subsidiary companies of the Company, is a party to a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to construct and operate the Sino Iron Project and take two billion tonnes of magnetite ore.

A number of disputes have arisen in relation to the MRSLAs and associated agreements, a number of which are described below. The Group intends to contest all claims vigorously.

Option Agreement Dispute
The Company is a party to an Option Agreement with Mineralogy and Mr Clive Palmer, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company (and its affected subsidiaries, Sino Iron and Korean Steel) commenced legal proceedings in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by the Company, including that the Company had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr Palmer.

Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the Company, Sino Iron and Korean Steel commenced a proceeding in the Supreme Court of Western Australia to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. No trial date has been set for this proceeding.

Royalties Disputes
The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products ("annual benchmark prices"). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (continued)

Royalties Disputes (continued)
Mineralogy's latest amended statement of claim was filed on 25 January 2017. In its current statement of claim, Mineralogy seeks payment of sums for Royalty Component B, damages for breach of the MRSLAs or a declaration that the MRSLAs be rectified, among other things. Mineralogy has withdrawn all claims that the MRSLAs have been terminated.

The current defence and counterclaim of Korean Steel, Sino Iron and the Company, which was filed on 6 February 2017, pleads that the provisions concerning Royalty Component B can be severed from the remainder of the MRSLAs (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, they contend that the parties to the MRSLAs must negotiate a new Royalty Component B formula in good faith, or alternatively, Korean Steel and Sino Iron must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the Court having regard to the relevant circumstances.

In November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and the Company (together, for the purpose of this application, the "CITIC Parties") to pay to Mineralogy royalties under the MRSLAs. The application was heard in December 2015 by Justice Tottle, who dismissed the application. Mineralogy appealed Justice Tottle's decision at first instance and on 27 June 2016 the appeal was unanimously allowed and orders made for the injunction application to be remitted for rehearing.

The remitted injunction application was heard in October 2016 by Justice Kenneth Martin and judgement was delivered in Mineralogy's favour in December 2016. Pursuant to Justice Martin's judgement, his Honour made injunction orders to the effect that Sino Iron and Korean Steel were to pay on an interlocutory basis pending final judgement (a) by 30 January 2017, into Court the sum of US$10,690,270.50 (or the Australian dollar equivalent) to abide further orders of the Court, and to Mineralogy, the same sum; (b) subject to Mineralogy demonstrating it is ready, willing and able to perform its obligations under the MRSLAs and amending its Statement of Claim to withdraw claims the MRSLAs had been terminated, by 28 February 2017, into Court the sum of US$29,801,812.50, and to Mineralogy, the same sum; and (c) in respect of each quarter from 30 June 2016 in arrears, into Court, amounts assessed as a payment of US$6 per DMT of iron ore concentrate shipped, the payments in respect of the quarters ended September 2016 and December 2016 to be paid by 31 March 2017.

The CITIC Parties have appealed the injunction orders made by Justice Martin for Korean Steel and Sino Iron to pay monies to Mineralogy and into Court. The appeals were heard on 8 March 2017 and judgement was reserved. The orders to pay amounts to Mineralogy have been stayed until after the delivery of such judgement.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (continued)

Royalties Disputes (continued)
The trial in this proceeding is provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

The MRSLAs contain a clause stating that, unless certain exceptions apply, each of Korean Steel and Sino Iron is required to pay an amount to Mineralogy if either of them produced less than six million tonnes of saleable product by March 2013 (the "Minimum Production Royalty"). In August 2015, Queensland Nickel Pty Ltd. ("Queensland Nickel") commenced a proceeding in the Supreme Court of Queensland alleging that the non-payment of the Minimum Production Royalty to Mineralogy amounted to unconscionable conduct by the Company, Sino Iron and Korean Steel, and that the Company, Sino Iron Holdings Pty Ltd. and individual officers of the Company and its subsidiaries (together, for the purpose of this proceeding, the "CITIC Parties") were knowingly concerned in the alleged contraventions. Queensland Nickel sought damages for losses suffered as a consequence of Mineralogy being unable to advance funds to it due to such non-payment. In September 2015, the CITIC Parties filed a strike out application in the proceeding. At a hearing on 16 March 2016, the Court ordered that Queensland Nickel be removed as plaintiff and QNI Resources Pty Ltd. and QNI Metals Pty Ltd. be substituted as plaintiffs in the proceeding. On 23 March 2016, the Court upheld the strike out application brought by the CITIC Parties and dismissed the proceeding. QNI Resources Pty Ltd. and QNI Metals Pty Ltd. appealed the decision. However, they subsequently withdrew their appeal and, on 1 September 2016, the appeal was discontinued.

Port Dispute
Sino Iron and Korean Steel have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it, that it is entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties which regulate usage of the port infrastructure have been terminated by it.

The matter was heard by the Federal Court of Australia in June 2015. The Court's reasons for decision were handed down in August 2015. The Court refused to grant any of the relief sought by Mineralogy. The effect of the decision was to preserve the status quo in relation to the operation of the port facilities which continue to be operated by or on behalf of Sino Iron and Korean Steel. Mineralogy appealed the decision at first instance. The appeal was heard from 9 to 12 May 2016. Judgement was reserved.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2016 is 16.5% (2015: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2016 is 25% (2015: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (Note 5(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

(a) Net interest income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**11,179**	11,323
Placements with banks and non-bank financial institutions	**4,363**	3,561
Financial assets held under resale agreements	**1,078**	4,979
Investments classified as receivables	**54,275**	57,400
Loans and advances to customers and other parties	**155,252**	170,211
Investments in debt securities	**25,274**	22,654
Others	**6**	23
	251,427	270,151
Interest expenses arising from:		
Borrowing from central banks	**(3,143)**	(1,238)
Deposits from banks and non-bank financial institutions	**(38,172)**	(44,613)
Placements from banks and non-bank financial institutions	**(1,721)**	(928)
Financial assets sold under repurchase agreements	**(1,007)**	(699)
Deposits from customers	**(64,577)**	(80,259)
Debt instruments issued	**(16,438)**	(10,439)
Others	**(446)**	(92)
	(125,504)	(138,268)
Net interest income	**125,923**	131,883

(b) Net fee and commission income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Consultancy and advisory fees	**6,821**	8,685
Bank card fees	**22,561**	16,708
Settlement and clearing fees	**1,633**	2,174
Commission for wealth management services	**8,323**	7,287
Agency fees and commission	**7,197**	4,634
Guarantee fees	**2,790**	3,940
Trustee commission and fees	**7,997**	7,131
Others	**874**	846
	58,196	51,405
Fee and commission expenses	**(3,618)**	(2,506)
Net fee and commission income	**54,578**	48,899

5 Revenue (continued)

(c) Sales of goods and services

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Sales of goods	**156,528**	149,628
Services rendered to customers	**26,895**	27,370
Revenue from construction contracts	**9,869**	12,882
	193,292	189,880

(d) Other revenue

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Net trading gain (note (i))	**4,153**	4,622
Net gain on investment assets under financial services segment	**2,022**	19,557
Others	**854**	469
	7,029	24,648

(i) Net trading gain

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	**1,358**	2,300
– foreign currencies	**2,705**	2,865
– derivatives	**90**	(543)
	4,153	4,622

6 Costs of sales and services

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Costs of goods sold	**139,137**	129,884
Costs of services rendered	**18,172**	18,179
Costs of construction contracts	**8,311**	10,283
	165,620	158,346

7 Other net income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Net gain on disposal of subsidiaries, associates and joint ventures	**2,483**	1,513
Net gain on financial assets under non-financial services segment	**1,889**	5,856
Commissions income, net foreign exchange gain and others	**2,919**	726
	7,291	8,095

8 Impairment losses

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Impairment losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	**40**	–
– trade and other receivables	**6,706**	4,098
– amounts due from customers for contract work	**(795)**	–
– inventories	**587**	593
– loans and advances to customers and other parties (Note 25(d))	**53,603**	47,827
– available-for-sale financial assets	**416**	(5)
– held-to-maturity investments	**2**	(4)
– investments classified as receivables	**1,068**	4,647
– interests in associates	**2**	476
– interests in joint ventures	**11**	–
– fixed assets (note)	**10,255**	17,445
– intangible assets (note)	**742**	2,233
– others	**953**	1,878
	73,590	79,188

8 Impairment losses (continued)

Note:

Iron Ore Project

The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operation in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Projects have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project that had indicators of impairment at 31 December 2016, including the reduction in the iron ore price outlook. As a result the Group assessed the recoverable amount of the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is compared with its recoverable amount. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs of disposal and value in use. The Group has adopted fair value less costs of disposal methodology in its assessment, using a nominal discounted cash flow model based on the mine life of the Sino Iron Project.

In the model a discount rate of 9.5% is used. Iron ore price (including base price, premium on product grade and adjustment on freight) and AU$:US$ exchange rate assumptions are estimated by management with reference to external market forecasts sourced from a range of industry experts. The operating expenditure and capital expenditure for years 2017 to 2019 are forecast based on management's best estimates of costs and expenditures. Beyond the above three-year forecast period, operating expenditure and capital expenditure are forecast to remain relatively stable increasing primarily with inflation.

The impairment testing carried out at 31 December 2016 resulted in a total impairment charge of US$1,302 million (approximately HK$10,152 million) (2015: US$2,213 million (approximately HK$17,261 million)) being recognised in the consolidated income statement, reflecting a softening in forecast iron ore prices. The impairment charge was allocated as follows:

- Property, plant & equipment US$1,208 million (approximately HK$9,417 million) (2015: US$1,979 million (approximately HK$15,436 million))
- Intangible assets US$94 million (approximately HK$735 million) (2015: US$234 million (approximately HK$1,825 million))

The fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);
- Inputs other than quoted prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the CGU that are not based on observable market data (unobservable inputs)(level 3 inputs).

The CGU's fair value hierarchy is Level 3.

9 Net finance charges

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Finance costs		
– Interest on bank loans and other loans	**3,486**	4,533
– Interest on debt instruments issued and other interest expenses	**5,718**	5,592
	9,204	10,125
Less: interest expense capitalised*	**(576)**	(2,138)
	8,628	7,987
Other finance charges	**60**	1,252
	8,688	9,239
Finance income	**(1,552)**	(2,358)
	7,136	6,881

* Capitalisation rates applied to funds borrowed are 1.30% – 5.70% per annum for the year ended 31 December 2016 (2015: capitalisation rate of 2.12% – 6.86%).

10 Profit before taxation

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Salaries and bonuses	**33,993**	32,385
Contributions to defined contribution retirement schemes	**4,326**	4,204
Others	**7,753**	7,838
	46,072	44,427

(b) Other items

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Amortisation	**2,690**	2,466
Depreciation	**9,547**	9,308
Operating lease charges: minimum lease payments	**5,424**	5,798
Tax and surcharges	**5,929**	14,225
Property management fees	**1,290**	1,050
Non-operating expenses	**1,363**	1,238
Professional fees (other than auditors' remuneration)	**997**	885
Auditors' remuneration		
– Audit services	**156**	155
– Non-audit services	**56**	23
	27,452	35,148

11 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**22,337**	23,716
Land appreciation tax	**328**	218
	22,665	23,934
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**1,524**	959
Current tax – Overseas		
Provision for the year	**310**	791
	24,499	25,684
Deferred tax		
Origination and reversal of temporary differences	**(6,106)**	(6,260)
	18,393	19,424

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Profit before taxation	**70,723**	78,645
Less: Share of (profits)/loss of		
– associates	**(2,323)**	(4,741)
– joint ventures	**(2,876)**	155
	65,524	74,059
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**10,811**	12,220
Effect of different tax rates in other jurisdictions	**4,485**	5,596
Tax effect of unused tax losses not recognised	**397**	428
Tax effect of non-deductible expenses	**3,054**	2,121
Tax effect of non-taxable income	**(1,688)**	(1,675)
Others	**1,334**	734
Actual tax expense	**18,393**	19,424

12 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2016 are set out as follows:

	For the year ended 31 December 2016									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.34	0.24	–	0.03	0.13	0.11	–	–	0.85
Wang Jiong [i]	–	0.34	0.24	–	0.01	0.12	0.10	–	–	0.81
Li Qingping [i]	–	0.30	0.22	–	0.01	0.13	0.10	–	–	0.76
Pu Jian [i]	–	0.30	0.22	–	0.01	0.13	0.10	–	–	0.76
Non-executive Directors:										
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Song Kangle [ii,iii]	–	–	–	–	–	–	–	–	–	–
Yan Shuqin [ii,iii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.02	–	0.40
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.18	–	0.56
Lee Boo Jin	0.38	–	–	–	–	–	–	0.01	–	0.39
Noriharu Fujita	0.38	–	–	–	–	–	–	–	–	0.38
Paul Chow Man Yiu [ii,iii]	0.30	–	–	–	–	–	–	0.01	–	0.31
Name of Former Directors										
Yu Zhensheng [ii,iii]	–	–	–	–	–	–	–	–	–	–
Cao Pu [ii,iii]	–	–	–	–	–	–	–	–	–	–
Li Rucheng [ii,iii]	0.29	–	–	–	–	–	–	–	–	0.29
	2.87	1.28	0.92	–	0.06	0.51	0.41	0.85	–	6.90

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2016 in respect of Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian have not been finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained.

(ii) Changes in directors during the year ended 31 December 2016:

(1) Ms Cao Pu retired from the position as non-executive director in March 2016.

(2) Mr Song Kangle and Mr Li Rucheng were appointed as non-executive directors, and Mr Paul Chou Man Yiu was appointed as an independent non-executive director in March 2016.

(3) Ms Yan Shuqin was appointed as a non-executive director, and Mr Yu Zhensheng resigned from the position as non-executive director in April 2016.

(4) Mr Li Rucheng resigned from the position as non-executive director in December 2016.

(iii) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2015 are set out as follows:

	For the year ended 31 December 2015									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.34	0.34	–	0.03	0.12	0.11	–	–	0.94
Wang Jiong [i]	–	0.34	0.34	–	–	0.12	0.10	–	–	0.90
Li Qingping [i,ii,iii]	–	0.03	0.03	–	–	0.01	0.01	–	–	0.08
Pu Jian [i,ii,iii]	–	0.03	0.03	–	–	0.01	0.01	–	–	0.08
Non-executive Directors:										
Yu Zhensheng	–	–	–	–	–	–	–	–	–	–
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Cao Pu	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping [ii,iii]	0.16	–	–	–	–	–	–	–	–	0.16
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.17	–	0.55
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.03	–	0.41
Lee Boo Jin	0.38	–	–	–	–	–	–	–	–	0.38
Noriharu Fujita [ii,iii]	0.16	–	–	–	–	–	–	–	–	0.16
Name of Former Directors										
Dou Jianzhong [ii,iii]	–	–	–	–	–	–	–	–	5.00	5.00
Alexander Reid Hamilton [ii,iii]	0.16	–	–	–	–	–	–	0.10	–	0.26
Zhang Jijing [ii,iii]	–	–	–	–	–	–	–	–	6.53	6.53
	2.00	0.74	0.74	–	0.03	0.26	0.23	0.68	11.53	16.21

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2015 in respect of Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian were finalised in accordance with the regulations of the relevant local authorities.

(ii) Changes in directors during the year ended 31 December 2015:

(1) Mr Dou Jianzhong resigned from the position as executive director in May 2015.

(2) Mr Alexander Reid Hamilton retired from the position as independent non-executive director in June 2015.

(3) Mr Yang Xiaoping was appointed as a non-executive director, and Mr Noriharu Fujita was appointed as an independent non-executive director in August 2015.

(4) Ms Li Qingping and Mr Pu Jian were appointed as executive directors, and Mr Zhang Jijing retired from the position as executive director in December 2015.

(iii) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

(b) Other benefits and interests

For the year ended 31 December 2016, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: None). No consideration was provided to or receivable by third parties for making available directors' services (2015: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2016 (2015: None).

13 Individuals with highest emoluments

For the year ended 31 December 2016, none of the five highest paid individuals are directors (2015: none) whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of these five individuals (2015: five) are as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Salaries and other emoluments	**26.29**	27.07
Discretionary bonuses	**33.24**	29.99
Equity settled share based payment expenses	**–**	3.40
Retirement scheme contributions	**1.63**	2.09
	61.16	62.55

The emoluments of the five individuals (2015: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2016	2015
	Number of individuals	Number of individuals
HK$10,000,001 to HK$11,000,000	**–**	1
HK$11,000,001 to HK$12,000,000	**3**	–
HK$12,000,001 to HK$13,000,000	**1**	2
HK$13,000,001 to HK$14,000,000	**1**	2
	5	5

14 Dividends

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
2015 Final dividend paid: HK$0.20 (2014: HK$0.20) per share	**5,818**	4,981
2016 Interim dividend paid: HK$0.10 (2015: HK$0.10) per share	**2,909**	2,909
2016 Final dividend proposed: HK$0.23 (2015: HK$0.20) per share	**6,691**	5,818

15 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$43,119 million for the year ended 31 December 2016 (2015: HK$41,812 million), calculated as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**32,782**	40,501
– Discontinued operations	**10,337**	1,311
	43,119	41,812
Weighted average number of ordinary shares (in million):		
Issued ordinary shares as at 1 January	**29,090**	24,903
Weighted average number of newly issued ordinary shares (Note 44(a))	**–**	1,611
Weighted average number of ordinary shares as at 31 December (basic)	**29,090**	26,514
Impact of issued convertible preferred shares (Note 44(a))	**–**	100
Weighted average number of ordinary shares as at 31 December (diluted)	**29,090**	26,614

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. As at 31 December 2016, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2016. For the year ended 31 December 2015, the Company's dilutive potential ordinary shares included convertible preferred shares issued at 3 August 2015 (Note 44(a)), assuming conversion of convertible preferred shares into ordinary shares at 3 August 2015.

16 Other comprehensive loss

(a) Tax effects relating to each component of other comprehensive loss

	For the year ended 31 December					
	2016			2015		
	Before tax amount HK$ million	**Tax benefit/ (expense) HK$ million**	**Net-of-tax amount HK$ million**	Before tax amount HK$ million	Tax (expense)/ benefit HK$ million	Net-of-tax amount HK$ million
Available-for-sale financial assets: net movement in the fair value reserve	**(11,472)**	**2,542**	**(8,930)**	3,478	(506)	2,972
Cash flow hedge: net movement in the hedging reserve	**1,509**	**(354)**	**1,155**	136	3	139
Share of other comprehensive loss of associates and joint ventures	**(1,132)**	**–**	**(1,132)**	(958)	–	(958)
Exchange differences on translation of financial statements and others	**(40,248)**	**–**	**(40,248)**	(34,978)	–	(34,978)
Reclassification of owner-occupied property as investment property: revaluation gain	**37**	**(9)**	**28**	372	(93)	279
	(51,306)	**2,179**	**(49,127)**	(31,950)	(596)	(32,546)

16 Other comprehensive loss (continued)

(b) Components of other comprehensive loss, including reclassification adjustments

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Fair value (losses)/gains of available-for-sale financial assets	**(9,217)**	9,875
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(2,255)**	(6,397)
Tax effect	**2,542**	(506)
	(8,930)	2,972
Gains arising from cash flow hedge	**1,388**	15
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**121**	121
Tax effect	**(354)**	3
	1,155	139
Share of other comprehensive loss of associates and joint ventures	**(1,132)**	(958)
Exchange differences on translation of financial statements and others	**(40,248)**	(34,978)
Reclassification of owner-occupied property as investment property: revaluation gain	**37**	372
Less: Tax effect	**(9)**	(93)
	28	279
	(49,127)	(32,546)

17 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

17 Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit for the year". To arrive at segment results, the Group's profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

	For the year ended 31 December 2016								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	187,537	50,254	62,350	11,023	4,900	64,723	35	–	380,822
Inter-segment revenue	(324)	3,527	271	315	111	1,039	6	(4,945)	–
Reportable segment revenue	187,213	53,781	62,621	11,338	5,011	65,762	41	(4,945)	380,822
Share of profits/(losses) of associates, net of tax	2,198	218	79	41	768	(986)	5	–	2,323
Share of profits of joint ventures, net of tax	809	657	–	–	858	552	–	–	2,876
Finance income (Note 9)	–	399	225	248	375	132	2,521	(2,348)	1,552
Finance costs (Note 9)	–	(2,086)	(716)	(95)	(335)	(1,476)	(6,425)	2,445	(8,688)
Depreciation and amortisation (Note 10(b))	(3,187)	(2,287)	(3,547)	(157)	(250)	(2,755)	(54)	–	(12,237)
Impairment losses (Note 8)	(61,845)	(10,538)	(831)	775	(556)	(595)	–	–	(73,590)
Profit/(loss) before taxation	71,691	(9,243)	2,343	1,969	3,676	4,947	(4,249)	(411)	70,723
Income tax	(16,193)	2,721	(1,033)	(296)	(1,412)	(1,729)	(449)	(2)	(18,393)
Profit/(loss) for the year from continuing operations	55,498	(6,522)	1,310	1,673	2,264	3,218	(4,698)	(413)	52,330
Profit for the year from discontinued operations	–	–	–	–	10,309	–	–	–	10,309
Profit/(loss) for the year	55,498	(6,522)	1,310	1,673	12,573	3,218	(4,698)	(413)	62,639
Attributable to:									
– Ordinary shareholders of the Company	38,406	(6,899)	1,740	1,675	12,111	1,987	(5,488)	(413)	43,119
Continuing operations	38,406	(6,899)	1,740	1,675	1,774	1,987	(5,488)	(413)	32,782
Discontinued operations	–	–	–	–	10,337	–	–	–	10,337
– Non-controlling interests and holders of perpetual capital securities	17,092	377	(430)	(2)	462	1,231	790	–	19,520
Continuing operations	17,092	377	(430)	(2)	490	1,231	790	–	19,548
Discontinued operations	–	–	–	–	(28)	–	–	–	(28)

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	As at 31 December 2016								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,729,902	135,784	96,112	36,796	143,596	113,090	150,506	(167,791)	7,237,995
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	–	84,125
Interests in joint ventures	3,999	2,906	–	–	9,149	3,333	–	–	19,387
Reportable segment liabilities	6,237,647	160,848	49,474	26,579	94,244	70,059	167,944	(264,651)	6,542,144
Including:									
Bank and other loans	2,964	41,398	15,088	1,276	10,721	32,863	21,749	(13,240)	112,819
Debt instruments issued	432,579	1,453	4,242	–	–	4,682	100,937	–	543,893

	For the year ended 31 December 2015 (Restated)								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	205,378	45,664	60,077	14,676	6,025	63,348	142	–	395,310
Inter-segment revenue	649	2,287	284	100	90	866	–	(4,276)	–
Reportable segment revenue	206,027	47,951	60,361	14,776	6,115	64,214	142	(4,276)	395,310
Share of profits/(losses) of associates, net of tax	4,350	(430)	92	37	232	441	19	–	4,741
Share of profits/(losses) of joint ventures, net of tax	357	(1,585)	(69)	–	315	827	–	–	(155)
Finance income (Note 9)	–	435	369	431	323	58	3,668	(2,926)	2,358
Finance costs (Note 9)	–	(1,837)	(861)	(135)	(578)	(1,649)	(8,000)	3,821	(9,239)
Depreciation and amortisation (Note 10(b))	(3,087)	(1,821)	(3,868)	(135)	(165)	(2,667)	(31)	–	(11,774)
Impairment losses (Note 8)	(55,784)	(21,764)	(560)	(7)	(27)	(946)	(105)	5	(79,188)
Profit/(loss) before taxation	89,912	(22,997)	3,582	3,488	3,448	4,937	(4,064)	339	78,645
Income tax	(19,729)	4,679	(958)	(887)	(628)	(1,337)	(1,008)	444	(19,424)
Profit/(loss) for the year from continuing operations	70,183	(18,318)	2,624	2,601	2,820	3,600	(5,072)	783	59,221
Profit for the year from discontinued operations	–	–	–	–	1,472	–	–	–	1,472
Profit/(loss) for the year	70,183	(18,318)	2,624	2,601	4,292	3,600	(5,072)	783	60,693
Attributable to:									
– Ordinary shareholders of the Company	52,753	(17,251)	2,496	2,601	4,137	2,501	(6,208)	783	41,812
Continuing operations	52,753	(17,251)	2,496	2,601	2,826	2,501	(6,208)	783	40,501
Discontinued operations	–	–	–	–	1,311	–	–	–	1,311
– Non-controlling interests and holders of perpetual capital securities	17,430	(1,067)	128	–	155	1,099	1,136	–	18,881
Continuing operations	17,430	(1,067)	128	–	(6)	1,099	1,136	–	18,720
Discontinued operations	–	–	–	–	161	–	–	–	161

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	As at 31 December 2015								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,211,176	141,693	97,208	42,245	232,809	113,738	132,562	(168,122)	6,803,309
Including:									
Interests in associates	28,821	11,128	3,143	217	4,036	3,245	73	–	50,663
Interests in joint ventures	3,794	2,628	–	–	9,582	6,697	–	–	22,701
Reportable segment liabilities	5,777,576	147,960	47,529	30,467	160,689	73,651	155,973	(253,705)	6,140,140
Including:									
Bank and other loans	1,339	42,562	16,521	1,282	85,618	37,672	12,586	(50,359)	147,221
Debt instruments issued	345,120	446	5,033	–	4,750	5,283	89,804	(664)	449,772

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers For the year ended 31 December		**Reportable segment assets As at 31 December**	
	2016 HK$ million	2015 HK$ million (Restated)	**2016 HK$ million**	2015 HK$ million
Mainland China	**324,402**	340,348	**6,682,751**	6,312,332
Hong Kong and Macau	**26,996**	26,365	**447,065**	380,549
Overseas	**29,424**	28,597	**108,179**	110,428
	380,822	395,310	**7,237,995**	6,803,309

18 Cash and deposits

	As at 31 December	
	2016 HK$ million	2015 HK$ million
Cash	**8,867**	8,827
Bank deposits	**50,263**	63,166
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**520,751**	519,487
– Surplus deposit reserve funds (note (iii))	**65,795**	75,983
– Fiscal deposits (note (iv))	**3,989**	4,532
– Foreign exchange reserves (note (v))	**21,090**	4,078
Deposits with banks and non-bank financial institutions	**256,544**	125,542
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 45)	**(40)**	–
	927,259	801,615

18 Cash and deposits (continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2015: 15%) of eligible RMB deposits for domestic branches of CITIC Bank and at 15% (31 December 2015: 0%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2016.

As at 31 December 2016, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2015: 9.5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the People's Bank of China.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 7% (31 December 2015: 7.5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2016, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2015: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$5,517 million (31 December 2015: HK$7,416 million) included in cash and deposits as at 31 December 2016 were restricted in use. They mainly include guaranteed deposits.

19 Placements with banks and non-bank financial institutions

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Banks	**32,335**	49,563
Non-bank financial institutions	**154,601**	92,222
	186,936	141,785
Less: allowance for impairment losses (Note 45)	**(9)**	(10)
	186,927	141,775
Analysed by remaining maturity:		
– Within 1 month	**64,619**	68,561
– Between 1 month and 1 year	**122,281**	73,168
– Over 1 year	**27**	46
	186,927	141,775

20 Financial assets at fair value through profit or loss

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Held for trading purpose:		
– Debt trading financial assets (note (a))	**10,767**	10,189
– Certificates of interbank deposit (note (b))	**56,677**	18,175
– Investment funds (note (c))	**2,577**	6,371
– Trading equity investments (note (d))	**189**	338
Financial assets designated at fair value through profit or loss (note (e)):		
– Debt securities	**5,121**	2,108
– Others	**2,488**	3,210
	77,819	40,391
Issued by:		
– Government	**57**	507
– Policy banks	**3,177**	4,509
– Banks and non-bank financial institutions	**71,054**	30,961
– Corporates	**3,531**	4,414
	77,819	40,391
Analysed by remaining maturity:		
– Within 3 months	**19,188**	15,378
– Between 3 months and 1 year	**48,585**	15,236
– Over 1 year	**7,262**	9,757
– No fixed terms	**2,784**	20
	77,819	40,391

The remaining term to maturity of financial assets at fair value through profit or loss does not represent the Group's intended holding period.

(a) Debt trading financial assets

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Listed in Hong Kong	**1,092**	832
Listed outside Hong Kong	**7,575**	9,235
Unlisted	**2,100**	122
	10,767	10,189

20 Financial assets at fair value through profit or loss (continued)

(b) Certificates of interbank deposit

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Listed outside Hong Kong	**56,677**	18,175

(c) Investment funds

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Unlisted	**2,577**	6,371

(d) Trading equity investments

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Listed in Hong Kong	**103**	202
Listed outside Hong Kong	**82**	133
Unlisted	**4**	3
	189	338

(e) Financial assets designated at fair value through profit or loss

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Listed in Hong Kong	**–**	1,733
Listed outside Hong Kong	**4,970**	–
Unlisted	**2,639**	3,585
	7,609	5,318

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards and swap of interest rate and currency to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

	As at 31 December					
	2016			2015		
	Nominal amount HK$ million	**Assets HK$ million**	**Liabilities HK$ million**	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge (note (c)(i)):						
– Interest rate derivatives	**15,727**	**225**	**26**	13,302	283	46
– Currency derivatives	**–**	**–**	**–**	3,939	48	–
Cash flow hedge (note (c)(ii)):						
– Interest rate derivatives	**17,416**	**–**	**2,187**	14,246	–	2,608
– Currency derivatives	**1,423**	**9**	**19**	113	–	2
– Other derivatives	**1,253**	**99**	**9**	24	–	908
Non-hedging instruments						
– Interest rate derivatives	**945,104**	**3,548**	**3,173**	716,684	1,258	1,467
– Currency derivatives	**2,920,994**	**47,423**	**44,774**	1,911,069	13,717	12,082
– Precious metals derivatives	**86,511**	**1,977**	**2,460**	22,396	1,203	362
– Other derivatives	**–**	**–**	**–**	6,234	–	–
	3,988,428	**53,281**	**52,648**	2,688,007	16,509	17,475

21 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December 2016 HK$ million	2015 HK$ million
Within 3 months	**1,077,629**	974,188
Between 3 months and 1 year	**2,573,742**	1,560,625
Between 1 year and 5 years	**324,205**	144,900
Over 5 years	**12,852**	8,294
	3,988,428	2,688,007

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2016, the credit risk weighted amount for counterparty was HK$41,513 million (31 December 2015: HK$22,332 million).

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

(ii) Cash flow hedge

Cash flow hedge is adopted to hedge the risk that a financial instrument's cash flows will fluctuate because of changes in market interest rates, foreign exchange rates or commodity price by using foreign currency forward contracts, commodity forward contracts or interest rate swaps.

22 Trade and other receivables

	As at 31 December 2016 HK$ million	2015 HK$ million
Trade and bills receivables (note (a))	**32,990**	27,333
Interest receivables (note (b))	**37,579**	36,750
Prepayments, deposits and other receivables (note (c))	**68,373**	77,264
	138,942	141,347

As at 31 December 2016, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$14,243 million (31 December 2015: HK$16,502 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

22 Trade and other receivables (continued)

(a) Trade and bills receivables

(i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Within 1 year	**29,055**	23,522
Over 1 year	**5,370**	4,947
	34,425	28,469
Less: allowance for impairment losses (Note 45)	**(1,435)**	(1,136)
	32,990	27,333

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(ii) Impairment of trade and bills receivables

The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2016 and 2015 are disclosed in Note 45.

As at 31 December 2016, the Group's trade and bills receivables of HK$103 million (31 December 2015: HK$411 million) were individually determined to be impaired. These receivables mainly relate to customers which were in financial difficulties. It is assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses is recognised.

(iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Less than 1 year past due	**1,298**	1,365
Over 1 year past due	**383**	407
	1,681	1,772

Receivables that are past due but not impaired are related to a number of third-party customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

22 Trade and other receivables (continued)

(b) Interest receivables

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Interest receivables	**41,949**	39,297
Less: allowance for impairment losses (Note 45)	**(4,370)**	(2,547)
	37,579	36,750

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Prepayments, deposits and other receivables	**69,925**	78,661
Less: allowance for impairment losses (Note 45)	**(1,552)**	(1,397)
	68,373	77,264

23 Inventories

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Raw materials	**4,294**	3,104
Work-in-progress	**4,319**	4,622
Finished goods	**15,063**	13,318
Properties:		
– Properties under development	**16,684**	86,927
– Properties held-for-sale	**5,472**	18,460
– Others	**1,391**	2,190
Others	**1,682**	1,826
	48,905	130,447

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Carrying amount of inventories sold	**148,416**	146,594
Write-down of inventories (Note 45)	**1,035**	831
Reversal of write-down of inventories (Note 45)	**(483)**	(145)
	148,968	147,280

As at 31 December 2016, the Group's inventories included an amount of HK$18,515 million expected to be recovered after more than one year (31 December 2015: HK$89,589 million).

As at 31 December 2016, the carrying amount of restricted inventories of CITIC Resources Holdings Limited ("CITIC Resources"), a subsidiary of the Group, was HK$ Nil (31 December 2015: HK$270 million).

24 Financial assets held under resale agreements

	As at 31 December 2016 HK$ million	2015 HK$ million
Analysed by counterparties:		
– Banks	**164,363**	165,091
– Non-bank financial institutions	**29,252**	300
	193,615	165,391
Analysed by types of collateral:		
– Discounted bills	**–**	84,495
– Securities	**193,577**	80,251
– Others	**38**	645
	193,615	165,391
Analysed by remaining maturity:		
– Within 1 month	**193,577**	161,380
– Between 1 month and 1 year	**38**	3,892
– Over 1 year	**–**	119
	193,615	165,391

25 Loans and advances to customers and other parties

(a) Loans and advances

	As at 31 December 2016 HK$ million	2015 HK$ million
Corporate loans:		
– Loans	**2,034,571**	2,093,945
– Discounted bills	**83,949**	110,721
– Finance lease receivables	**38,579**	21,340
	2,157,099	2,226,006
Personal loans:		
– Residential mortgages	**484,297**	320,999
– Business loans	**125,151**	126,251
– Credit cards	**265,745**	209,841
– Others	**194,224**	140,987
	1,069,417	798,078
	3,226,516	3,024,084
Less: Impairment allowance (Note 45)		
– Individually assessed	**(32,240)**	(21,973)
– Collectively assessed	**(56,370)**	(54,313)
	(88,610)	(76,286)
	3,137,906	2,947,798

25 Loans and advances to customers and other parties (continued)

(b) Loans and advances to customers and other parties analysed by type of security

	As at 31 December 2016 HK$ million	2015 HK$ million
Unsecured loans	**617,132**	588,325
Guaranteed loans	**567,054**	588,124
Secured loans		
– Loans secured by collateral	**1,583,998**	1,397,259
– Pledged loans	**374,383**	339,655
	3,142,567	2,913,363
Discounted bills	**83,949**	110,721
Gross loans and advances	**3,226,516**	3,024,084

(c) Assessment method of allowance for impairment losses

As at 31 December 2016

	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	**3,168,261**	**11,826**	**46,429**	**3,226,516**	**1.81%**
Less: allowance for impairment losses	**(47,308)**	**(9,062)**	**(32,240)**	**(88,610)**	
	3,120,953	**2,764**	**14,189**	**3,137,906**	

As at 31 December 2015

	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	2,977,437	9,553	37,094	3,024,084	1.54%
Less: allowance for impairment losses	(47,335)	(6,978)	(21,973)	(76,286)	
	2,930,102	2,575	15,121	2,947,798	

25 Loans and advances to customers and other parties (continued)

(c) Assessment method of allowance for impairment losses (continued)

Notes:

(i) Identified impaired loans and advances to customers and other parties include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).

(ii) As at 31 December 2016, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK$46,429 million (31 December 2015: HK$37,094 million). The secured and unsecured portion of these loans and advances were as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Secured portion	**25,254**	12,396
Unsecured portion	**21,175**	24,698
	46,429	37,094

As at 31 December 2016, the fair value of pledge and collateral held against these loans and advances amounted to HK$20,842 million (31 December 2015: HK$19,935 million).

The fair value of pledge and collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(d) Movements of allowance for impairment losses

	For the year ended 31 December 2016			
		Impaired loans and advances		
	Loans and advances for which the allowance is collectively assessed HK$ million	for which the allowance is collectively assessed HK$ million	for which the allowance is individually assessed HK$ million	Total HK$ million
At 1 January	47,335	6,978	21,973	76,286
Charge for the year:				
– impairment allowance on loans charged	3,201	8,094	45,587	56,882
– Reversal of impairment for the year	(113)	(474)	(2,692)	(3,279)
Unwinding of discount on allowance	–	–	(660)	(660)
Write-offs	–	(5,449)	(30,763)	(36,212)
Recovery of loans and advances written off in previous year	–	474	195	669
Changes of exchange rate	(3,115)	(561)	(1,400)	(5,076)
At 31 December	47,308	9,062	32,240	88,610

25 Loans and advances to customers and other parties (continued)

(d) Movements of allowance for impairment losses (continued)

	For the year ended 31 December 2015			
	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is individually assessed HK$ million	Total HK$ million
At 1 January	46,554	4,920	17,627	69,101
Charge for the year:				
– Impairment allowance on loans charged	5,968	7,062	37,830	50,860
– Reversal of impairment for the year	(106)	(354)	(2,573)	(3,033)
Unwinding of discount on allowance	–	–	(737)	(737)
Write-offs	(2,235)	(4,707)	(29,351)	(36,293)
Recovery of loans and advances written off in previous year	–	446	302	748
Changes of exchange rate	(2,846)	(389)	(1,125)	(4,360)
At 31 December	47,335	6,978	21,973	76,286

(e) Overdue loans by overdue period

	As at 31 December 2016				
	Overdue within 3 months HK$ million	**Overdue between 3 months and 1 year HK$ million**	**Overdue between 1 year and 3 years HK$ million**	**Overdue over 3 years HK$ million**	**Total HK$ million**
Unsecured loans	**4,455**	**6,235**	**3,073**	**335**	**14,098**
Guaranteed loans	**8,693**	**13,022**	**7,978**	**128**	**29,821**
Secured loans					
– Loans secured by collateral	**25,364**	**19,297**	**9,867**	**750**	**55,278**
– Pledged loans	**1,780**	**3,091**	**1,169**	**70**	**6,110**
	40,292	**41,645**	**22,087**	**1,283**	**105,307**

	As at 31 December 2015				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	4,088	3,657	2,993	355	11,093
Guaranteed loans	10,632	6,308	6,093	275	23,308
Secured loans					
– Loans secured by collateral	25,754	14,732	7,569	458	48,513
– Pledged loans	3,685	1,903	1,194	74	6,856
	44,159	26,600	17,849	1,162	89,770

Overdue loans represent loans of which the principal or interest are overdue one day or more.

26 Available-for-sale financial assets

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Debt securities (note (a))	**449,754**	360,040
Certificates of deposit and certificates of interbank deposit (note (b))	**129,736**	89,897
Wealth management products issued by financial institutions (note (c))	**17,555**	33,138
Equity investments (note (d))	**15,763**	10,660
Investment funds (note (e))	**30,532**	1,904
	643,340	495,639
Less: allowance for impairment losses (Note 45)	**(863)**	(853)
	642,477	494,786
Issued by:		
– Government	**202,541**	136,925
– Policy banks	**102,744**	87,008
– Banks and non-bank financial institutions	**225,284**	162,884
– Corporates	**111,908**	107,969
	642,477	494,786
Analysed by remaining maturity:		
– Within 3 months	**150,556**	77,175
– Between 3 months and 1 year	**106,324**	122,040
– Over 1 year	**370,052**	287,217
– No fixed terms	**15,545**	8,354
	642,477	494,786

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

26 Available-for-sale financial assets (continued)

(a) Debt securities

	As at 31 December 2016 HK$ million	2015 HK$ million
Debt securities	**449,754**	360,040
Less: allowance for impairment losses	**(148)**	(168)
	449,606	359,872
Representing:		
– Listed in Hong Kong	**18,521**	14,874
– Listed outside Hong Kong	**398,907**	309,119
– Unlisted	**32,178**	35,879
	449,606	359,872

(b) Certificates of deposit and certificates of interbank deposit

	As at 31 December 2016 HK$ million	2015 HK$ million
Certificates of deposit and certificates of interbank deposit	**129,736**	89,897
Representing:		
– Listed outside Hong Kong	**129,736**	89,897

(c) Wealth management products issued by financial institutions

	As at 31 December 2016 HK$ million	2015 HK$ million
Wealth management products issued by financial institutions	**17,555**	33,138
Less: allowance for impairment losses	**(373)**	(256)
	17,182	32,882
Representing:		
– Listed outside Hong Kong	**–**	17
– Unlisted	**17,182**	32,865
	17,182	32,882

26 Available-for-sale financial assets (continued)

(d) Equity investments

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Equity investments	**15,763**	10,660
Less: allowance for impairment losses	**(309)**	(401)
	15,454	10,259
Representing:		
– Listed in Hong Kong	**2,292**	1,370
– Listed outside Hong Kong	**1,678**	1,394
– Unlisted	**11,484**	7,495
	15,454	10,259

(e) Investment funds

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Investment funds	**30,532**	1,904
Less: allowance for impairment losses	**(33)**	(28)
	30,499	1,876
Representing:		
– Listed in Hong Kong	**1,492**	12
– Listed outside Hong Kong	**21,894**	–
– Unlisted	**7,113**	1,864
	30,499	1,876

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed outside Hong Kong”.

27 Held-to-maturity investments

	As at 31 December 2016 HK$ million	2015 HK$ million
Debt securities	**244,123**	216,244
Others	**30**	72
	244,153	216,316
Less: allowance for impairment losses (Note 45)	**(2)**	(49)
	244,151	216,267
Representing:		
– Listed in Hong Kong	**1,017**	462
– Listed outside Hong Kong	**238,128**	208,704
– Unlisted	**5,006**	7,101
	244,151	216,267
Issued by:		
– Government	**55,098**	59,759
– Policy banks	**78,100**	76,419
– Banks and non-bank financial institutions	**86,397**	48,658
– Public entities	**4**	5
– Corporates	**24,552**	31,426
	244,151	216,267
Analysed by remaining maturity:		
– Within 3 months	**13,663**	5,655
– Between 3 months and 1 year	**64,873**	22,222
– Over 1 year	**165,615**	188,390
	244,151	216,267
Fair value	**244,876**	222,501
Of which: listed debt securities	**240,837**	215,396

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed outside Hong Kong”.

28 Investments classified as receivables

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Trust investment plans	**145,595**	168,036
Investment management products managed by securities companies	**509,120**	986,781
Wealth management products issued by financial institutions	**512,448**	176,186
Others	**1,296**	1,468
	1,168,459	1,332,471
Less: allowance for impairment losses (Note 45)	**(2,134)**	(1,190)
	1,166,325	1,331,281

As at 31 December 2016, certain of the Group's investments with an aggregate amount of HK$164,894 million (31 December 2015: HK$90,285 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investments classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

29 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 57.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries") and CITIC Telecom International Holdings Limited ("CITIC Telecom International"), CITIC Resources, which are listed subsidiaries of the Group, and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2016 HK$ million	2015 HK$ million	2016 HK$ million	2015 HK$ million	2016 HK$ million	2015 HK$ million	2016 HK$ million	2015 HK$ million
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	**34.03%**	32.87%	**32.73%**	30.27%	**39.76%**	41.23%	**40.50%**	40.50%
Total assets	**6,630,502**	6,114,125	**22,106**	24,785	**18,183**	16,982	**13,269**	14,066
Including:								
Cash and deposits	**851,828**	706,620	**4,431**	6,236	**1,459**	1,223	**1,161**	1,300
Placements with banks and non-bank financial institutions	**186,927**	141,775	**–**	–	**–**	–	**–**	–
Financial assets at fair value through profit and loss	**72,566**	31,297	**–**	–	**–**	–	**2,884**	1,839
Derivative financial assets	**52,952**	16,458	**–**	–	**–**	–	**61**	–
Financial assets held under resale agreements	**190,947**	165,391	**–**	–	**–**	–	**–**	–
Loans and advances to customers and other parties	**3,132,871**	2,946,219	**–**	–	**–**	–	**–**	–
Available-for-sale financial assets	**597,571**	446,143	**1,667**	1,498	**–**	–	**1**	1
Held-to-maturity investments	**243,148**	214,770	**–**	–	**–**	–	**–**	–
Investments classified as receivables	**1,157,872**	1,327,565	**–**	–	**–**	–	**–**	–
Total liabilities	**(6,200,662)**	(5,732,538)	**(14,037)**	(14,296)	**(10,283)**	(9,925)	**(8,573)**	(9,961)
Including:								
Borrowing from central banks	**(205,755)**	(44,761)	**–**	–	**–**	–	**–**	–
Deposits from banks and non-bank financial institutions	**(1,097,188)**	(1,275,447)	**–**	–	**–**	–	**–**	–
Placements from banks and non-bank financial institutions	**(93,596)**	(58,784)	**–**	–	**–**	–	**–**	–
Derivative financial liabilities	**(50,373)**	(13,629)	**–**	–	**–**	–	**(10)**	(910)
Financial assets sold under repurchase agreements	**(134,534)**	(84,948)	**–**	–	**–**	–	**–**	–
Deposits from customers	**(4,068,473)**	(3,799,058)	**–**	–	**–**	–	**–**	–
Bank and other loans	**–**	–	**(5,046)**	(4,860)	**(7,901)**	(7,472)	**(7,527)**	(7,806)

29 Subsidiaries (continued)

	For the year ended 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Net assets	**429,840**	381,587	**8,069**	10,489	**7,900**	7,057	**4,696**	4,105
Equity attributable to								
– Ordinary shareholders of subsidiaries	**384,869**	379,264	**7,941**	10,489	**7,871**	7,029	**4,804**	4,167
– Non-controlling interests in subsidiaries	**44,971**	2,323	**128**	–	**29**	28	**(108)**	(62)
Carrying amount of non-controlling interests	**175,942**	138,175	**2,727**	3,433	**3,158**	2,926	**1,838**	1,626
Revenue	**180,347**	181,265	**4,412**	5,007	**7,699**	8,371	**2,957**	3,713
Profit/(loss) for the year	**48,885**	51,984	**(1,831)**	77	**863**	815	**344**	(6,172)
Total comprehensive income/(loss) for the year	**43,357**	59,013	**(1,832)**	62	**852**	777	**591**	(6,778)
Profit attributable to non-controlling interests	**17,131**	17,574	**(584)**	22	**349**	343	**128**	(2,539)
Dividends paid to non-controlling interests	**183**	171	**–**	64	**11**	169	**–**	–
Net cash generated from/(used in) operating activities	**244,615**	(25,948)	**(798)**	69	**1,883**	1,776	**233**	714
Net cash (used in)/generated from investing activities	**(197,260)**	(177,540)	**(1,313)**	218	**(1,337)**	(875)	**199**	(917)
Net cash generated from/(used in) financing activities	**123,110**	192,080	**573**	909	**(332)**	(1,213)	**(554)**	(1,735)

30 Interests in associates

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Carrying value	**86,440**	53,094
Less: allowance for impairment losses (Note 45)	**(2,315)**	(2,431)
	84,125	50,663

Notes:

(i) The particulars of the principal associates are set out in Note 57.

Summarised financial information of the material associates are disclosed below:

	As at 31 December				
	China Overseas Land & Investment Limited	**CITIC Securities Co., Ltd.**		**MMG South America Management Co., Ltd.**	
	2016	**2016**	2015	**2016**	2015
	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong**	**Hong Kong, Shanghai**		**Unlisted**	
Gross amount of the associates					
Total assets	**615,294**	**667,895**	735,406	**90,328**	83,979
Total liabilities	**(343,866)**	**(504,913)**	(566,224)	**(61,757)**	(57,013)
Net assets	**271,428**	**162,982**	169,182	**28,571**	26,966
Equity attributable to:					
– Associates' shareholders	**266,253**	**159,524**	166,079	**28,571**	26,966
– Non-controlling interests in associates	**5,175**	**3,458**	3,103	**–**	–
	271,428	**162,982**	169,182	**28,571**	26,966

30 Interests in associates (continued)

Summarised financial information of the material associates are disclosed below (continued):

	For the year ended 31 December				
	China Overseas Land & Investment Limited From the date of investment to 31 December 2016	CITIC Securities Co., Ltd.		MMG South America Management Co., Ltd.	
		2016	2015	2016	2015
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Revenue	note	**58,572**	90,821	**9,893**	–
Profit/(loss) for the year	note	**12,847**	25,357	**1,444**	(433)
Other comprehensive (loss)/income for the year	note	**(958)**	2,907	**–**	–
Total comprehensive income/(loss) for the year	note	**11,889**	28,264	**1,444**	(433)
Dividends received from associates	383	**1,170**	699	**–**	–
Reconciled to the Group's interests in associates					
Gross amounts of net assets of associates attributable to the associates' shareholders	266,253	**159,524**	166,079	**28,571**	26,966
Group's effective interest	10.00%	**16.66%**	15.59%	**15.00%**	15.00%
Group's share of net assets of associates	26,625	**26,577**	25,892	**4,286**	4,045
Goodwill and others	1,397	**1,366**	1,035	**–**	–
Carrying amounts in the consolidated balance sheet	28,022	**27,943**	26,927	**4,286**	4,045

Note:

No further disclosure due to the immaterial equity pick-up impact in the period from the date of investment to 31 December 2016.

30 Interests in associates (continued)

Aggregate information of associates that are not individually material:

	As at 31 December 2016 HK$ million	2015 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**23,874**	19,691
Aggregate amount of the Group's share of those immaterial associates:		
(Loss)/profit for the year	**(604)**	738
Other comprehensive income/(loss) for the year	**543**	(830)
Total comprehensive loss for the year	**(61)**	(92)

31 Interests in joint ventures

	As at 31 December 2016 HK$ million	2015 HK$ million
Carrying value	**20,894**	24,198
Less: allowance for impairment losses (Note 45)	**(1,507)**	(1,497)
	19,387	22,701

The principals of the principal joint ventures are set out in Note 57.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		CSSC Complex Property Co., Ltd.		山東新巨龍能源有限責任公司	
	2016 HK$ million	2015 HK$ million	2016 HK$ million	2015 HK$ million	2016 HK$ million	2015 HK$ million
Gross amount of the joint ventures						
Total assets	**61,119**	57,264	**7,610**	9,782	**10,303**	10,425
Total liabilities	**(56,870)**	(53,304)	**(2,355)**	(5,909)	**(6,321)**	(7,859)
Net assets	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
Equity attributable to:						
– Joint ventures' shareholders	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
– Non-controlling interests in joint ventures	**–**	–	**–**	–	**–**	–
	4,249	3,960	**5,255**	3,873	**3,982**	2,566

31 Interests in joint ventures (continued)

Summarised financial information of the material joint ventures are disclosed below (continued):

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		CSSC Complex Property Co., Ltd.		山東新巨龍能源有限責任公司	
	2016	2015	**2016**	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue	**11,517**	10,192	**5,402**	2,382	**6,027**	5,092
Profit for the year	**819**	476	**1,698**	780	**1,452**	817
Other comprehensive (loss)/income for the year	**(254)**	32	**–**	(227)	**–**	–
Total comprehensive income for the year	**565**	508	**1,698**	553	**1,452**	817
Dividends received from joint ventures	**–**	–	**–**	–	**–**	408
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders:	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
Group's effective interest	**50.00%**	50.00%	**50.00%**	50.00%	**30.00%**	30.00%
Group's share of net assets of joint ventures	**2,125**	1,980	**2,628**	1,937	**1,195**	770
Goodwill and others	**1,257**	1,342	**42**	626	**1,160**	1,343
Carrying amount in the consolidated balance sheet	**3,382**	3,322	**2,670**	2,563	**2,355**	2,113

Note:

In December 2016, the Group disposed 1.75% of its interest in CITIC Capital Holdings Limited and the remaining interest was classified as available-for-sale financial assets.

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**10,980**	14,703
Aggregate amount of the Group's share of those joint ventures		
Profit/(loss) for the year	**1,182**	(982)
Other comprehensive loss for the year	**(20)**	(46)
Total comprehensive income/(loss) for the year	**1,162**	(1,028)

32 Fixed assets

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2016	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508
Exchange adjustments	(3,053)	(4,294)	(915)	(878)	(425)	(388)	(9,953)	(706)	(10,659)	(776)
Disposal of subsidiaries	(1,579)	(321)	(869)	(189)	(179)	(1,863)	(5,000)	(1,512)	(6,512)	(1,539)
Additions	6,357	2,432	13,077	2,178	515	209	24,768	921	25,689	6,008
Disposals	(1,270)	(1,316)	(306)	(606)	(539)	(1,047)	(5,084)	(33)	(5,117)	(1,011)
Transfers	1,562	26,607	(30,934)	378	12	2,354	(21)	(806)	(827)	(231)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	580
At 31 December 2016	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	31,539
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2016	(13,997)	(47,646)	(10,646)	(8,340)	(4,126)	(2,601)	(87,356)	(1,472)	(88,828)	–
Exchange adjustments	816	1,969	9	534	161	115	3,604	28	3,632	–
Disposal of subsidiaries	540	168	6	59	150	647	1,570	100	1,670	–
Charge for the year	(2,043)	(5,342)	–	(2,195)	(874)	(506)	(10,960)	(250)	(11,210)	–
Written back on disposals	133	447	–	425	368	709	2,082	3	2,085	–
Transfers	–	(10,543)	10,543	–	–	–	–	–	–	–
Impairment losses (Note 45)	(2,300)	(6,302)	(74)	(27)	(368)	(1,184)	(10,255)	–	(10,255)	–
At 31 December 2016	(16,851)	(67,249)	(162)	(9,544)	(4,689)	(2,820)	(101,315)	(1,591)	(102,906)	–
Net book value:										
At 31 December 2016	46,548	78,323	13,569	5,699	7,902	5,082	157,123	15,113	172,236	31,539
Represented by:										
Cost	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	–
Valuation	–	–	–	–	–	–	–	–	–	31,539
	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	31,539

32 Fixed assets (continued)

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2015	54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744
Exchange adjustments	(2,835)	(3,974)	(646)	(725)	(404)	(186)	(8,770)	(1,125)	(9,895)	(871)
Business combinations	4,846	16,296	777	125	36	3,223	25,303	565	25,868	–
Additions	4,255	1,210	16,164	1,804	855	667	24,955	1,706	26,661	590
Disposals	(855)	(897)	–	(353)	(644)	(651)	(3,400)	(268)	(3,668)	–
Transfers	1,965	4,999	(8,604)	198	638	(378)	(1,182)	–	(1,182)	(616)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	661
At 31 December 2015	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2015	(10,913)	(23,777)	(6,917)	(7,241)	(2,964)	(2,475)	(54,287)	(1,194)	(55,481)	–
Exchange adjustments	761	1,724	4	435	149	163	3,236	83	3,319	–
Business combinations	(1,808)	(8,374)	–	(72)	(19)	(759)	(11,032)	(31)	(11,063)	–
Charge for the year	(2,101)	(5,056)	–	(1,699)	(1,018)	(361)	(10,235)	(362)	(10,597)	–
Written back on disposals	188	515	–	269	202	598	1,772	–	1,772	–
Transfers	130	161	–	–	–	344	635	32	667	–
Impairment losses (Note 45)	(254)	(12,839)	(3,733)	(32)	(476)	(111)	(17,445)	–	(17,445)	–
At 31 December 2015	(13,997)	(47,646)	(10,646)	(8,340)	(4,126)	(2,601)	(87,356)	(1,472)	(88,828)	–
Net book value:										
At 31 December 2015	47,385	74,818	23,032	6,020	9,081	6,036	166,372	17,368	183,740	28,508
Represented by:										
Cost	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	–
Valuation	–	–	–	–	–	–	–	–	–	28,508
	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508

32 Fixed assets (continued)

As at 31 December 2016, the Group was in the process of applying the ownership certificates in respect of certain premises and land use rights of HK$4,854 million (31 December 2015: HK$4,804 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) The tenure of the plant and buildings, land use rights and investment properties is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
In Mainland China		
– leases of over fifty years	**4,916**	5,964
– leases of between ten to fifty years	**63,581**	58,765
– leases of less than ten years	**1,134**	1,466
	69,631	66,195
In Hong Kong		
– leases of over fifty years	**758**	688
– leases of between ten to fifty years	**16,702**	16,663
	17,460	17,351
Properties held overseas		
– freehold	**1,448**	1,932
– leases of more than fifty years	**292**	–
– leases of between ten to fifty years	**4,293**	7,710
– leases of less than ten years	**76**	73
	6,109	9,715
Total	**93,200**	93,261

32 Fixed assets (continued)

(b) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2016 and 2015 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2016
Mainland China and Hong Kong	China Appraisal Associates
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	China Enterprise Appraisals Company
	Zhong Ming International Asset Appraisal (Beijing) Co., Ltd.
	Prudential Surveyors International Limited
	Knight Frank Petty Limited
	Centaline Surveyors Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

Properties located in	Valuers in 2015
Mainland China and Hong Kong	China Enterprise Appraisals Company
	Deve China International Appraisals Company Limited
	Knight Frank Petty Limited
	Prudential Surveyors International Limited
	Yinxin Appraisal Co., Ltd.
	China Appraisal Associates
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

32 Fixed assets (continued)

(b) Fair value measurement of investment properties (continued)

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Level 3 For the year ended 31 December	
	2016 **HK$ million**	2015 HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**13,713**	13,955
Exchange adjustments	**(788)**	(836)
Additions	**5,366**	580
Disposal of subsidiaries	**(1,539)**	–
Disposals	**(72)**	–
Transfers	**(171)**	(294)
Change in fair value of investment properties	**431**	308
At 31 December	**16,940**	13,713
Investment properties – Hong Kong		
At 1 January	**14,285**	14,272
Exchange adjustments	**6**	–
Additions	**636**	2
Disposals	**(761)**	–
Transfers	**(60)**	(322)
Change in fair value of investment properties	**122**	333
At 31 December	**14,228**	14,285
Investment properties – Overseas		
At 1 January	**510**	517
Exchange adjustments	**6**	(35)
Additions	**6**	8
Disposals	**(178)**	–
Change in fair value of investment properties	**27**	20
At 31 December	**371**	510

32 Fixed assets (continued)

(b) Fair value measurement of properties (continued)

(ii) Fair value hierarchy (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil).

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

33 Intangible assets

	For the year ended 31 December			
	Roads operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2016	11,324	19,211	10,327	40,862
Exchange adjustments	(717)	–	(445)	(1,162)
Additions	10	84	1,853	1,947
Disposal of subsidiaries	–	–	(41)	(41)
Disposals	–	(25)	(1,338)	(1,363)
At 31 December 2016	10,617	19,270	10,356	40,243
Accumulated amortisation and impairment losses:				
At 1 January 2016	(768)	(15,870)	(3,652)	(20,290)
Exchange adjustments	57	–	130	187
Disposal of subsidiaries	–	–	22	22
Charge for the year	(203)	(65)	(1,026)	(1,294)
Written back on disposals	–	–	1,196	1,196
Impairment losses (Note 45)	–	(735)	(7)	(742)
At 31 December 2016	(914)	(16,670)	(3,337)	(20,921)
Net book value:				
At 31 December 2016	9,703	2,600	7,019	19,322

33 Intangible assets (continued)

	For the year ended 31 December			
	Roads and tunnels operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2015	13,990	18,851	7,105	39,946
Exchange adjustments	(702)	(5)	(374)	(1,081)
Additions	36	365	1,265	1,666
Disposals	–	–	(37)	(37)
Transfers (note)	(2,000)	–	–	(2,000)
Business combinations	–	–	2,368	2,368
At 31 December 2015	11,324	19,211	10,327	40,862
Accumulated amortisation and impairment losses:				
At 1 January 2015	(2,447)	(13,603)	(2,872)	(18,922)
Exchange adjustments	45	2	121	168
Charge for the year	(287)	(37)	(855)	(1,179)
Written back on disposals	–	–	35	35
Transfers (note)	1,921	–	–	1,921
Impairment losses (Note 45)	–	(2,232)	(1)	(2,233)
Business combinations	–	–	(80)	(80)
At 31 December 2015	(768)	(15,870)	(3,652)	(20,290)
Net book value:				
At 31 December 2015	10,556	3,341	6,675	20,572

Amortisation charge is included in "cost of sales and services" and "other operating expenses" in the consolidated income statement.

Note:

The roads and tunnels operating rights include a franchise to operate the Eastern Harbour Crossing in Hong Kong for the period ended 7 August 2016. At the end of the franchise period, the assets of the franchise had been vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise. As at 31 December 2015, the intangible assets of roads and tunnels operating rights related to this franchise had been reclassified to trade and other receivables.

34 Goodwill

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Cost:		
At 1 January	**19,855**	14,093
Additions	**2,695**	6,397
Transfers	**–**	(7)
Exchange differences	**(245)**	(628)
At 31 December	**22,305**	19,855
Accumulated impairment losses:		
At 1 January	**(374)**	(384)
Additions (Note 45)	**(63)**	–
Exchange differences	**3**	10
At 31 December	**(434)**	(374)
Net book value:		
At 31 December	**21,871**	19,481

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December 2016 HK$ million	2015 HK$ million
Resources and energy	**1,376**	1,409
Financial services	**1,498**	1,529
Manufacturing	**1,105**	612
Real estate	**348**	359
Others	**17,544**	15,572
	21,871	19,481

Based on management's impairment assessment, impairment loss of HK$63 million was recognised for the year ended 31 December 2016 (2015: Nil).

35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December 2016 HK$ million	2015 HK$ million
Income tax payable	**9,999**	8,987
Land appreciation tax payable	**–**	427
	9,999	9,414

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets and intangible assets HK$ million	Fair value changes of financial instruments HK$ million	Fixed assets and intangible assets HK$ million	Others HK$ million	Total HK$ million
Deferred tax assets							
At 1 January 2015	6,457	2,858	11,000	777	2,202	1,876	25,170
Credited/(charged) to profit or loss	5,295	(1,070)	1,658	3	737	156	6,779
Credited/(charged) to other comprehensive income	–	7	4	(6)	–	349	354
Business combination	–	–	–	–	5	–	5
Exchange adjustments and others	44	(221)	(625)	(59)	(121)	(344)	(1,326)
At 31 December 2015	11,796	1,574	12,037	715	2,823	2,037	30,982
Credited/(charged) to profit or loss	**1,650**	**464**	**4,247**	**(20)**	**1,772**	**(467)**	**7,646**
Charged to other comprehensive income	**–**	**(1)**	**1**	**(343)**	**–**	**(281)**	**(624)**
Disposal of subsidiaries	**(244)**	**(118)**	**(41)**	**–**	**–**	**(220)**	**(623)**
Exchange adjustments and others	**87**	**(91)**	**(934)**	**(1)**	**50**	**(63)**	**(952)**
At 31 December 2016	**13,289**	**1,828**	**15,310**	**351**	**4,645**	**1,006**	**36,429**

35 Income tax in the balance sheet (continued)

(b) Deferred tax assets/(liabilities) recognised (continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK$ million	Temporary differences on fixed assets and intangible assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax liabilities					
At 1 January 2015	(1,845)	(546)	(3,276)	(2,635)	(8,302)
(Charged)/credited to profit or loss	(452)	87	296	(445)	(514)
Charged to other comprehensive income	(497)	–	(93)	(263)	(853)
Business combination	–	(168)	–	(241)	(409)
Exchange adjustments and others	44	(3)	(159)	(23)	(141)
At 31 December 2015	(2,750)	(630)	(3,232)	(3,607)	(10,219)
(Charged)/credited to profit or loss	**(593)**	**(233)**	**(527)**	**(328)**	**(1,681)**
Credited/(charged) to other comprehensive income	**2,452**	**–**	**(57)**	**39**	**2,434**
Disposal of subsidiaries	**102**	**–**	**182**	**743**	**1,027**
Exchange adjustments and others	**85**	**(88)**	**219**	**(102)**	**114**
At 31 December 2016	**(704)**	**(951)**	**(3,415)**	**(3,255)**	**(8,325)**

35 Income tax in the balance sheet (continued)

(c) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Deductible temporary differences	**2,196**	1,992
Tax losses	**11,394**	12,681
	13,590	14,673

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2016, tax losses amounting to HK$6,862 million (31 December 2015: HK$8,421 million) that can be carried forward against future taxable income are expiring within 5 years.

(d) Deferred tax liabilities not recognised

As at 31 December 2016, the Group has not recognised any temporary differences relating to the undistributed profits of certain subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future (31 December 2015: Nil).

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Banks	**502,387**	493,190
Non-bank financial institutions	**594,777**	782,231
	1,097,164	1,275,421
Analysed by remaining maturity:		
– On demand	**205,334**	269,043
– Within 3 months	**658,028**	373,031
– Between 3 months and 1 year	**233,187**	630,237
– Over 1 year	**615**	3,110
	1,097,164	1,275,421

37 Placements from banks and non-bank financial institutions

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Banks	**71,237**	41,753
Non-bank financial institutions	**22,359**	16,388
	93,596	58,141
Analysed by remaining maturity:		
– Within 3 months	**60,304**	43,567
– Between 3 months and 1 year	**33,292**	14,174
– Over 1 year	**–**	400
	93,596	58,141

38 Trade and other payables

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Trade and bills payables	**52,895**	52,920
Advances from customers	**5,547**	24,332
Interest payables	**44,214**	47,933
Other taxes payables	**4,309**	4,297
Settlement accounts	**33,575**	28,311
Other payables	**66,745**	72,843
	207,285	230,636

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Within 1 year	**36,050**	36,216
Between 1 and 2 years	**8,725**	11,556
Between 2 and 3 years	**6,732**	3,356
Over 3 years	**1,388**	1,792
	52,895	52,920

39 Financial assets sold under repurchase agreements

	As at 31 December 2016 HK$ million	2015 HK$ million
By counterparties:		
The People's Bank of China	**95,488**	10,644
Banks	**38,968**	71,954
Non-bank financial institutions	**78**	2,351
	134,534	84,949
By types of collateral:		
Debt securities	**102,053**	52,133
Discounted bills	**32,481**	32,816
	134,534	84,949

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2016, legal title of these collateral pledged has not been transferred to counterparties.

40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December 2016 HK$ million	2015 HK$ million
Demand deposits		
– Corporate customers	**1,845,451**	1,385,738
– Personal customers	**260,433**	213,561
	2,105,884	1,599,299
Time and call deposits		
– Corporate customers	**1,554,160**	1,727,112
– Personal customers	**363,387**	432,611
	1,917,547	2,159,723
Outward remittance and remittance payables	**8,091**	7,826
	4,031,522	3,766,848

40 Deposits from customers (continued)

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December 2016 HK$ million	2015 HK$ million
Bank acceptances	**238,817**	349,205
Letters of credit	**10,759**	11,031
Guarantees	**28,867**	25,992
Others	**166,345**	144,801
	444,788	531,029

41 Bank and other loans

(a) Types of loans

	As at 31 December 2016 HK$ million	2015 HK$ million
Bank loans		
Unsecured loans	**80,128**	92,931
Loan pledged with assets (note (d))	**23,900**	33,996
Guaranteed loans	**643**	708
	104,671	127,635
Other loans		
Unsecured loans	**6,883**	17,962
Loan pledged with assets (note (d))	**1,143**	1,624
Guaranteed loans	**122**	–
	8,148	19,586
	112,819	147,221

41 Bank and other loans (continued)

(b) Maturity of loans

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Bank and other loans are repayable:		
– Within 1 year or on demand	**29,413**	37,645
– Between 1 and 2 years	**10,985**	22,778
– Between 2 and 5 years	**27,464**	40,806
– Over 5 years	**44,957**	45,992
	112,819	147,221

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
RMB	**33,045**	70,886
US$	**50,453**	58,633
HK$	**14,876**	8,754
Other currencies	**14,445**	8,948
	112,819	147,221

(d) As at 31 December 2016, the Group's bank and other loans of HK$25,043 million (31 December 2015 HK$35,620 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets and intangible assets with an aggregate carrying amount of HK$86,290 million (31 December 2015: HK$83,858 million).

(e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 47(b). As at 31 December 2016, none of the covenants relating to drawn down facilities have been breached (31 December 2015: Nil).

42 Debt instruments issued

	As at 31 December 2016 HK$ million	2015 HK$ million
Corporate bonds issued (note (a))	**81,376**	72,762
Notes issued (note (b))	**64,916**	69,244
Subordinated bonds issued (note (c))	**85,234**	92,840
Certificates of deposit issued (note (d))	**10,612**	10,390
Certificates of interbank deposit issued (note (e))	**301,755**	204,536
	543,893	449,772
Analysed by remaining maturity:		
– Within 1 year or on demand	**320,997**	219,157
– Between 1 and 2 years	**34,395**	11,158
– Between 2 and 5 years	**55,073**	79,894
– Over 5 years	**133,428**	139,563
	543,893	449,772

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2016 (2015: Nil).

Certain debt instruments issued were purchased by certain subsidiaries of the Group during the year ended 31 December 2015. These debt instruments issued were eliminated in full on consolidation. No such situation occurred for the year ended 31 December 2016.

Notes:

(a) Corporate bonds issued

	As at 31 December 2016 HK$ million	2015 HK$ million
The Company (note (i))	**54,832**	36,713
CITIC Corporation Limited (“CITIC Corporation”) (note (ii))	**16,166**	20,896
CITIC Real Estate Co., Ltd. (“CITIC Real Estate”) (note (iii))	**–**	4,391
CITIC Telecom International (note (iv))	**3,483**	3,480
CITIC Heavy Industries (note (v))	**3,460**	3,330
CITIC Pacific Limited’s (“CITIC Pacific”) subsidiaries (note (vi))	**2,236**	2,149
CITIC Environment Investment Group Co., Limited’s (“CITIC Environment”) subsidiaries (note (vii))	**1,199**	1,803
	81,376	72,762

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(i) **Details of corporate bonds issued by the Company**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes 1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
RMB Notes 1	RMB	1,000	2011-08-03	2016-08-03	2.70%
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes 1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(ii) **Details of corporate bonds issued by CITIC Corporation**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
15 CITIC bond-SCP001	RMB	3,000	2015-04-20	2016-01-17	4.18%
Samurai bond	JPY	10,000	1996-09-19	2016-09-18	4.95%

(iii) **Details of corporate bonds issued by CITIC Real Estate**

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity ate	Interest rate per annum
Corporate bonds	RMB	4,000	2015-12-09	2020-12-09	4.80%

(iv) **Details of corporate bonds issued by CITIC Telecom International**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(v) **Details of corporate bonds issued by CITIC Heavy Industries**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Short Term Corporate Bonds	RMB	1,500	2016-02-26	2017-02-26	3.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	1,200	2013-01-25	2016-01-25	4.85%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%

(vi) **Details of corporate bonds issued by CITIC Pacific's subsidiaries**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
–16 Ligang SCP001	RMB	100	2016-09-01	2017-06-02	3.02%
–16 Ligang SCP002	RMB	200	2016-09-21	2017-06-20	3.04%
–16 Ligang SCP003	RMB	200	2016-10-19	2017-07-18	2.99%
–16 Ligang SCP004	RMB	300	2016-11-15	2017-08-14	3.28%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
– RMB Notes 4	RMB	500	2013-06-05	2016-06-04	4.93%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
– Medium Term Notes	RMB	100	2013-10-28	2016-10-28	6.30%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(vii) **Details of corporate bonds issued by CITIC Environment's subsidiaries**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
CITIC Envirotech Co., Ltd. ("CITIC Envirotech") – Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
CITIC Envirotech					
– Medium Term Notes	SG$	100	2013-09-02	2016-09-02	7.25%
– Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

(b) **Notes issued**

	As at 31 December	
	2016 HK$ million	2015 HK$ million
CITIC Corporation (note (i))	**29,938**	31,889
CITIC Bank (note (ii))	**34,978**	37,355
	64,916	69,244

(i) **Details of notes issued by CITIC Corporation**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

42 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(i) Details of notes issued by CITIC Corporation (continued)

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%

42 Debt instruments issued (continued)

Notes (continued):

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	**4,071**	4,133
– In September 2022 (note (ii))	**2,322**	2,307
– In May 2024 (note (iii))	**2,328**	2,328
Fixed rate bonds maturing		
– In June 2021 (note (iv))	**–**	2,387
– In May 2025 (note (v))	**12,856**	13,727
– In June 2027 (note (vi))	**22,335**	23,845
– In August 2024 (note (vii))	**41,322**	44,113
	85,234	92,840

		As at 31 December 2016				
		Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(v)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

		As at 31 December 2015				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	2,000	2006-06-22	2021-06-22	4.12%
(v)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 0.46% to 3.62% per annum (31 December 2015: 0.46% to 3.73% per annum).

(e) Certificates of interbank deposit issued

As at 31 December 2016, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB269,923 million (approximately HK$301,755 million) (31 December 2015: RMB171,356 million (approximately HK$204,536 million)). The yield ranges from 2.68% to 3.75% per annum (31 December 2015: 2.75% to 4.77% per annum). The original expiry terms are between 1 month to 2 years (31 December 2015: between 1 month to 2 years).

43 Provisions

	Environmental restoration expenditures HK$ million	Others HK$ million	Total HK$ million
At 1 January 2016	2,037	1,530	3,567
Exchange differences	(2)	(89)	(91)
Charge for the year	–	593	593
Disposal of subsidiaries	–	(352)	(352)
Payments made during the year	(18)	(31)	(49)
At 31 December 2016	2,017	1,651	3,668
At 1 January 2015	1,924	1,008	2,932
Exchange differences	(32)	(44)	(76)
Charge for the year	153	580	733
Payments made during the year	(8)	(14)	(22)
At 31 December 2015	2,037	1,530	3,567

44 Share capital, perpetual capital securities and reserves

(a) Share capital

On 12 August 2015, Xin Ma Apparel International Limited (a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Youngor Group Co., Ltd.) subscribed for 859,218,000 new shares of the Company at a price of HK$13.95 per share for an aggregate amount of HK$11,986,091,100.

On 3 August 2015, the Company allotted and issued to Chia Tai Bright Investment Company Limited ("CT Bright") 3,327,721,000 fully paid convertible preferred shares of the Company ("Preferred Shares") for a total consideration of HK$45,922,549,800. On 14 August 2015, CT Bright converted all of the Preferred Shares at the conversion price of HK$13.80 per ordinary share and the Company allotted and issued 3,327,721,000 ordinary shares to CT Bright.

As at 31 December 2016, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2015: 29,090,262,630).

Details of the movements in share capital of the Group during the year are set out in the consolidated statement of changes in equity.

(b) Share based payment

Share Option Plan
During the period between the adoption of the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 and its expiry on 30 May 2010, the Company has granted six lots of share options.

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

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share, HK$47.32 per share, 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.

44 Share capital, perpetual capital securities and reserves (continued)

(b) Share based payment (continued)

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The maximum number of the Company's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2016, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2016 (2015: Nil).

(i) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share	**Share Options**	Average exercise price in HK$ per share	Share Options
At 1 January	–	–	20.59	400,000
Lapsed	–	–	20.59	(400,000)
At 31 December	–	–	–	–
Weighted average remaining contractual life		–		–

There were no share options granted or exercised during the year ended 31 December 2016 (2015: Nil).

(c) Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million), respectively. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 15 April 2016, the perpetual capital securities of US$750 million were redeemed by the Company. The amounts as at 31 December 2016 and 2015 included the accrued distribution payments.

44 Share capital, perpetual capital securities and reserves (continued)

(d) Nature and purpose of reserves

(i) Capital reserve

In 2014, the Company paid a total consideration of HK$286,585 million to acquire the shares of CITIC Corporation, and the amount of the consideration was debited against the capital reserve in the Group's consolidated financial statements. In addition, the potential cash payments related to put options issued in conjunction with business combination and gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2(j)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2(i)(ii) and Note 2(f) respectively.

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(h).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2016 (31 December 2015: Nil).

45 Movement of allowances for impairment losses

	For the year ended 31 December 2016						
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Disposal of subsidiaries HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	10	40	–	1	–	(2)	49
Trade and other receivables (Note 22)	5,080	8,240	(722)	(3,930)	(1,130)	(181)	7,357
Amounts due from customers for contract work	1,777	10	(805)	–	–	(77)	905
Inventories (Note 23)	2,433	1,035	(483)	(73)	(393)	(6)	2,513
Loans and advances to customers and other parties (Note 25)	76,286	56,882	(3,279)	(36,212)	–	(5,067)	88,610
Available-for-sale financial assets (Note 26)	853	810	(8)	(349)	(423)	(20)	863
Held-to-maturity investments (Note 27)	49	2	–	(48)	–	(1)	2
Investment classified as receivables (Note 28)	1,190	1,631	(564)	(1)	–	(122)	2,134
Interests in associates (Note 30)	2,431	5	–	(82)	(3)	(36)	2,315
Interests in joint ventures (Note 31)	1,497	11	–	(1)	–	–	1,507
Fixed assets (Note 32)	26,612	10,255	–	(53)	(95)	217	36,936
Intangible assets (Note 33)	15,814	742	–	(154)	(3)	4	16,403
Other assets	3,965	2,249	(82)	(339)	(1,213)	(148)	4,432
	137,997	81,912	(5,943)	(41,241)	(3,260)	(5,439)	164,026

	For the year ended 31 December 2015					
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	10	–	–	1	(1)	10
Trade and other receivables (Note 22)	4,292	4,756	(635)	(3,065)	(268)	5,080
Amounts due from customers for contract work	1,687	–	–	–	90	1,777
Inventories (Note 23)	2,029	831	(145)	(198)	(84)	2,433
Loans and advances to customers and other parties (Note 25)	69,101	50,860	(3,033)	(36,293)	(4,349)	76,286
Available-for-sale financial assets (Note 26)	1,845	756	(723)	(950)	(75)	853
Held-to-maturity investments (Note 27)	53	1	(5)	3	(3)	49
Investment classified as receivables (Note 28)	525	4,760	(113)	(3,921)	(61)	1,190
Interests in associates (Note 30)	3,616	476	–	(1,682)	21	2,431
Interests in joint ventures (Note 31)	1,613	–	–	–	(116)	1,497
Fixed assets (Note 32)	9,259	17,448	(3)	101	(193)	26,612
Intangible assets (Note 33)	13,597	2,233	–	(13)	(3)	15,814
Other assets	2,410	2,142	(602)	(11)	26	3,965
	110,037	84,263	(5,259)	(46,028)	(5,016)	137,997

46 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**9,292**	8,462
With an original maturity of 1 year or above	**74,332**	83,510
	83,624	91,972
Guarantees	**195,605**	168,190
Letters of credit	**96,798**	109,784
Acceptances	**598,680**	753,607
Credit card commitments	**241,299**	178,015
Others	**3**	5,040
	1,216,009	1,306,608

46 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Credit risk weighted amount on credit commitments	**376,984**	467,758

Note:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) As at 31 December 2016 and 2015, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(c) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Redemption commitment for treasury bonds	**14,223**	15,960

As at 31 December 2016, the original maturities of these bonds vary from one to five years (31 December 2015: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

46 Contingent liabilities and commitments (continued)

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Related parties (note)	**17,712**	15,469
Third parties	**2,940**	7,208
	20,652	22,677

Note:

As at 31 December 2016, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016 amounting to RMB5,300 million (approximately HK$5,900 million). The guarantees are being transferred to China Overseas which has provided counter guarantees to the Group (Note 48(b)).

The relationship of related parties is disclosed in Note 48(a).

Included in the above table, the Group's counter guarantees issued to related parties and third parties at the balance sheet date are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Related parties	**261**	146
Third parties	**11**	99
	272	245

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation

Following the Company's announcement of a foreign exchange related loss, on 22 October 2008, the SFC announced that it had commenced a formal investigation into the affairs of the Company. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

The SFC announced on 11 September 2014 that it has commenced proceedings in the Court of First Instance of the High Court of Hong Kong (the "High Court") and the Market Misconduct Tribunal (the "MMT"), respectively, against the Company and five of its former executive directors.

The SFC alleges that the Company and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about the Company's financial position in connection with losses that the Company had suffered through its investment in the leveraged foreign exchange contracts.

In the action instigated by the SFC at the MMT, the SFC is asking the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses. The SFC has not yet quantified the amount of such restoration or compensation sought in the proceedings in the High Court, which have been stayed pending the MMT results.

The MMT hearing was completed in July 2016 with the outcome pending.

On 15 October 2014, the Secretary for the Financial Services and the Treasury said that the Police's investigation into the CITIC matters on aspects outside the subject matters of the SFC's actions are still ongoing.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation (continued)

In the absence of the findings of these proceedings and investigations being made available to the Company and due to the inherent difficulties involved in attempting to predict the outcome of such proceedings and investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such proceedings and investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above proceedings and investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(ii) Mineralogy Disputes

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on magnetite ore mined (Royalty Component A) and concentrate produced (Royalty Component B). The MRSLAs also provide that, unless certain exceptions apply, a Minimum Production Royalty is payable to Mineralogy by each of Sino Iron and Korean Steel where a minimum production level was not achieved by a specified date.

Due to changes in the way in which seaborne-traded iron ore is priced, the Company considers that it is no longer possible to calculate Royalty Component B. Mineralogy and its related company, Queensland Nickel Pty Ltd., have commenced a number of proceedings against the Company, Sino Iron, Korean Steel, Sino Iron Holdings Pty Ltd. and certain officers of those companies containing or derived from claims for Royalty Component B and/or the Minimum Production Royalty. To the extent those proceedings remain on foot, they are described above in Note 3(l). Those proceedings continue to be vigorously contested by the Group. A trial in the Royalty Component B proceeding has been provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

Despite the orders made by Justice Kenneth Martin in the remitted injunction application (described above), the Group does not consider that a reliable estimate can be made of the amount of any potential liability (if such liability is found to exist) for Royalty Component B arising from the Royalty B proceeding. Therefore, no provision has been recognised in the financial statements.

There are a number of disputes with Mineralogy. Refer to Note 3(l) for details.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(iii) CITIC Resources Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (the Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT") ("Shanxi Claim A"). Shanxi Coal I/E claimed from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Shanxi Claim A.

In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the Inventories. Service of Shanxi Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings were held subsequently.

In January 2017, pursuant to a civil ruling of the Shanxi Court, the Shanxi Court has ruled Shanxi Claim A be transferred to the Public Security Bureau pursuant to Article 12. Any remedy Shanxi Coal I/E may have in respect of the aluminium ingots that are the subject of Shanxi Claim A will be determined in accordance with China's criminal legal procedures. Following its transfer to the Public Security Bureau, Shanxi Claim A has terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "ICC") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "Contracts"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("Shanxi Claim B").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no adjustment has been made in the financial statements with respect to Shanxi Claim B.

(3) In August 2014, CITIC Resources noted from an announcement issued by Qingdao Port International Co., Ltd. (the "Qingdao Port Int'l") that a legal complaint dated 14 July 2014 ("ABN Claim") had been issued by ABN AMRO Bank N.V., Singapore Branch ("ABN AMRO") against CACT. According to the announcement, among other things, ABN AMRO had issued ABN Claim alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claimed it had been granted a pledge (the "Subject Cargo") and was seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,167,000), (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of ABN Claim.

In October 2016, CITIC Resources noted from an announcement issued by Qingdao Port Int'l that ABN AMRO had withdrawn ABN Claim.

(iv) There are some issues in dispute with MCC, and their details are disclosed in Note 3(k).

46 Contingent liabilities and commitments (continued)

(f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Contracted for	**18,004**	30,888

(g) Operating lease commitments

The Group leases certain of its properties and fixed assets under operating leases. As at the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Within 1 year	**4,309**	4,469
Between 1 and 2 years	**3,362**	3,794
Between 2 and 3 years	**2,817**	3,141
Over 3 years	**8,442**	10,429
	18,930	21,833

47 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

47 Financial risk management and fair values (continued)

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. For loan business, the Group identifies and manages the credit risk through its target markets definitions, credit approval process, post-disbursement monitoring and remedial management procedures. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counterparties in fulfilling their obligations. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

(i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Deposits with central banks, banks and non-bank financial institutions	**918,392**	792,788
Placements with banks and non-bank financial institutions	**186,927**	141,775
Financial assets at fair value through profit or loss	**75,053**	33,682
Derivative financial assets	**53,281**	16,509
Trade and other receivables	**116,283**	118,008
Financial assets held under resale agreements	**193,615**	165,391
Loans and advances to customers and other parties	**3,137,906**	2,947,798
Available-for-sale financial assets	**579,342**	449,769
Held-to-maturity investments	**244,151**	216,267
Investments classified as receivables	**1,166,325**	1,331,281
	6,671,275	6,213,268
Credit commitments and guarantees provided	**1,236,661**	1,329,285
Maximum credit risk exposure	**7,907,936**	7,542,553

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows:

	As at 31 December 2016				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	46,429	36	–	68	31
Allowance for impairment losses	(32,240)	(9)	–	(35)	(16)
	14,189	27	–	33	15
Collectively assessed					
Gross balance	11,826	–	–	–	–
Allowance for impairment losses	(9,062)	–	–	–	–
	2,764	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	50,757	–	–	–	148
Within which:					
– Within 3 months	38,754	–	–	–	148
– Between 3 months and 1 year	12,003	–	–	–	–
Allowance for impairment losses	(9,393)	–	–	–	(3)
	41,364	–	–	–	145
Neither overdue nor impaired					
Gross balance	3,117,504	1,105,332	193,615	896,110	1,168,280
Allowance for impairment losses (note (2))	(37,915)	(40)	–	(115)	(2,115)
	3,079,589	1,105,292	193,615	895,995	1,166,165
Net balance	3,137,906	1,105,319	193,615	896,028	1,166,325

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows: (continued)

	As at 31 December 2015				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	37,094	36	–	198	33
Allowance for impairment losses	(21,973)	(10)	–	(128)	(16)
	15,121	26	–	70	17
Collectively assessed					
Gross balance	9,553	–	–	–	–
Allowance for impairment losses	(6,978)	–	–	–	–
	2,575	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	49,896	–	–	–	148
Within which:					
– Within 3 months	41,997	–	–	–	148
– Between 3 months and 1 year	7,899	–	–	–	–
Allowance for impairment losses	(6,685)	–	–	–	(44)
	43,211	–	–	–	104
Neither overdue nor impaired					
Gross balance	2,927,541	934,537	165,391	696,455	1,332,290
Allowance for impairment losses (note (2))	(40,650)	–	–	(89)	(1,130)
	2,886,891	934,537	165,391	696,366	1,331,160
Net balance	2,947,798	934,563	165,391	696,436	1,331,281

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows: (continued)

Notes:

(1) Collateral and other credit enhancements for overdue but not impaired loans and advances:

As at 31 December 2016, the corporate loans and advances of the Group which were overdue but not impaired were HK$42,556 million (31 December 2015: HK$36,693 million). As at 31 December 2016, the secured portion of these loans and advances were HK$29,775 million (31 December 2015: HK$25,286 million), and the remaining loans and advances were unsecured.

The fair value of collateral held against these loans and advances amounted to HK$28,672 million as at 31 December 2016 (31 December 2015: HK$24,554 million).

The fair value of collateral was estimated by management based on the latest available external valuations, if any, adjusted by taking into account the current realisation experience as well as market situation.

(2) The balances represent collectively assessed allowance of impairment losses.

(iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2016			2015		
	Gross balance HK$ million	**%**	**Loans and advances secured by collateral HK$ million**	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Corporate loans						
– Manufacturing	**427,307**	**14%**	**223,605**	494,368	17%	240,563
– Wholesale and retail	**266,677**	**8%**	**163,971**	311,149	10%	192,861
– Real estate	**334,116**	**10%**	**278,240**	307,585	10%	261,357
– Transportation, storage and postal services	**181,078**	**6%**	**94,720**	176,102	6%	86,347
– Water, environment and public utility management	**167,601**	**5%**	**87,097**	152,110	5%	76,776
– Rental and business services	**203,030**	**6%**	**130,565**	176,416	6%	103,917
– Construction	**101,321**	**3%**	**44,362**	122,469	4%	57,306
– Production and supply of electric power, gas and water	**67,127**	**2%**	**28,157**	65,296	2%	24,134
– Public management and social organisations	**22,187**	**1%**	**4,949**	24,869	1%	5,825
– Others	**302,706**	**9%**	**125,048**	284,921	9%	116,578
	2,073,150	**64%**	**1,180,714**	2,115,285	70%	1,165,664
Personal loans	**1,069,417**	**33%**	**777,667**	798,078	26%	571,250
Discounted bills	**83,949**	**3%**	**–**	110,721	4%	–
	3,226,516	**100%**	**1,958,381**	3,024,084	100%	1,736,914

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector:

	As at 31 December					
	2016			2015		
	Gross balance HK$ million	**%**	**Loans and advances secured by collateral HK$ million**	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Mainland China	**3,032,139**	**94%**	**1,881,768**	2,852,755	94%	1,665,593
Hong Kong and Macau	**175,682**	**5%**	**66,741**	146,504	5%	55,634
Overseas	**18,695**	**1%**	**9,872**	24,825	1%	15,687
	3,226,516	**100%**	**1,958,381**	3,024,084	100%	1,736,914

(v) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

	As at 31 December			
	2016		2015	
	Gross balance HK$ million	**% of total loans and advances**	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances overdue less than 3 months	**2,855**	**0.09%**	4,236	0.14%
Rescheduled loans and advances overdue more than 3 months	**16,411**	**0.51%**	9,378	0.31%
	19,266	**0.60%**	13,614	0.45%

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2016, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2015: Nil).

47 Financial risk management and fair values (continued)

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2016					
	Repayable on demand HK$ million	**Within 1 year HK$ million**	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**No maturity date HK$ million**	**Total HK$ million**
Total financial assets	**290,434**	**3,518,796**	**1,279,761**	**1,031,725**	**625,327**	**6,746,043**
Total financial liabilities	**(2,727,659)**	**(3,064,248)**	**(511,839)**	**(160,971)**	**(4,643)**	**(6,469,360)**
Financial asset-liability gap	**(2,437,225)**	**454,548**	**767,922**	**870,754**	**620,684**	**276,683**

	As at 31 December 2015					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No maturity date HK$ million	Total HK$ million
Total financial assets	313,863	3,302,808	1,384,146	702,505	570,499	6,273,821
Total financial liabilities	(1,981,905)	(3,242,186)	(623,643)	(197,096)	(1,766)	(6,046,596)
Financial asset-liability gap	(1,668,042)	60,622	760,503	505,409	568,733	227,225

47 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2016			
	Within 1 year HK$ million	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Loan commitments	**16,811**	**31,118**	**35,695**	**83,624**
Guarantees	**106,027**	**88,426**	**1,152**	**195,605**
Letters of credit	**95,121**	**1,677**	**–**	**96,798**
Acceptances	**598,680**	**–**	**–**	**598,680**
Credit card commitments	**241,299**	**–**	**–**	**241,299**
Others	**–**	**3**	**–**	**3**
Total	**1,057,938**	**121,224**	**36,847**	**1,216,009**

	As at 31 December 2015			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	41,282	28,952	21,738	91,972
Guarantees	102,315	63,774	2,101	168,190
Letters of credit	108,840	944	–	109,784
Acceptances	753,607	–	–	753,607
Credit card commitments	178,015	–	–	178,015
Others	–	5,040	–	5,040
Total	1,184,059	98,710	23,839	1,306,608

47 Financial risk management and fair values (continued)

(c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2016				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	314,617	4,827,499	1,372,794	231,133	6,746,043
Total financial liabilities	(225,551)	(5,645,273)	(477,137)	(121,399)	(6,469,360)
Financial asset-liability gap	89,066	(817,774)	895,657	109,734	276,683

	As at 31 December 2015				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	202,696	4,872,776	1,006,508	191,841	6,273,821
Total financial liabilities	(217,139)	(5,086,478)	(566,746)	(176,233)	(6,046,596)
Financial asset-liability gap	(14,443)	(213,702)	439,762	15,608	227,225

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	As at 31 December			
	2016		2015	
	Effective interest rate	**HK$ million**	Effective interest rate	HK$ million
Assets				
Cash and deposits	**1.40%–1.52%**	**927,259**	1.22%–1.47%	801,615
Placements with banks and non-bank financial institutions	**2.56%**	**186,927**	2.59%	141,775
Financial assets held under resale agreements	**2.30%**	**193,615**	3.90%	165,391
Loans and advances to customers and other parties	**4.82%**	**3,137,906**	5.85%	2,947,798
Investments classified as receivable	**4.01%**	**1,166,325**	5.20%	1,331,281
Investments (note (1))	**3.41%**	**1,067,959**	3.86%	824,808
Others		**558,004**		590,641
		7,237,995		6,803,309
Liabilities				
Borrowing from central banks	**3.02%**	**205,755**	3.50%	44,761
Deposits from banks and non-bank financial institutions	**2.81%**	**1,097,164**	3.80%	1,275,421
Placements from banks and non-bank financial institutions	**2.10%**	**93,596**	1.81%	58,141
Financial assets sold under repurchase agreements	**2.42%**	**134,534**	2.43%	84,949
Deposits from customers	**1.68%**	**4,031,522**	2.16%	3,766,848
Bank and other loans	**0.33%–7.8%**	**112,819**	0.63%–8.50%	147,221
Debt instruments issued	**2.80%–6.90%**	**543,893**	1.00%–7.25%	449,772
Others		**322,861**		313,027
		6,542,144		6,140,140

Note:

(1) The Group's investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. The calculation of effective interest rate is based on the interest yielding part of the financial assets.

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2016, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$9,393 million (31 December 2015: decrease or increase by HK$2,968 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project is denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) have been designated as an accounting hedge against other US$ loans.

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK$ million):

	As at 31 December 2016				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**166,422**	**403,896**	**6,135,557**	**40,168**	**6,746,043**
Total financial liabilities	**(180,068)**	**(443,208)**	**(5,781,541)**	**(64,543)**	**(6,469,360)**
Financial asset-liability gap	**(13,646)**	**(39,312)**	**354,016**	**(24,375)**	**276,683**

	As at 31 December 2015				
	HK$	US$	RMB	Others	Total
Total financial assets	142,259	358,265	5,729,973	43,324	6,273,821
Total financial liabilities	(137,807)	(437,680)	(5,403,623)	(67,486)	(6,046,596)
Financial asset-liability gap	4,452	(79,415)	326,350	(24,162)	227,225

47 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2016 would decrease or increase the Group's profit before taxation by HK$2,982 million (31 December 2015: decrease or increase by HK$2,228 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

	As at 31 December 2016			
	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
Assets				
Financial assets at fair value through profit or loss	**8,517**	**69,270**	**32**	**77,819**
Derivative financial assets	**206**	**53,073**	**2**	**53,281**
Available-for-sale financial assets	**60,874**	**553,965**	**18,057**	**632,896**
	69,597	**676,308**	**18,091**	**763,996**
Liabilities				
Derivative financial liabilities	**–**	**(52,646)**	**(2)**	**(52,648)**

	As at 31 December 2015			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Financial assets at fair value through profit or loss	4,713	35,597	81	40,391
Derivative financial assets	20	16,485	4	16,509
Available-for-sale financial assets	57,070	417,381	18,911	493,362
	61,803	469,463	18,996	550,262
Liabilities				
Derivative financial liabilities	(1)	(16,566)	(908)	(17,475)

For the year ended 31 December 2016, there were no significant transfers between instruments in different levels (2015: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2015: Nil).

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2016				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2016	81	4	18,911	18,996	(908)
Disposal of subsidiaries	–	–	(162)	(162)	–
Total (losses)/gains:	(44)	1	(292)	(335)	903
– in profit or loss	(44)	1	(122)	(165)	34
– in other comprehensive income	–	–	(170)	(170)	869
Net settlements	(5)	(3)	(400)	(408)	3
At 31 December 2016	32	2	18,057	18,091	(2)
Total (losses)/gains for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(44)	1	(122)	(165)	34

	For the year ended 31 December 2015				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2015	21	9	32,524	32,554	(765)
Business combination	–	–	28	28	–
Total gains/(losses):	19	(3)	1,348	1,364	(143)
– in profit or loss	19	(3)	–	16	(143)
– in other comprehensive income	–	–	1,348	1,348	–
Net settlements	41	(2)	(14,989)	(14,950)	–
At 31 December 2015	81	4	18,911	18,996	(908)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	19	(3)	–	16	(143)

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2016				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	244,151	244,876	1,075	243,771	30
Investments classified as receivables	1,166,325	1,164,797	–	295,917	868,880
	1,410,476	1,409,673	1,075	539,688	868,910
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	81,376	77,110	3,460	73,650	–
– Notes issued	64,916	65,357	–	65,357	–
– Subordinated bonds issued	85,234	88,226	9,082	79,144	–
– Certificates of deposit (not for trading purpose)	10,612	10,557	–	10,557	–
– Certificates of interbank deposit issued	301,755	300,347	–	300,347	–
	543,893	541,597	12,542	529,055	–

	As at 31 December 2015				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	216,267	222,501	1,131	221,298	72
Investments classified as receivables	1,331,281	1,345,573	–	541,782	803,791
	1,547,548	1,568,074	1,131	763,080	803,863
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	72,762	74,593	3,353	71,240	–
– Notes issued	69,244	71,174	–	71,174	–
– Subordinated bonds issued	92,840	99,288	9,090	90,198	–
– Certificates of deposit (not for trading purpose)	10,390	10,392	–	10,392	–
– Certificates of interbank deposit issued	204,536	204,709	–	204,709	–
	449,772	460,156	12,443	447,713	–

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Debt securities and equity investments

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), available-for-sale financial assets, and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

48 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties:

	For the year ended 31 December 2016			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	354	124	478
Purchase of goods	–	689	1,721	2,410
Interest income (note (2))	12	177	92	281
Interest expenses	13	273	263	549
Fee and commission income	–	9	995	1,004
Fee and commission expenses	–	–	70	70
Income from other services	2	33	100	135
Expenses for other services	–	23	669	692
Interest income from deposits and receivables	–	50	50	100
Other operating expenses	–	69	26	95

	For the year ended 31 December 2015			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	340	144	484
Purchase of goods	–	25	1,151	1,176
Interest income (note (2))	16	96	29	141
Interest expenses	177	31	320	528
Fee and commission income	–	4	173	177
Fee and commission expenses	–	–	56	56
Income from other services	–	48	54	102
Expenses for other services	–	19	638	657
Interest income from deposits and receivables	–	94	264	358
Other operating expenses	–	47	22	69

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer, wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties:

	As at 31 December 2016			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	69	3,202	1,249	4,520
Loans and advances to customers and other parties (note (2))	–	12,837	4,058	16,895
Placements with banks and non-bank financial institutions	–	27	748	775
Cash and deposits	–	–	2,549	2,549
Derivative financial instruments and other assets	–	3	736	739
Trade and other payables	3,055	21,405	2,043	26,503
Deposits from customers	1,365	8,000	9,067	18,432
Deposits from bank and non-bank financial institutions	–	1	11,737	11,738
Derivative financial instruments and other liabilities	3	233	76	312
Bank and other loans	6,643	–	171	6,814
Entrusted funds	–	–	9,145	9,145
Funds raised from investors of non-principle guaranteed wealth management products	–	7	–	7
Guarantees provided (note (3))	–	261	17,451	17,712
Guarantees received	–	2,716	5,813	8,529

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued):

	As at 31 December 2015			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	78	3,627	8,868	12,573
Loans and advances to customers and other parties (note (2))	–	8,814	3,187	12,001
Placements with banks and non-bank financial institutions	–	27	–	27
Cash and deposits	–	–	116	116
Derivative financial instruments and other assets	–	–	72	72
Trade and other payables	3,251	24,425	1,250	28,926
Deposits from customers	1,938	3,116	26,753	31,807
Deposits from bank and non-bank financial institutions	–	5	28,161	28,166
Derivative financial instruments and other liabilities	–	140	13	153
Bank and other loans	–	–	38	38
Entrusted funds	–	–	1,194	1,194
Funds raised from investors of non-principle guaranteed wealth management products	–	8	–	8
Guarantees provided (note (3))	–	146	15,323	15,469
Guarantees received	–	783	4,360	5,143

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

48 Material related parties (continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 48(b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- purchase, sale and leases of property and other assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and
- rendering and receiving of utilities and other services.

(d) Key management personnel remuneration

For the year ended 31 December 2016, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$8.84 million (2015: HK$19.38 million).

49 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed securities and investment funds and the Group does not consolidate these structured entities.

49 Structured entities (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 31 December 2016						
Carrying amount	**Financial assets at fair value through profit or loss HK$ million**	**Held-to-maturity investments HK$ million**	**Available-for-sale financial assets HK$ million**	**Investments classified as receivables HK$ million**	**Total HK$ million**	**Guarantees HK$ million**	**Maximum loss exposure HK$ million**
Wealth management products issued by banks	–	–	12,336	512,448	524,784	–	524,784
Investment management products managed by non-bank financial institutions	–	–	1,077	509,064	510,141	–	510,141
Trust investment plans	–	–	2,757	141,203	143,960	–	143,960
Asset-backed securities	–	1,707	10,896	–	12,603	–	12,603
Investment funds	1,118	–	28,990	1,096	31,204	–	31,204
Total	1,118	1,707	56,056	1,163,811	1,222,692	–	1,222,692

	As at 31 December 2015						
Carrying amount	Financial assets at fair value through profit or loss HK$ million	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products issued by banks	–	–	21,206	176,186	197,392	–	197,392
Investment management products managed by non-bank financial institutions	–	–	420	986,698	987,118	–	987,118
Trust investment plans	–	–	4,836	167,074	171,910	5,040	176,950
Asset-backed securities	–	6,333	6,150	–	12,483	–	12,483
Investment funds	3,227	–	2,133	–	5,360	–	5,360
Total	3,227	6,333	34,745	1,329,958	1,374,263	5,040	1,379,303

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

49 Structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (continued)

Wealth management products and trust plans

As at 31 December 2016, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$2,662,231 million (31 December 2015: HK$1,977,449 million).

As at 31 December 2016, the carrying amounts of management fee receivables being recognised in the balance sheet were HK$601 million (31 December 2015: HK$650 million).

As at 31 December 2016, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$69,312 million (31 December 2015: HK$30,158 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was HK$829,515 million (2015: HK$721,217 million).

During the year ended 31 December 2016, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$64,170 million (2015: HK$43,776 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2016, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was HK$12,711 million (2015: HK$11,355 million).

Securitisation transactions and loan transfers

For the year ended 31 December 2016, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of the financial assets sold under repurchase agreements are set forth in Note 39. Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2016 totalled HK$133,175 million are set forth below.

During the year ended 31 December 2016, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of HK$54,952 million (2015: HK$49,307 million), of which HK$49,922 million (2015: HK$46,432 million) were qualified for full de-recognition.

The balance of HK$5,030 million (2015: HK$2,874 million) was in respect of non-performing loans transferred and the Group concluded that it had continuing involvement in these assets as at 31 December 2016 based on the related criteria set forth in Note 2(i) and Note 3. As at 31 December 2016, the Group continued to recognise assets of HK$771 million (31 December 2015: HK$341 million) under loans and advances to customers together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 25).

During the year ended 31 December 2016, the Group also through other types of transactions transferred loans of book value before impairment of HK$78,223 million (2015: HK$56,200 million), of which HK$60,396 million represented non-performing loans (2015: HK$52,063 million). The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that these transferred assets qualified for full de-recognition (Note 25(d)).

50 Discontinued operations

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with China Overseas to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. Completion of the transaction took place in September 2016.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and cash flows of the above mentioned residential real estate projects have been included in the discontinued operations of the Group. Comparative figures for the year ended 31 December 2015 have been reclassified accordingly.

The aggregate results of the discontinued operations were as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Revenue	**11,639**	21,503
Expenses	**(15,294)**	(18,842)
(Loss)/profit before taxation	**(3,655)**	2,661
Income tax	**(2,246)**	(1,189)
(Loss)/profit arising from discontinued operations before disposal gain	**(5,901)**	1,472
Net gain on disposal	**16,210**	–
Profit for the year from discontinued operations	**10,309**	1,472
Attributable to:		
– Ordinary shareholders of the Company	**10,337**	1,311
– Non-controlling interests	**(28)**	161
	10,309	1,472

51 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Cash	**8,867**	8,827
Bank deposits on demand	**39,478**	54,612
Surplus deposit reserve funds	**65,795**	75,983
Investments in debt securities due within three months	**57,318**	23,954
Deposits with banks and non-bank financial institutions due within three months	**252,074**	113,796
Placements with banks and non-bank financial institutions due within three months	**70,606**	76,939
Cash and cash equivalents in the consolidated cash flow statement	**494,138**	354,111

51 Supplementary information to the consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Total assets	**147,240**	10,546
Total liabilities	**(126,116)**	(6,687)
Non-controlling interests	**(908)**	(125)
Net assets disposed	**20,216**	3,734
Total consideration	**(37,270)**	(5,973)
Release of other comprehensive income relating to interests in disposed subsidiaries	**(515)**	–
Gains on disposal of subsidiaries		
– Continuing operations	**(1,359)**	(492)
– Discontinued operations	**(16,210)**	(1,747)
	(17,569)	(2,239)
Net cash (outflow)/inflow is determined as follows:		
Cash proceeds received	**773**	3,590
Less: cash and cash equivalents disposed	**(13,152)**	(664)
– Continuing operations	**754**	1,411
– Discontinued operations	**(13,133)**	1,515
	(12,379)	2,926

(C) In 2016, issuance of preference shares and other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB35 billion preference shares to qualified investors.

52 Major Transactions with non-controlling interests

Acquisition of additional interests in indirectly held subsidiaries

In January 2016, CITIC Corporation acquired an additional 11.63% interest in CITIC Real Estate for an aggregate purchase consideration of RMB3,028 million (approximately HK$3,601 million). The Group recognised a decrease in non-controlling interests of HK$1,589 million, and a decrease in equity attributable to shareholders of the Company of HK$2,012 million.

For the year ended 31 December 2016, the Company through its subsidiaries increased its shareholding in CITIC Bank by acquiring approximately 1.79% equity interests, for an aggregate purchase consideration of HK$4,176 million. The Group recognised a decrease in non-controlling interests of HK$6,900 million, and an increase in equity attributable to shareholders of the Company of HK$2,724 million.

The effect of changes in the ownership interests of CITIC Real Estate and CITIC Bank on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2016 HK$ million
Carrying amount of non-controlling interests acquired	**8,489**
Consideration paid to non-controlling interests	**(7,777)**
Purchase gains recognised within equity	**712**

53 Balance sheet and reserve movement of the Company

	As at 31 December 2016 HK$ million	2015 HK$ million
Non-current assets		
Fixed assets	**7**	6
Interests in subsidiaries	**431,098**	444,970
Interests in joint ventures	**3,886**	3,886
Available-for-sale financial assets	**3,444**	–
Derivative financial instruments	**44**	–
	438,479	448,862
Current assets		
Derivative financial instruments	**4**	–
Amounts due from subsidiaries	**47,839**	17,764
Trade and other receivables	**251**	20
Cash and deposits	**4,897**	10,869
	52,991	28,653
Total assets	**491,470**	477,515
Current liabilities		
Bank and other loans	**2,058**	2,438
Amounts due to subsidiaries and other related parties	**23,023**	23,500
Trade and other payables	**1,425**	1,417
Derivative financial instruments	**44**	117
Income tax payable	**134**	–
Debt instruments issued	**–**	1,193
	26,684	28,665
Non-current liabilities		
Long term borrowings	**11,357**	8,518
Debt instruments issued	**54,832**	35,520
Derivative financial instruments	**1,090**	1,368
	67,279	45,406
Total liabilities	**93,963**	74,071
Equity		
Share capital	**381,710**	381,710
Perpetual capital securities	**7,873**	13,836
Reserves	**7,924**	7,898
Total ordinary shareholders' funds and perpetual capital securities	**397,507**	403,444
Total liabilities and equity	**491,470**	477,515

The balance sheet of the Company was approved and authorised for issue by the board of directors on 23 March 2017.

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

53 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2016	**381,710**	**13,836**	**630**	**(1,278)**	**–**	**8,546**	**403,444**
Cash flow hedges:							
– Fair value loss during the year	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**
– Transfer to net finance charges	**–**	**–**	**–**	**367**	**–**	**–**	**367**
	–	**–**	**–**	**339**	**–**	**–**	**339**
Profit attributable to shareholders of the Company	**–**	**790**	**–**	**–**	**–**	**8,552**	**9,342**
Redemption of perpetual capital securities	**–**	**(5,850)**	**–**	**–**	**–**	**–**	**(5,850)**
Dividends paid to ordinary shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**(8,727)**	**(8,727)**
Distributions to holders of perpetual capital securities	**–**	**(903)**	**–**	**–**	**–**	**–**	**(903)**
Available-for-sale financial assets: net movement in the fair value reserve	**–**	**–**	**–**	**–**	**(138)**	**–**	**(138)**
At 31 December 2016	**381,710**	**7,873**	**630**	**(939)**	**(138)**	**8,371**	**397,507**

	Share capital HK$ million (Note 44(a))	Convertible preferred shares HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2015	324,198	–	13,834	632	(1,572)	9,371	346,463
Cash flow hedges:							
– Fair value gain during the year	–	–	–	–	4	–	4
– Transfer to net finance charges	–	–	–	–	290	–	290
	–	–	–	–	294	–	294
Profit attributable to shareholders of the Company	–	–	1,135	–	–	7,063	8,198
Release upon lapse of share options	–	–	–	(2)	–	2	–
Issue of shares (Note 44(a))	11,986	45,923	–	–	–	–	57,909
Conversion of convertible preferred shares into ordinary shares (Note 44(a))	45,923	(45,923)	–	–	–	–	–
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(7,890)	(7,890)
Distributions to holders of perpetual capital securities	–	–	(1,133)	–	–	–	(1,133)
Others	(397)	–	–	–	–	–	(397)
At 31 December 2015	381,710	–	13,836	630	(1,278)	8,546	403,444

54 Post balance sheet events

(a) The Company, CITIC Capital China Partners III, L.P. ("CITIC Capital") and Carlyle Asia Partners IV, L.P. ("Carlyle") propose to acquire a controlling interest in McDonald's Mainland China and Hong Kong businesses (the "Acquisition") through Grand Foods Investment Holdings Limited (the "Purchaser", being an indirect non-wholly-owned subsidiary of the Company).

On 9 January 2017, the Purchaser entered into a sale and purchase agreement with, among others, McDonald's China Holdings Limited ("MCHL") and Golden Arches Investments Limited ("GAIL" and together with MCHL, the "Sellers", being subsidiaries of McDonald's Corporation) for the acquisition of the entire issued share capital of McDonald's China Management Limited (the "Target"), at a total consideration of up to US$2,080 million (equivalent to approximately HK$16,141 million). The consideration for the Acquisition will be settled partly by way of cash and partly by way of new shares in Grand Foods Holdings Limited, being the intermediate holding company of the Purchaser, to be issued to GAIL.

Upon closing of the Acquisition ("Closing"), the Target will be owned by Fast Food Holdings Limited (which is in turn indirectly owned as to approximately 61.54% and 38.46% by the Company and CITIC Capital respectively), Carlyle and GAIL as to 52%, 28% and 20%, respectively. The Target will become an indirect non-wholly-owned subsidiary of the Company. As Closing is subject to the fulfilment (or, if applicable, waiver) of certain conditions precedent, the Acquisition may or may not proceed.

(b) On 27 December 2016, CITIC Corporation, a wholly-owned subsidiary of the Company, Beijing Guoan Football Club Co., Ltd. ("Guoan FC"), a wholly-owned subsidiary of CITIC Corporation, and SINOBO Land Co., Ltd. ("SINOBO Land"), an independent third party, entered into a capital increase agreement; and on the same day, CITIC Corporation and SINOBO Land entered into a shareholder agreement (the "Agreements"). Pursuant to the Agreements, the registered capital of Guoan FC will be increased by RMB133,333,335, which will be fully subscribed by SINOBO Land at the consideration of RMB3,555,555,600 (the "Capital Increase"). The Capital Increase was approved by Chinese Football Association on 24 January 2017. When all the conditions in the Agreements are met, CITIC Corporation and SINOBO Land will hold 36% and 64% equity interest in Guoan FC, respectively.

(c) On 5 January 2017, CITIC Bank received approval from China Banking Regulatory Commission to establish China CITIC Baixin Bank Corporation Limited ("Baixin Bank") with Fujian Baidu Borui Network Technology Company Limited. CITIC Bank will hold 1,400 million shares, representing 70% of the total shares of Baixin Bank.

55 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

56 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2016 and which have not been early adopted in these consolidated financial statements.

HKAS 12 (Amendments)	Income taxes(1)
HKAS 7 (Amendments)	Statement of cash flows(1)
HKFRS 15	Revenue from contracts with customers (2)
HKFRS 9	Financial instruments (2)
HKFRS 16	Leases (3)
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (4)

(1) Effective for the annual periods beginning on or after 1 January 2017.
(2) Effective for the annual periods beginning on or after 1 January 2018.
(3) Effective for the annual periods beginning on or after 1 January 2019.
(4) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, Financial instruments

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group is undertaking a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The Group is undertaking a detailed assessment of the effect of HKFRS 9. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

56 Possible impact of amendments, new standards and interpretations issued but not yet adopted (continued)

HKFRS 15, Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has made an initial assessment on the impact of this new standard, and not believed it is expected to have a significant effect on the consolidated financial statements of the Group. The Group will make further detailed assessments on the impact in 2017.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments HK$18,930 million (Note 46(g)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

57 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	46,881	100%	100%	0%
Jiangsu CP Xingcheng Special Steel Co., Ltd. 江蘇泰富興澄特殊鋼有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%
Daye Special Steel Co., Ltd. 大冶特殊鋼股份有限公司	Mainland China	Manufacturing	449,408,480	58.13%	0%	58.13%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Investment holding	1,832,133,000	56.07%	0%	56.07%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,534,581,049	60.24%	0%	60.24%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	48,934,796,573	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Financial services	7,459,172,916	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%

57 Principal subsidiaries, associates and joint ventures (continued)

(a) Principal subsidiaries (continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Dicastal Co., Ltd. 中信戴卡股份有限公司	Mainland China	Manufacturing	1,377,962,404	100%	0%	100%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure	N/A	100%	0%	100%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy saving and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集团股份有限公司	Mainland China	Publishing	142,613,636	88%	0%	88%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

57 Principal subsidiaries, associates and joint ventures (continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate	10,956,201,535	10%	0%	10%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,116,908,400	16.66%	0%	16.66%
MMG South America Management Co., Ltd.	Hong Kong	Resources and energy	1,200	15%	0%	15%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 信誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
CSSC Complex Property Co., Ltd. 中船置業有限公司	Mainland China	Real estate	N/A	50%	50%	0%
山東新巨龍能源有限責任公司	Mainland China	Resources and energy	N/A	30%	0%	30%

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 302, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters identified in our audit are summarised as follows:

- Impairment of loans and advances to customers and other parties and investments classified as receivables of China CITIC Bank Corporation Limited ("CITIC Bank")
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Impairment of the Sino Iron Project

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank	
Loans and advances to customers and other parties	***Loans and advances to customers and other parties***
Refer to Note 2(i), Note 3 and Note 25 to the consolidated financial statements. As at 31 December 2016, loans and advances to customers and other parties of CITIC Bank amounted to RMB2,874.3 billion (approximately HK$3,213.3 billion), and the corresponding allowance for impairment losses was RMB75.5 billion (approximately HK$84.4 billion). Allowance for impairment losses represented management's best estimates of losses incurred within loans and advances to customers and other parties as at the balance sheet date. The allowance was computed individually or on a collective basis, where appropriate. Corporate loans were initially assessed for impairment individually by management. If objective evidence of impairment was identified, management regularly assesses the amount and timing of the expected future cash flows from the loans to calculate the allowance for impairment losses, which was the difference between the carrying amount of the loans and the present value of their expected future cash flows. Non-impaired corporate loans and all personal loans were included in homogeneous groups with similar credit risk characteristics for performance of impairment assessments on a collective basis. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate.	We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers and other parties, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. For impaired loans identified individually, we examined, on a sample basis, data inputs to the discounted cash flow models, including the cash flow status of the borrowers and guarantors, latest collateral valuations, applicable haircut rates and disposal plans, in supporting the estimation of future cash flows and present value. For those loans and advances to customers and other parties which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations. We discussed with management and scrutinised the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where necessary. We also applied sensitivities to underlying key assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank (Continued)	
Investments classified as receivables	***Investments classified as receivables***
Refer to Note 2(i), Note 3 and Note 28 to the consolidated financial statements. As at 31 December 2016, investments classified as receivables ("Investments") of CITIC Bank amounted to RMB1,037.5 billion (approximately HK$1,159.9 billion), and the corresponding allowance for impairment losses was RMB1.8 billion (approximately HK$2 billion). Management focused on and assessed the Investments with credit-type underlying assets individually for impairment. Underlying assets not identified as impaired from the individual assessments were included in homogenous groups with similar credit risk characteristics, considering risk factors relating to different industries and different types of underlying assets, and were assessed for impairment on a collective basis. Identification and assessment of impairment of loans and advances to customers and other parties and Investments involved complex and significant judgements by management, and, as such, we focused on this area as a key audit matter.	Loans and advances to customers and other parties and Investments relating to the same borrower were included in the integrated credit approval and management system of CITIC Bank so that management manages its credit risk exposure in a holistic manner. For Investments with credit-type underlying assets, the testing of relevant controls over impairment identification and assessments of these Investments was covered through our testing of internal controls over loans and advances to customers and other parties mentioned above. For Investments with credit-type underlying assets where the underlying assets related to borrowers who also had outstanding balances of loans and advances with CITIC Bank, we applied a consistent approach, to selection of samples and conducting credit reviews. For borrowers with no outstanding balances of loans and advances to customers and other parties with CITIC Bank, we separately selected samples and performed procedures on them to ascertain whether there was objective evidence of impairment for the underlying assets. Based on the procedures performed above, in the context of the inherent uncertainties associated with impairment assessments, the assessment approaches, methodologies and key assumptions adopted by management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank Refer to Note 2(e), Note 3 and Note 49 to the consolidated financial statements. As at 31 December 2016, unconsolidated structured entities included non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank. Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgement made by management involving the structures entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities; • performed independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties. Based on the procedures performed above, we found management's judgement relating to the consolidation of structured entities for non-principal guaranteed WMPs acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of financial assets of CITIC Bank	
Refer to Note 2(i), Note 3 and Note 49 to the consolidated financial statements. During the year ended 31 December 2016, CITIC Bank entered into transactions which involved transfers of financial assets including those through securitisation and loan transfers. Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where CITIC Bank neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether CITIC Bank had relinquished its control over these financial assets, and if CITIC Bank had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project	
Refer to Note 3 and Note 8 to the consolidated financial statements. Construction of the Sino Iron Project ("the Project") was completed in the second quarter, with commercial production achieved from July 2016. In light of the reduction in long term iron ore price forecasts, an impairment assessment has been undertaken as at 31 December 2016. Management has assessed the recoverable amount of the Project using the Fair Value Less Cost of Disposal ("FVLCD") method as consistent with the approach taken previously. As a result, a total impairment charge of US$1,302 million (approximately HK$10,152 million) has been recognised in the consolidated income statement. In the impairment assessment, the most significant areas of judgement applied by management relate to: • The production profile of the Project (including production rates as the Project ramps up, ore grades and operating and capital expenditures); • Iron ore prices (inclusive of base price and premium on product grade); • The discount rate adopted in the valuation; • Foreign exchange rates, particularly between Australian and United States dollars. As the impairment assessment involves significant assumptions and judgements, we regard this as a key audit matter.	In evaluating management's valuation of the Project we undertook the following procedures: • Evaluated the reasonableness of management's judgement in relation to non-current asset impairment indicators, cash flow forecasts and the adoption of the FVLCD model; • Assessed whether management had included all appropriate assets and liabilities in the cash generating unit with appropriate consideration of tax impact; • Compared assumptions adopted in cash flow forecasts on production, future capital and operating expenditure with approved Life of Mine Plans, operating budgets and, where applicable, actual performance outcomes achieved to date; • With the support of our valuation experts, benchmarked key market related assumptions included in the valuation model, being base price, foreign exchange rates and the discount rate, against external market data; assessed the forecast premium on product grade with actual premiums achieved to date; and validated the competence and objectivity of the third party experts utilised by management to develop these assumptions; and • Performed sensitivity analysis on the key assumptions. Based on the above procedures, we found the assumptions and judgements applied by management to be reasonable and consistent with the audit evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and risk management committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit and risk management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit and risk management committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit and risk management committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

CORPORATE INFORMATION

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Website

www.citic.com contains a description of the Company's business, a copy of the full report to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

CORPORATE INFORMATION

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	8 June 2017 to 13 June 2017 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	19 June 2017 to 21 June 2017 (both days inclusive)
Annual General Meeting:	13 June 2017, 11:00 a.m. Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place 88 Queensway Hong Kong
Dividend payment:	30 June 2017

Annual Report 2016

Our Annual Report is printed in English and Chinese and is available on our website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to the Company's Share Registrar.

Shareholders having difficulty in gaining access to the Annual Report will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

Non-shareholders who wish to receive a printed copy of the Annual Report are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.