

OUR BUSINESSES





FINANCIAL SERVICES



Our financial business, which spans the banking, trust, insurance and securities sectors, offers customers a full-service platform of integrated financial solutions.

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 and accident insurance, as well as other reinsurance services.



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

| HK\$ million | 2017 | 2016 (restated) | Change |
|--|-----------|-----------------|--------|
| Revenue | 190,028 | 187,534 | 1% |
| Profit attributable to ordinary shareholders | 39,506 | 38,406 | 3% |
| Total assets | 6,925,076 | 6,729,902 | 3% |
| Capital expenditure | 14,880 | 16,350 | (9%) |

In 2017, CITIC Limited's financial services business recorded revenue of HK\$190 billion, an increase of 1% from the year before. Profit attributable to ordinary shareholders increased by 3% to HK\$39.5 billion. CITIC Bank's profit grew slightly by 2%. The trust, insurance and securities businesses performed well and recorded double-digit growth during the year.





CITIC Bank

CITIC Bank is a joint-stock commercial bank in China engaged in corporate banking, retail banking and financial markets services.

Year in review

As the deleveraging of China's economy continued and financial regulations tightened, the growth rate of Chinese banks' balance sheets slowed progressively in 2017 and the sector was lack of growth drivers. Despite these headwinds, the overall performance of CITIC Bank remained stable.

For the year 2017, revenue was RMB157.2 billion, representing a year-on-year increase of 2%. Net interest income dropped 6% due primarily to the compression of the low yield interbank business and higher funding interest rates. However, net interest margin widened as the bank better managed its loan pricing and optimised deposit structures. Non-interest income similarly sustained positive momentum to contribute 37% of revenue, compared with 31% in 2016. After an increased impairment charge for asset loss, profit attributable to ordinary shareholders increased slightly by 2% to RMB42.6 billion.

| RMB million | 2017 | 2016 | Change |
|--|-----------|-----------|--------|
| Revenue | 157,231 | 154,159 | 2% |
| Profit attributable to ordinary shareholders | 42,566 | 41,629 | 2% |
| Total assets | 5,677,691 | 5,931,050 | (4%) |

Asset and liability management

CITIC Bank maintained its strategy of light transformation while continuing to reduce its balance sheet and optimise its structure over the year. Total assets and total liabilities decreased, respectively, by 4% and 5%. On the asset side, the bank proactively reduced the scale of its interbank business and allocated more resources to its traditional credit business to better support the real economy. The bank also accelerated the pace of asset transfers in order to release liquidity and better balance risk with return, as well as growing its light-capital and high-return product lines such as credit cards and personal loans. Over the year, total loans increased by 11%,

including a 29% expansion in personal loans. Total deposits, meanwhile, fell by 6% owing to the higher funding costs that resulted from increased competition.

Risk management

As of the end of 2017, overall asset quality remained manageable as the bank continued to adopt measures such as cash collection and non-performing asset disposals. The NPL ratio fell 1bp to 1.68%, and the allowance coverage ratio increased by 13.9 percentage points to 169.4%.

Business highlights

In 2017, the retail banking business continued to grow rapidly. Its revenue reached RMB54.4 billion, and the overall contribution increased by 7 percentage points to 35% over the year. The structure of corporate banking business was continued to be adjusted while its revenue declined 4% to RMB87.1 billion. Revenue contribution from financial markets services dropped by 4 percentage points to 7%, mainly due to the shrinking interbank business.

| RMB million | Revenue 2017 | By percentage 2017 | Revenue 2016 (restated) | By percentage 2016 |
|-------------------|--------------|--------------------|-------------------------|--------------------|
| Corporate banking | 87,080 | 55% | 91,166 | 59% |
| Retail banking | 54,353 | 35% | 42,805 | 28% |
| Financial markets | 11,080 | 7% | 17,252 | 11% |
| Others | 4,718 | 3% | 2,936 | 2% |

Corporate banking: The bank continued to put the focus on high quality customer and serve the real economies. Corporate deposits dropped by 7%, while the deposit cost declined by 8bps to 1.62%, primarily because the bank continued to optimise the deposit mix by increasing low-cost settlement deposits and compressing high-cost bank acceptances and negotiated deposits. Transaction banking, investment banking, asset custody and international business all performed satisfactorily during the year. Key developments for the year included the launch of the Eco-finance Cloud platform for transaction banking, which recorded turnover of RMB69.6 trillion, a growth of 5% year-on-year. The asset custody business grew by 23% year-on-year, while mutual fund custody assets reached RMB2.1 trillion, the first in the Chinese banking sector to reach this level. What's more, the bank continued to strengthen its core competency in debt financing and retained its market-leading position in terms of total financing scale. In addition to this, the bank maintained the largest market share among all joint-stock banks⁽¹⁾ in international payments.



Note:

(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.

Retail banking: The retail customer base continued to improve over the year, particularly among medium- to high-end customers. As of the end of 2017, the total number of retail customers increased by 19% to 80.05 million. Priority products for the year were private banking, credit cards and personal loans. Private banking AUM exceeded RMB402.5 billion, up 25%, while the customer base for this business grew by 31% to reach 28,000. In the credit card business, the total number of cards surpassed 49.57 million, and the balance of credit card loans reached RMB333.7 billion, up 40%, contributing to a total revenue increase of 56% to RMB39.1 billion. In personal loans, this business continued to develop steadily, as a result of its new focus on products such as collateral loans backed by property, unsecured loans, pledged loans backed by financial assets and personal supply chain financing.

Financial markets: The bank reduced the scale of its interbank business during the year and accelerated asset securitisation over the year. It also continued to optimise channels and platforms to make the interbank business lighter in terms of capital, assets and costs. One example was the key online platform “CITIC Interbank+”, which was set up to provide financial institutions with integrated interbank services, including wealth management, trading, agent services and clearing. The number of users on the platform reached 817, and total turnover grew to RMB1288.3 billion. Additionally, other businesses such as forex market-making trading, bond trading, debt securities & interest rate derivatives experienced double-digit trading volume growth. CITIC Bank was also included in the first group of market makers joining Bond Connect.



Fintech

CITIC Bank will continue to apply the latest Fintech to financial services, speed up digital channel building, strengthen online payment and crossover cooperation with tech companies. The bank also strives to improve its competitiveness by exploring new business models and procedures. In 2017, the bank launched its mobile banking 4.0 to improve the customer experience and service capabilities. The number of mobile banking users in 2017 reached 27.33 million, a year-on-year increase of 40%, while trading volume reached 128 million, up 36%. During the year, the bank became the first Chinese bank to launch a Blockchain-based Letter of Credit System, which had achieved a trading turnover greater than RMB1 billion as at the end of 2017. In addition, three key online payment products — Quan Fu Tong, Cross-border E-commerce pay, and CITIC e-pay — continued to strengthen their leading market positions. Quan Fu Tong's total turnover reached RMB1.2 trillion, up 131% over the year. Cross-border E-commerce pay was the first among its peers to cover the whole chain of cross-border payment on both the business side and customer side. Its turnover increased by 24% to RMB34.6 billion. CITIC e-pay launched new functions such as B2B interbank receivables to further satisfy demand for both C2B and B2B businesses. It recorded a year-on-year increase in turnover of 185% to RMB20.8 billion. Also during the year, CITIC aiBank, a bank set up between CITIC Bank and Baidu, officially opened in November 2017 as an online platform supporting small and frequent trading with payment, financing and asset management services.

CITIC Trust

CITIC Trust, the largest and most stable trust company in China, is mainly engaged in the trust, specialised subsidiary and proprietary businesses. CITIC Trust is rated as a Grade A trust company by the China Trustee Association.

The key theme of China's financial industry in 2017 was "strict regulation, risk prevention, coordination, de-leveraging and measured opening-up." In the trust sector, growth slowed accordingly. CITIC Trust, however, was able to maintain a robust operation, growing its revenue by 25% year-on-year to reach RMB7.4 billion. The increase was mainly attributable to the gain from fair value changes in the proprietary business. Net profit attributable to shareholders reached RMB3.6 billion, representing an increase of 18% over 2017. Total proprietary assets amounted to RMB36.2 billion, up 28% year-to-date.

Year in review

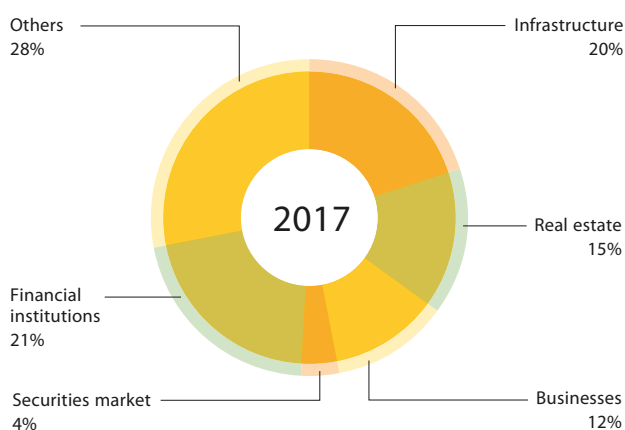
| RMB million | 2017 | 2016 (restated) | Change |
|-------------------------------------|--------|-----------------|--------|
| Revenue | 7,399 | 5,918 | 25% |
| Profit attributable to shareholders | 3,586 | 3,039 | 18% |
| Total assets | 36,235 | 28,408 | 28% |

As of the end of 2017, total trust assets under management amounted to RMB1,986.7 billion, of which RMB303.2 billion of assets under management were within its specialised subsidiaries through limited partnerships, asset management vehicles and equity investment funds.

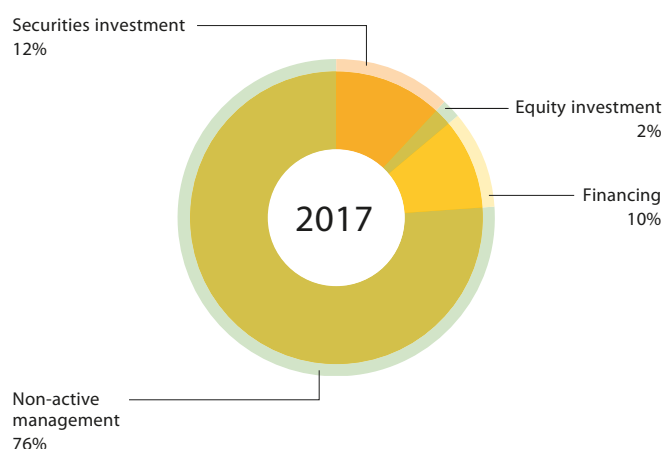
Over the year, 1,552 new trust projects began, representing RMB1,075.2 billion of AUM. During this period, the trust business remained stable and yielded RMB4.4 billion in revenue while distributing RMB73.2 billion in trust profit attributable to beneficiaries. The trust assets were allocated to infrastructure, real estate, healthcare and elderly care, culture and technology. Among its trust assets, 24% are actively managed and are mainly invested in securities, equity and financing assets; 76% are under non-active management⁽¹⁾.

Allocation of trust assets

By industry



By type



Note:

(1) Category under non-active management refers to a trust scheme under which a trust company, acting as the trustee, provides the trustor (beneficiary) with administrative and executive services for specified purposes.

Trust products and services

CITIC Trust sticks to a fundamentals-first approach in its scope of services. Guided by the principles of risk management and sustainability, CITIC Trust has continued to innovate in its service offerings and optimise its product structure in line with market demand. By leveraging its integrated platform, it makes efficient capital and asset allocation to better serve the real economy in businesses spanning the financing, wealth management and trust service segments.

Financing: CITIC Trust delivers integrated financing solutions to clients, including governments, enterprises, financial institutions and other institutional investors.

As of the end of 2017, approximately RMB1.3 trillion in trust assets were invested in the real economy, facilitating the development of Belt and Road projects, infrastructure, livelihood projects and emerging industries. The trust assets allocated to infrastructure-related projects exceeded RMB380 billion. A total of RMB120 billion in trust assets were further invested in projects related to the coordinated development of the Beijing, Tianjin, and Hebei regions. CITIC Trust also fully supported the development of small- and medium-sized enterprises, including participation in a RMB40 billion national VC Fund for start-ups in emerging industries. Additionally, it launched an industrial fund in Guizhou Province to promote development-oriented poverty reduction projects. In another initiative during the year, CITIC Trust rolled out a trust fund in support of small- and medium-sized enterprises in Beijing and issued 670 loans totalling over RMB8.5 billion.

CITIC Trust continues to extend its PPP business. To date, it has invested nearly RMB100 billion in these types of projects, including infrastructure projects, public service projects in sectors such as healthcare and elderly care, energy conservation and environmental protection, education and logistics. Along with China 22MCC Group Corporation, CITIC Trust established a consortium and won the bid for an education PPP project at No.1 High School in Huaibei, Anhui province. This project fully utilises the consortium's strengths in financing, construction and operation.

Wealth management: CITIC Trust provides diversified wealth management services for high net worth individuals and institutional clients, with a wide range of products across currency markets, fixed income and equity investments. These offerings are segmented into well-defined categories, such as family trust, insurance trust and tailored wealth management.

In the family trust business, CITIC Trust served close to 900 clients with total AUM of over RMB12 billion as of the end of 2017, maintaining its leading position in the industry. It provides clients with well-rounded integrated services from asset protection, education and pensions to tailor-made family office services. Outside China, CITIC Trust's offshore subsidiary CTI Capital Global Opportunities Fund, the first overseas equity hedge fund issued by CTI Capital, won the EurekaHedge Best New Asian Hedge Fund award for 2017.

Trust service: Clients' assets are typically held in trust structures, with CITIC Trust providing consulting and management services to resolve issues such as asset isolation and liquidity. Specific services include equity trust, consumer trust, asset securitisation, corporate annuity trust, custodial account management and charity trust.

CITIC Trust saw the total size of its asset securitisation business exceed RMB165 billion in 2017 for a fifth consecutive year of industry leadership. It also won the Excellent ABS Issuer award by China Government Securities Depository Trust & Clearing Co. Ltd. What's more, CITIC Trust is leveraging its strengths in trust services and asset management to hold charity foundation assets in a trust structure, as well as strategically allocate its assets. Since China's Charity Law took effect in 2016, CITIC Trust has established four charity trust projects. In July, it was assigned as the fiduciary on behalf of He Xiangjian Foundation, established by Midea Group's founder, to set up an RMB500 million charity trust project — the largest in the trust industry to date.

Risk and capital

CITIC Trust balances growth with risk and maintains a solid capital base. It also recently strengthened its capital management, particularly for new business. As of the end of 2017, the net capital adequacy ratio remained solid at 167%, and the balance of net capital was RMB16.1 billion, both surpassing regulatory requirements. This capital provides a strong buffer to absorb losses and enable long-term growth and business innovation.

| Indicator | End of 2017 | End of 2016 | Change | Regulatory requirement |
|----------------------------------|-------------|-------------|--------|------------------------|
| Net capital (RMB billion) | 16.1 | 13.9 | 16% | ≥RMB200 million |
| Total risk capital (RMB billion) | 9.6 | 8.1 | 19% | N/A |
| Net capital adequacy ratio | 167% | 172% | -5 pts | ≥100% |
| Net capital/Net asset | 75% | 69% | +6 pts | ≥40% |



CITIC-Prudential

CITIC-Prudential is a fifty-fifty joint venture between CITIC Corporation and Prudential Corporation Holdings, offering life, health and accident insurance, and reinsurance services. As of the end of 2017, CITIC-Prudential operated a total of 186 branches in 77 cities across China.

Year in review

In 2017, the accelerating transformation of China's economy triggered rising demand for pension products and health insurance while the regulation is much tighter over the domestic insurance industry to maintain the protection-oriented trait. Against this complicated situation, to remain up-to-date with the national policies, CITIC-Prudential focused on implementing business structure changes, optimising corporate governance, insisting on major business development, and serving the real economy towards fulfilling customers' demand. As a result, it has delivered a rapid and healthy growth, while defending the risk bottom line.

| RMB million | 2017 | 2016 | Change |
|-------------------------------------|--------|--------|--------|
| Revenue | 14,114 | 9,845 | 43% |
| Profit attributable to shareholders | 1,051 | 700 | 50% |
| Total assets | 64,306 | 54,672 | 18% |

In 2017, CITIC-Prudential recorded operating revenue of RMB14.1 billion, representing a year-on-year increase of 43%, wherein the premium income increased by 46%, higher than the industry average. Net profit increased by 50% to reach RMB1.1 billion, generating an ROE of 24.2%, up 4.5 percentage points over 2016. Total assets also grew 18% to reach RMB64.3 billion.

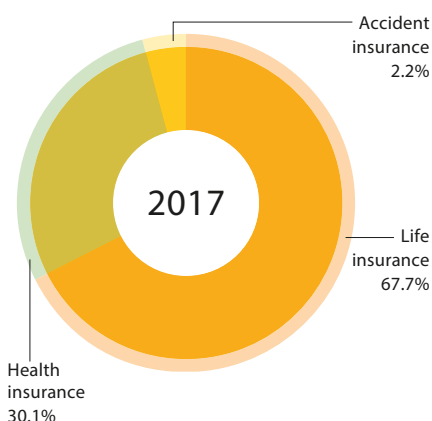
Risk management

In 2017, CITIC-Prudential continued to implement C-ROSS (China Risk Oriented Solvency System) and built up its comprehensive risk management framework to enhance its risk management capabilities. As of the end of 2017, CITIC-Prudential recorded an aggregated solvency adequacy ratio of 290%, notably above regulatory requirements and the industry average. CITIC-Prudential has further been rated "Class A" by the Chinese Insurance Regulatory Commission (CIRC) in every quarterly Integrated Risk Rating since 2016. It got 85.75, topping the market, in the 2017 Solvency Aligned Risk Management Requirements and Assessment (SARMRA), which was helpful to save the capital and raise the aggregated solvency adequacy ratio.

Products

CITIC-Prudential's core businesses offer life and health insurance, complemented by asset management and accident insurance services. In 2017, CITIC-Prudential's premium income for life insurance was RMB8.1 billion, representing a year-on-year increase of 43%, while premium income for health insurance was RMB3.6 billion, representing a year-on-year increase of 58% including a 2 percentage points bump in its contribution to total premium income. By improving protection product over the year while also steadily operating long-term investment insurance business, CITIC-Prudential provided full life-cycle solutions for clients, and built up comprehensive product structure, aiming for the demand of clients. In agency channel, insisting on protection-oriented trait, CITIC-Prudential upgraded its main critical illness products and launched new health and

Premium income by insurance type



education insurance products, further enriching the balance of its protection product portfolio. In bancassurance, the business in short and medium duration products was scaled down while the contribution from the regular-pay business increased substantially by upgrading main regular-pay product and developing protection product, thus delivering the increase of value stably.

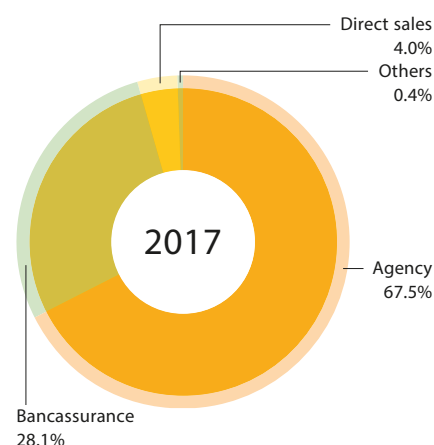


Distribution

Agency and bancassurance are CITIC-Prudential's two primary distribution channels. In 2017, premium income from agency channel was RMB8.1 billion, representing a year-on-year increase of 45% and accounting for 67.5% of the total premium income. The 13-month persistency ratio was at a good level of 94%. CITIC-Prudential also grew its agent force rapidly, ending the year with 44,868 agents, representing an annual increase of 36% in 2017. Independent General Agency teams expanded to 11, which accounted for 10% of total agents and contributed 25% of business in the agency channel, and became the representative of efficient team.

The transformation of the bancassurance channel progressed efficiently over the year, with the segment recording premium income of RMB3.4 billion in 2017, representing a year-on-year increase of 46%. The channel's product structure was also optimized with contribution from first year regular-pay premium increasing from 39% in 2016 to 45% in 2017. The cooperation with banks was further enhanced to establish more new channels. The business quality has been continuously upgraded with the 13-month persistency ratio of 93%, increasing 7 percentage points.

Breakdown of insurance premium income by channel⁽¹⁾



Investment of insurance funds

In 2017, CITIC-Prudential achieved favourable results in its investment of insurance funds with defending the risk bottom line. Firstly, investment scale grew steadily by 18% to RMB59.6 billion, among which contributions from non-investment-linked account and investment-linked account were RMB49.1 billion and RMB10.4 billion, representing year-on-year increases of 19% and 14% respectively. Secondly, the investment portfolio was optimised successively. Given rising interest rates, more funds were allocated to long-term treasury securities to improve the certainty of future returns while the matching of assets and liabilities were improved. Thirdly, investment returns grew steadily. Investment income from non-investment-linked account also grew by 30% to reach RMB2.3billion. The comprehensive investment yield was 4.97%, representing a year-on-year increase of 1.13 percentage points. Meanwhile, investment categories were enlarged. CITIC-Prudential was approved to make direct investments on real estate during the year. It also improved its operation framework in terms of asset and liability management, asset allocation, risk management, post-investment management and other aspects. The overall investment performance was improved through internal and external channels.

Given the long term and stable supply of insurance funds, CITIC-Prudential invested in infrastructure and public service projects through debt, trust schemes and equity funds over the year. As of the end of 2017, over 20% of its investment assets were allocated to projects related to Belt and Road, urbanisation construction, military and civilian integration, innovations for poverty reduction, rural infrastructure upgrades and other real economy fields, in order to provide strong support to real economy balanced by stringent risk controls.

Note:

(1) The distribution channel was classified by CIRC base. Group business was mainly in Direct Sales.

CITIC Securities

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

Year in review

| RMB million | 2017 | 2016 | Change |
|-------------------------------------|---------|---------|--------|
| Revenue | 56,960 | 50,067 | 14% |
| Profit attributable to shareholders | 11,433 | 10,365 | 10% |
| Total assets | 625,575 | 597,439 | 5% |

In 2017, CITIC Securities delivered steady performance, contributed in particular by growth in its financing and investment business. Revenue and net profit attributable to shareholders respectively increased by 14% and 10% year-on-year.

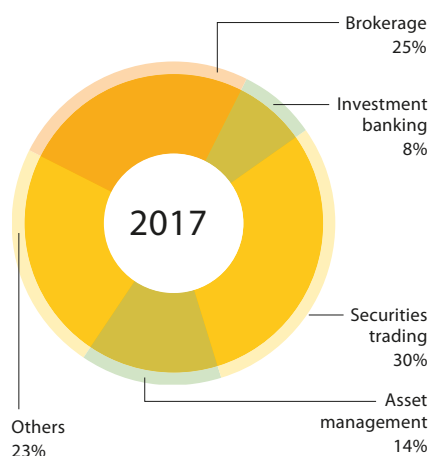
Investment banking

CITIC Securities' equity financing business continued to perform well in 2017, cementing the firm's leadership in the A-share market. As the lead underwriter on transactions with an aggregate value of RMB221 billion, the business closed the year with a market share of 12%.

The company's debt and structured financing business, also the market leader in China, completed 726 projects with an aggregate value of RMB511.6 billion, in lead underwriting bonds, medium term notes, commercial papers and asset-backed securities, for which it achieved an industry-topping market share of 4%.

Over the year, CITIC Securities further completed material assets restructuring of A-share companies with an aggregate value of RMB139.8 billion, also a no. 1 within the industry. In mergers and acquisitions, CITIC Securities was second among Chinese securities firms for M&A transactions involving Chinese companies.

Revenue distribution



CITIC Securities acted as lead sponsor for a total of 59 enterprises seeking to list on China's over-the-counter market, the National Equities Exchange and Quotation exchange. The company ranked at the top in industry evaluations of quality services provided by lead sponsors.

Brokerage services

In 2017, the company's brokerage business maintained its industry-leading position, ranking second for each of total equities and funds trading volume and net income from brokerage fees. The total number of brokerage clients for the year exceeded 7.7 million, up 15% over 2016, for total assets of RMB5 trillion, representing an 18% year-on-year rise.



Asset management

The asset management business covers both corporate and retail markets, with particular focus on the corporate sector. In 2017, CITIC Securities continued to grow its business and expand its customer base by delivering strong research and investment services with a wide of range of product offerings. At the end of the year, total AUM reached RMB1.7 trillion, representing a market share of 10% — the industry's largest.

CITIC Securities is the largest shareholder of China AMC, a leading asset management company with RMB869.6 billion under management as at the end of 2017, of which RMB398.8 billion is contributed by public funds and RMB470.8 billion from institutional assets (excluding investment consulting and other businesses).

Trading

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

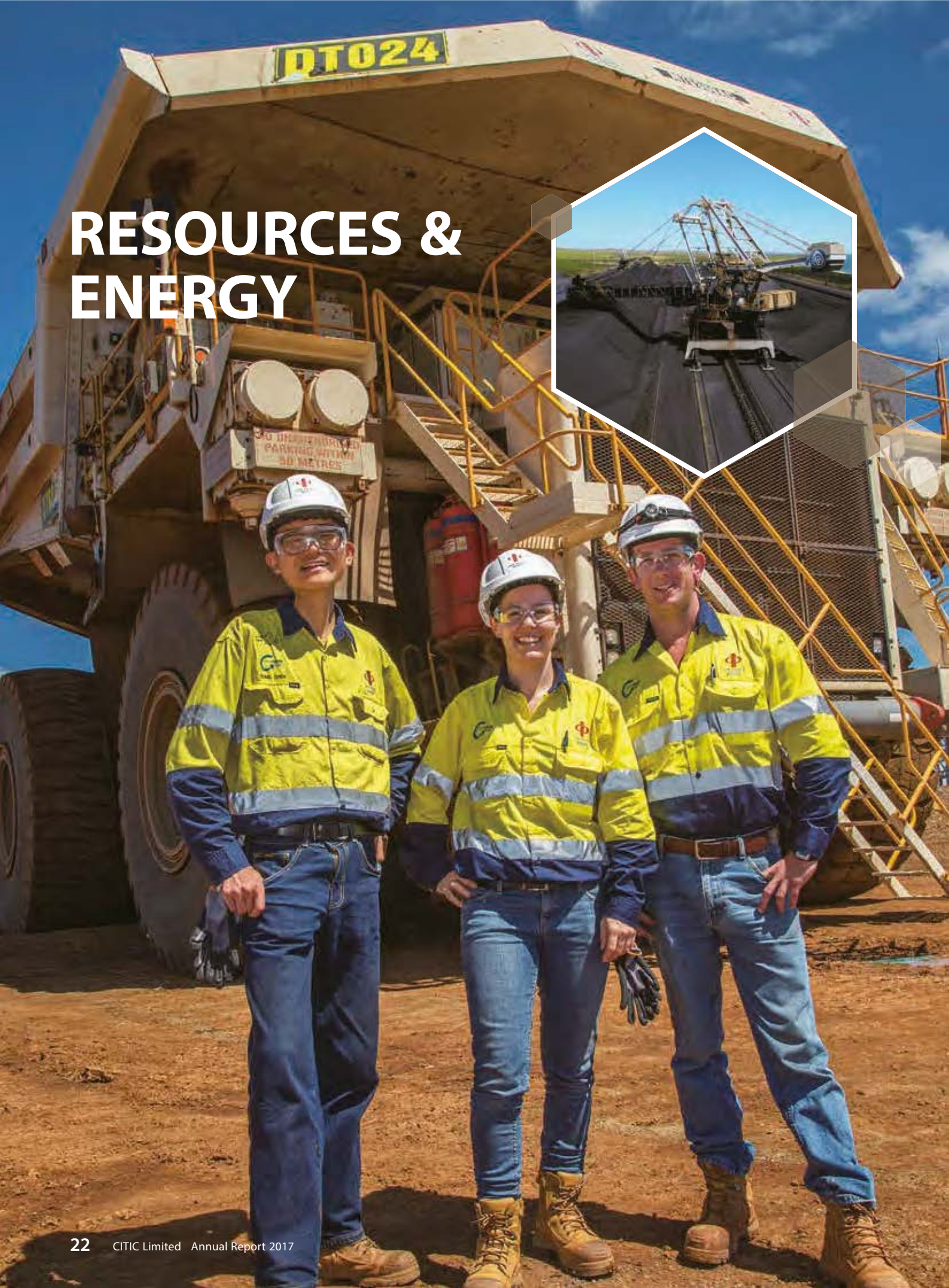
In its flow-based business, CITIC Securities offers financial services including equity flow-based, fixed income and commodities trading, as well as prime services consulting. The balance of margin financing and securities lending reached RMB71 billion, representing a market share of 7% — the industry's largest in this segment.

The company further delivers both proprietary trading and alternative investment services. To balance ambitious growth with strict risk management, the company considers the risk-to-revenue ratio as an important criteria in all investment decisions.

International business

In 2017, CITIC Securities completed the restructuring of its overseas business under the single brand of CLSA. The company's new integrated off-shore financial platform will offer institutional and other clients direct access to international capital markets.

RESOURCES & 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 the exploration, development and production of oil, coal mining, import and export of commodities, aluminium smelting, bauxite mining, alumina refining, and manganese mining and processing. The company is listed on The Stock Exchange of Hong Kong Limited.



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 invests in and manages power plants at home and overseas, in addition to a coal mine in China.

| HK\$ million | 2017 | 2016 (restated) | Change |
|--|---------|-----------------|--------|
| Revenue | 63,456 | 51,097 | 24% |
| Profit attributable to ordinary shareholders | (9,900) | (6,872) | (44%) |
| Total assets | 129,438 | 137,337 | (6%) |
| Capital expenditure | 5,429 | 4,874 | 11% |



Year in review

In 2017, the resources and energy business generated revenue of HK\$63.5 billion, an increase of 24% from the previous year. It incurred a loss of HK\$9.9 billion, mainly due to a non-cash impairment charge (after-tax) on the Sino Iron project in Western Australia.

During the year, CITIC Resources performed well owing to improved crude oil and commodity prices, cost reductions and efficiency improvements. CITIC's power generation business won its first overseas new energy project, while the coal business recorded satisfactory performance as a result of the cut in excess coal capacity by the government of China. In Peru, the Las Bambas copper mine project, in which CITIC Metal Group holds a 15% interest, maintained stable production in 2017 leading to a large profit contribution.

Energy products

Crude oil

The crude oil business saw a significantly improved operating result for the year, which was primarily the result of a higher average realised crude oil price and the implementation of ongoing cost control measures.





Both the Seram Block in Indonesia, in which CITIC Resources holds a 51% interest, and the Yuedong oilfield in China, in which CITIC Resources holds a 90% interest, achieved a turnaround in operating results, and CITIC Resources recorded a higher share of profit in respect of its interest in CITIC Canada Energy Limited, a joint venture established with JSC KazMunaiGas Exploration Production, through which CITIC Resources owns, manages and operates the Karazhanbas oilfield in Kazakhstan.

CITIC Resources achieved stable production that was comparable with 2016, helped by a series of optimal maintenance plans to minimise the negative influence on production caused by the continuing natural decline of existing wells. CITIC Resources' average daily oil production was 49,980 barrels (100% basis⁽¹⁾) for the year, compared with 50,580 barrels (100% basis) in 2016. The Seram Block recorded an average daily production of 2,820 barrels (100% basis), representing a drop of 25% when compared with 2016. The Yuedong oilfield maintained an average daily production of 7,960 barrels (100% basis), which was comparable with 2016.

The Karazhanbas oilfield was the largest contributor to CITIC Resources' overall oil production, reaching an average daily production of 39,200 barrels (100% basis), which was comparable with 2016.

| Oilfields (100% basis) | Proved oil reserve estimates as of 31 December 2017 (million barrels) |
|------------------------|---|
| Karazhanbas oilfield | 209.1 |
| Yuedong oilfield | 30.2 |
| Seram Block | 1.1 |

Note:

(1) 100% basis: based on the production of every oilfield.

Coal

CITIC Resources holds a 14% participating interest in the Coppabella and Moorvale coal mines joint venture in Australia as well as interests in a number of coal exploration operations in Australia. Despite the inclement weather in the second quarter of 2017, sales volumes for the coal segment increased when compared with 2016.

In China, CITIC has a 30% interest in Xin Julong coal mine in Shandong Province. This coal mine has a production capacity of 7.5 million tonnes, which was fully utilised in 2017. With coal prices rising in response to Chinese policy changes designed to cut excess coal capacity, Xin Julong recorded a net profit that was 130% higher than the same period last year.



Power generation

Sunburst Energy manages coal-fired power stations in China with a total installed capacity of over 6,400MW. In 2017, these stations generated 31.3 billion kWh of electricity, similar to 2016 levels, and supplied 14.31 million GJ of heat, 17% more than last year, which was contributed primarily by the Ligang Power Plant in Jiangsu Province with an installed capacity of 4,040MW. Due to Chinese supply side reforms, coal prices remained high throughout the year as energy conservation and emission reduction standards continued to rise. As a result, the production and operating costs of power plants increased significantly, hence lowering profit by 59% compared with last year.

In 2017, new investments in the power generation business progressed well. Construction of the 2x1,000MW thermal power generators at Shenglu Power Plant was completed on schedule. Overseas, the Company formed a 50:50 joint-venture with its strategic partner ITOCHU and through this vehicle acquired a 22.5% interest in a wind farm in Germany, of which CITIC holds an 11.25% interest. This project represents the resource and energy unit's first new energy project outside China.

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, in Western Australia's Pilbara region, and has exercised the option to acquire an additional one billion tonnes. Sino Iron is the largest magnetite mining and processing operation in Australia, accounting for more than 60% of exports of magnetite product. It has a mine life of more than 25 years.

In 2017, Sino Iron achieved significant milestones, including record production levels. During the calendar year, just under 17 million wet metric tonnes of premium magnetite concentrate were delivered to CITIC's special steel plants and other steel mills in China. Sino Iron is now the largest source of concentrate imports for China.

Operation of the Cape Preston (Sino Iron) Aerodrome commenced during the year. Built on time and within budget, this facility makes direct flights to the mine site possible, reducing travel time for staff and improving productivity and overall safety. Other initiatives included the introduction of real-time tracking and data analysis of Sino Iron's mining and light vehicle fleet.

In the year ahead, our objectives include increasing production, maximising operational efficiencies and lowering operating costs, to place Sino Iron on a financially sustainable long-term footing.



Copper

In 2017, the Las Bambas copper mine project in Peru, in which CITIC Metal Group holds a 15% interest, produced copper concentrates containing 453,700 metric tonnes of copper, in line with its production budget.

Through this partnership, CITIC Metal Group has also secured distribution rights on 26.25% of the copper concentrates extracted from the site. In 2017, a total of 350,000 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 market for this alloying agent.

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



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

| HK\$ million | 2017 | 2016 | Change |
|--|---------|--------|--------|
| Revenue | 97,432 | 62,350 | 56% |
| Profit attributable to ordinary shareholders | 3,318 | 1,740 | 91% |
| Total assets | 130,381 | 96,112 | 36% |
| Capital expenditure | 5,861 | 5,405 | 8% |



In 2017, the business recorded revenue of HK\$97.4 billion, representing a year-on-year increase of 56%. Profit attributable to ordinary shareholders was HK\$3.3 billion, 91% up from last year.

CITIC Pacific Special Steel enhanced its overall profitability by optimising its product mix and maintaining a disciplined procurement strategy. In 2017, it achieved sales of 9.81 million tonnes and revenue of HK\$62.38 billion, up 25% and 77% respectively compared with last year. In October 2017, CITIC Pacific Special Steel acquired a 100% interest in Qingdao Special Steel, which further strengthened CITIC Pacific Special Steel's leading position in the industry, with a more diversified product mix and increased production capacity and market share. CITIC Dicastal continued increasing its market share and implementing its production capacity expansion plan. In 2017, CITIC Dicastal achieved double-digit growth in revenue and profit. CITIC Heavy Industries turned profitable in 2017 owing to the strong performance of its specialty robot business and the improved margins of its heavy machinery business, recording a net profit of RMB31.32 million.

CITIC Pacific Special Steel

CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China. With a total production capacity of 12 million tonnes per annum, the company operates three plants — Jiangyin Xingcheng Special Steel, Hubei Xin Yegang and Qingdao Special Steel, which was newly acquired in 2017. The company produces bars, plates, seamless steel tubes, wires, forging steel and casting billets for customers primarily in the auto components, energy, machinery manufacturing, oil and petrochemicals, transportation, shipbuilding and other industrial sectors.

Year in review

| HK\$ million | 2017 | 2016 | Change |
|-------------------------------------|--------|--------|--------|
| Revenue | 62,384 | 35,166 | 77% |
| Profit attributable to shareholders | 2,126 | 1,942 | 9% |
| Total assets | 80,563 | 53,051 | 52% |

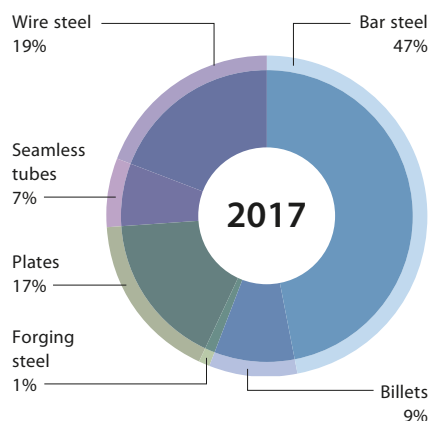
In 2017, the Chinese government pushed forward with supply side reforms to rein in excess production capacity. This, together with stable macroeconomic development and improving business sentiment, encouraged the healthy development of the steel industry. During the year, CITIC Pacific Special Steel achieved sales of 9.81 million tonnes (including attributable sales of 1.68 million tonnes from its newly acquired plant Qingdao Special Steel), up 25% over last year, and recorded revenue of HK\$62.38 billion, representing a 77% rise year-on-year.

Over the year, CITIC Pacific Special Steel continued to optimise its product mix with increased focus on higher-margin product sales. At the same time, to manage against fluctuating raw material prices, the company maintained disciplined procurement controls and kept its overall raw material costs below market levels. As a result, net profit increased by 9% to reach HK\$2.13 billion.

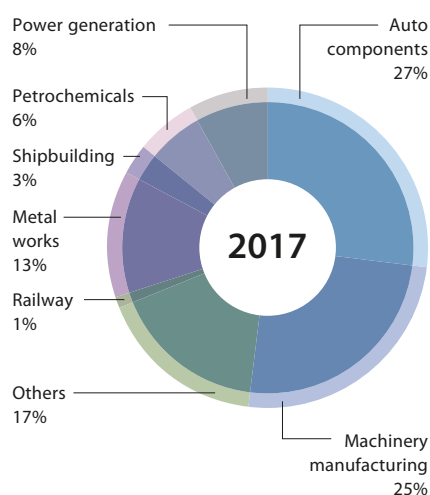


A major development in 2017 was the 100% acquisition of Qingdao Special Steel, a manufacturer of wire, bars and flat steel with a three-million-tonne annual production capacity. This plant is located in Shandong Province, an important market for automotive steel. Situated next to Qingdao Dongjiakou Port, one of the busiest and largest hubs in Northern China, Qingdao Special Steel enjoys significant logistical advantages. This acquisition has strengthened CITIC Pacific Special Steel's leading position in the industry, diversified its product mix, and increased production capacity and market share.

Sales by product



Sales by industry



Following the acquisition, CITIC Pacific Special Steel has further centralised sales and production capacity planning among its three business units. Jiangyin Xingcheng Special Steel, Hubei Xin Yegang and Qingdao Special Steel now jointly conduct new business development and customer relationship management activities.

During the year, more than half of all products manufactured by CITIC Pacific Special Steel were sold to the auto components and machinery manufacturing sectors, representing a similar contribution as last year. The company also developed and launched new products, which comprised 13.9% of total sales in 2017, equivalent to 1.36 million tonnes, up 16.2% over the previous year.

Domestic sales remained strong, with over 80% of total products sold in China. Export sales, however, were hindered by the enforcement of antidumping measures against Chinese steel in some overseas markets.

Key customers

| Customer | Profile | Sales volume |
|--------------------------------------|---|----------------|
| Anyo Automotive Material Co., Ltd | The "one-stop" procurement platform of SAIC Motor, the largest passenger car maker in China | 180,000 tonnes |
| Shaeffler Group | One of the world's most renowned bearings manufacturers | 160,000 tonnes |
| Bekaert Group | One of the largest steel cord manufacturers in the world | 110,000 tonnes |
| Wanxiang Group | The largest auto component manufacturer in China | 90,000 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 Dicastal

CITIC 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, CITIC Dicastal today focuses 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, CITIC Dicastal is headquartered in Qinhuangdao, Hebei Province of Northern China, with 24 facilities across China, North America and Europe. Total annual production capacity is 57.7 million aluminium wheels and 108,700 tonnes of aluminium castings.

Year in review

| RMB million | 2017 | 2016 | Change |
|-------------------------------------|--------|--------|--------|
| Revenue | 26,014 | 19,693 | 32% |
| Profit attributable to shareholders | 1,021 | 875 | 17% |
| Total assets | 22,175 | 18,677 | 19% |



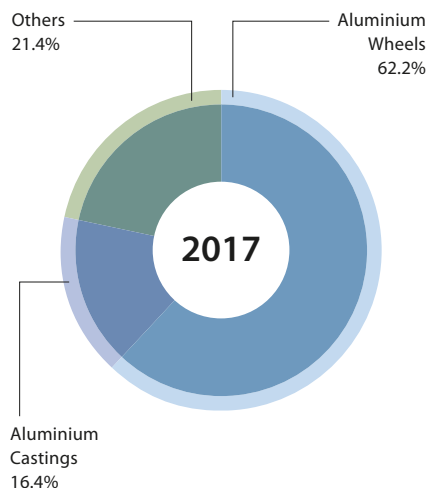
In 2017, the Chinese automotive sector experienced moderate growth. Total automobile production volume reached 29.02 million automobiles, representing an increase of 3% over 2016. As the industry worldwide continue to recover, demand from the US and European markets also registered stable development.

Throughout the year, CITIC Dicastal focused on aggressively expanding its market share and sold 51.28 million wheels, a 12% increase over 2016. Castings sales grew 4% to reach approximately 77,100 tonnes. The surge in wheel and castings sales drove up total revenue to RMB26 billion, a rise of 32% over last year. The company's sustained focus on adopting intelligent manufacturing innovations and continuing efforts to lower production costs, pushed net profit up to RMB1 billion, 17% higher than last year.

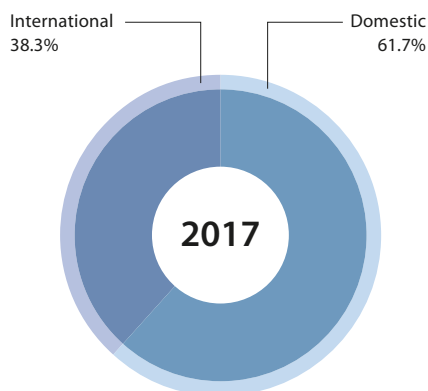
Catering to rising domestic and overseas demand, CITIC Dicastal continued to invest in capacity expansion in 2017.

The company's latest capacity investment is currently under development at its headquarter Qinhuangdao production facility, where CITIC Dicastal commenced construction last year of its sixth production line. Featuring advanced robotics and smart production systems, it has a designed annual production capacity of three million wheels. Construction is scheduled to be completed within the first half of 2018, when this facility will significantly advance the company's core competency in wheel manufacturing.

Sales by product



Sales by area



Throughout its network, CITIC Dicastal also reached key milestones in capacity expansion. The company's Michigan wheel plant produced 1.5 million wheels in 2017, progressing rapidly towards fulfilling its designed annual production capacity of 3 million. The Wuxi manufacturing base, with a designed capacity of 2.4 million wheels per year, has now also entered commercial production. Development of KSM's new manufacturing facility in Chengdu, meanwhile, advanced on schedule, adding new annual production capacity of 6,000 tonnes of aluminium castings. By the end of 2018, this number will reach 11,000 tonnes.

Customers

Major customers for CITIC Dicastal's aluminium wheels include the twelve leading global automakers, as well as the six major Chinese automakers. CITIC Dicastal is also a global strategic partner of several top automotive brands.

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

In 2017, CITIC Dicastal's top ten customers accounted for over 32.8% of total sales.

Research and development

CITIC Dicastal is a leading innovator in wheel and castings design and manufacturing. Among its cutting-edge production technologies, it maintains an automated system for product design and modelling that reduces standard processing time by 20%. Its proprietary smart production systems embedded in 70% of its equipment and facilities also optimise overall manufacturing efficiency. At its CITIC Dicastal Engineering Technology Institute, the company additionally researches integrated solutions for aluminium wheels and cast components design and manufacturing.

Beyond technology, the company has also advanced materials research. CITIC Dicastal has successfully developed new aluminium and magnesium alloys. With superior strength and durability over conventional alloys, this new material has broad applicability in manufacturing lightweight automotive wheels and components.



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, manufacture and sales of large equipment, complete technical equipment and key basic parts in the areas of heavy machinery, EPC projects, robotics and intelligent equipment, energy conservation and environmental protection. 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 serves 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

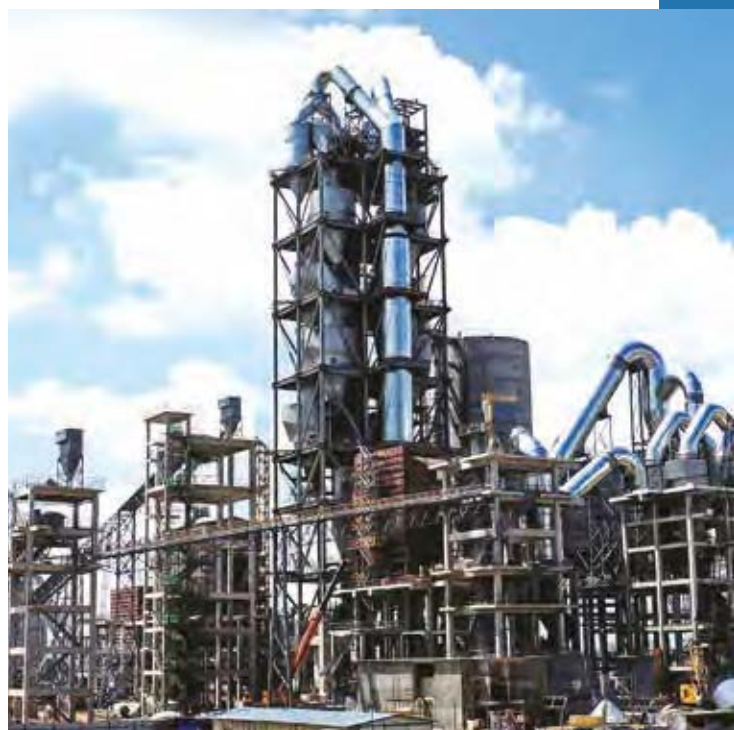
| RMB million | 2017 | 2016 | Change |
|-------------------------------------|--------|---------|--------|
| Revenue | 4,621 | 3,771 | 23% |
| Profit attributable to shareholders | 31.32 | (1,584) | N/A |
| Total assets | 19,738 | 19,774 | (0.2%) |

In 2017, against the backdrop of industry recession, CITIC Heavy Industries streamlined its business model to focus on its core competency in "manufacturing + integrated service". Driven by the strong performance of its specialty robot business and the improved margins of its heavy machinery business, the company grew sales by 23% year-on-year to reach RMB4.62 billion. Net profit also turned around, reaching RMB31.32 million.

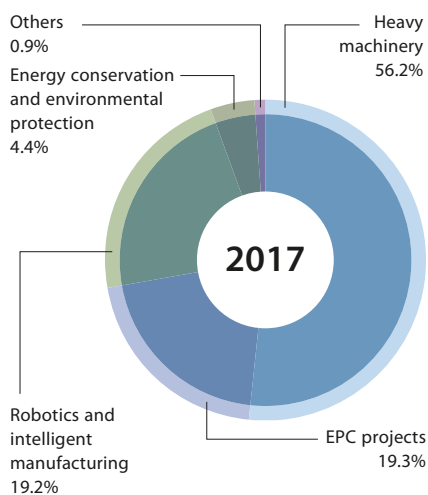
The key revenue drivers over the year were sales of heavy machinery, EPC projects along with robotics and intelligent manufacturing, each contributing 56.2%, 19.3% and 19.2% of turnover. The energy conservation and environmental protection business also posted strong growth.



In 2017, the operational and financial performance of the heavy machinery business improved substantially, buoyed in particular by product quality improvements and intelligent manufacturing system upgrades. During the year, major products were delivered for several large projects, including the tunnel boring machines for the construction of the Suai Tunnel in Shantou and a subway system in Luoyang, as well as the ore milling machines for the Mirador Copper Mine in Ecuador.



Source of revenue



In robotics and intelligent manufacturing, CITIC Heavy Industries intensified its product development and marketing activities throughout the year. The company now offers five categories of robotic products (track, submarine, inspection, tunneling, drilling) for a total of twenty individual products. These products have broad applicability across a range of contexts: fire-fighting, civil infrastructure, power plants, mining and oil refining. Already, the fire-fighting robots have been deployed to support fire service departments in provinces and cities across China, including Jiangsu, Guangdong, Henan, Hebei and Shandong. Submarine and inspection robots also enjoyed broad market prospects due to their practical applicability in diverse and realistic use cases.

Overseas, the company has completed the Cambodia CMIC 5,000tpd Cement Line EPC Project with operations commencing two months ahead of schedule. Poised to catalyze economic growth in the country, the project drew praise for the company's prowess in Belt and Road economies. As of the end of 2017, CITIC Heavy Industries had been delivered products and services in thirty countries or regions along the Belt and Road.

Research and development

CITIC Heavy Industries' core competitive advantages are its strength in product development and unique technologies. Its technical centre in China features the most comprehensive research facilities in the country for mining equipment, while its R&D centre in Australia works closely with international customers to develop new products across the region. The company has established the first national key laboratory for mining equipment, as well as an analysis and testing laboratory for new mining equipment and materials.

As of the end of 2017, CITIC Heavy Industries owned 855 valid patents in China, of which 269 are invention patents. New products represented over 70% of total production in 2017.

ENGINEERING CONTRACTING



Our engineering contracting business provides services for 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 as well as exploring opportunities in energy resources engineering, agricultural engineering and other related fields.



CITIC Engineering Design is an EPC (engineering, procurement and construction) service provider with a strong engineering capability. This business focuses on building construction, municipal infrastructure and environmental protection.

| HK\$ million | 2017 | 2016 | Change |
|--|--------|--------|--------|
| Revenue | 14,653 | 11,023 | 33% |
| Profit attributable to ordinary shareholders | 1,731 | 1,675 | 3% |
| Total assets | 46,127 | 36,796 | 25% |
| Capital expenditure | 1,784 | 1,564 | 14% |

In 2017, revenue from the engineering contracting business was HK\$14.7 billion, representing a year-on-year increase of 33%. Net profit attributable to ordinary shareholders was HK\$1.7 billion, 3% more than last year. This strong performance can be attributed to CITIC Construction's new overseas projects and the three China EPC projects undertaken by CITIC Engineering Design.



CITIC Construction

CITIC Construction is a leading integrated service provider in engineering construction. With key markets in Africa, Latin America and countries along the Belt and Road, the company is currently expanding into developed overseas markets and growing its business in mainland China through PPP projects. In addition to its established foothold in infrastructure, housing and industrial construction, the company has become increasingly involved in resources, energy, agriculture and environmental protection.

Leveraging CITIC's vast resources and network, CITIC Construction provides a range of value-added services in addition to EPC services, including project planning, design, investment, financing, management, procurement, operations and maintenance. The wide scope of these services gives the company a significant competitive advantage in developing countries.

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

Year in review

| RMB million | 2017 | 2016 | Change |
|-------------------------------------|--------|--------|--------|
| Revenue | 9,572 | 7,739 | 24% |
| Profit attributable to shareholders | 1,208 | 1,184 | 2% |
| Total assets | 35,705 | 31,656 | 13% |

In 2017, CITIC Construction recorded revenue of RMB9,572 million and a net profit attributable to shareholders of RMB1,208 million. The commencement of major new projects in Kazakhstan, Angola and the United Kingdom contributed to the increase of revenue.



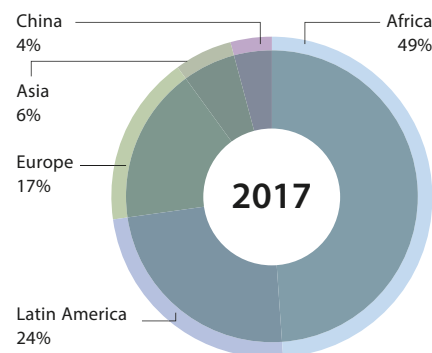
Capturing opportunities created by the Belt and Road Initiative in 2017, CITIC Construction continued to develop its emerging markets business in Eastern Europe, and Central and Southeast Asia, with a focus on infrastructure and manufacturing projects. Key international projects include a new wind and solar power station in Kazakhstan and an apartment development in Phuket, Thailand. Both have now commenced construction. Since November 2017, construction of a large-scale road upgrade project in Kazakhstan has also been under way, while the Geely Automobile Production Line in Belarus has been completed and is now in operation.

In general, CITIC Construction's new project pipeline in Africa and Latin America was constrained owing to depressed oil prices throughout the year. Nevertheless, the company succeeded in signing a number of major new construction projects, including the east section of the Algerian 84km East-West Expressway Project and three housing and infrastructure projects in Angola. The three new housing projects comprise the K.K. New Town Stage I Social Housing Municipal Infrastructure Project (Phase II), the RED Social Housing Municipal Infrastructure Project and the Cunene Ekuma Housing Project.

In the domestic market, CITIC Construction added new revenue streams and enhanced its execution capacity. Moving beyond its traditional focus on infrastructure and housing projects, the company began entering into new business areas such as landscaping and environmental management. Among the new projects taken on by the company was the PPP project of Industrial New Town of Tianfu International Airport Linkong Economic Zone at Ziyang City.

At the end of 2017, the total value of signed contracts by CITIC Construction was RMB214.65 billion, of which approximately RMB23 billion was contributed by new contracts signed during 2017.

Contract value breakdown



Major projects

TKU Expressway Upgrade, Kazakhstan

General information: TKU Expressway is part of Kazakhstan's national highway network, stretching from Taldykorgan, capital of Almaty Region, to Ust-Kamenogorsk/Oskemen, administrative centre of East Kazakhstan Region. After the upgrade, the expressway will be 763km in length.

Contract signing date: May 2016

Contract value: US\$936 million

Contract period: 54 months

Commencement of construction: November 2017

Progress as of the end of 2017: Commencement of design, procurement and construction



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 fourteen hectares with a GFA of 420,000m², including the biggest landscaped area of any project in London. The first phase, with a GFA of 638,900ft², 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: £222 million

Contract period: Approximately 23 months

Commencement of construction: April 2017

Progress as of the end of 2017: 40.4% complete



Phase II Stage I of K.K. New Town Social Housing Municipal Infrastructure Project, Angola

General information: This project is located to the south and north of the Phase I K.K. new town social housing project in the southern suburbs of Luanda, capital of the Republic of Angola. The project involves the development of municipal infrastructure surrounding the housing complex.

Contract signing date: December 2015

Contract value: US\$607 million

Contract period: 28 months

Commencement of construction: April 2017

Progress as of the end of 2017: 8% complete



Phuket Apartment, Thailand

General information: Located in the major Thai tourist destination of Phuket, this project involves the construction of a serviced apartment with a total GFA of approximately 23,000m², including 376 rooms, a hotel lobby, courtyard and assorted facilities.

Contract signing date: May 2017

Contract value: THB1,470 million

Contract period: 18 months

Commencement of construction: August 2017

Progress as of the end of 2017: 29% complete



CITIC Bank's Information Technology Research and Development Centre, China

General information: This project comprises an R&D and manufacturing operation centre invested in and constructed by CITIC Bank in Shunyi New Town of Beijing. The site contains two R&D buildings, an operation maintenance building, underground parking and other public buildings. The total land area of the project is 57,000m² and a total GFA of 179,000m².

Contract signing date: December 2015

Contract value: RMB1,671 million

Contract period: Approximately 33 months

Commencement of construction: January 2016

Progress as of the end of 2017: 28% complete



Industrial New Town of Tianfu International Airport Linkong Economic Zone, Ziyang City, China

General information: The scope of this PPP project is based on the planning outline for the Tianfu International Airport Linkong Economic Zone in Chengdu. It includes construction of a 35km² urban area in Linkong Economic Zone, as well as an adjoining area. The project comprises the construction of infrastructure and public service facilities in addition to planning, design, operation and maintenance of project facilities.

Contract signing date: December 2017

Contract value: Around RMB49 billion

Contract period: 20 years

Commencement of construction: The second quarter of 2018

Progress as of the end of 2017: CITIC Construction won the bid for this PPP project and expects to complete negotiations and contract signing within the second quarter of 2018. The urban planning for the project has been completed, and preparatory work has begun.



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 across the country.

The company has won numerous national design awards and holds patents in architectural and urban design; it has also led or assisted the preparation of various national standards and specifications.

Year in review

| RMB million | 2017 | 2016 | Change |
|-------------------------------------|-------|-------|--------|
| Revenue | 3,552 | 1,952 | 82% |
| Profit attributable to shareholders | 463 | 247 | 87% |
| Total assets | 4,812 | 3,280 | 47% |

CITIC Engineering Design's annual revenue amounted to RMB3.55 billion in 2017, an increase of 82%; net profit attributable to shareholders was RMB463 million, an increase of 87%. The growth in revenue was mainly attributable to the three investment and EPC projects in Wuhan — the Clean Water Project in Jiangxia District, a development project at Donghu New Technology Development District and the Jinkou New Town Project in Jiangxia District.

Major projects

The Clean Water Project in Jiangxia District, Wuhan City

General information:

This project will provide a comprehensive solution, comprising sewage collection and treatment, flood control and drainage, water supply, and the treatment of water from the lake and river, environmental water management and water information management. CITIC Engineering Design's involvement in this PPP project includes investment and financing, planning, design, construction and operation. The entire project will be completed in five phases.



Contract signing date:

October 2016

Contract value:

RMB5.11 billion, including RMB1.05 billion for Phase I, and RMB0.65 billion for Phase II.

Contract period:

Phase I: 45 months
Phase II: 22 months

Commencement of construction:

Phase I: September 2015
Phase II: December 2016

Progress as of the end of 2017:

58% completed for Phase I and 93% completed for Phase II

REAL ESTATE



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 is a property developer focusing on high-end commercial properties, as well as mixed-use urban developments.



CITIC Urban Development & Operation is a property developer focusing on real estate finance, urban renewal, and urban development and operations.

| HK\$ million | 2017 | 2016 | Change |
|--|---------|---------|--------|
| Revenue | 3,227 | 4,900 | (34%) |
| Profit attributable to ordinary shareholders | 7,660 | 12,111 | (37%) |
| – Continuing operations | 7,660 | 1,774 | 332% |
| – Discontinued operations | – | 10,337 | (100%) |
| Total assets | 159,664 | 143,596 | 11% |
| Capital expenditure | 2,436 | 5,979 | (59%) |

In 2017, the real estate business recorded revenue of HK\$3.2 billion. Continuing operations recorded a profit attributable to ordinary shareholders of HK\$7.66 billion, representing a year-on-year increase of 332%, including HK\$3.6 billion contributed by China Overseas Land & Investment and profit from the delivery of office buildings to Industrial and Commercial Bank of China (ICBC) and China Life.





Year in review

In 2017, CITIC completed several ongoing projects, including the delivery of two office buildings to ICBC and China Life, respectively, as part of the Lujiazui Harbour City project in Shanghai. Within the same development, the company also completed construction and began operations on its GFA 66,700m² Gala Bay retail zone.

In addition to implementing existing projects, CITIC aggressively pursued new commercial opportunities in first-tier cities, key second-tier cities such as Wuhan and Nanjing, and high-potential mainland Chinese urban agglomerations. Together with Shui On Land, the company won the bid for a site with a total GFA of around 1,200,000m² in the commercial area of Wuhan Optics Valley and another bid for a site in the Wuhan Hankou Riverside International Commercial Zone with a GFA of 1,173,000m². Both sites will be used to develop mixed-use commercial projects. CITIC further acquired a residential-retail development in Yangzhou with a GFA of 338,000m².

The company also began offering property management services for projects that included Laodong Plaza in Changsha, Tangxia Town in Dongguan, Jinhe Residential Community in Kunming, Changfeng County in Hefei, and Runkehuafu in Shenzhen.





In Hong Kong, the 77 upscale apartments of the luxury residential project KADOORIA were launched for sale by tender at the end of 2017 with strong market reception. Foundation work of the residential project in Lok Wo Sha, Ma On Shan, with a gross floor area of approximately 21,000m², was completed with full project completion scheduled for the end of 2019. Construction of the 50% CITIC-owned Discovery Bay development project for Phase 16 (a high-rise development of 17,000m²), Phase 17 (a detached villas development of 4,000m²) and Phase 18 (a low-rise development of 4,000m²) is in progress with scheduled completion between 2018 and 2019.

CITIC's Hong Kong investment property portfolio provided stable rental income throughout the year with an average occupancy rate of 98% in 2017.

Major investment properties

| Property | Purpose | 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 |

Key development projects

CITIC Tower, Beijing (100% owned)

Site area: 11,478m²

Gross floor area: 437,000m²

Purpose: Office

Located in Chaoyang District, CITIC Tower (known as 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.

On 18 August 2017, the structure was successfully capped and reached its design height to officially become the tallest building in Beijing.



Lujiazui Harbour City, Shanghai (50% owned)

Site area: 249,400m²

Gross floor area: 872,800m²

Purpose: 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.

Seven office buildings in this project have been delivered to China Construction Bank, Agricultural Bank of China, United Overseas Bank, China Industrial Bank, Shanghai HY Investments Company, ICBC, and China Life, respectively. Sales of the residential units of the project are expected to begin in 2018. The Mandarin Oriental Hotel and its serviced apartments located within this project are currently in operation.



CITIC Pacific Technology and Fortune Plaza, Shanghai (50% owned)

Site area: 60,335m²

Gross floor area: 229,372m²

Purpose: Office and retail

Located in the western part of Shanghai, this mixed-use office and retail development will integrate high-rises with street-level community and commercial facilities. Construction of the project is under way.



Harbour City, Wuhan (65% owned)

Site area: 229,040m²

Gross floor area: 1,173,000m²

Purpose: Office, apartment, retail, residential

Located between the first and second ring roads of Wuhan, the Riverside Commercial Zone is situated in the CBD with the highest growth potential in the city. The project comprises fourteen easily-accessible lots at the core of the CBD and with 600 metres of the project's east boundary facing the river. Construction of two lots started in the fourth quarter of 2017.



Optics Valley Xintiandi, Wuhan (50% owned)

| | |
|-------------------|-----------------------|
| Site area: | 353,760m ² |
|-------------------|-----------------------|

| | |
|--------------------------|-------------------------|
| Gross floor area: | 1,197,400m ² |
|--------------------------|-------------------------|

| | |
|-----------------|--|
| Purpose: | Office, residential, apartment, retail |
|-----------------|--|

This project is an urban complex developed by a 50:50 company founded by CITIC and Shui On Group. It is located in the east of Wuhan and the central area of the East Lake High-tech Development Zone. The project is currently undergoing preparation for construction, which is scheduled to commence in the first half of 2018.

**CITIC Coast New Town, Shantou** (51% owned)

| | |
|-------------------|--------------------|
| Site area: | 168km ² |
|-------------------|--------------------|

| | |
|-----------------|----------|
| Purpose: | New town |
|-----------------|----------|

Located in Haojiang District of Shantou in Guangdong Province, this project is a mega urban development in Guangdong Province undertaken by CITIC and the Shantou Municipal Government. The scope of the project comprises the overall planning and operation of an urban area spanning 168km² in Haojiang District, for a total estimated investment of RMB50 billion. A key project element that is expected to increase the development potential of the area will be its 6.68km cross-harbour tunnel with branch connections that link up Shantou administrative districts on both sides of the river. Future developments also include the CITIC Haojiang Health Town, educational institutions, office buildings, a retail complex, and hotels.

Construction of the tunnel is progressing on schedule, and the project's network of municipal roads, the Chaozhou Museum, and coastal landscape zone are nearing completion.



OTHERS

Information Services

CITIC Limited provides information services through two subsidiaries: CITIC Telecom International and AsiaSat.

CITIC Telecom International was established in 1997 in Hong Kong and was listed in Hong Kong on 3 April 2007. The company's services cover international telecommunications services, providing mobile international roaming, international voice, international SMS, international data and international value-added telecommunications services, etc. to global carriers (including mobile operators, fixed line operators, virtual network operators, Internet operators and OTT operators). The company is one of the largest telecommunications hubs in Asia Pacific, with "DataMall", the world's first mobile trading platform and SIMN as our self-developed products. The company wholly owns the CITIC Telecom Tower (with a floor area of approximately 340,000 sq ft) and two large-scale data centres in Hong Kong.

CITIC Telecom International's subsidiary, Acclivis Technologies and Solutions Pte. Ltd. is based in Singapore and its business covers peripheral countries including Thailand, Malaysia and Indonesia. It provides one-stop cross-regional enterprise ICT services including Internet access, Cloud, disaster recovery and system and network integration. It also owns the reputable Internet service brand "Pacific Internet" in Singapore and Thailand, as well as data centres and Cloud computing centres in Singapore, Thailand and Indonesia.



Through its wholly-owned subsidiary, CITIC Telecom International CPC Limited (CPC), the company provides one-stop ICT solutions to multinational and business enterprises, including VPN, EPL, Internet access, cloud computing, information security, Cloud data centre and a series of value-added services, etc. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region. CPC has gained a foothold in the mainland China market through its subsidiary, China Enterprise ICT Solutions Limited (CEC), providing comprehensive ICT services for sizable multinational and business enterprises in mainland China. CEC possesses various nationwide licenses in value-added telecommunications services in mainland China, including nationwide Ethernet VPN, and has built cloud data centres in a number of cities such as Beijing, Shanghai and Guangzhou.

CITIC Telecom International holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM). CTM is one of the leading integrated telecommunications services providers in Macau, and is the only full telecommunications services provider in Macau (including mobile, Internet, fixed line, data centre, enterprise ICT and international

telecommunications). As a market leader, it has long provided quality telecommunications and ICT services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

As at the end of 2017, CITIC Telecom International has established branch organisations in 21 countries and regions. The number of staff reached above 2,460, with network covering more than 130 countries and regions, connecting to over 600 operators globally, and serving over 3,000 MNCs and 40,000 local enterprises. CITIC Telecom International has a number of ISO quality and network security accreditations, and have been recognised as the best employer and green enterprise for years.

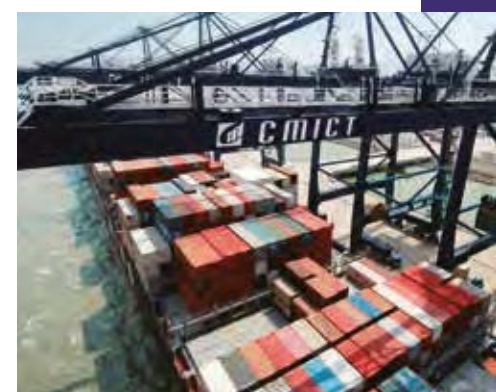
AsiaSat's business involves the leasing and sale of satellite transponders, broadcasting, communications and data uploading and downloading services.

Infrastructure

CITIC Limited's infrastructure business is involved in the investment and management of ports and port terminals as well as regional development in China through CITIC Industrial Investment. CITIC Limited also has an interest in the Western Harbour Tunnel in Hong Kong.

The regional development business refers to the Xidian New Town Project in Ningbo, Zhejiang Province, for which CITIC Industrial is constructing seashore polders, land consolidation, urban infrastructure and supporting projects such as water engineering and green land development. The planned land area is approximately 6,480mu, and the planned gross floor area is approximately four million square metres.

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. At present, CITIC has completed three grid-layout investment projects in the Yangtze River Delta and the Yangtze River Economic Belt, where it operates liquefied oil ports with a handling capacity of 37.65 million tonnes and a storage capacity of 2.09 million cubic metres. In the future, CITIC will expand into investment projects in the Pearl River Delta and Bohai Economic Rim by focusing on liquefied oil. Its ultimate goal is to be a port and storage investor and operator, particularly of domestic ports, with a leading position and influence in this market segment. In addition, CITIC aims to offer a supply chain management service through a facility network.



| Project | Ownership | Handling capacity/storage capacity |
|---|-----------|---|
| Port Storage | | |
| PetroChina Fuel Oil Port | 51% | 12 million tonnes |
| Guanwai Liquefied Products Port | 51% | 1.80 million tonnes |
| Xinrun Petrochemical Storage and Transport | 90% | 5 million tonnes/600,000m ³ |
| Xinyuan Port | 51% | 7.2 million tonnes |
| Hengyang Storage Project | 49% | 6.65 million tonnes/890,000m ³ |
| Xinhai Oil Terminal | 30% | 600,000m ³ |
| Port of Gangfa Crude Oil | 20% | 5 million tonnes |
| Container Ports of China Merchants Holdings (International) Company Limited | 20% | 2.40 million TEU |
| Tunnel | | |
| The Western Harbour Tunnel, Hong Kong | 35% | Franchise till 2023 |

General Trading

Dah Chong Hong (DCH) is engaged in the distribution and sale of motor vehicles and associated services, food and FMCG, healthcare and electronics 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 offering a wide range of supply chain solutions.

In 2017, DCH delivered a 56.9% increase in profit attributable to ordinary shareholders due to strong performance in its mainland China motor business and the consolidation of a full year of results for the rebranded consumer and healthcare distribution businesses, IMSA and DCH Auriga, respectively.



Environmental Services



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

After CITIC's completion of the acquisition of Singapore listed company CITIC Envirotech in 2015, CITIC Environment has been helping CITIC Envirotech to expand the business by taking advantage of the internal and external resources of the Group. In 2017, CITIC Envirotech recorded a year-on-year increase of 20% in net profit attributable to the parent company. As at the end of 2017, the total average designed daily handling capacity of its water treatment facilities exceeded 6 million tonnes. CITIC Envirotech is also expanding its business in countries along the Belt and Road. On 7 June 2017, witnessed by Chang Zhenming, Chairman of CITIC Limited, and Bakhytzhan Sagintayev, the Prime Minister of Kazakhstan, the representatives of CITIC Envirotech and Kazakhstan Karazhanbas Oil Company signed a construction and operating agreement for a water treatment plant at the KBM Oil Field. This made CITIC Envirotech the first environmental protection company to invest on a produced water recycling project in Kazakhstan. In 2017, CITIC Envirotech was awarded the bid for an aquatic environment project that will be the largest project of its kind since the incorporation of the Company — the Lanzhou Waste Water Treatment PPP

Project — with a total investment of RMB4.6 billion. CITIC Envirotech's membrane production subsidiary in the United States — Memstar USA is expected to commence production in 2018. CITIC Envirotech will then become one of the very few companies in the world which cover the complete industrial chain of MF, UF, NF and RO membrane research, development, production and application. With the help of Memstar USA, CITIC Envirotech will proactively expand its international market for membrane technology.

After becoming the second largest shareholder of Chongqing Sanfeng Environmental Industrial Group in 2016, CITIC Environment in 2017 expanded from household waste incineration into the solid waste disposal business, including land restoration, hazardous solid waste disposal and sludge treatment. At the end of 2017, CITIC Environment increased its shareholding in Chongqing Sanfeng Environmental Industrial Group. Until the end of 2017, Sanfeng Environment has invested and signed 26 WTE projects domestically, with the treatment capacity of 41,700 TPD. Sanfeng's technology and equipment have been applied to 232 incineration lines in the United States, Germany, ranking the first place in Chinese WTE industry. In 2017, the profit attributable to ordinary shareholders of Sanfeng Environment increased by 35% compared with 2016.



Modern Agriculture

CITIC Agriculture serves as the platform to plan and execute CITIC Limited's agriculture investment strategy. CITIC Agriculture focuses on agricultural biotechnology with a mission of upgrading China's agricultural industry. Leveraging CITIC Limited's advantages in capital, branding and internationalisation, CITIC Agriculture today is building and shaping globally competitive agricultural companies.

In 2017, Longping High-tech, controlled by CITIC Limited, recorded a year-on-year increase of more than 50% in profit attributable to ordinary shareholders. Longping has also successfully acquired Sanrui Agritech, leader in the edible sunflower hybrid industry, and Hebei Uni Agri, leader in the hybrid foxtail millet industry. Driven by organic business growth and M&A, Longping High-tech has now become one of the top ten seed companies worldwide.

In 2017, CITIC Agri Fund, together with Longping High-tech, completed the acquisition of Dow AgroSciences' corn seed business in Brazil for a purchase price of US\$1.1 billion. The acquisition includes a copy of Dow's Brazilian corn germplasm bank, production sites, research centres, and the ownership of dominant trademarks.



Publishing

CITIC Press is a major provider of integrated content and associated services in mainland China, principally engaged in book publishing, digital publishing, bookstore retailing, education and training services and IP operation. For its publication, distribution and retail operations, CITIC Press has obtained all licenses issued by the State Administration of Press, Publication, Radio, Film and Television.

CITIC Press was listed on the National Equities Exchange and Quotations at the end of 2015, becoming the first listed state-owned company in the publishing industry. In May 2017, the CITIC Press' IPO application to list on the Growth Enterprise Market of the Shenzhen Stock Exchange was officially received by the China Securities Regulatory Committee. Post-IPO, CITIC Limited's holding in CITIC Press will decrease from 88% to 66%.



General Aviation

CITIC Offshore Helicopter (COHC) operates a full-service general aviation business in China. Among its main businesses are offshore oil helicopter operation services; general aviation services such as aerial photography, maritime patrol, polar survey operations, HPS, forest fire prevention and powerline operations; general aviation maintenance; and financing and rental services. COHC's offshore oil helicopter services enjoy the leading position in the industry in terms of market share. It is the only general aviation company engaged in helicopter pilotage and the only general aviation enterprise offering an overseas in-flight service for offshore petroleum exploration.

Based in Shenzhen, COHC's operations cover the South China Sea, East China Sea, Bohai Sea, and domestic areas except Tibet, the South Pole and the North Pole. COHC also operates a service centre for Airbus Helicopters in China.