

## 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 and are committed to comply with 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.

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 2017.

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

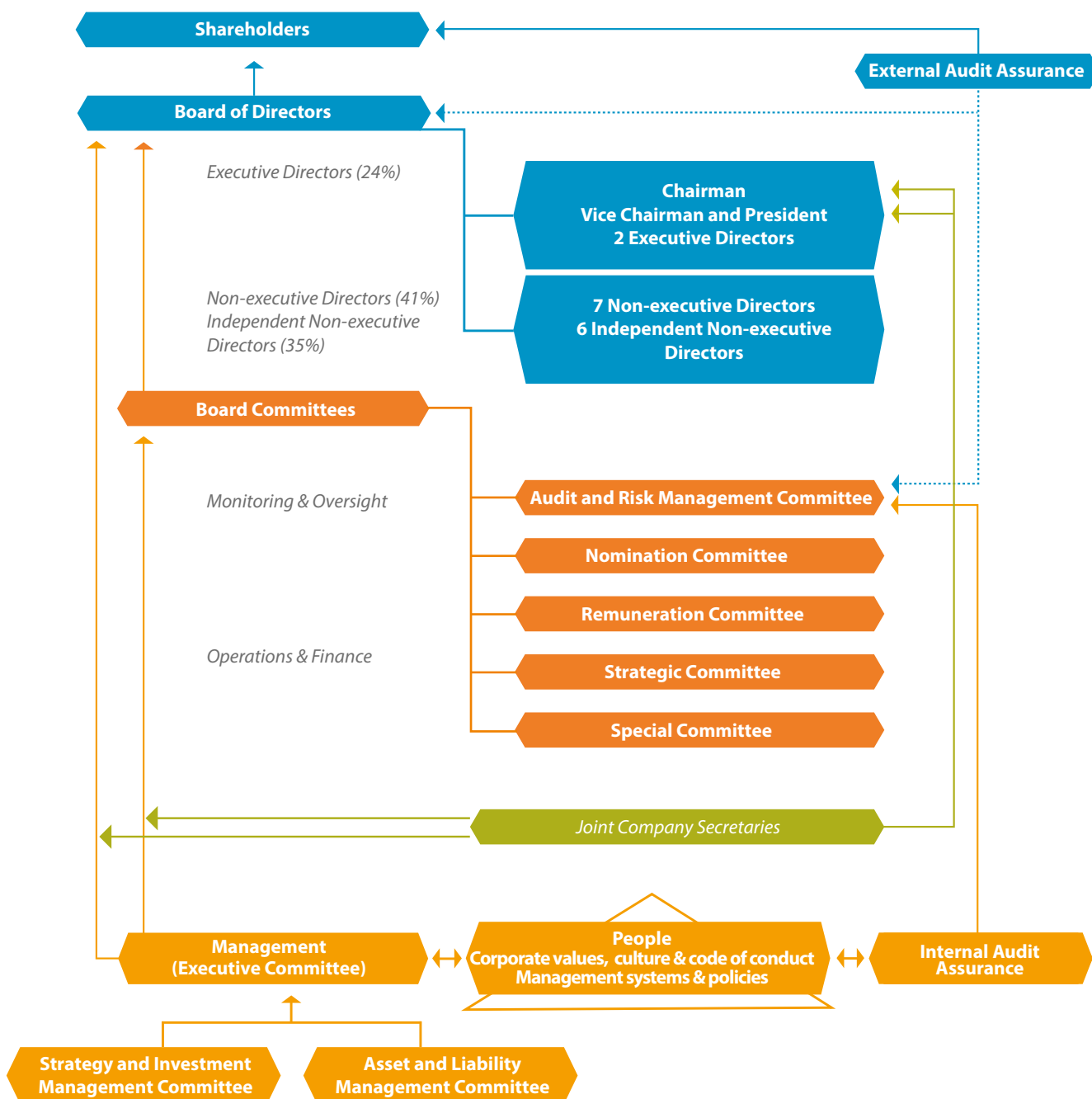
## Preservation of Value and Strategy

The Company is China’s largest conglomerate with total assets over US\$900 billion and a constituent of the Hang Seng Index. Among its diverse global businesses, the Company focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. When we analyse a business, we look at its market position, competitiveness and future prospects.

The Company enjoys leading market positions in sectors well matched to China’s economy. CITIC’s rich history, diverse platform and strong corporate culture across all businesses ensure that the Company is unrivalled in capturing opportunities arising in China.

Going forward, the Group will continue to take a 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 under review, 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. Mr Francis Siu Wai Keung, an independent non-executive director, has devoted sufficient time to the board notwithstanding that he currently holds directorships in six public companies (including the Company). He is the chairman of the audit and risk management committee and a member of a number of board committees which he attended and actively provided guidance and recommendations in each committee meeting. He also attended all board meetings and the annual general meeting in 2017 as well as attended site visits and the strategic committee and board retreat meeting. The Company considered that he has given sufficient time and attention to the Company's affairs as an independent non-executive director.

### Board composition and changes

The Company announced the following changes in board composition.

Mr Yang Jinming resigned as a non-executive director and a member of the remuneration committee of the Company on 1 June 2017.

Mr Liu Zhuyu was appointed as a non-executive director and a member of the remuneration committee of the Company on 7 August 2017.

Mr Wu Youguang was appointed as a non-executive director of the Company on 20 March 2018.

The appointment of the above directors were recommended by the nomination committee.

The board currently has 17 directors, comprising four executive directors, seven non-executive directors and six independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than three-fourths of the board, of which independent non-executive directors satisfy the requirement of representing at least one-third of the board. The Company believes that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

In relation to the seven non-executive directors who are not independent (as considered by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")), Mr Liu Yeqiao, Mr Song Kangle, Ms Yan Shuqin and Mr Liu Zhuyu are all non-executive directors of CITIC Group Corporation (the controlling shareholder of the Company) whilst Mr Liu Zhongyuan holds an executive position in the National Council for Social Security Fund (a shareholder of the Company), Mr Yang Xiaoping is the senior vice chairman of the Charoen Pokphand Group and Mr Wu Youguang is the vice president and CFO of Youngor Group Co., Ltd. (a shareholder of the Company).

The Company has received from each independent non-executive director a confirmation of his/her independence and considers that all independent non-executive directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 102 to 106.

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. 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. 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. 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 and his/her re-election is subject to a vote of shareholders.

Pursuant to Article 95 of the Company's articles of association, Mr Liu Zhuyu and Mr Wu Youguang who were appointed as directors of the Company by the board since the last annual general meeting shall hold office only until the forthcoming annual general meeting of the Company to be held on 14 June 2018 ("2018 AGM") and shall then be eligible for re-election at such meeting. Thereafter, they shall be subject to retirement by rotation and re-election in accordance with the Company's articles of association. Induction materials were provided to the above directors upon their appointment.

### Board responsibilities and delegation

The board collectively determines the overall strategies of the Company, 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 management 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, 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.

Details of the responsibilities, membership, attendance and activities during the year under review of each board committee are set out on pages 80 to 88.

### Board meetings and attendance

The board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2017. At the board meetings, the board reviewed significant matters including the Company's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and notifiable transactions and connected transactions. At each of the regular board meetings, the board received a written report from the president on the Company's major businesses, investments and projects, and corporate activities. A special board meeting was held in September 2017 to approve a new share subscription agreement for the subscription by CITIC Metal Group Limited (an indirect wholly-owned subsidiary of the Company) for 60% of the enlarged share capital of Star Thrive Investments Limited (an indirect wholly-owned subsidiary of CITIC Group Corporation) in which detailed information of the transaction was presented to the board. Details of the aforesaid subscription are set out in the Company's announcement dated 29 September 2017.

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 meeting in 2017 is set out below:

	Attendance	
	Board Meeting	Annual General Meeting on 13 June 2017
<b>Number of Meetings</b>	5	1
<b>Current Directors</b>		
<i><b>Executive Directors</b></i>		
Mr Chang Zhenming (Chairman)	4/5	✓
Mr Wang Jiong (Vice Chairman and President)	5/5	✓
Ms Li Qingping	3/5	–
Mr Pu Jian	4/5	✓
<i><b>Non-executive Directors</b></i>		
Mr Liu Yeqiao	5/5	✓
Mr Song Kangle	5/5	✓
Ms Yan Shuqin	5/5	✓
Mr Liu Zhuyu <sup>(1)</sup>	3/3	N/A
Mr Liu Zhongyuan	4/5	✓
Mr Yang Xiaoping	5/5	✓
Mr Wu Youguang <sup>(3)</sup>	N/A	N/A
<i><b>Independent Non-executive Directors</b></i>		
Mr Francis Siu Wai Keung	5/5	✓
Dr Xu Jinwu	5/5	✓
Mr Anthony Francis Neoh	5/5	✓
Ms Lee Boo Jin	5/5	✓
Mr Noriharu Fujita	5/5	✓
Mr Paul Chow Man Yiu	5/5	✓
<b>Resigned Director</b>		
<i><b>Non-executive Director</b></i>		
Mr Yang Jinming <sup>(2)</sup>	1/1	N/A

Notes:

(1) appointed with effect from 7 August 2017

(2) resigned with effect from 1 June 2017

(3) appointed with effect from 20 March 2018

## 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.

## Directors' 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 comprehensive 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 to ensure that he has a proper understanding of his responsibilities under the relevant laws, rules and regulations. During the year under review and up to the date of this report, two directors were appointed. The Company has arranged for briefing given by external legal counsel to the new directors.

Under the Company's CPD Programme for the year 2017, directors were provided with the monthly business updates and other reading materials concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. Further, the Company has organised talks given by professionals on different topics (new accounting standards by PricewaterhouseCoopers; recent enforcement trends in antitrust, recent trends in securities regulations in Hong Kong and disclosure of information and latest development of the Hong Kong Stock Exchange and the Securities and Future Commission by various international law firms) and also arranged for a seminar on CG Code organized by PricewaterhouseCoopers. In addition, the Company has forwarded a series of the directors training webcasts launched by the Hong Kong Stock Exchange on a quarterly basis to the directors for them to fulfil their duties. Directors attended the strategic committee meeting and board retreat meeting held in November 2017 to discuss the corporate strategy and business development of the Company. Directors also made site visits (Dah Chong Hong in Hong Kong in June 2017, Ligang power plant and Xingcheng special steel mill in Jiangyin in November 2017) arranged by the Company.

According to the record of the directors' participation in the Company's CPD Programme kept at the company secretariat office, a summary of training received by the directors for the period from 1 January 2017 to 31 December 2017 is as follows:

	Reading Materials/ Regulatory Updates/ Monthly Management Updates	Briefings/ Seminars	Strategic Committee and Board Retreat Meeting	Site Visits
<b>Executive Directors</b>				
Mr Chang Zhenming	✓		✓	
Mr Wang Jiong	✓		✓	
Ms Li Qingping	✓		✓	
Mr Pu Jian	✓		✓	
<b>Non-executive Directors</b>				
Mr Liu Yeqiao	✓	✓	✓	✓
Mr Song Kangle	✓	✓	✓	✓
Ms Yan Shuqin	✓	✓	✓	✓
Mr Liu Zhuyu <sup>(1)</sup>	✓	✓	✓	✓
Mr Liu Zhongyuan	✓			
Mr Yang Xiaoping	✓	✓	✓	
Mr Wu Youguang <sup>(2)</sup>				
<b>Independent Non-executive Directors</b>				
Mr Francis Siu Wai Keung	✓	✓	✓	✓
Dr Xu Jinwu	✓	✓	✓	✓
Mr Anthony Francis Neoh	✓	✓	✓	✓
Ms Lee Boo Jin	✓			
Mr Noriharu Fujita	✓	✓	✓	✓
Mr Paul Chow Man Yiu	✓	✓		

Notes:

(1) appointed with effect from 7 August 2017; induction materials and briefing by external legal counsel were provided in respect of his appointment

(2) appointed with effect from 20 March 2018; induction materials and briefing by external legal counsel were provided in respect of his appointment

Mr Yang Jinming resigned as a non-executive director with effect from 1 June 2017. Reading materials, regulatory updates and monthly management updates were provided to him during his tenure. He also attended the seminar organised by the Company in March 2017.

## 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 (<https://www.citic.com/uploadfile/2017/0424/20170424015030507.pdf>) and the Hong Kong 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 under review as well as the meeting attendance of the committee members are as follows:

#### Membership and Attendance

Members	Attendance/ Number of Meetings
<b>Independent Non-executive Directors</b>	
Mr Francis Siu Wai Keung (Chairman)	4/4
Dr Xu Jinwu	4/4
Mr Anthony Francis Neoh	3/4
<b>Non-executive Directors</b>	
Mr Liu Yeqiao	4/4
Mr Yang Xiaoping	4/4
<b>Other Attendees</b>	
Representatives of Audit and Compliance Department	4/4
Representatives of Financial Control Department	4/4
Representatives of Office of the Board of Directors	4/4
External Auditor	4/4

The joint company secretary, Mr Choy Wing Kay, Ricky acts as the secretary to the committee. The committee is supported by a working group which consists of representatives from Audit and Compliance Department, Financial Control Department, Office of the Board of Directors and other departments of the Company. The working group provides services to the committee to ensure that sufficient resources are made available for the committee to perform its duties. An agenda and committee papers are sent to the committee members at least three days prior to each regular meeting. The draft and final version of minutes are circulated to all committee members for their comments and records within a reasonable time after the meeting. Full minutes of the meetings are kept by the joint 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 2017

The audit and risk management committee performed the followings in 2017:

Financial reporting	Reviewed the 2016 annual financial statements, annual report and results announcement
	Reviewed the 2017 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2016 annual report and 2017 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 2016 annual financial statements and their independent review of the 2017 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 2017 half-year financial statements and their statutory audit of the 2017 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

At the meeting held on 26 March 2018, the audit and risk management committee reviewed and approved the Company's annual financial statements and annual report for the year ended 31 December 2017, and considered reports from the external and internal auditors. The audit and risk management committee recommended to the board for approval of the 2017 annual report.

### Nomination committee

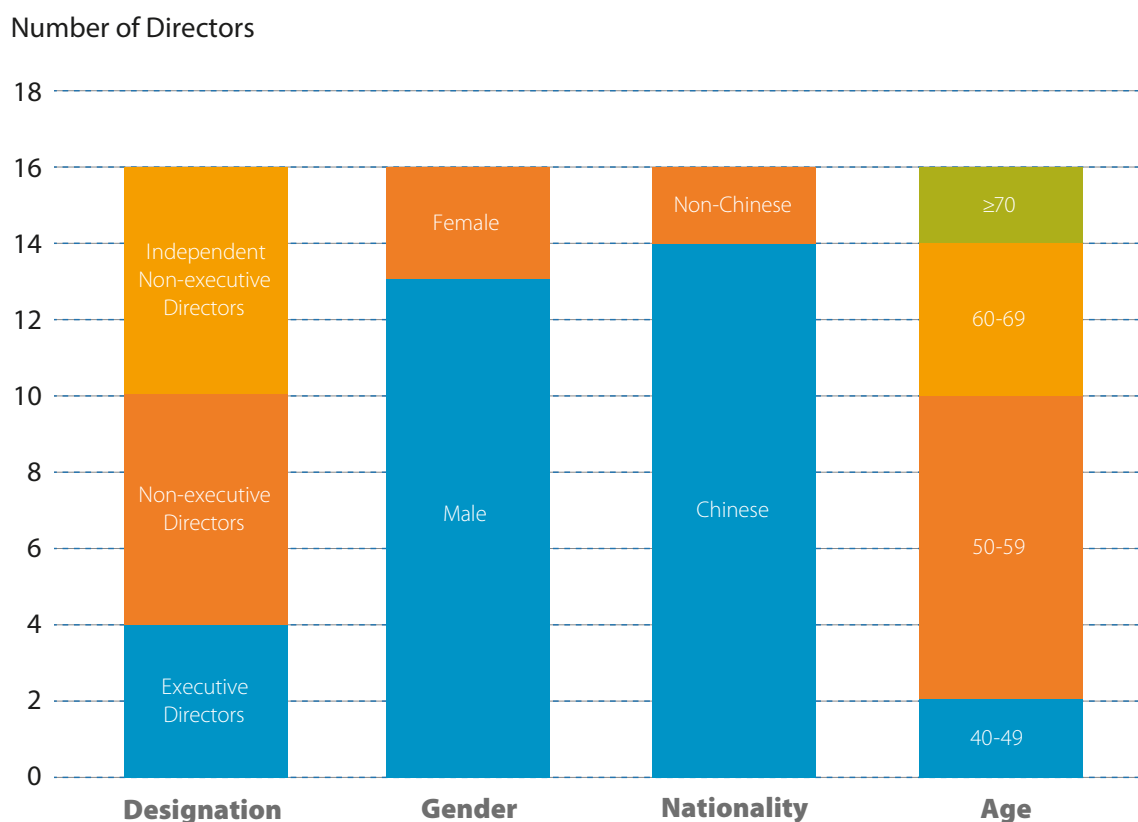
The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The terms of reference are available on the Company's website (<https://www.citic.com/uploadfile/2017/0424/20170424015052354.pdf>) and the Hong Kong Stock Exchange's website.

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 recommendation on any required changes to the board.

The board diversity policy sets out the approach to achieve diversity in 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 functioning 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 recommendation 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 following chart shows the diversity profile of the board as at 31 December 2017:



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 under review, one nomination committee meeting was held and two sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the nomination committee meeting and the draft minutes were circulated 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 under review as well as the meeting attendance of the committee members are as follows:

### Membership and Attendance

Members	Attendance/ Number of Meetings
<b>Executive Directors</b>	
Mr Chang Zhenming (Chairman)	1/1
Mr Wang Jiong	1/1
<b>Non-executive Director</b>	
Ms Yan Shuqin	1/1
<b>Independent Non-executive Directors</b>	
Mr Francis Siu Wai Keung	1/1
Dr Xu Jinwu	1/1
Mr Anthony Francis Neoh	1/1
Ms Lee Boo Jin	1/1

### Work done in 2017

The nomination committee completed the following work in 2017:

- reviewed the structure, size, composition and diversity of the board;
- reviewed the board diversity policy and discussed the measurable objectives;
- recommended the appointment of a non-executive director to the board for approval; and
- made recommendations to the board on the re-election of directors retiring at the annual general meeting of the Company held on 13 June 2017.

At the meeting held in November 2017, apart from the completed work described above, the committee also noted the recent consultation paper issued by the Hong Kong Stock Exchange on the review of overboarding and time commitment of independent non-executive directors. The time and attention in which directors spent in relation to the Company was discussed in the meeting and was later also discussed in the board meeting.

## Remuneration committee

The principal role of the remuneration committee is to determine the remuneration packages of individual executive directors and senior management (including salaries, bonuses, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment). 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 (<https://www.citic.com/uploadfile/2017/0424/20170424015043693.pdf>) and the Hong Kong Stock Exchange's website.

During the year under review, 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 circulated 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 under review as well as the meeting attendance of the committee members are as follows:

### Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
<b>Independent Non-executive Directors</b>		
Mr Anthony Francis Neoh (Chairman)	1/1	
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Paul Chow Man Yiu	1/1	
<b>Non-executive Directors</b>		
Mr Yang Jinming	N/A	Resigned on 1 June 2017
Mr Liu Zhuyu	1/1	Appointed on 7 August 2017

## Work done in 2017

The remuneration committee completed the following work in 2017:

- reviewed and approved the 2016 remuneration for executives in charge (including executive directors and senior management) of the Company in October 2017
- reviewed and approved the proposal for 2018 annual salary for executives in charge of the Company in December 2017

Details of the Company's remuneration policies are set out in the Environmental, Social and Governance Report on page 132 and directors' remuneration and retirement benefits are disclosed on pages 227 to 230.

The remuneration paid to the directors, by name, for the year ended 31 December 2017 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2017 is set out below.

### Remuneration of senior management other than directors for the full year 2017

Total Remuneration Bands	Number of Executives
Below HK\$500,000	0
HK\$500,001 – HK\$1,000,000	4
	4

Note:

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 2017.

## Strategic committee

A strategic committee has been established 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 powers and functions are:

- considering the major strategic directions of the Company and making proposals to the board;
- considering the mid-to-long term development plan and 5-year development plan of the Company and making proposals to the board;
- 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
- 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 currently include Mr Wang Jiong (being executive director, vice chairman and president of the Company), Mr Song Kangle, Ms Yan Shuqin and Mr Yang Xiaoping (all being non-executive directors), Mr Anthony Francis Neoh and Mr Noriharu Fujita (all being independent non-executive directors). Mr Li Rucheng (being a former non-executive director of the Company) serves as a consultant to the committee. During the year under review, one strategic committee meeting was held. The Strategic Development Department prepared full minutes of the strategic committee meeting and the draft minutes were circulated to all the committee members within a reasonable time after the meeting. A 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 physical committee meetings were held during the year, and the committee members dealt with certain administrative matters (including the announcement of the MMT proceedings outcome) by way of circulation.

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

In respect of the proceedings brought by the Hong Kong Securities and Futures Commission at the MMT against the Company and five of its former executive directors (further particulars of which are set out in note 46(e)(i) to the Notes to the consolidated financial statements), the hearing was completed in July 2016. On 10 April 2017, the MMT handed down its decision determining that, in the publication of the Company’s circular on 12 September 2008, no market misconduct within the meaning of section 277(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) took place.



## Management Committees

### Executive committee

The Executive Committee is the highest authority of the management of the Company accountable to the board.

The functions and powers of the executive committee are:

- to formulate the Company's material strategic plans;
- to formulate the Company's annual material investment and financing plans (including reviewing material investment plans, feasibility studies, proposed disposals/divestments, mergers and acquisitions and other significant transactions of the Company);
- to review the Company's annual business plan and finance plans;
- to review monthly reports of the Company, and to submit to the board before each month-end the monthly report for the previous month;
- to manage and monitor the Company's core activities;
- 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);
- to approve internal rules on day-to-day operations of the Company;
- to review and approve proposals to establish and adjust the Company's management and organizational structure; and
- to discharge other powers and functions conferred on it by the board.

The first three items 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 (serving 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). Six committee meetings were held in 2017. The minutes of the meetings are kept at the executive office, which are circulated to the committee members after each meeting.

## Strategy and Investment Management Committee

The Company has established the strategy and investment management committee as a sub-committee under the executive committee to enhance strategy management, to prevent investment risks and to promote high quality development. The principal responsibilities of the strategy and investment management committee are to

- study and draw up the Company's integral development, medium and long-term development plan and industries investment guideline, approve development strategies and plans of subsidiaries;
- establish a mechanism of empowered operation and management, organize and implement it; and
- organize and implement full life-circle management of investment activities within the group.

The committee is led by chairman of the committee Mr Wang Jiong (being executive director, vice chairman and president of the Company), and two vice chairmen of the committee Mr Pu Jian (being executive director and vice president of the Company) and Mr Zhu Gaoming (being vice president of the Company), and other members of the committee include Mr Zhang Youjun (being assistant president of the Company), responsible persons of the strategic development department, financial control department and legal and compliance functions.

## 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 under review, and those most significant and relevant to the Group are disclosed in Note 2 to the consolidated financial statements on page 175.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2017 are set out in the Independent Auditor's Report on pages 340 to 350.

### External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. PricewaterhouseCoopers ("PwC") was engaged as the Company's external auditor since 1989 and retired at the close of 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 2017, PwC's fees were approximately as follows:

Statutory audit fee: HK\$86 million (2016: HK\$75 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK\$33 million (2016: HK\$25 million).

Other audit firms provided statutory audit services at a fee of approximately HK\$76 million (2016: HK\$81 million) as well as other services for fees of HK\$19 million (2016: HK\$31 million).

### Risk management and internal control

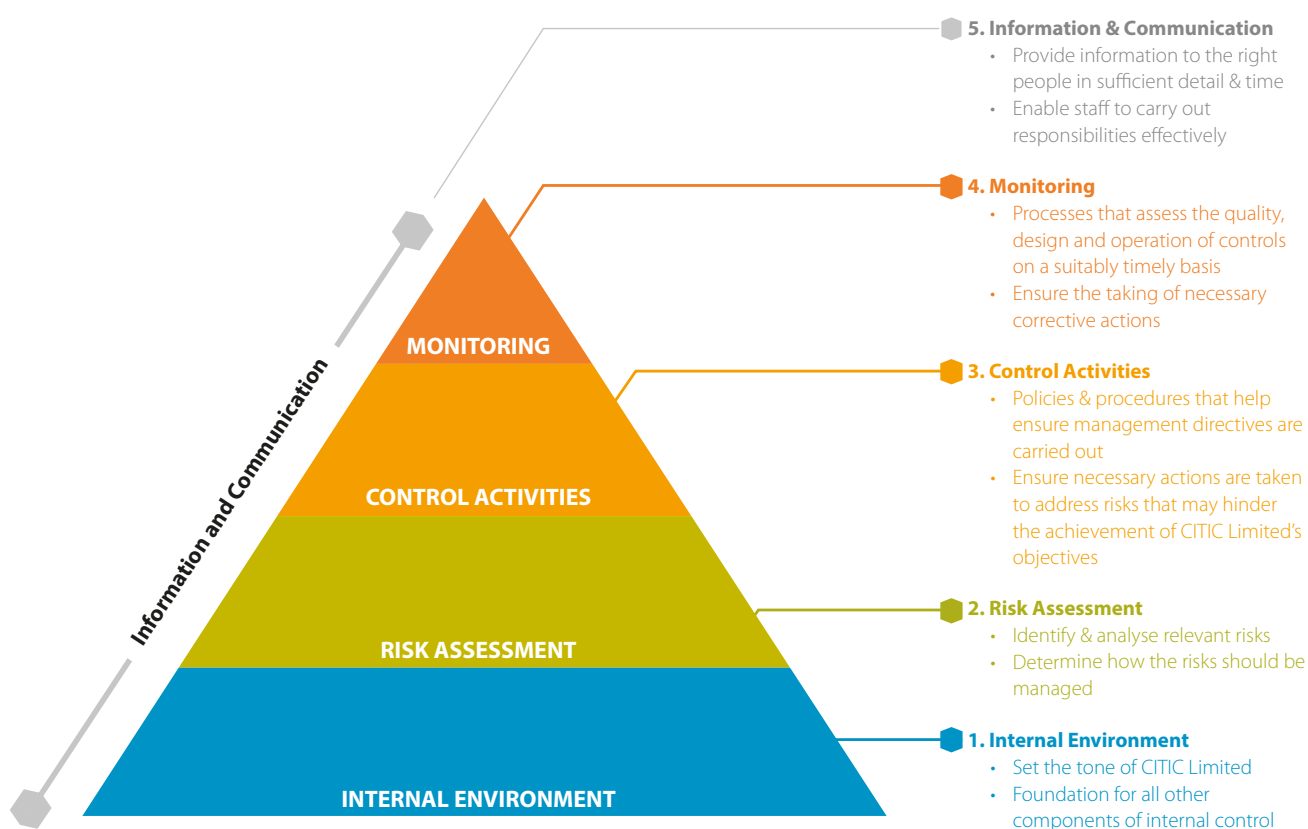
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in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

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 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.

## Key control policies and measures

### 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.

### 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 under review, 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
<b>Internal audit</b>	<ul style="list-style-type: none"><li>Reviewed the internal audit report.</li><li>Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.</li></ul>	<ul style="list-style-type: none"><li>Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting.</li><li>Reported to the board on such reviews when necessary.</li></ul>
<b>Compliance assessment</b>	<ul style="list-style-type: none"><li>Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, 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.</li></ul>	<ul style="list-style-type: none"><li>No major non-compliance cases were noted during the year.</li></ul>

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
<b>Review of risk management and internal control system</b>	<ul style="list-style-type: none"> <li>• Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year.</li> <li>• Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management.</li> <li>• 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.</li> <li>• Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation.</li> </ul>	<ul style="list-style-type: none"> <li>• No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement.</li> <li>• Management issued a positive confirmation.</li> </ul>
<b>Review of the internal audit, risk management, accounting and financial functions</b>	<ul style="list-style-type: none"> <li>• Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources in the internal audit, risk management, accounting and finance functions were adequate.</li> <li>• On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory.</li> <li>• Training activities and budgets were given constant attention and remained satisfactory during the year.</li> </ul>

The board and the management will establish sufficient and effective 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 2017

At 31 December 2017, CITIC Limited had approximately 400 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. The company’s Code of Conducts requires employees to strictly obey the laws, regulations and disciplines in their operational activities. It is a code that the employees must abide by and a standard for assessing professional conducts of employees. In 2017, we organised trainings in terms of professional integrity, anti-fraud and anti-corruption based on 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 heads of every branches were required to conduct education, supervision and assessment regarding employees’ conducts. 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.

### 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 Hong Kong Stock Exchange.

### Good employment practices

In Hong Kong, the Company has 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 2017. As at 31 December 2017, 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 125.

In addition to the requirements set out in the Company's code of conduct, the joint company secretaries regularly write to executive management and other relevant employees who are privy to unpublished 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 Wang Kang (appointed in place of Mr Tang Zhenyi on 12 April 2017) and Mr Choy Wing Kay, Ricky are the joint company secretaries of the Company. All directors have access to the advice and services of the joint company secretaries on board procedures and corporate governance matters as and when required. The joint company secretaries report to the chairman and/or the vice chairman/president of the Company. During the year under review, Mr Wang and Mr Choy took no less than 15 hours of relevant professional training respectively.

## 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 <https://www.citic.com/en/>, 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 Hong Kong Stock Exchange, the same information will be made available on the Company's website.

During the year under review, the Company has issued announcements in respect of notifiable transactions, connected transactions and overseas regulatory announcements, which can be viewed on the Company's website ([https://www.citic.com/en/investor\\_relation/announcements\\_circulars/](https://www.citic.com/en/investor_relation/announcements_circulars/)).

### 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 separate issue at the general meetings.

## 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 Hong Kong 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 Hong Kong 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 61: 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 and CITIC Corporation Limited, and the vice chairman of CITIC International Financial Holdings Limited. He resigned as the chairman of CITIC Hong Kong (Holdings) Limited on 20 June 2017. He also previously served as the chairman of the board of China CITIC Bank Corporation Limited (“China CITIC Bank”) and resigned as non-executive director of China CITIC Bank with effect from 5 January 2018. He was also formerly 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 58: an executive director, vice chairman and president of the Company since 2014. Mr Wang is a 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 55: 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 and vice president of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited, and chairperson and executive director of China CITIC Bank. She was formerly president of China CITIC Bank, 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 with over 30 years’ experience in the banking industry, with particular emphasis on international business and retail business. She graduated from Nankai University in International Finance Programme with a Master’s degree in Economics.

### **PU Jian** *(Executive Director)*

Age 59: 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 and vice president of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited. He has been appointed as a non-executive director of Digital Domain Holdings Limited since 5 July 2017. 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.

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

Age 56: 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 formerly 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 54: a non-executive director of the Company since 2016. Mr Song is a member of the strategic committee. He worked with several posts in MOF 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, Department of Enterprise and Department of Asset Management. 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 57: a non-executive director of the Company since 2016. Ms Yan is a member of the nomination committee and the strategic committee. She worked with several posts in MOF 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 Zhuyu** *(Non-executive Director)*

Age 56: a non-executive director of the Company with effect from 7 August 2017. Mr Liu is a member of the remuneration committee. He worked with several posts in MOF as senior staff member, principal staff member, deputy director and director at Department of Industry, Transportation and Finance, director at Economic Trade Department of MOF, deputy inspector at Beijing Supervision & Inspection Office, deputy director at State Equity & Corporate Finance Department and director general at Network Information Center, director general of Department of Treasury and Treasury Payment Center of MOF. Mr Liu graduated from Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law). He is a senior accountant and also a Certified Public Accountant.

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

Age 48: a non-executive director of the Company since 2014. Mr Liu is currently director-general of Equity & Fixed-Income Investment Department of the National Council for Social Security Fund. He 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. Mr Liu has a Doctorate degree in economics from the School of Economics at Renmin University of China.

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

Age 54: 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 was a member of The Twelfth National Committee of Chinese People's Political Consultative Conference. He is also 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.

**WU Youguang** *(Non-executive Director)*

Age 56: a non-executive director of the Company with effect from 20 March 2018. Mr. Wu is currently vice president and CFO of Youngor Group Co., Ltd, president of Ningbo Youngor Investment Management Co., Ltd. He served as deputy manager and manager of the Financial Department of Ningbo Youngor Garment Processing Co., Ltd, director of CITIC Securities Co., Ltd., director of Ningbo Yak Technology Industrial Co., Ltd and director of Guangbo Group Stock Co., Ltd. Mr. Wu has engaged in industries for more than thirty years and has accumulated rich experience in financial management. He has expertise in enterprise operation and management, financial planning and budget management, investment and financing, and merger and acquisition, etc. Mr. Wu graduated from Zhejiang Open University and holds an Associate degree.

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

Age 63: 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 formerly 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 68: 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 71: 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 formerly 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 and New China Life Insurance Company Ltd.. He was formerly 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, Bank of China Limited and China Life Insurance Company Limited.

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

Age 47: 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 67: 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. With effect from 18 April 2018, Mr Fujita resigned as an independent non-executive director and a member of the strategic committee of the Company due to his other work commitments.

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

Age 71: 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.

## New Director to the Board

On 17 April 2018, the board announced the appointment of Mr Shohei Harada as an independent non-executive director and a member of the strategic committee of the Company with effect from 18 April 2018.

**Shohei HARADA** (*Independent Non-executive Director*)

Age 60: an independent non-executive director and a member of the strategic committee of the Company with effect from 18 April 2018. Mr Harada is currently a senior advisor at Tokyo Kyodo Accounting Office. He also serves on the Audit & Supervisory Board for The Nation Federation of Agricultural Cooperative Association (ZEN-NOH). Mr Harada joined Tetsuzo Ota & Co. (later became Ernst & Young ShinNihon, LLC) in October 1984, where he performed audit engagements of major banks and real estate companies. From July 1993 to August 1997, he was seconded to the Ernst & Young London office. Mr Harada became a partner of Ernst & Young ShinNihon, LLC in May 1999 and a senior partner in May 2004. From September 2012 to February 2016, he was an executive partner of Ernst & Young ShinNihon, LLC and has served as the Advisory Japan Leader and Real Estate Sector Japan Leader. He retired from Ernst & Young ShinNihon, LLC in June 2017 and started a new career at Tokyo Kyodo Accounting Office. He is a licensed Certified Public Accountant in Japan. As an accounting professional, Mr Harada has extensive experience in real estate securitization, fund business, and advisory. Mr Harada graduated from Chuo University with a Bachelor degree in Commerce in March 1980.

## **CAI Huaxiang**

Age 58: a vice chairman of the executive committee of the Company since 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 60: 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 53: vice president and a member of the executive committee of the Company since 2015. He has been appointed as a non-executive director of China CITIC Bank Corporation Limited since 18 August 2017. 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 51: vice president and a member of the executive committee of the Company since 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.

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2017.

## Principal Activities

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

## Subsidiary Companies

The name of the principal subsidiaries, the place of incorporation and shares issued are set out in Note 58 to the consolidated financial statements.

## Business Review

A fair review, discussion and analysis of the Group's business as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including 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" on pages 4 to 66 of this annual report. An account of the principal risks and uncertainties facing the Group is provided in the "Risk Management" section on pages 67 to 72 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2017 (if any) and the likely future development in the Company's business can also be found in this annual report. The above discussions form an integral part of the Directors' 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" on pages 129 to 163 of this annual report.

## Dividends

The directors declared an interim dividend of HK\$0.11 per share (2016: HK\$0.10 per share) for the year ended 31 December 2017 which was paid on 29 September 2017. The directors recommended, subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 14 June 2018 (the "2018 AGM"), the payment of a final dividend of HK\$0.25 per share (2016: HK\$0.23 per share) in respect of the year ended 31 December 2017, payable on Thursday, 5 July 2018 to shareholders on the Company's register of members at the close of business on 25 June 2018. This represents a total distribution for the year of HK\$10,473 million.

## 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.

## 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.

## 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 Group's five largest suppliers and the aggregate percentage of sales to the Group's five largest customers were less than 30% of total purchases and sales of the Group respectively.

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.

## 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 2017 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 during the year and up to 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 Liu Yeqiao  
Mr Song Kangle  
Ms Yan Shuqin  
Mr Yang Jinming (*resigned on 1 June 2017*)  
Mr Liu Zhuyu (*appointed on 7 August 2017*)  
Mr Liu Zhongyuan  
Mr Yang Xiaoping  
Mr Wu Youguang (*appointed on 20 March 2018*)

### *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

Mr Yang Jinming resigned as a non-executive director of the Company with effect from 1 June 2017 and confirmed that he has 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 Liu Zhuyu and Mr Wu Youguang who were appointed as directors of the Company by the board since the last annual general meeting shall hold office only until the 2018 AGM and shall then be eligible for re-election at such meeting. Thereafter, they shall be subject to retirement by rotation and re-election in accordance with the Company's articles of association.

Pursuant to Article 104(A) of the Company's articles of association, Mr Wang Jiong, Mr Song Kangle, Mr Yang Xiaoping, Mr Francis Siu Wai Keung and Mr Anthony Francis Neoh shall retire by rotation at the 2018 AGM and, all being eligible, shall offer themselves for re-election at such meeting.

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 102 to 107 of this annual report.

## Directors of Subsidiaries

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

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

Save as disclosed in the sections headed "Connected Transactions" and "Non-Exempt Continuing Connected Transactions" below and "Material related 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).

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into during the year or existed at the end of the year.

## 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. The Company has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers to protect them against potential costs and liabilities arising from claims brought against them.

## Related Party Transactions

The Company and its subsidiaries entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Material Related Party Transactions", the details of which are set out in Note 48 to the consolidated financial statements of the Company. Some of these transactions also constitute "Connected Transactions" and/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 Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in this annual report and the consolidated financial statements of the Company. The full text of each announcement can be found on [https://www.citic.com/en/investor\\_relation/announcements\\_circulars/](https://www.citic.com/en/investor_relation/announcements_circulars/).

1. On 29 September 2017, CITIC Metal Group Limited (“CITIC Metal”, an indirect wholly-owned subsidiary of the Company) and Star Thrive Investments Limited (“Star Thrive”, a special purpose vehicle holding 76.37% equity interest in Jinzhou Titanium Industry Co., Ltd.) entered into a new share subscription agreement (the “New Share Subscription Agreement”) pursuant to which CITIC Metal agreed to subscribe for 1,114,008,534 new shares issued by Star Thrive, representing 60% of the enlarged share capital of Star Thrive at a consideration of HK\$1,325,770,960.

CITIC Group is the controlling shareholder of the Company and therefore is a connected person of the Company. Star Thrive constitutes a connected person of the Company by virtue of being an indirect wholly-owned subsidiary of CITIC Group. Accordingly, the entering into of the New Share Subscription Agreement constitutes a connected transaction for the Company under the Listing Rules.

2. On 24 October 2017, Jiangyin Xingcheng Special Steel Works Co., Ltd. (“Xingcheng Special Steel”, an indirect wholly-owned subsidiary of the Company) and CITIC Group entered into an equity transfer agreement (the “Equity Transfer Agreement”) through the public tender process on the China Beijing Equity Exchange. Pursuant to the Equity Transfer Agreement, Xingcheng Special Steel (as the sole bidder) agreed to acquire 100% equity interest held by CITIC Group in Qingdao Special Iron and Steel Co., Ltd. at a consideration of RMB127,236,600 (approximately HK\$149,758,831).

CITIC Group is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules.

## Non-Exempt Continuing Connected Transactions

During the year under review, the Group engaged in the following non-exempt continuing connected transactions with CITIC Group Corporation (“CITIC Group”) and/or its associates (the “Connected Persons”), 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.

1. Sales Framework Agreement — sale of manganese ore by the Group to the Connected Persons

The original Sales Framework Agreement dated 30 September 2014 ended on 31 December 2016. As the Company and CITIC Group intend 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 were set out in the Company’s announcement dated 30 November 2016.

### New Sales FA

Period: commencing from 1 January 2017 and ending on 31 December 2019

Annual Caps:	<i>for year ended 31/12/2017</i> RMB840,000,000	<i>for year ending 31/12/2018</i> RMB1,050,000,000	<i>for year ending 31/12/2019</i> RMB1,050,000,000
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The transaction amount under the New Sales FA for the year ended 31 December 2017 was approximately RMB86,912,934.45.

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

The original Advertising and Promotion Framework Agreement dated 30 September 2014 ended on 31 December 2014. As the Company and CITIC Group intend 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 were set out in the Company’s announcement dated 30 March 2015.

#### **New Advertising and Promotion FA**

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

Annual *for year ended 31/12/2017*  
Cap: RMB550,000,000

There were no transactions under the New Advertising and Promotion FA for the year ended 31 December 2017.

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

The original Financial Assistance Framework Agreement dated 30 September 2014 ended on 31 December 2016. As the Group intend to continue to provide financial assistance to the Connected Persons in the form of entrusted loans and commercial loans, the Company and CITIC Group entered into a new financial assistance framework agreement (“New Financial Assistance FA”) on 30 November 2016. Details of the above were set out in the Company’s announcement dated 30 November 2016.

#### **New Financial Assistance FA**

Period: commencing from 1 January 2017 and ending on 31 December 2019

Maximum	<i>for year ended 31/12/2017</i>	<i>for year ending 31/12/2018</i>	<i>for year ending 31/12/2019</i>
Daily Balance:	RMB9,500,000,000	RMB10,200,000,000	RMB11,000,000,000

The maximum daily balance of the financial assistance under the New Financial Assistance FA for the year ended 31 December 2017 was approximately RMB3,477,500,000.

- 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 “Original 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 which constitute continuing connected transactions of the Company. Details of the above are set out in the Company’s announcement dated 30 March 2015. The Original Asset Transfer FA dated 8 December 2014 ended on 31 December 2017.

#### **Original Asset Transfer FA**

Annual *for year ended 31/12/2017*  
Cap: RMB12,600,000,000

There were no transactions under the Original Asset Transfer FA for the year ended 31 December 2017.



Reference is also made to the announcement dated 24 August 2017 and the circular dated 1 November 2017 issued by CITIC Bank whereby, among other things, a new asset transfer framework agreement (the “New Asset Transfer FA”) was entered into on 24 August 2017 between CITIC Bank and CITIC Group for renewal of the Original Asset Transfer FA dated 8 December 2014. Details of the above are set out in the Company’s announcements dated 23 November 2017 and 6 December 2017.

#### **New Asset Transfer FA**

Annual	<i>for year ending 31/12/2018</i>	<i>for year ending 31/12/2019</i>	<i>for year ending 31/12/2020</i>
Caps:	RMB13,000,000,000	RMB13,000,000,000	RMB13,000,000,000

5. 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 were set out in the Company’s announcement dated 29 March 2016.

#### **Non-principal-guaranteed wealth management and agency services**

Annual	<i>for year ended 31/12/2017</i>
Cap: (Service Fees)	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 2017 was approximately RMB22,700.

#### **Principal-guaranteed wealth management and investment services**

Annual Cap: <i>(Proceeds &amp; Cost — Bank Investment)</i>	<i>for year ended 31/12/2017</i> RMB960,000,000
Maximum Daily Balance: <i>(Investment)</i>	<i>for year ended 31/12/2017</i> 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 2017.

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2017 (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 111 to 113 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 28 March 2018, 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 2017.

## 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 was 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.

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
24.03.2017	45,339,500	24.03.2018 – 23.03.2023	2.45
24.03.2017	45,339,500	24.03.2019 – 23.03.2024	2.45

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:

Date of grant	Before Adjustments		After Adjustments	
	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. In addition, the first 50% of the share options granted on 19 August 2011 have expired at the close of business on 18 August 2017. 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 2017, options for 140,533,659 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2017, options for 9,582,531 CITIC Telecom Shares were exercised, options for 5,086,319 CITIC Telecom Shares have lapsed and options for 1,513,000 CITIC Telecom Shares were cancelled. As at 31 December 2017, options for 128,174,809 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

The closing price of CITIC Telecom Shares immediately before the grant on 24 March 2017 was HK\$2.39.

A summary of the movements of the share options during the year ended 31 December 2017 is as follows:

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

Date of grant	Exercise period	Number of share options					Balance as at 31.12.2017
		Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Exercised during the year ended 31.12.2017 (Note 1)	Cancelled during the year ended 31.12.2017 (Note 2)	Lapsed during the year ended 31.12.2017 (Note 3)	
19.08.2011	19.08.2012 – 18.08.2017	5,399,321	-	5,317,223	-	82,098	-
19.08.2011	19.08.2013 – 18.08.2018	10,100,704	-	3,775,308	-	3,221	6,322,175
26.06.2013	26.06.2013 – 25.06.2018	43,045,817	-	490,000	-	285,000	42,270,817
24.03.2015	24.03.2016 – 23.03.2021	39,887,567	-	-	-	1,276,750	38,610,817
24.03.2015	24.03.2017 – 23.03.2022	40,900,250	-	-	-	1,129,250	39,771,000
24.03.2017	24.03.2018 – 23.03.2023	-	44,739,500	-	756,500	1,155,000	42,828,000
24.03.2017	24.03.2019 – 23.03.2024	-	44,739,500	-	756,500	1,155,000	42,828,000

**B. Others (Note 4)**

Date of grant	Exercise period	Number of share options			
		Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Exercised during the year ended 31.12.2017	Balance as at 31.12.2017
26.06.2013	26.06.2013 – 25.06.2018	400,000	-	-	400,000
24.03.2015	24.03.2016 – 23.03.2021	200,000	-	-	200,000
24.03.2015	24.03.2017 – 23.03.2022	600,000	-	-	600,000
24.03.2017	24.03.2018 – 23.03.2023	-	600,000	-	600,000
24.03.2017	24.03.2019 – 23.03.2024	-	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\$2.35.
- (2) These are in respect of options granted to some employees under continuous contracts who had not accepted the options. These options had been cancelled during the year ended 31 December 2017.
- (3) 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.
- (4) These are in respect of options granted to independent non-executive directors (including a former independent non-executive director who retired on 1 June 2017) of CITIC Telecom who are not employees under continuous contracts. None of these options were cancelled or lapsed during the year ended 31 December 2017.

The average fair value of an option on one ordinary share of CITIC Telecom measured at the date of grant of 24 March 2017 was HK\$0.558 based on the following assumptions using the binomial option pricing model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.2 years respectively;
- Expected volatility of CITIC Telecom's share price at 38% per annum (based on historical movements of CITIC Telecom's share prices);
- Expected annual dividend yield of 4.2%;
- Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;
- Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and
- Risk-free interest rate of 1.47% and 1.53% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

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

The total expense recognised in CITIC Telecom Group's consolidated income statement for the year ended 31 December 2017 in respect of options granted by CITIC Telecom was HK\$31,980,000 (2016: HK\$20,220,000).

### Dah Chong Hong Holdings Limited ("Dah Chong Hong")

Dah Chong Hong adopted a share option scheme (the "DCHH Scheme") on 28 September 2007 which was valid and effective till 27 September 2017, after which no further share options will be granted. 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 Dah Chong Hong's businesses; to provide additional incentives to the employees of the Dah Chong Hong group and to promote the long term financial success of Dah Chong Hong by aligning the interests of grantees to Dah Chong Hong's shareholders.
- (b) The participants of the DCHH Scheme are any employee of the Dah Chong Hong group as the board of Dah Chong Hong 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 Dah Chong Hong shall not in aggregate exceed 10% of (i) the shares of Dah Chong Hong in issue immediately following the commencement of dealings in Dah Chong Hong's shares on the Hong Kong Stock Exchange or (ii) the shares of Dah Chong Hong in issue from time to time, whichever is the lower. As at 28 March 2018, the maximum number of shares available for issue under the DCHH Scheme is 139,550,000, representing approximately 7.56% of the issued shares of Dah Chong Hong. Share options lapsed in accordance with the terms of the DCHH Scheme or any other schemes of Dah Chong Hong 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 Dah Chong Hong 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 Dah Chong Hong will not be less than whichever is the higher of (i) the closing price of Dah Chong Hong's 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 Dah Chong Hong's 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 was valid and effective till 27 September 2017, after which no further share options will be granted.

DCHH Scheme has expired on 27 September 2017.

During the period between the adoption of the DCHH Scheme and its expiry, Dah Chong Hong has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK\$
7.7.2010	23,400,000	7.7.2010 – 6.7.2015	4.766
8.6.2012	24,450,000	8.6.2013 – 7.6.2017*	7.400
30.4.2014	28,200,000	30.4.2015 – 29.4.2019*	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 Dah Chong Hong immediately before the grant on 8 June 2012 was HK\$7.49 per share. The share options expired by the close of business on 7 June 2017.

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 Dah Chong Hong immediately before the grant on 30 April 2014 was HK\$4.91 per share. The remaining contractual life of the share options is 1.3 years.

The grantees were certain directors or employees of Dah Chong Hong 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 Dah Chong Hong group working under continuous contracts (as defined in the Employment Ordinance)

Date of Grant	Number of share options						Balance as at 31.12.2017
	Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Reclassification	Cancelled during the year ended 31.12.2017	Lapsed during the year ended 31.12.2017	Exercised during the year ended 31.12.2017	
08.06.2012	13,500,000 (Note 2)	-	(200,000) (Note 4)	-	(13,300,000)	-	- (Note 3)
30.04.2014	18,250,000 (Note 2)	-	(3,400,000) (Note 4)	-	(1,550,000)	-	13,300,000

(b) Others (Note 1)

Date of Grant	Number of share options						Balance as at 31.12.2017
	Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Reclassification	Cancelled during the year ended 31.12.2017	Lapsed during the year ended 31.12.2017	Exercised during the year ended 31.12.2017	
08.06.2012	7,600,000 (Note 2)	-	200,000 (Note 4)	-	(7,800,000)	-	- (Note 3)
30.04.2014	6,250,000 (Note 2)	-	3,400,000 (Note 4)	-	-	-	9,650,000

Notes:

- (1) These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.
- (2) 1,800,000 share options (granted on 8 June 2012) and 1,800,000 share options (granted on 30 April 2014) were added to the opening balance in "Others" subsequent to certain employees having retired on 1 January 2017.
- (3) Share options granted on 8 June 2012 had expired by the close of business on 7 June 2017.
- (4) 200,000 share options (granted on 8 June 2012) were added to the lapsed column in "Others" and 3,400,000 share options (granted on 30 April 2014) were added to the closing balance in "Others" subsequent to certain employees having retired during the year ended 31 December 2017.

As at 1 January 2017, options for 45,600,000 Dah Chong Hong's shares were outstanding under the DCHH Scheme. During the year ended 31 December 2017, options for 22,650,000 Dah Chong Hong's shares were lapsed and none of the options were exercised and cancelled. As at 31 December 2017, options for 22,950,000 Dah Chong Hong's 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 2017 is as follows:

Date of grant	Exercise price per share* HK\$	Exercise Period	Number of share options		
			Balance as at 01.01.2017	Exercised/ Lapsed/ Cancelled during the year ended 31.12.2017	Balance as at 31.12.2017
06.11.2013	1.77	06.11.2014 – 05.11.2018	200,000,000	–	200,000,000
06.11.2013	1.77	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 is a director of CITIC Resources.

As at 31 December 2017, 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 general meetings.

No share options were granted under the New Scheme during the year ended 31 December 2017.

### 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 the Company. As at 1 January 2017, 53,592,500 ordinary shares of CITIC Envirotech under option were outstanding.

On 1 February 2017, CITIC Envirotech split every one existing ordinary share in its share capital into two shares. During the year ended 31 December 2017, 33,175,800 (post-split) ordinary shares of CITIC Envirotech were exercised, and none of the (post-split) ordinary shares of CITIC Envirotech under option were lapsed or cancelled. As at 31 December 2017, 74,009,200 (post-split) 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 2017 is as follows:

(a) Directors of CITIC Envirotech

Date of grant	Number of share options					Balance as at 31.12.2017
	Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Cancelled during the year ended 31.12.2017	Lapsed during the year ended 31.12.2017	Exercised during the year ended 31.12.2017	
01.03.2010	1,500,000 (3,000,000) Post-split	-	-	-	-	1,500,000 (3,000,000) Post-split
01.03.2010	1,500,000 (3,000,000) Post-split	-	-	-	-	1,500,000 (3,000,000) Post-split
28.03.2013	12,000,000 (24,000,000) Post-split	-	-	-	-	12,000,000 (24,000,000) Post-split

(b) Employees of CITIC Envirotech

Date of grant	Number of share options						Weighted average closing price per share S\$
	Balance as at 01.01.2017	Granted during the year ended 31.12.2017	Cancelled during the year ended 31.12.2017	Lapsed during the year ended 31.12.2017	Exercised during the year ended 31.12.2017	Balance as at 31.12.2017	
15.02.2013	33,492,500 (66,985,000) Post-split	-	-	-	14,586,000 (29,172,000) Post-split	18,906,500 (37,813,000) Post-split	0.7508
25.07.2014	5,100,000 (10,200,000) Post-split	-	-	-	2,001,900 (4,003,800) Post-split	3,098,100 (6,196,200) Post-split	0.7508

No options were granted during the financial year.

## Directors' Interests in Securities

As at 31 December 2017, 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 2017, 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)

Notes:

- (1) CITIC Group is deemed to be interested in 26,055,943,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
- (2) CITIC Glory is beneficially interested in 7,446,906,755 shares of the Company.
- (3) CITIC Polaris is deemed to be interested in 18,609,037,000 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares Subscription Agreement, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
- (4) CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. CT Bright has a short position of 5,818,053,363 shares because it is under an obligation to deliver a maximum of 5,818,053,363 shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.
- (5) CT Brilliant is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.
- (6) CPG is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant, its wholly-owned subsidiary.
- (7) ITOCHU is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

## Shareholding Statistics

Based on the share register records of the Company, set out below is a shareholding statistics chart of the registered shareholders of the Company as at 31 December 2017:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,049	53.87
1,001 to 10,000	2,704	35.97
10,001 to 100,000	690	9.18
100,001 to 1,000,000	62	0.83
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
<b>Total:</b>	<b>7,517</b>	<b>100</b>

As at 31 December 2017, 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 9,753,200,310 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.53% of the total number of ordinary shares in issue of the Company.

## Purchase, Sale or Redemption of Listed Securities

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 2017.

## Disclosure of Information on Directors

The following disclosure is made pursuant to Rule 13.51B(1) of the Listing Rules.

### Change in directors' emoluments

The monthly basic and performance salary of each of Mr Chang Zhenming and Mr Wang Jiong is increased to HK\$56,500, and the monthly basic and performance salary of each of Ms Li Qingping and Mr Pu Jian is increased to HK\$50,000, all of which took effect from 1 January 2018.

## 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 2018 AGM.

By Order of the Board,  
**Chang Zhenming**  
*Chairman*  
Hong Kong, 28 March 2018