中信
CITIC

CITIC LIMITED

ANNUAL REPORT 2017

Stock code : 00267

OUR COMPANY

CITIC Limited (SEHK: 00267) is China's largest conglomerate and a constituent of the Hang Seng Index. Among our diverse global businesses, we focus primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. As China's economy matures and is increasingly weighted towards consumption and services, CITIC is building upon its existing consumer platform, expanding into complementary businesses that reflect these trends and opportunities.

Tracing our roots to the beginning of China's opening and reform, we are driven today by the same values on which we were founded: a pioneering spirit, a commitment to innovation and a focus on the long term. We embrace world-class technologies and aim for international best practice. We are guided by a strategy that is consumer-centric, commercially-driven, and far-sighted in the allocation of capital and resources.

Our platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world. Guiding us as we grow is our fundamental commitment to create long-term value for all of our shareholders.

OUR BUSINESSES

Financial Services

CITIC Bank (65.97%)
CITIC Trust (100%)
CITIC-Prudential (50%)
CITIC Securities (16.50%)

Resources & Energy

CITIC Resources (59.50%)
CITIC Mining International (100%)
CITIC Metal Group (100%)
Sunburst Energy (100%)

Manufacturing

CITIC Pacific Special Steel (100%)
CITIC Dicastal (100%)
CITIC Heavy Industries (67.27%)

Engineering Contracting

CITIC Construction (100%)
CITIC Engineering Design (100%)

Real Estate

CITIC Pacific Properties (100%)
CITIC Urban Development & Operation (100%)

Others

CITIC Telecom International (60.08%)
Dah Chong Hong (56.35%)
CITIC Industrial Investment (100%)
CITIC Environment (100%)

As at 28 February 2018

CONTENTS

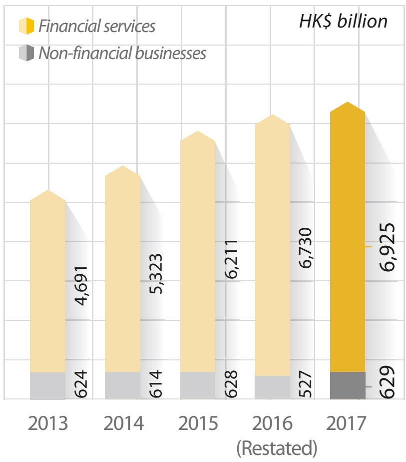
HIGHLIGHTS

HK$ million	2017	2016 (Restated)	Increase/ (Decrease)
	Year ended 31 December		
Continuing operations			
Revenue	450,536	381,662	68,874
Profit before taxation	82,783	70,791	11,992
Profit/(loss) attributable to ordinary shareholders	43,902	43,146	756
– Continuing operations	43,902	32,809	11,093
– Discontinued operations	–	10,337	(10,337)
Basic earnings per share from (HK$):	1.51	1.48	0.03
– Continuing operations	1.51	1.13	0.38
– Discontinued operations	–	0.35	(0.35)
Diluted earnings per share from (HK$):	1.51	1.48	0.03
– Continuing operations	1.51	1.13	0.38
– Discontinued operations	–	0.35	(0.35)
Dividend per share (HK$)	0.36	0.33	0.03
Net cash generated from operating activities	107,133	280,664	(173,531)
– Continuing operations	107,133	275,008	(167,875)
– Discontinued operations	–	5,656	(5,656)
Capital expenditure	45,323	48,264	(2,941)

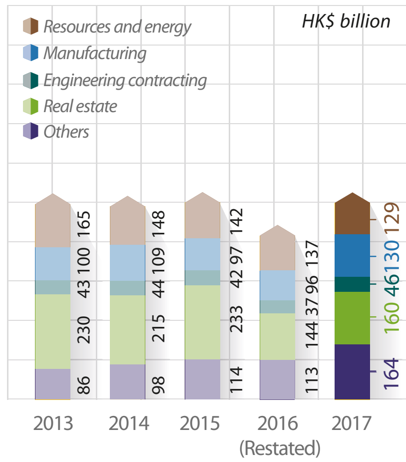
	As at 31 December 2017	As at 31 December 2016 (Restated)	Increase/ (Decrease)
Total assets	7,520,739	7,239,489	281,250
Total liabilities	6,727,098	6,542,816	184,282
Total ordinary shareholders' funds and perpetual capital securities	550,951	491,002	59,949
Return on total assets (%)	1%	1%	–
Return on net assets (%)	9%	9%	–
Staff employed	243,036	127,610	115,426

	Business assets		**Revenue from continuing operations**		**Profit attributable to ordinary shareholders from continuing operations**	
Businesses *HK$ million*	As at 31 December 2017	Increase/ (Decrease)	Year ended 31 December 2017	Increase/ (Decrease)	Year ended 31 December 2017	Increase/ (Decrease)
Financial services	6,925,076	195,174	190,028	2,494	39,506	1,100
Resources and energy	129,438	(7,899)	63,456	12,359	(9,900)	(3,028)
Manufacturing	130,381	34,269	97,432	35,082	3,318	1,578
Engineering contracting	46,127	9,331	14,653	3,630	1,731	56
Real Estate	159,664	16,068	3,227	(1,673)	7,660	5,886
Others	163,835	50,745	81,673	16,950	9,455	7,468

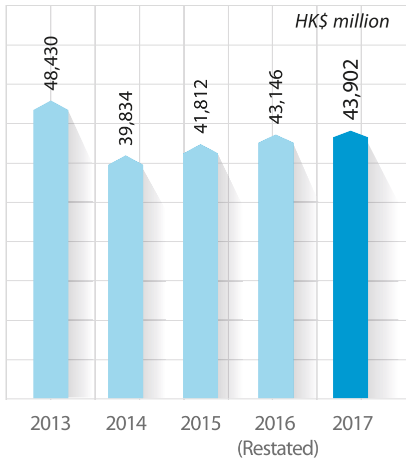
ASSETS BY BUSINESS



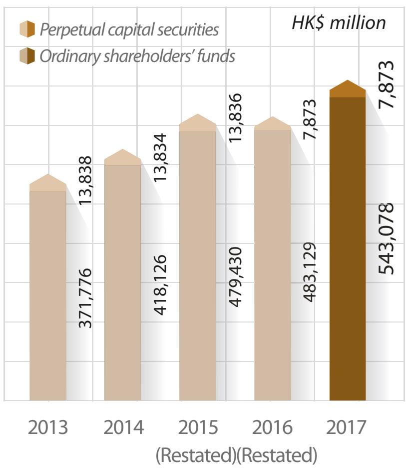
ASSETS OF NON-FINANCIAL BUSINESSES



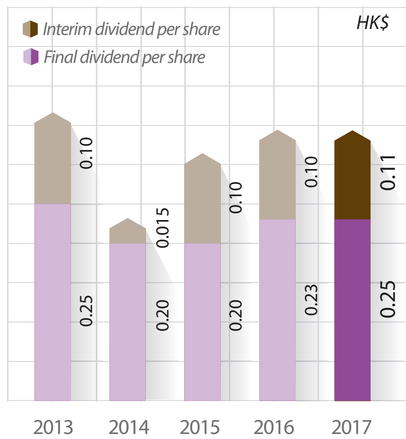
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



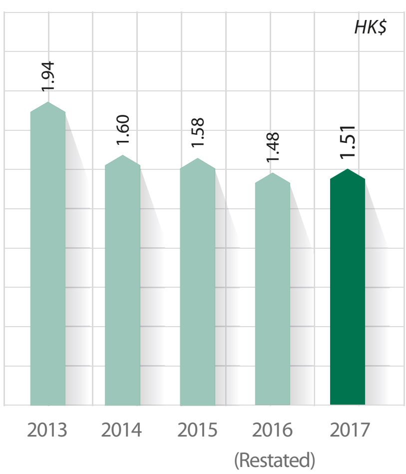
TOTAL ORDINARY SHAREHOLDERS' FUNDS AND PERPETUAL CAPITAL SECURITIES



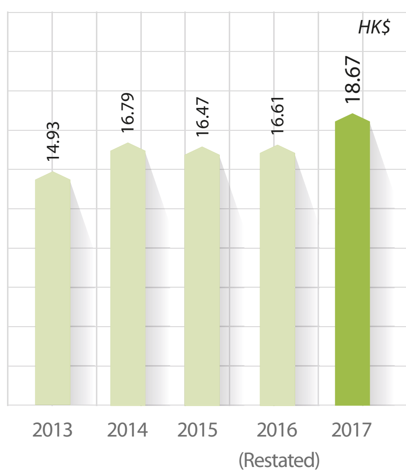
DIVIDEND PER SHARE



EARNINGS PER SHARE



ORDINARY SHAREHOLDERS' FUNDS PER SHARE



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

For the year 2017, CITIC Limited recorded a profit attributable to ordinary shareholders of HK$43.9 billion compared with HK$43.1 billion in 2016. A non-cash impairment charge of HK$7.2 billion on the Sino Iron project in Western Australia negatively impacted the company's profit.

The board recommends a final dividend payment of HK$0.25 per share, giving shareholders a total dividend of HK$0.36 per share for the year 2017, 9% more than last year.

Review of Business Results

Our financial services segment registered HK$39.5 billion in profit, 3% more than 2016. CITIC Bank's profit rose 2% compared with 2016. Over the last year, the bank focused on asset and liability management. The interbank business was reduced while more resources were allocated to the bank's traditional lending business. During the year, the bank further enhanced its fintech offerings with innovative products and services, such as its Eco-Financial Cloud platform and a blockchain-based letter of credit system. CITIC-Prudential's profit increased 50%, driven by growth in premium income. CITIC Trust and CITIC Securities also registered double digit profit growth in 2017.

In the non-financial sector, profit from our manufacturing business grew substantially as a result of continued strong performance at CITIC Pacific Special Steel and CITIC Dicastal. In 2017, our special steel business achieved a record profit of HK$2.1 billion, a 9% year-on-year increase. During the year, the quality of our special steel products continued to improve, with 47% of total production now being in the high-end category and increasingly chosen for import substitution. In October, we completed the acquisition of Qingdao Special Steel which took our total annual production capacity to 12 million tonnes. This also expanded our special steel manufacturing footprint in Northern China, enabling us to serve our customers there more efficiently.

CITIC Dicastal's profit grew 17% to RMB1.0 billion due to strong demand for both its aluminium wheels and casting products. Dicastal's success rests on its ability to continually improve its operating efficiency through technology innovation. Its smart production system significantly reduced manufacturing costs and improved productivity. CITIC Heavy Industries recorded a profit in 2017, driven by the strong performance of its specialty robotics business and improvement in its heavy machinery business.

Higher commodity prices benefited our energy and resources businesses. At CITIC Resources profit rose 43%, driven by rising oil prices and management's continued focus on cost control and productivity enhancement. CITIC Metal's earnings grew 70%, compared with 2016.

However, the whole energy and resources division recorded a loss, attributable to the Sino Iron magnetite project, which was subject to a non-cash impairment charge.

Operationally, we are making good progress at Sino Iron, lowering costs and improving project efficiencies. This is critical as Sino Iron is an inherently higher-cost producer, compared to traditional "dig-it-up and ship-it-out" hematite mines. In 2017, Sino Iron shipped just under 17 million wet metric tonnes of magnetite concentrate to steel mills in China — a significant increase over the previous 12 months.

Our high-grade product continues to gain favour due to its low-impurity, exothermic characteristics. This is evident in the higher premium our product commands in the market. Sino Iron is now the largest seaborne supplier of magnetite concentrate into China. We expect demand to grow as national efforts to curb carbon emissions and reduce pollution take hold.

However, as I wrote in my mid-2017 letter to you, we face other issues that are threatening Sino Iron's future viability. In late January, we commenced an appeal against the Supreme Court of Western Australia's judgment concerning Royalty Component B. The financial implications of the judgment as it currently stands, along with the need for cooperation to secure vital life-of-mine approvals and land access, are serious. The risks to the long-term future of the project remain real.

The performance of our engineering and contracting business division remained stable. CITIC Construction continued to make inroads securing projects, both domestically and internationally, particularly along the Belt and Road corridor.

Our property business recorded a substantial increase in profit as we delivered two office buildings at our Shanghai Lujiazui project. The full year contribution from our 10% interest in China Overseas Land and Investment was another contributing factor to the profit increase.

On the consumer side, our team has been working closely with McDonald's and our partners to drive growth and innovation throughout the mainland China and Hong Kong business. Digital and personalised dining experiences have been rolled out to 70% of the restaurants in mainland China, and McDonald's delivery service continued to grow, setting new records.

In December 2017, the CITIC Agriculture Fund completed its acquisition of Dow AgroSciences' corn seed business in Brazil. Also through this fund, together with Beijing Capital Agribusiness Group we invested in the world's leading duck breeder — Cherry Valley Farms in the UK. These investments are small today but we see significant growth opportunities for them in coming years.

Road to Transformation

At our annual management off-site strategy meeting early this year, the focus was on re-energising the company to make it ever more relevant in today's fast-changing world. Our businesses are highly aligned with China's development, and our conglomerate model has been successful in enabling growth over the decades. It continues to serve us well. However, I know that the conglomerate model is not necessarily championed by investors, and it is true that our share price has been underperforming the market. One criticism is that conglomerates have been slow to embrace new economy businesses and technological change, and another challenge can be institutionalising synergies among businesses. I believe that technology is the key to address these issues and to take us into a new era of growth.

A major advantage of our diversified business model is that we have an impressive data bank with a huge amount of information on customer and economic trends. In August 2016, I told you that we had formed a task force to find ways to better connect our data points in order to unleash the potential of the CITIC ecosystem. I am glad to report that we have made material progress towards connecting and digitising our company. Our blueprint calls for achieving synergies within the CITIC family first, then inviting business partners for deeper collaboration and, ultimately, driving cost efficiencies, profitability, new projects and business growth.

Let me tell you what we have done and where we are heading.

We have launched an extensive cloud network for our 120,000+ employees, our businesses and our partners. At the grass roots level, by connecting all our staff we are encouraging an open and collaborative culture. More importantly, we are pooling resources and sharing intelligence, which will enable us to mine our data to identify new growth opportunities, while reducing costs and inefficiency. This is about more than a channel for knowledge-sharing; we are building our own open platform within CITIC to cultivate creativity and innovations from the ground up that will take our business to the next level. In the future, we will expand the user base to include our partners, further advancing this platform's applications and expanding its scale.

We have set up an online community to enable hundreds of millions of our customers to interact directly with the range of our businesses, initially including banking, brokerage, wealth management, insurance, publishing, retail, and fast-food. The appeal of this community is to have one unified account and login, therefore, offering a one-stop shopping experience for customers. Users can each indicate their personal interests, and the alliance can then offer them tailored services. This is an open platform that welcomes outside partners.

We have also built an ecosystem around warehousing, financing, and commodities trading. Traditionally, it was difficult for bulk commodity dealers to pledge their inventory to get working capital, because verifying collateral was onerous and expensive. This occasionally led to the insolvency of commodity dealers and even carried a certain amount of systemic risk. As such, the volume of warehouse financing in China has remained low, while the demand is huge.

Having identified this barrier to large scale warehouse financing, we brought our metal and financial teams together, including CITIC Bank, CITIC Securities, and Tianjin Precious Metal Exchange, to establish a new credit system. We now offer intelligent warehousing for dealers and risk managers to easily trace the stock in real time. Each and every transaction is stored on distributed ledger, in which the crypto-receipt cannot be altered or duplicated. Blockchain enables transparency and trust between commodity dealers and lenders.

These are just examples of the many projects we're working on. Our ultimate goal is to achieve digital transformation. This will take time. It is no easy task, especially for a company as large and broad as CITIC. We need to move beyond our customary way of thinking and ensure we are at the forefront of this new era. I am confident that as long as we remain focused, stay disciplined and maintain an inquisitive mind, success is well within reach.

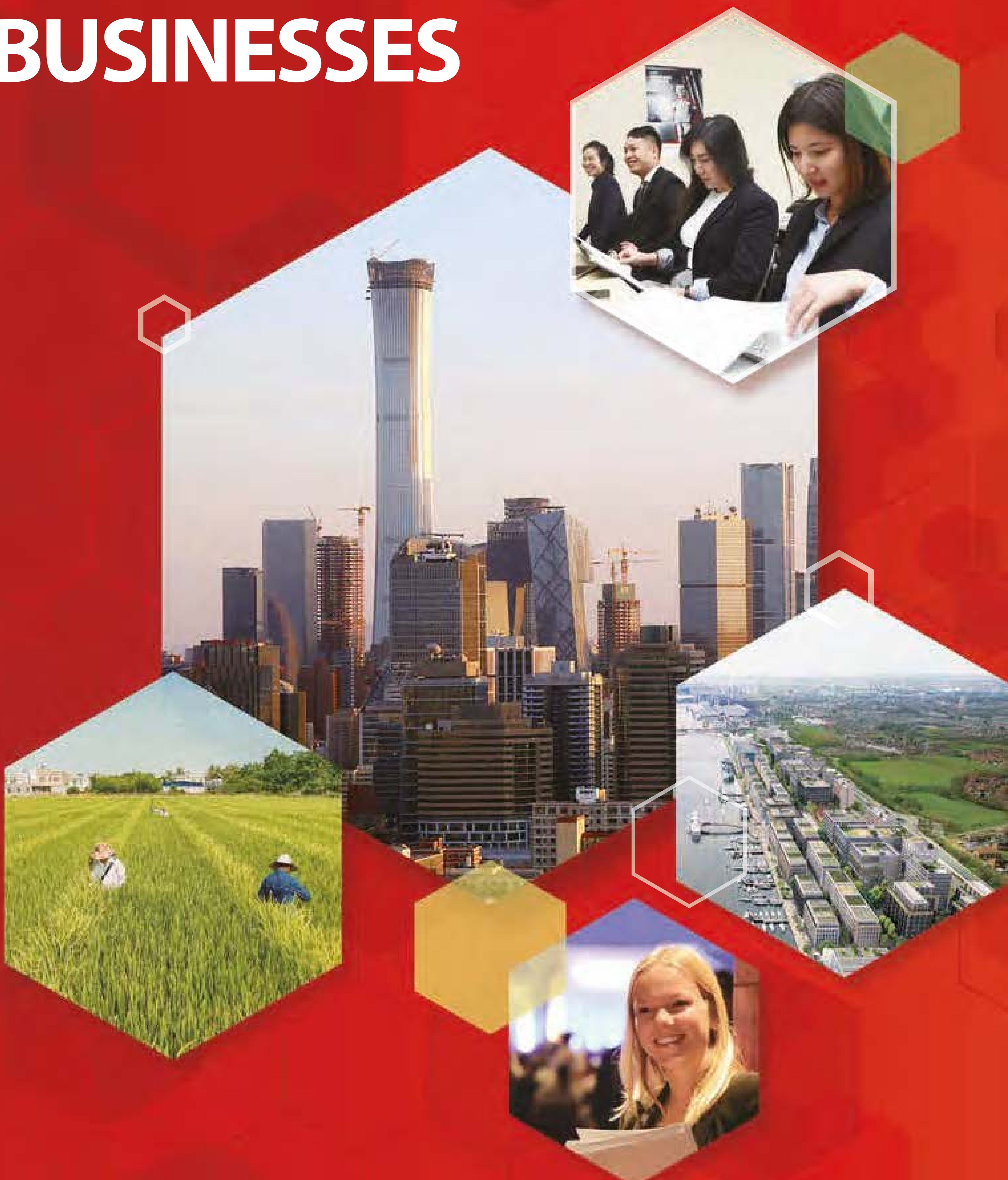
In Closing

China is transitioning into a modern technology-enabled society, and so is CITIC. We have evolved and developed "CITIC characteristics" and ways that shape the actions, behaviours and ideas among our employees. One key characteristic is our innovative spirit. This spirit will be critical to our continued survival and success.

CITIC Limited is committed to good governance and to considering and serving the interests of all shareholders, employees, customers, suppliers and society at large. Thank you again for your faith, support, and attention throughout the year.

Chang Zhenming
Chairman
Hong Kong, 28 March 2018

OUR BUSINESSES




中信
CITIC

FINANCIAL SERVICES

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

Major subsidiaries:

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

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

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

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

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

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

CITIC Bank

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

Year in review

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

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

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

Asset and liability management

CITIC Bank maintained its strategy of light transformation while continuing to reduce its balance sheet and optimise its structure over the year. Total assets and total liabilities decreased, respectively, by 4% and 5%. On the asset side, the bank proactively reduced the scale of its interbank business and allocated more resources to its traditional credit business to better support the real economy. The bank also accelerated the pace of asset transfers in order to release liquidity and better balance risk with return, as well as growing its light-capital and high-return product lines such as credit cards and personal loans. Over the year, total loans increased by 11%, including a 29% expansion in personal loans. Total deposits, meanwhile, fell by 6% owing to the higher funding costs that resulted from increased competition.

Risk management

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

Business highlights

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

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

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

Note:

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

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

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

Fintech

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

CITIC Trust

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

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

Year in review

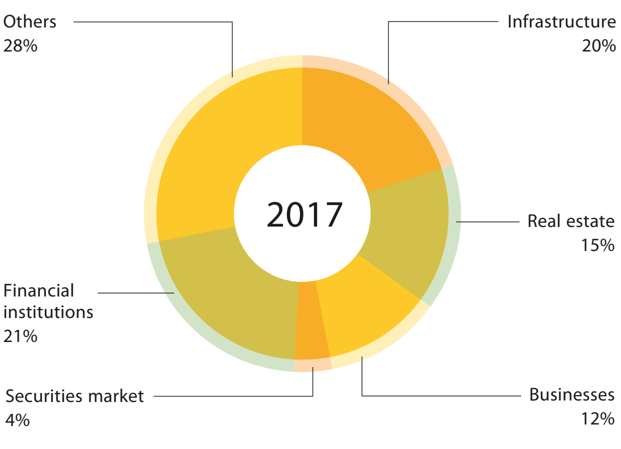
RMB million	2017	2016 (restated)	Change
Revenue	**7,399**	5,918	25%
Profit attributable to shareholders	**3,586**	3,039	18%
Total assets	**36,235**	28,408	28%

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

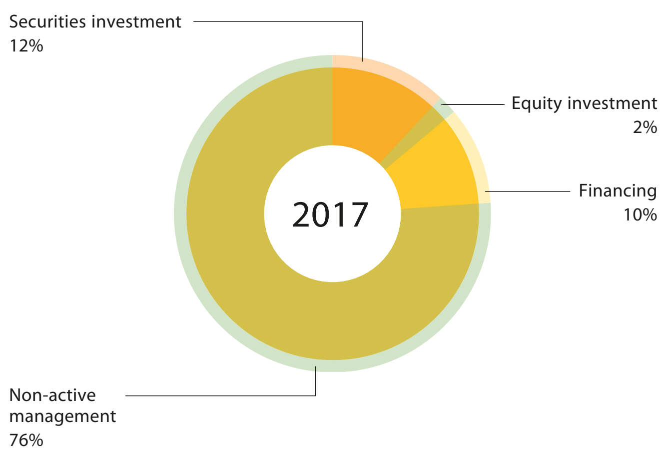
Over the year, 1,552 new trust projects began, representing RMB1,075.2 billion of AUM. During this period, the trust business remained stable and yielded RMB4.4 billion in revenue while distributing RMB73.2 billion in trust profit attributable to beneficiaries. The trust assets were allocated to infrastructure,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

Allocation of trust assets

By industry



By type



Note:

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

Trust products and services

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

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

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

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

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

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

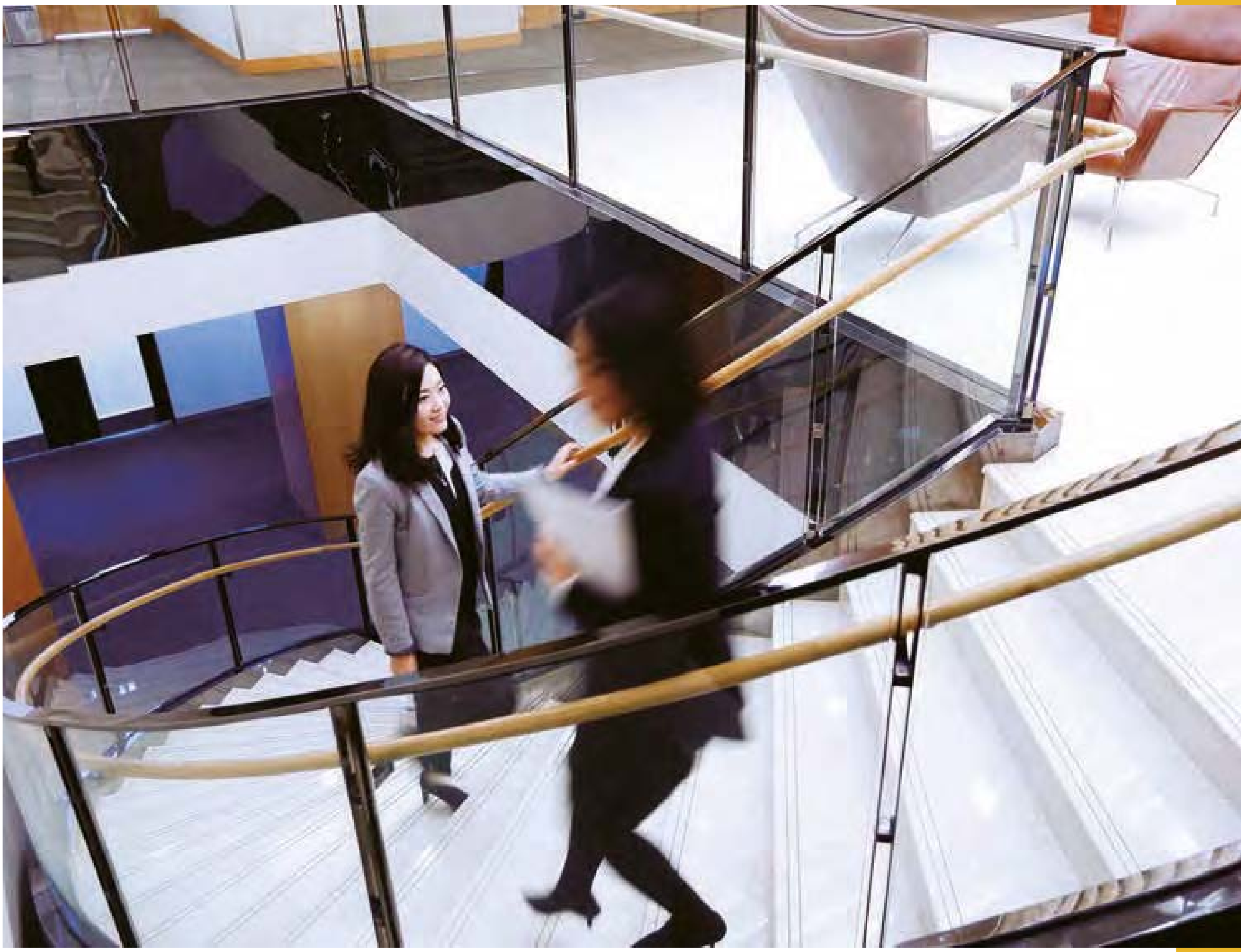
Trust service: Clients' assets are typically held in trust structures, with CITIC Trust providing consulting and management services to resolve issues such as asset isolation and liquidity. Specific services include equity trust, consumer trust, asset securitisation, corporate annuity trust, custodial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

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

Risk and capital

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

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



CITIC-Prudential

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

Year in review

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

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

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

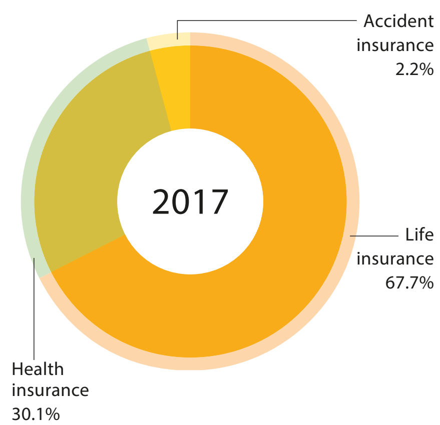
Risk management

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

Products

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

Premium income by insurance type



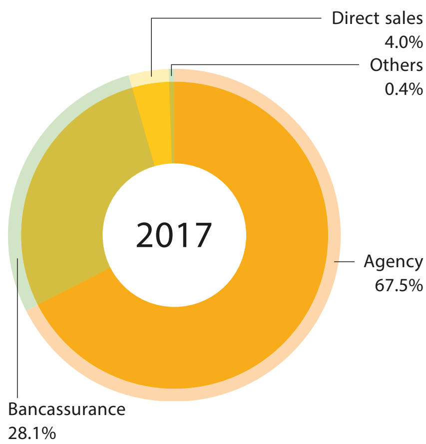
education insurance products, further enriching the balance of its protection product portfolio. In bancassurance, the business in short and medium duration products was scaled down while the contribution from the regular-pay business increased substantially by upgrading main regular-pay product and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

Distribution

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

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

Breakdown of insurance premium income by channel[(1)]



Investment of insurance funds

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

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

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

CITIC Securities

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

Year in review

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

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

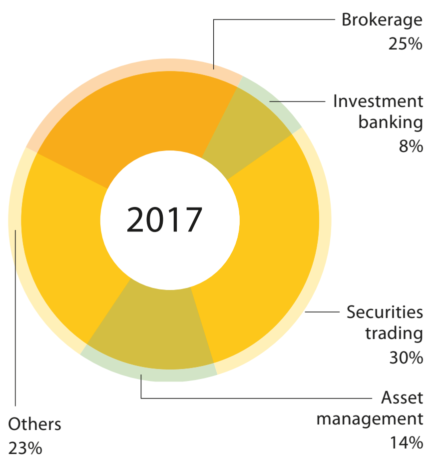
Investment banking

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

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

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

Revenue distribution



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

Brokerage services

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

Asset management

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

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

Trading

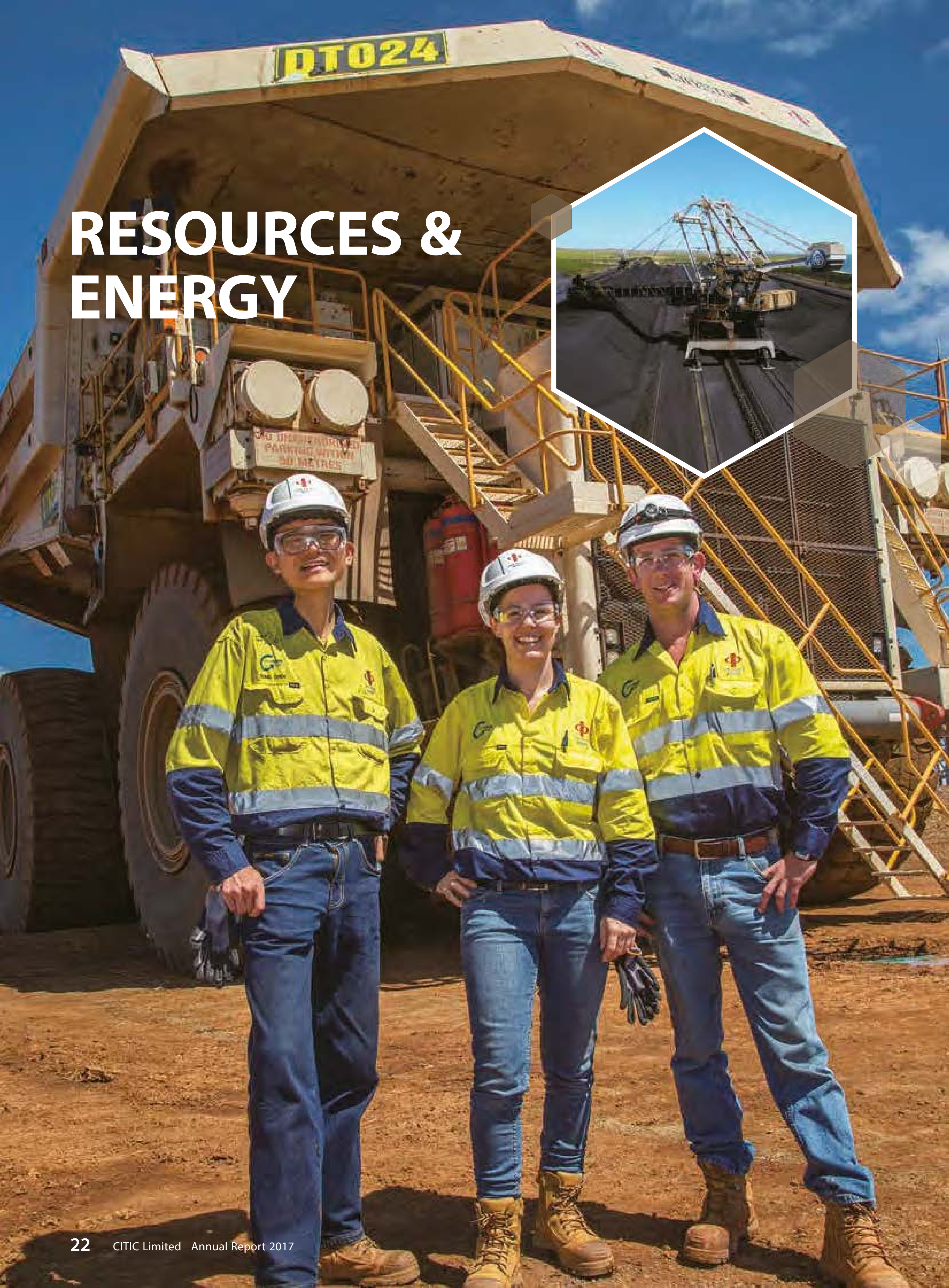
CITIC Securities' trading business comprises both flow-based business and proprietary trading.

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

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

International business

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



RESOURCES & ENERGY

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

Major subsidiaries:

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

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

CITIC Metal Group invests in minerals projects and trades commodities.

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

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

Year in review

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

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

Energy products

Crude oil

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

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

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

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

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

Note:

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

Coal

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

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

Power generation

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

In 2017, new investments in the power generation business progressed well. Construction of the 2×1,000MW thermal power generators at Shenglu Power Plant was completed on schedule. Overseas, the Company formed a 50:50 joint-venture with its strategic partner ITOCHU and through this vehicle acquired a 22.5% interest in a wind farm in Germany, of which CITIC holds an 11.25% interest. This project represents the resource and energy unit's first new energy project outside China.

Metals and minerals

Magnetite iron ore

CITIC Limited, through CITIC Mining International, has the right to mine 2 billion tonnes of magnetite iron ore at Cape Preston, in Western Australia's Pilbara region, and has exercised the option to acquire an additional one billion tonnes. Sino Iron is the largest magnetite mining and processing operation in Australia, accounting for more than 60% of exports of magnetite product. It has a mine life of more than 25 years.

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

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

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

Copper

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

Through this partnership, CITIC Metal Group has also secured distribution rights on 26.25% of the copper concentrates extracted from the site. In 2017, a total of 350,000 metric tonnes of copper concentrates were distributed through CITIC Metal Group.

Ferroniobium

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

Ferroniobium is used in the production of high strength low alloy steel. CITIC Metal Group primarily serves the medium to large market for this alloying agent.

Manganese

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

Trading

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

MANUFACTURING

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

Major subsidiaries:

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

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

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

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

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

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

CITIC Pacific Special Steel

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

Year in review

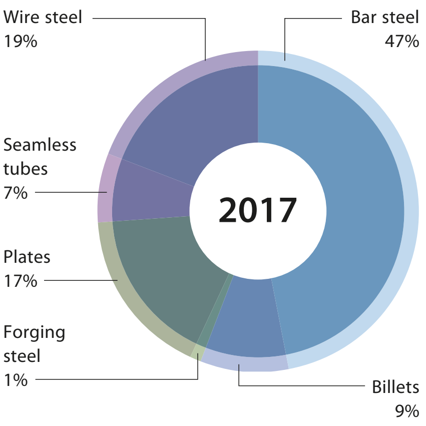
HK$ million	**2017**	2016	Change
Revenue	**62,384**	35,166	77%
Profit attributable to shareholders	**2,126**	1,942	9%
Total assets	**80,563**	53,051	52%

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

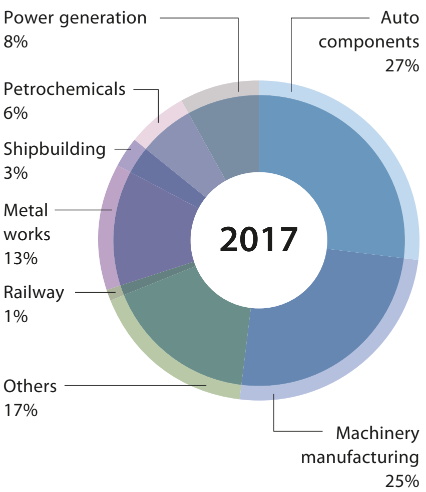
Over the year, CITIC Pacific Special Steel continued to optimise its product mix with increased focus on higher-margin product sales. At the same time, to manage against fluctuating raw material prices, the company maintained disciplined procurement controls and kept its overall raw material costs below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

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

Sales by product



Sales by industry



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

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

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

Key customers

Customer	Profile	Sales volume
Anyo Automotive Material Co., Ltd	The “one-stop” procurement platform of SAIC Motor, the largest passenger car maker in China	180,000 tonnes
Shaeffler Group	One of the world’s most renowned bearings manufacturers	160,000 tonnes
Bekaert Group	One of the largest steel cord manufacturers in the world	110,000 tonnes
Wanxiang Group	The largest auto component manufacturer in China	90,000 tonnes
Xuzhou Rothe Erde Ring Mill Co., Ltd	A leading global manufacturer of seamless rolled rings and a wholly-owned subsidiary of thyssenkrupp AG	80,000 tonnes

CITIC Dicastal

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

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

Year in review

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

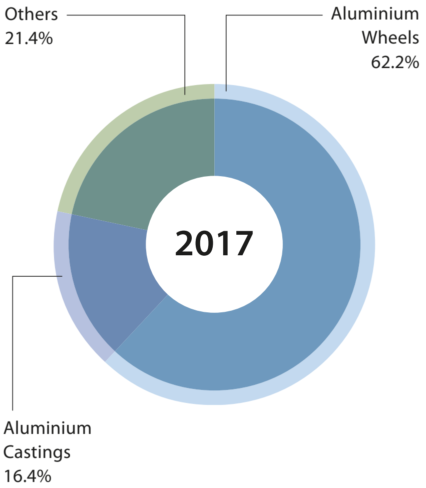
In 2017, the Chinese automotive sector experienced moderate growth. Total automobile production volume reached 29.02 million automobiles, representing an increase of 3% over 2016. As the industry worldwide continue to recover, demand from the US and European markets also registered stable development.

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

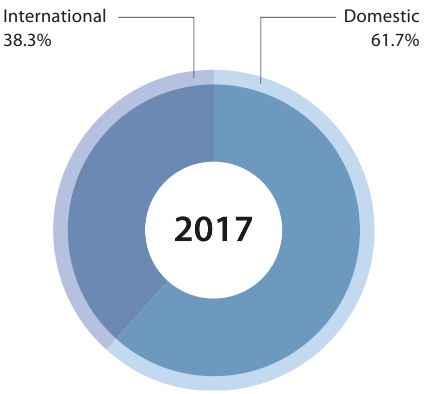
Catering to rising domestic and overseas demand, CITIC Dicastal continued to invest in capacity expansion in 2017.

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

Sales by product



Sales by area



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

Customers

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

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

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

Research and development

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

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

CITIC Heavy Industries

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

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

Year in review

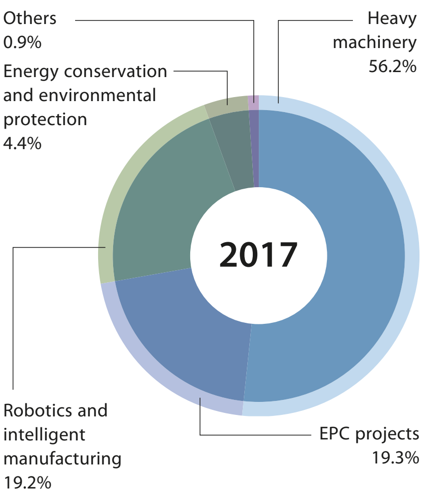
RMB million	**2017**	2016	Change
Revenue	**4,621**	3,771	23%
Profit attributable to shareholders	**31.32**	(1,584)	N/A
Total assets	**19,738**	19,774	(0.2%)

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

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

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

Source of revenue



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

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

Research and development

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

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

ENGINEERING CONTRACTING

Our engineering contracting business provides services for infrastructure, housing, industrial construction, and municipal engineering projects.

Major subsidiaries:

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

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

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

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

CITIC Construction

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

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

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

Year in review

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

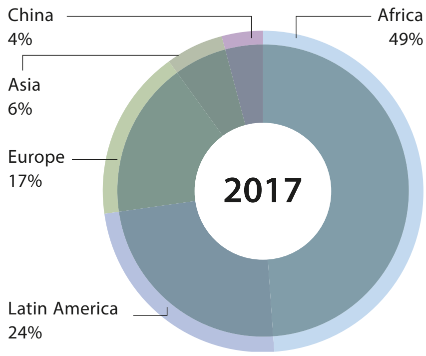
In 2017, CITIC Construction recorded revenue of RMB9,572 million and a net profit attributable to shareholders of RMB1,208 million. The commencement of major new projects in Kazakhstan, Angola and the United Kingdom contributed to the increase of revenue.

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

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

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

Contract value breakdown



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

Major projects

TKU Expressway Upgrade, Kazakhstan

General information:	TKU Expressway is part of Kazakhstan's national highway network, stretching from Taldykorgan, capital of Almaty Region, to Ust-Kamenogorsk/Oskemen, administrative centre of East Kazakhstan Region. After the upgrade, the expressway will be 763km in length.
Contract signing date:	May 2016
Contract value:	US$936 million
Contract period:	54 months
Commencement of construction:	November 2017
Progress as of the end of 2017:	Commencement of design, procurement and construction

Phase I, Royal Albert Dock Project, UK

General information:	The Royal Albert Dock project is a signature real estate development to be delivered in the UK by a Chinese construction company. It is an integrated office, retail, and apartment development in the London Borough of Newham in East London, envisaged as a bridge for Asian and European economic collaboration. It covers an area of fourteen hectares with a GFA of 420,000m^2, including the biggest landscaped area of any project in London. The first phase, with a GFA of 638,900ft^2, consists of twenty type A buildings and one type B office building, an energy centre, restoration of two historic buildings, and supporting infrastructure.
Contract signing date:	November 2016
Contract value:	£222 million
Contract period:	Approximately 23 months
Commencement of construction:	April 2017
Progress as of the end of 2017:	40.4% complete

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

General information:	This project is located to the south and north of the Phase I K.K. new town social housing project in the southern suburbs of Luanda, capital of the Republic of Angola. The project involves the development of municipal infrastructure surrounding the housing complex.
Contract signing date:	December 2015
Contract value:	US$607 million
Contract period:	28 months
Commencement of construction:	April 2017
Progress as of the end of 2017:	8% complete

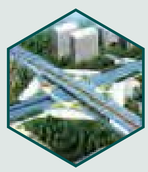
Phuket Apartment, Thailand

General information:	Located in the major Thai tourist destination of Phuket, this project involves the construction of a serviced apartment with a total GFA of approximately 23,000m^2, including 376 rooms, a hotel lobby, courtyard and assorted facilities.
Contract signing date:	May 2017
Contract value:	THB1,470 million
Contract period:	18 months
Commencement of construction:	August 2017
Progress as of the end of 2017:	29% complete

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

General information:	This project comprises an R&D and manufacturing operation centre invested in and constructed by CITIC Bank in Shunyi New Town of Beijing. The site contains two R&D buildings, an operation maintenance building, underground parking and other public buildings. The total land area of the project is 57,000m^2 and a total GFA of 179,000m^2.
Contract signing date:	December 2015
Contract value:	RMB1,671 million
Contract period:	Approximately 33 months
Commencement of construction:	January 2016
Progress as of the end of 2017:	28% complete

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



General information:	The scope of this PPP project is based on the planning outline for the Tianfu International Airport Linkong Economic Zone in Chengdu. It includes construction of a 35km^2 urban area in Linkong Economic Zone, as well as an adjoining area. The project comprises the construction of infrastructure and public service facilities in addition to planning, design, operation and maintenance of project facilities.
Contract signing date:	December 2017
Contract value:	Around RMB49 billion
Contract period:	20 years
Commencement of construction:	The second quarter of 2018
Progress as of the end of 2017:	CITIC Construction won the bid for this PPP project and expects to complete negotiations and contract signing within the second quarter of 2018. The urban planning for the project has been completed, and preparatory work has begun.

CITIC Engineering Design

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

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

Year in review

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

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

Major projects

The Clean Water Project in Jiangxia District, Wuhan City

General information:	This project will provide a comprehensive solution, comprising sewage collection and treatment, flood control and drainage, water supply, and the treatment of water from the lake and river, environmental water management and water information management. CITIC Engineering Design's involvement in this PPP project includes investment and financing, planning, design, construction and operation. The entire project will be completed in five phases.
Contract signing date:	October 2016
Contract value:	RMB5.11 billion, including RMB1.05 billion for Phase I, and RMB0.65 billion for Phase II.
Contract period:	Phase I: 45 months Phase II: 22 months
Commencement of construction:	Phase I: September 2015 Phase II: December 2016
Progress as of the end of 2017:	58% completed for Phase I and 93% completed for Phase II

REAL ESTATE

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

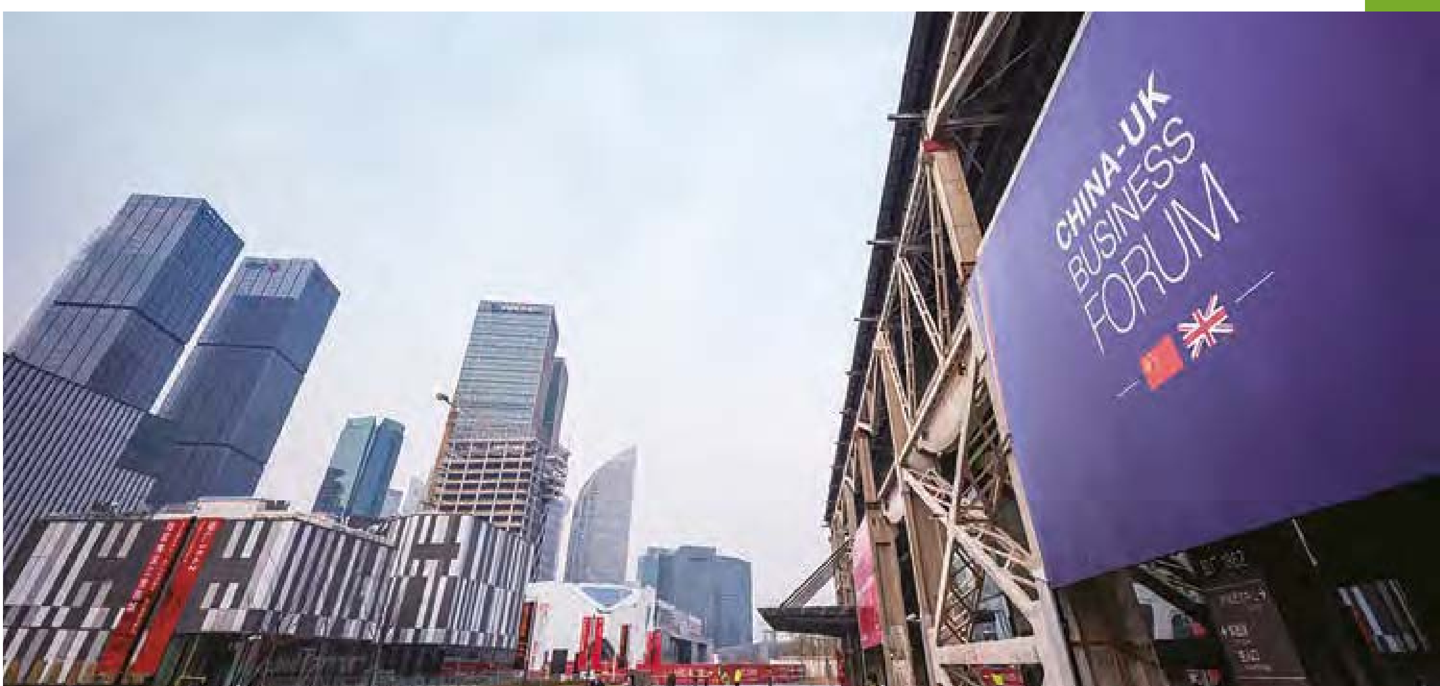
Major subsidiaries:

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

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

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

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



Year in review

In 2017, CITIC completed several ongoing projects, including the delivery of two office buildings to ICBC and China Life, respectively, as part of the Lujiazui Harbour City project in Shanghai. Within the same development, the company also completed construction and began operations on its GFA 66,700m^2 Gala Bay retail zone.

In addition to implementing existing projects, CITIC aggressively pursued new commercial opportunities in first-tier cities, key second-tier cities such as Wuhan and Nanjing, and high-potential mainland Chinese urban agglomerations. Together with Shui On Land, the company won the bid for a site with a total GFA of around 1,200,000m^2 in the commercial area of Wuhan Optics Valley and another bid for a site in the Wuhan Hankou Riverside International Commercial Zone with a GFA of 1,173,000m^2. Both sites will be used to develop mixed-use commercial projects. CITIC further acquired a residential-retail development in Yangzhou with a GFA of 338,000m^2.

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

In Hong Kong, the 77 upscale apartments of the luxury residential project KADOORIA were launched for sale by tender at the end of 2017 with strong market reception. Foundation work of the residential project in Lok Wo Sha, Ma On Shan, with a gross floor area of approximately 21,000m^2, was completed with full project completion scheduled for the end of 2019. Construction of the 50% CITIC-owned Discovery Bay development project for Phase 16 (a high-rise development of 17,000m^2), Phase 17 (a detached villas development of 4,000m^2) and Phase 18 (a low-rise development of 4,000m^2) is in progress with scheduled completion between 2018 and 2019.

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

Major investment properties

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

Key development projects

CITIC Tower, Beijing (100% owned)

Site area:	11,478m²
Gross floor area:	437,000m²
Purpose:	Office

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

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

Lujiazui Harbour City, Shanghai (50% owned)

Site area:	249,400m²
Gross floor area:	872,800m²
Purpose:	Office, retail, hotel and residential

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

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

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

Site area:	60,335m²
Gross floor area:	229,372m²
Purpose:	Office and retail

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

Harbour City, Wuhan (65% owned)

Site area:	229,040m²
Gross floor area:	1,173,000m²
Purpose:	Office, apartment, retail, residential

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

Optics Valley Xintiandi, Wuhan (50% owned)

Site area:	353,760m^2
Gross floor area:	1,197,400m^2
Purpose:	Office, residential, apartment, retail

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

CITIC Coast New Town, Shantou (51% owned)

Site area:	168km^2
Purpose:	New town

Located in Haojiang District of Shantou in Guangdong Province, this project is a mega urban development in Guangdong Province undertaken by CITIC and the Shantou Municipal Government. The scope of the project comprises the overall planning and operation of an urban area spanning 168km^2 in Haojiang District, for a total estimated investment of RMB50 billion. A key project element that is expected to increase the development potential of the area will be its 6.68km cross-harbour tunnel with branch connections that link up Shantou administrative districts on both sides of the river. Future developments also include the CITIC Haojiang Health Town, educational institutions, office buildings, a retail complex, and hotels.

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

OTHERS

Information Services

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

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

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

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

CITIC Telecom International holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM). CTM is one of the leading integrated telecommunications services providers in Macau, and is the only full telecommunications services provider in Macau (including mobile, Internet, fixed line, data centre, enterprise ICT and international telecommunications). As a market leader, it has long provided quality telecommunications and ICT services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

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

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

Infrastructure

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

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

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

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

General Trading

Dah Chong Hong (DCH) is engaged in the distribution and sale of motor vehicles and associated services, food and FMCG, healthcare and electronics products, as well as the provision of logistics services. The preferred partner of over 1,000 brands in more than 30 countries and regions, DCH has well-established networks in Asia Pacific offering a wide range of supply chain solutions.

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

Environmental Services

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

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

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

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

Modern Agriculture

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

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

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

Publishing

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

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

General Aviation

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

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

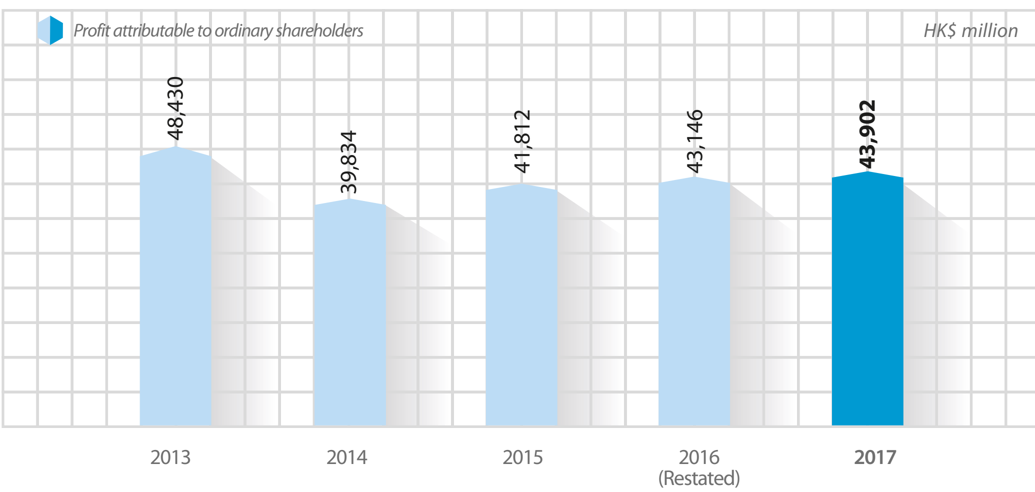
Overview

Profit attributable to ordinary shareholders

During 2017, the Group achieved net profit attributable to ordinary shareholders of HK$43,902 million, representing a corresponding increase of HK$756 million or 2% from 2016. It included gain from Guoan Football Club bringing new strategic investor, SINOPEC SSC and Digital Domain revaluation of approximate total HK$5,900 million, as well as impairment losses after tax of HK$7,184 million related to the Sino Iron Project.

The financial services segment recorded net profit attributable to ordinary shareholders of HK$39,506 million, representing a corresponding increase of HK$1,100 million or 3% from 2016. Excluding the impact of translation due to depreciation of average exchange rate of RMB for the current period, the corresponding increase of net profit would have been 4%. Our banking business showed steady improvement in operating efficiency, with net profit attributable to the bank's shareholders recording a year-on-year increase of 2%. However, being affected by the preferred share issuance of CITIC Bank and the above-mentioned exchange rate translation, net profit of CITIC Bank attributable to the Group decreased by 1% as compared to the previous year. Our trust business further optimized its business structure and recorded a steady growth in net profit, maintaining its leading position in the industry. Healthy and sustainable growth of Insurance business along with continuous optimization of business structure is the main contribution to the 50% increase of its net profit. The businesses under CITIC Securities continued to maintain leading position in its market, with net profit increasing by 10% over the previous year.

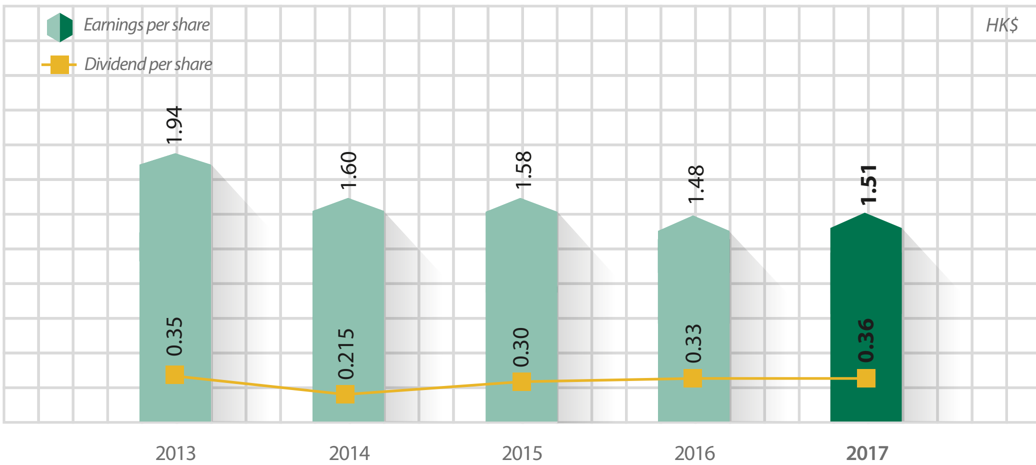
For the non-financial segments, as the real estate business has achieved significant results in structure adjustment and optimization, its continued operations reported net profit attributable to ordinary shareholders of HK$7,660 million in 2017, increasing substantially by 332% as compared with the previous year. Such increase was mainly due to the share of net equity profit from China Overseas Land & Investment Ltd. (hereafter referred to "China Overseas") and the Lujiazui Project of Shanghai Ruibo Real Property Co., Ltd of approximately HK$6,676 million in aggregate for the current period. For manufacturing business, it has benefited from the increases of gross profit per tonne of steel and sales volume of steel in special steel business, the steady sale growth of aluminium wheels, the performance upturn of heavy equipment business and the rapid growth of robots and intelligent equipment business and reported net profit attributable to ordinary shareholders of HK$3,318 million, representing a corresponding increase of 91%. Our engineering contracting business remain steady, with net profit attributable to ordinary shareholders recording a corresponding increase of 3% to HK$1,731 million. Our resources and energy business recorded net loss attributable to ordinary shareholders of HK$9,900 million. In particular, Sino Iron Project has achieved a continuous decrease in the unit operating cost per ton in 2017, which was due to the increase in the production volume of iron ore. However, following the commencement of commercial production in July 2016, the related costs were charged to profit or loss and this resulted in an increase in the operating loss as compared to 2016. There was also an impairment of approximately HK$7,184 million recorded this year.



Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.51 in 2017, an increase of 2% from HK$1.48 in 2016. As at 31 December 2017, the number of ordinary shares outstanding was 29,090,262,630.

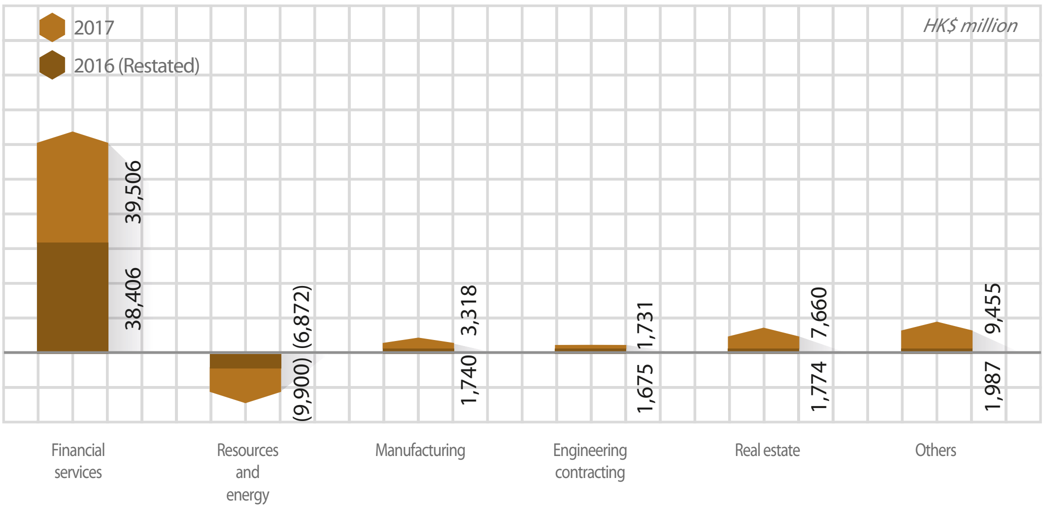
At the forthcoming annual general meeting, the Board will recommend a final dividend of HK$0.25 per share to ordinary shareholders. Together with the interim dividend of HK$0.11 per share paid in September 2017, the total ordinary dividend will be HK$0.36 (2016: HK$0.33 per share). This equates to an aggregate cash distribution of HK$10,473 million.



Profit/(loss) and assets by business

	Profit/(loss) For the year ended 31 December		Assets as at 31 December	
HK$ million	**2017**	2016 (Restated)	**2017**	2016 (Restated)
Financial services	**57,579**	55,498	**6,925,076**	6,729,902
Resources and energy	**(9,484)**	(6,465)	**129,438**	137,337
Manufacturing	**3,524**	1,310	**130,381**	96,112
Engineering contracting	**1,729**	1,673	**46,127**	36,796
Real estate	**7,941**	2,264	**159,664**	143,596
Others	**11,045**	3,218	**163,835**	113,090
Total	**72,334**	57,498	**7,554,521**	7,256,833
Operation management	**(7,286)**	(4,698)		
Discontinued operations	**–**	10,309		
Elimination	**48**	(413)		
Profit attributable to non-controlling interests and holders of perpetual capital securities	**21,194**	19,550		
Profit attributable to ordinary shareholders	**43,902**	43,146		

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



Financial services:

In 2017, the financial services segment recorded net profit attributable to ordinary shareholders of HK$39,506 million, increasing by 3% over the previous year. Excluding the impact of translation due to depreciation of average exchange rate of RMB for the current period, the corresponding increase of net profit would have been 4%.

CITIC Bank's banking business remained the principal source of profit for the financial services segment. As more tightened monetary market and stringent regulatory policy, CITIC Bank proactively took initiatives to shrink balance sheet and further optimized its income structure. As a result, the proportion of its non-interest income continued to increase by 6 percentage points to 37%, while the contribution of its retail business increased obviously with the proportion increasing from 28% to 35%. Meanwhile, CITIC Bank continued to reinforced loan pricing management and optimized deposits structure, and its net interest margin has gradually stabilized and recovered. CITIC Trust's trust business maintained steady growth, and it ranks one of top in respect of total assets under management, revenue and trust fee income and net profit for ten consecutive years. The businesses under CITIC Securities continued to maintain leading position in its market, with net profit increasing by 10% over the previous year. The insurance business maintained a rapid yet healthy growth, continued to optimize product offerings and steadily improved the value of its bancassurance channel, thus recording a corresponding increase of 50% in profit.

Resources and energy:

In 2017, the accelerated global economy recovery provided support to demand increase of international commodity and energy, and also laid a good foundation to the development of the resources and energy business. The trading businesses of coal, iron ore, ferroniobium and others grew rapidly, however, the increased coal price imposed adverse impact on the Group's power generation business.

The resources and energy business recorded a loss of HK$9,900 million in 2017, representing as year-on-year increase in loss of HK$3,028 million. In particular, crude oil business saw a significantly improved operating result for the year, primarily the result of a higher average crude oil realized price and the implementation of ongoing cost control measures. The power generation continued to provide steady cash flow. The Las Bambas copper mine project in Peru, which is 15% owned by CITIC Metal Group and put into commercial production in July 2016, has contributed net profit of HK$617 million to the Group.

2017 is the first full year of commercial operation for the Sino Iron project, of which approximately 17 million wet metric tonnes of iron ore concentrate have been exported. The net loss increased as compared to 2016 was mainly due to the commencement of commercial operation in July 2016, of which the related costs were charged to profit or loss. As at 31 December 2017, an impairment assessment on the Sino Iron Project was carried out and accordingly an impairment of approximately HK$7,184 million was made.

Manufacturing:

The manufacturing business recorded net profit attributable to ordinary shareholders of HK$3,318 million in 2017, representing a substantial increase of HK$1,578 million or 91% from 2016. The steel market indicated positive prospect, CITIC Pacific Special Steel completed the acquisition of Qingdao Special Steel during the year and the sale of our special steel business increased year-on-year by 25%. Benefited from the continued optimization of product structural and effective measures to reduce raw material purchase cost, the gross profit of steel product kept increasing and the net profit increased 9% from the previous year. Driven by the modest growth of domestic auto industry and the steady growth in demand from American and European markets, aluminium wheels and castings business maintained rapid growth with the net profit of CITIC Dicastal increasing by 17% from the previous year. CITIC Heavy Industries turned from loss to profit in 2017, because it has implemented the new business model of acting as "a core manufacturing +integrated service provider", improved its overall market competitiveness, achieved performance upturn in heavy equipment business and rapid growth in robots and intelligent manufacturing business through devoting more efforts in product development and marketing.

Engineering contracting:

The engineering contracting business recorded net profit attributable to ordinary shareholders of HK$1,731 million in 2017, representing an increase of 3% from 2016. Affected by the decreases of gross profit margin in new projects, the net profit of CITIC Construction stayed flat over the previous year. As PPP projects such as the Clean Water Project in Wuhan City and the Forest Avenue are progressing smoothly, CITIC Engineering Design increased significantly by 87%.

Real Estate:

The real estate business recorded net profit attributable to ordinary shareholders of HK$7,660 million in 2017, representing a substantial increase of 332% from 2016. It was because the net equity profit arising from China Overseas and the Lujiazui Project of Shanghai Ruibo Real Property Co., Ltd of approximately HK$6,676 million in aggregate for the current period and the relevant tax expenses and other costs incurred from real estate business reorganization during the same period last year.

The occupancy rate for investment properties was approximately 95% as at 31 December 2017, which was comparable with preceding years.

Others:

The net profit attributable to ordinary shareholders in 2017 increased significantly by HK$7,468 million or 376% to HK$9,455 million. It included gain from Guoan Football Club bringing new strategic investor, SINOPEC SSC and Digital Domain revaluation of approximate total HK$5,900 million. In addition, the net profit was primarily attributed from infrastructure business such as tunnels and expressways, international telecommunications service business, Dah Chong Hong, environment business, publication services and others.

The profit contribution from the infrastructure business, including tunnels and expressways, recorded a slight decrease due to the 30 years franchise period of the Eastern Harbour Crossing ended in August 2016 and transferred the tunnel to the Hong Kong government. Profit attributable to equity shareholders of CITIC Telecom International has a year-on-year increase of 4% when compared with 2016. Dah Chong Hong recorded 57% increase in net profit over the previous year as a result of the rapid business growth in Mainland auto industry. Environment business of CITIC Envirotech also recorded continued profit growth 16%, which is benefited from the water treatment business and the increase of the number of EPC projects. The increases of publication business, knowledge information service and educational training drove the net profit of CITIC Press increased rapidly by 62% and thereby maintained its leading position in the book market of business, management and social sciences.

Group Financial Results

Revenue

For 2017, CITIC Limited recorded revenue of HK$450,536 million from continuous operations, an increase of HK$68,874 million or 18% as compared with the same period last year.

The financial services segment recorded revenue of HK$190,028 million, an increase of HK$2,494 million or 1% from the same period last year. Excluding the impact of translation due to depreciation of average exchange rate of RMB, the corresponding increase would have been HK$5,306 million or 3%. The banking business remained the principal source of our income as CITIC Bank recorded steady income and has continued to increase the proportions of its non-interest income and retail business via actively adjusting business structure.

The resources and energy business reported revenue of HK$63,456 million, an increase of HK$12,359 million or 24% from the same period last year. The increasing demand for international commodity and energy products, the increase in both sales volume and price in trading business involving iron ore, nonferrous metals, ferroniobium, coal and other major resources and crude oil production business led to the rapid growth of revenue. The Sino Iron Project has achieved its first full year of commercial production in 2017. Revenue of HK$9,804 million was recorded and this was higher as compared to 2016.

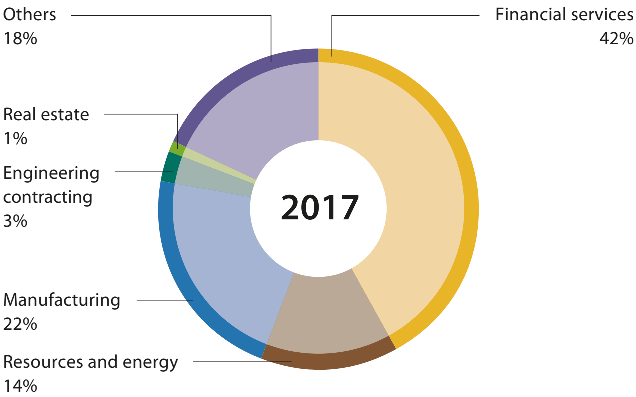
The manufacturing business reported revenue of HK$97,432 million, an increase of HK$35,082 million or 56% from the same period last year. The rapid increase of revenue in manufacturing business was mainly driven by the global economy recovery, the increase in both sales volume and price in special steel business as well as aluminium wheels and castings business. The rapid growth of heavy equipment and robots and intelligent manufacturing also contributed revenue of HK$4,015 million to manufacturing business.

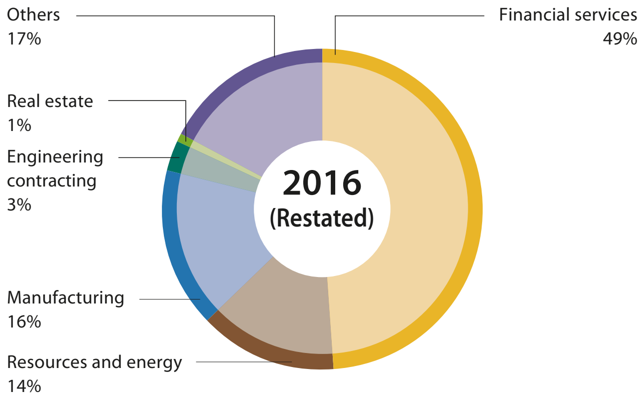
The engineering contracting business reported revenue of HK$14,653 million, an increase of HK$3,630 million 33% from the same period last year. It was mainly driven by the smooth progresses in the projects which made contribution to the revenue growth of our engineering contracting business, including the Road Upgrade project in Kazakhstan, the K.K. New Town Stage I Social Housing Municipal Infrastructure Project (Phase-II) in the Angola, the Royal Albert Dock Project in the UK, the Clean Water Project in Wuhan and the Forest Avenue Project, etc..

Affected by reduction in project settlement, the real estate business reported revenue of HK$3,227 million, a decrease of HK$1,673 million or 34% from the same period last year.

Revenue from other businesses amounted to HK$81,673 million, a year-on-year increase of HK$16,950 million or 26%, mainly attributable to revenue contribution of HK$9,515 million to the group arising from the completion of acquisition of McDonald's Mainland China and Hong Kong businesses. Dah Chong Hong's acquisition of IMSA and Auriga's (formerly known as "LF Asia") consumer and healthcare products business on end of June 2016 has drove up its revenue by HK$4,006 million. Automobile trading business maintained rapid growth. The environment business also maintained rapid growth with the spur from water treatment business and increased number of EPC projects.

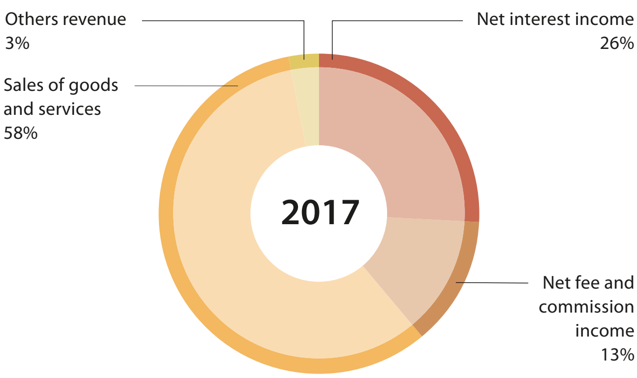
Continuing operations	**Year ended 31 December**		**Increase/(decrease)**	
HK$ million	**2017**	2016 (Restated)	Amount	%
Financial services	**190,028**	187,534	2,494	1%
Resources and energy	**63,456**	51,097	12,359	24%
Manufacturing	**97,432**	62,350	35,082	56%
Engineering contracting	**14,653**	11,023	3,630	33%
Real estate	**3,227**	4,900	(1,673)	(34%)
Others	**81,673**	64,723	16,950	26%

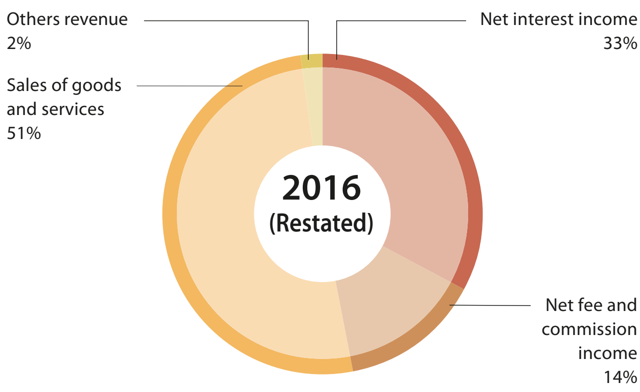




By nature

Continuing operations	**Year ended 31 December**		**Increase/(decrease)**	
HK$ million	**2017**	2016 (Restated)	Amount	%
Net interest income	**116,682**	125,919	(9,237)	(7%)
Net fee and commission income	**59,180**	54,578	4,602	8%
Sales of goods and services	**260,481**	194,136	66,345	34%
– Sales of goods	**217,333**	157,372	59,961	38%
– Services rendered to customers	**26,382**	26,895	(513)	(2%)
– Revenue from construction contracts	**16,766**	9,869	6,897	70%
Other revenue	**14,193**	7,029	7,164	102%





Impairment losses

In 2017, the Group recorded an asset impairment of HK$78,925 million, a year-on-year increase of 7%. Of the total impairment, CITIC Bank accounted for HK$64,312 million, which mainly includes HK$57,837 million impairment on its loans and advances to customers. The other major impairment loss of HK$7,184 million (net of tax) was related to the Sino Iron Project in Australia.

Net finance charges

In 2017, finance costs amounted to HK$11,497 million, an increase of HK$2,789 million or 32% compared with the same period last year, mainly attributable to a year-on-year increase in debt size.

In 2017, finance income from operation management and subsidiaries in the non-financial segments amounted to HK$1,412 million, a year-on-year decrease of HK$163 million or 10%, mainly attributable to interest income on bank deposits.

Interest expense capitalised

In 2017, interest expense capitalised amounted to HK$361 million, a year-on-year decrease of HK$215 million or 37%. This was mainly because that the 6 production lines of Sino Iron were in full operation in May 2016, interest expense capitalized decreased correspondingly.

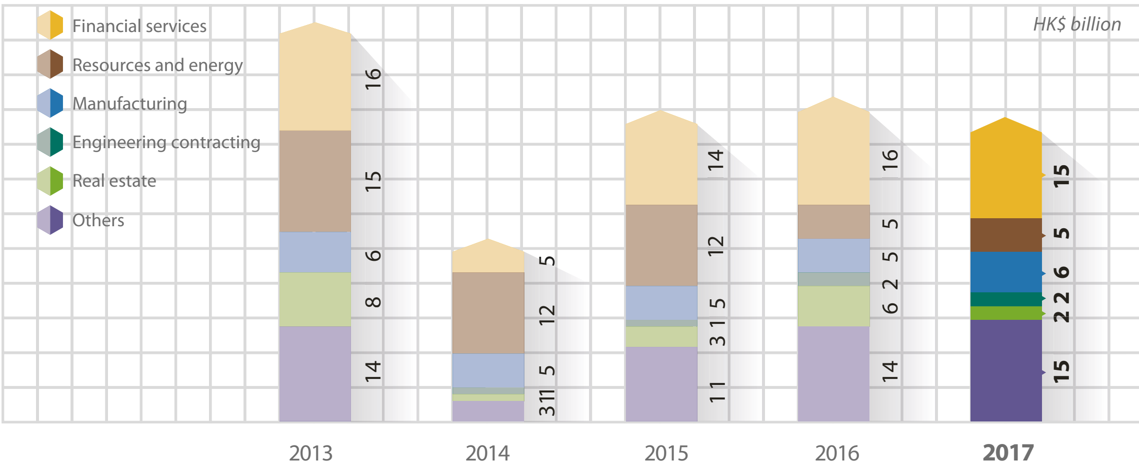
Income tax

In 2017, income tax of the Group was HK$17,687 million, a decrease of HK$717 million compared with the same period last year. It was mainly because the income tax of our company decreased as a result of the increase of non-taxable income.

Group Cash Flows

HK$ million	CITIC Limited Year ended 31 December 2017	2016 (Restated)	Increase/ (Decrease)	%	CITIC Bank Year ended 31 December 2017	2016	Increase/ (Decrease)	%
Net cash generated from operating activities	**107,133**	280,664	(173,531)	(62%)	**62,337**	255,982	(193,645)	(76%)
– Continuing operations	**107,133**	275,008	(167,875)	(61%)	**62,337**	255,982	(193,645)	(76%)
– Discontinued operations	**–**	5,656	(5,656)	(100%)	**–**	–	–	–
Net cash used in investing activities	**(186,601)**	(211,443)	24,842	12%	**(154,126)**	(206,426)	52,300	25%
– Continuing operations	**(186,601)**	(196,556)	9,955	5%	**(154,126)**	(206,426)	52,300	25%
Including: Proceeds from disposal and redemption of financial investments	**1,214,792**	681,316	533,476	78%	**1,161,160**	638,353	522,807	82%
Payments for purchase of financial investments	**(1,374,211)**	(855,491)	(518,720)	(61%)	**(1,304,519)**	(835,866)	(468,653)	(56%)
– Discontinued operations	**–**	(14,887)	14,887	100%	**–**	–	–	–
Net cash generated from/(used in) financing activities	**53,350**	93,796	(40,446)	(43%)	**45,473**	128,830	(83,357)	(65%)
– Continuing operations	**53,350**	105,599	(52,249)	(49%)	**45,473**	128,830	(83,357)	(65%)
Including: Proceeds from new bank and other loans and new debt instruments issued	**1,117,983**	824,052	293,931	36%	**994,755**	707,081	287,674	41%
Repayment of bank and other loans and debt instruments issued	**(1,024,877)**	(707,062)	(317,815)	(45%)	**(923,922)**	(594,111)	(329,811)	(56%)
Interest paid on bank and other loans and debt instruments issued	**(31,797)**	(28,937)	(2,860)	(10%)	**(20,404)**	(16,603)	(3,801)	(23%)
Dividends paid to ordinary shareholders	**(9,891)**	(8,727)	(1,164)	(13%)	**(14,002)**	(12,136)	(1,866)	(15%)
Dividends/distribution paid to non-controlling interests/holders of perpetual capital securities	**(8,838)**	(7,141)	(1,697)	(24%)	**–**	(183)	183	100%
– Discontinued operations	**–**	(11,803)	11,803	100%	**–**	–	–	–
Net (decrease)/increase in cash and cash equivalents	**(26,118)**	163,017	(189,135)	(116%)	**(46,316)**	178,387	(224,703)	(126%)
Cash and cash equivalents at 1 January	**494,179**	354,171	140,008	40%	**430,801**	270,195	160,606	59%
Effect of exchange rate changes	**23,302**	(23,009)	46,311	201%	**19,763**	(17,780)	37,542	211%
Cash and cash equivalents at 31 December	**491,363**	494,179	(2,816)	(0.6%)	**404,248**	430,801	(26,553)	(6%)

Capital Expenditures



	Year ended 31 December		Increase/(Decrease)	
HK$ million	**2017**	2016	Amount	%
Financial services	**14,880**	16,350	(1,470)	(9%)
Resources and energy	**5,429**	4,874	555	11%
Manufacturing	**5,861**	5,405	456	8%
Engineering contracting	**1,784**	1,564	220	14%
Real estate	**2,436**	5,979	(3,543)	(59%)
Others	**14,933**	14,092	841	6%
Total	**45,323**	48,264	(2,941)	(6%)

Capital Commitments

As at 31 December 2017, the contracted capital commitments of the Group amounted to approximately HK$20,794 million. Details are disclosed in note 46(f) to the financial statements.

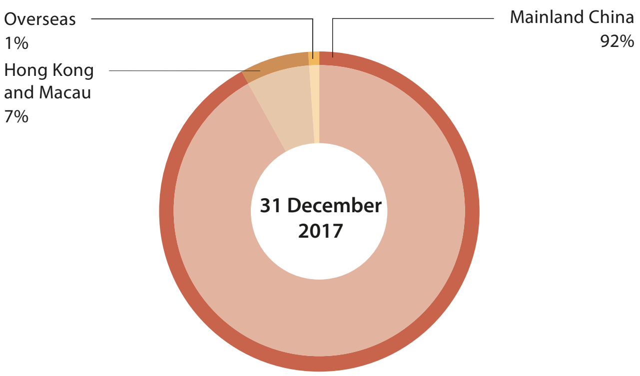
Group Financial Position

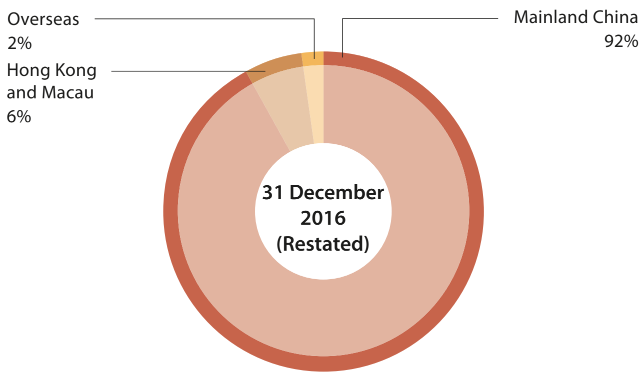
HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	**Increase/(Decrease)** Amount	%	Note to the Financial Statements
Total assets	**7,520,739**	7,239,489	281,250	4%	
Loans and advances to customers and other parties	**3,721,886**	3,137,850	584,036	19%	25
Cash and deposit	**924,584**	927,382	(2,798)	(0.3%)	18
Available-for-sale financial assets	**807,912**	642,477	165,435	26%	26
Investments classified as receivables	**644,789**	1,166,325	(521,536)	(45%)	28
Held-to-maturity investments	**261,654**	244,151	17,503	7%	27
Fixed assets	**196,047**	173,326	22,721	13%	32
Inventories	**58,552**	49,000	9,552	19%	23
Total liabilities	**6,727,098**	6,542,816	184,282	3%	
Deposits from customers	**4,056,158**	4,031,519	24,639	0.6%	40
Deposits from banks and non-bank financial institutions	**954,638**	1,097,164	(142,526)	(13%)	36
Debt instruments issued	**653,371**	543,893	109,478	20%	42
Borrowing from central banks	**284,818**	205,755	79,063	38%	
Financial assets sold under repurchase agreements	**160,902**	134,534	26,368	20%	39
Bank and other loans	**142,442**	113,125	29,317	26%	41
Total ordinary shareholders' funds and perpetual capital securities	**550,951**	491,002	59,949	12%	

Total assets

Total assets increased from HK$7,239,489 million as at 31 December 2016 to HK$7,520,739 million as at 31 December 2017, mainly attributable to an increase in loans and advances to customers and other parties, available-for-sale financial assets, and fixed assets, whereas investment classified as receivables was decreased compared to the same period of last year.

By geography





Loans and advances to customers and other parties

As at 31 December 2017, the loans and advances to customers and other parties of the Group was HK$3,721,886 million, an increase of HK$584,036 million or 19% compared to 31 December 2016. The proportion of loans and advances to customers and other parties to total assets was 49.49%, an increase of 6.15 percentage point compared to 31 December 2016.

HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	**Increase/(Decrease)** Amount	%
Corporate loans	**2,231,671**	2,073,094	158,577	8%
Discounted bills	**130,190**	83,949	46,241	55%
Personal loans	**1,473,346**	1,069,417	403,929	38%
Total loans and advances to customers and other parties	**3,835,207**	3,226,460	608,747	19%
Impairment allowances	**(113,321)**	(88,610)	(24,711)	(28%)
Net loans and advances to customers and other parties	**3,721,886**	3,137,850	584,036	19%

Deposits from customers

As at 31 December 2017, deposits from customers of the financial institutions under the Group were HK$4,056,158 million, an increase of HK$24,639 million or 0.6% compared to 31 December 2016. The proportion of deposits from customers to total liabilities was 60.30%, a decrease of 1.32 percentage point compared to 31 December 2016.

HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	**Increase/(Decrease)** Amount	%
Corporate deposits				
Time deposits	**1,463,098**	1,554,160	(91,062)	(6%)
Demand deposits	**1,947,517**	1,845,448	102,069	6%
Subtotal	**3,410,615**	3,399,608	11,007	0.3%
Personal deposits				
Time deposits	**357,069**	363,387	(6,318)	(2%)
Demand deposits	**281,084**	260,433	20,651	8%
Subtotal	**638,153**	623,820	14,333	2%
Outward remittance and remittance payables	**7,390**	8,091	(701)	(9%)
Total	**4,056,158**	4,031,519	24,639	0.6%

Bank and other loans

HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	**Increase/(Decrease)** Amount	%
Financial services	**7,176**	2,964	4,212	142%
Resources and energy	**43,900**	41,759	2,141	5%
Manufacturing	**28,130**	15,088	13,042	86%
Engineering contracting	**1,267**	1,276	(9)	(0.7%)
Real estate (Note)	**7,898**	10,721	(2,823)	(26%)
Others	**41,934**	32,863	9,071	28%
Operation management	**34,605**	21,749	12,856	59%
Elimination	**(22,468)**	(13,295)	(9,173)	(69%)
Total	**142,442**	113,125	29,317	26%

Debt instruments issued

HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	**Increase/(Decrease)** Amount	%
Financial services	**529,238**	432,579	96,659	22%
Resources and energy	**598**	1,453	(855)	(59%)
Manufacturing	**2,632**	4,242	(1,610)	(38%)
Engineering contracting	**–**	–	–	–
Real estate	**–**	–	–	–
Others	**5,175**	4,682	493	11%
Operation management	**115,728**	100,937	14,791	15%
Elimination	**–**	–	–	–
Total	**653,371**	543,893	109,478	20%

Total ordinary shareholders' funds and perpetual capital securities

As at 31 December 2017, total ordinary shareholders' funds and perpetual capital securities amounted to HK$550,951 million, an increase of HK$59,949 million compared to 31 December 2016, which mainly was attributable to the increase in net profit in the currency period.

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

Financial Risk

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

Asset and liability management

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

1. **Debt**

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

   As at 31 December 2017, consolidated debt of CITIC Limited[1] was HK$795,813 million, including loans of HK$142,442 million and debt instruments issued[2] of HK$653,371 million. Debt of the head office of CITIC Limited[3] accounted for HK$86,274 million and debt of CITIC Bank[4] HK$527,860 million. In addition, the head office of CITIC Limited had cash and deposits of HK$5,874 million and available committed facilities from banks of HK$21,829 million.

   The details of debt are as follows:

As at 31 December 2017	*HK$ million*
Consolidated debt of CITIC Limited	795,813
Among which: Debt of the head office of CITIC Limited	86,274
Debt of CITIC Bank	527,860

Notes:

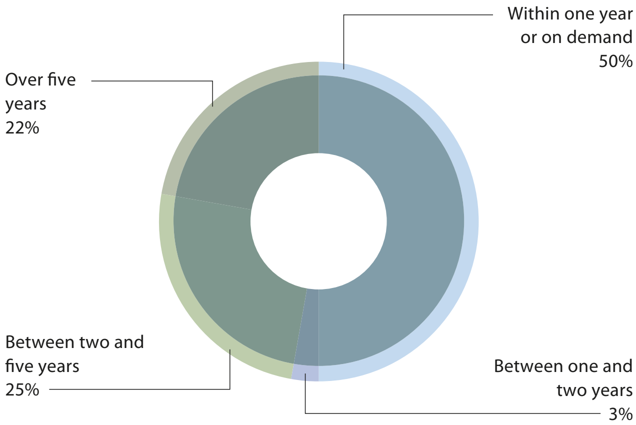
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

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

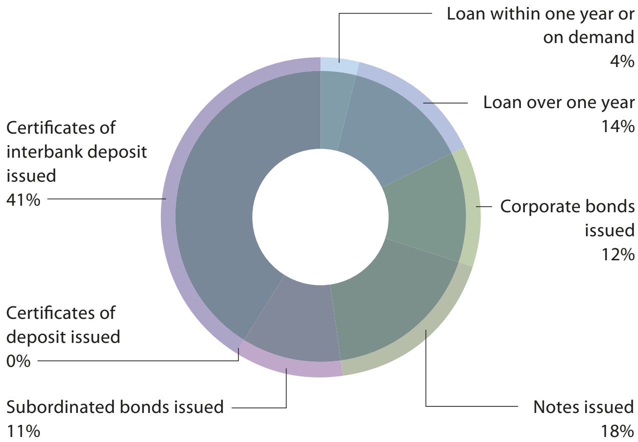
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

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

Consolidated debt by maturity as at 31 December 2017



Consolidated debt by type as at 31 December 2017



The debt to equity ratio of CITIC Limited as at 31 December 2017 is as follows:

HK$ million	**Consolidated**	**Head office**
Debt	795,813	86,274
Total equity(1)	793,641	399,146
Debt to equity ratio	100%	22%

Note:

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

2. Liquidity risk management

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

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

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

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

3. **Contingent liabilities and commitments**
Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2017 are set out in Note 46 to the consolidated financial statements.

4. **Pledged loan**
Details of cash and deposits, inventories, trade and other receivables, fixed assets and intangible assets pledged as security for CITIC Limited's loan as at 31 December 2017 are set out in Note 41(d) to the consolidated financial statements.

5. **Credit ratings**

	Standard & Poor's	Moody's
31 Dec. 2017	BBB+/Stable	A3/Negative

Treasury risk management

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

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

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

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

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

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

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

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

2. Currency risk

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

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

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

3. Counterparty risk for financial products

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

4. Commodity risk

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

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

5. Market price risk

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

Economic Environment

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

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

– The financial services business faces fierce competition from domestic and international commercial banks and other financial institutions.

– The engineering contracting business is challenged by global peers as well as China's large state-owned enterprises and private companies.

– Resources and energy, manufacturing, real estate operations, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

Corporate Governance 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.

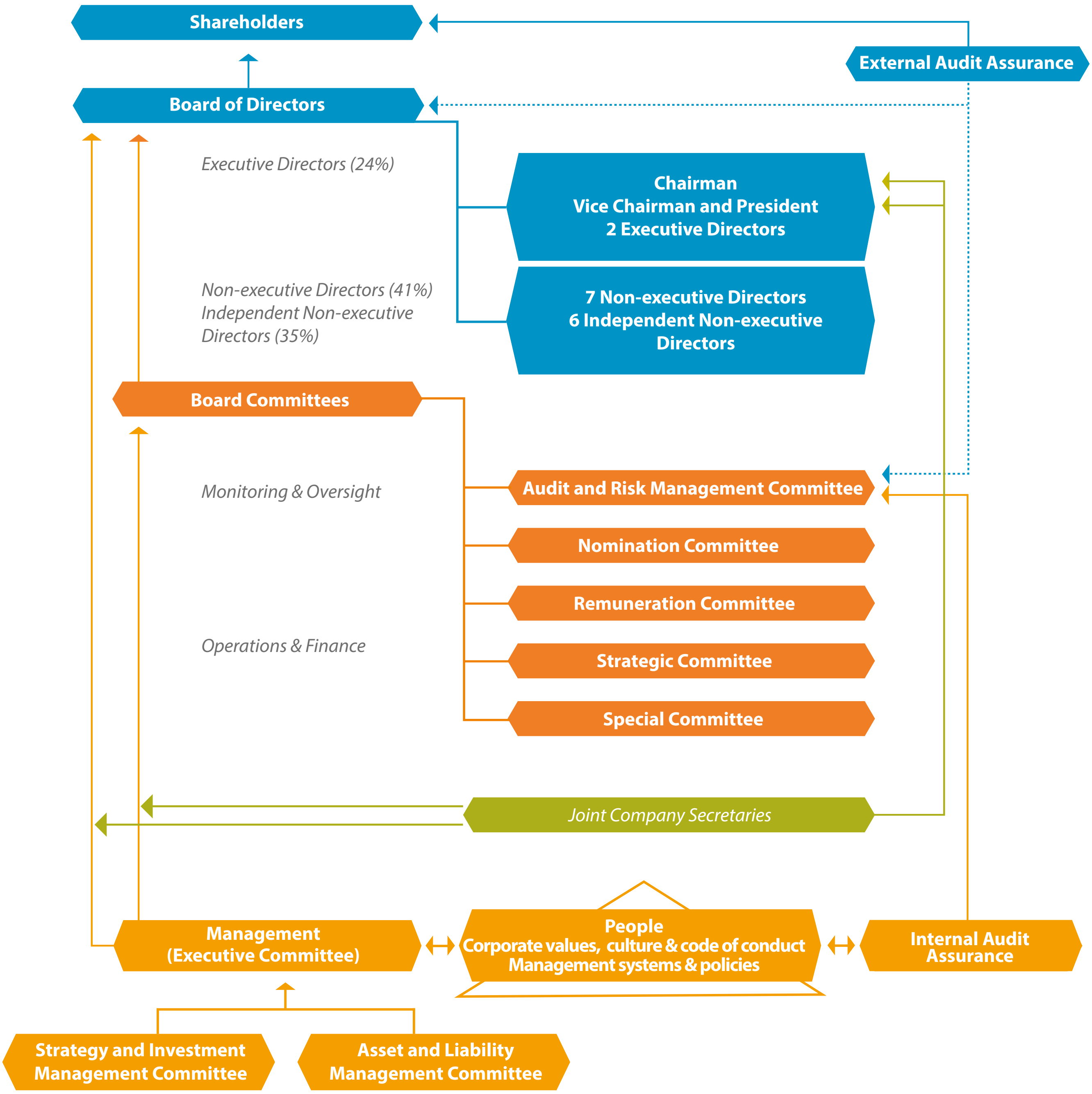
Preservation of Value and Strategy

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**
Number of Meetings	5	1
Current Directors		
Executive Directors		
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	✓
Non-executive Directors		
Mr Liu Yeqiao	5/5	✓
Mr Song Kangle	5/5	✓
Ms Yan Shuqin	5/5	✓
Mr Liu Zhuyu(1)	3/3	N/A
Mr Liu Zhongyuan	4/5	✓
Mr Yang Xiaoping	5/5	✓
Mr Wu Youguang(3)	N/A	N/A
Independent Non-executive Directors		
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	✓
Resigned Director		
Non-executive Director		
Mr Yang Jinming(2)	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
Executive Directors				
Mr Chang Zhenming	✓		✓	
Mr Wang Jiong	✓		✓	
Ms Li Qingping	✓		✓	
Mr Pu Jian	✓		✓	
Non-executive Directors				
Mr Liu Yeqiao	✓	✓	✓	✓
Mr Song Kangle	✓	✓	✓	✓
Ms Yan Shuqin	✓	✓	✓	✓
Mr Liu Zhuyu (1)	✓	✓	✓	✓
Mr Liu Zhongyuan	✓			
Mr Yang Xiaoping	✓	✓	✓	
Mr Wu Youguang (2)				
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	✓	✓		

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

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

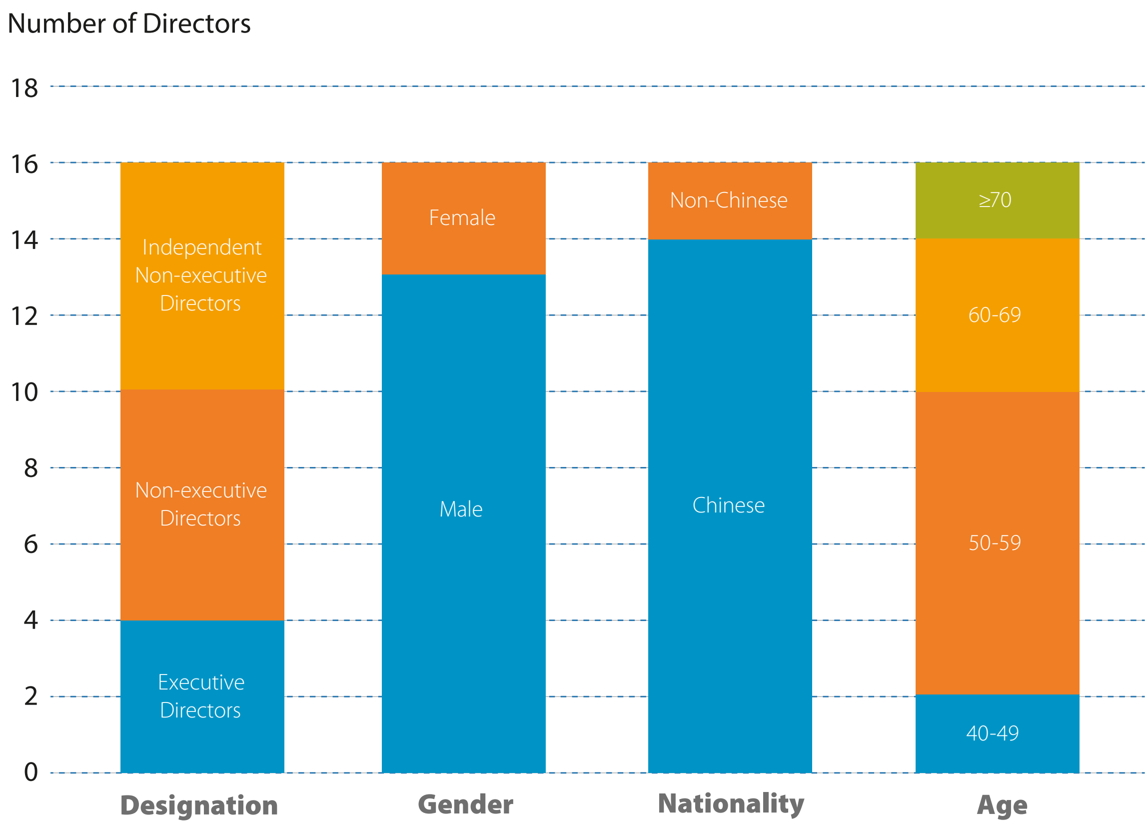
The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The terms of reference are available on the Company's website (https://www.citic.com/uploadfile/2017/0424/20170424015052354.pdf) and the Hong Kong Stock Exchange's website.

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

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
Independent Non-executive Directors		
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	
Non-executive Directors		
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

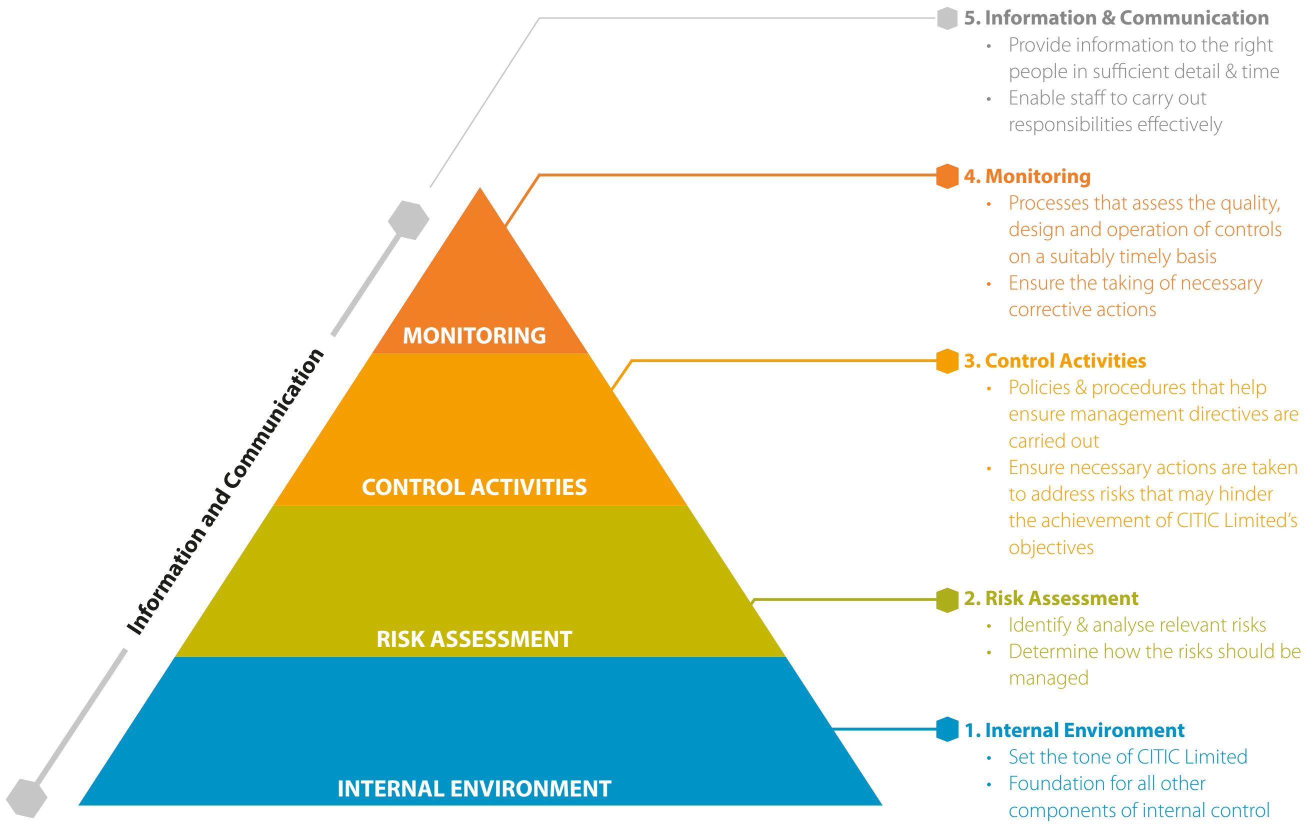
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in 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
Internal audit	• Reviewed the internal audit report. • Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.	• Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.
Compliance assessment	• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, listing rules, provisions under industry regulation, internal policies and rules; reported on an annual basis any matters subject to criminal convictions, administrative punishments, investigation by competent authorities and other punitive measures as a result of non-compliance; rectified non-compliance and ongoing supervision to ensure completion of such rectification.	• No major non-compliance cases were noted during the year.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of risk management and internal control system	• Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year. • Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management. • Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions. Ensured that the supporting documents of the self-assessments on risk management and internal control by the management were reviewed by the internal audit function or risk management function. • Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation.	• No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement. • Management issued a positive confirmation.
Review of the internal audit, risk management, accounting and financial functions	• Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget.	• Resources in the internal audit, risk management, accounting and finance functions were adequate. • On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory. • Training activities and budgets were given constant attention and remained satisfactory during the year.

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

Internal Audit

CITIC Limited regards internal audit as an important part of the supervisory function of the board and the audit and risk management committee. The primary objective of internal audit, which is set out in the internal audit charter, is to provide independent and objective internal assurance and consulting services, evaluate and improve the effectiveness of risk management and internal control processes for the Company so as to add value and improve the Company's operations and accomplish its objectives.

Authority

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

Responsibility

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

Internal audit staffing and tasks completed in 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/).

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.

REPORT OF THE DIRECTORS

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.

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/.

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:	*for year ended 31/12/2017* RMB840,000,000	*for year ending 31/12/2018* RMB1,050,000,000	*for year ending 31/12/2019* RMB1,050,000,000

   The transaction amount under the New Sales FA for the year ended 31 December 2017 was approximately RMB86,912,934.45.

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

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

3. 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 Daily Balance:	*for year ended 31/12/2017* RMB9,500,000,000	*for year ending 31/12/2018* RMB10,200,000,000	*for year ending 31/12/2019* RMB11,000,000,000

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

4. 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 Cap:	*for year ended 31/12/2017* 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 Caps:	*for year ending 31/12/2018* RMB13,000,000,000	*for year ending 31/12/2019* RMB13,000,000,000	*for year ending 31/12/2020* 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 Cap: (Service Fees)	*for year ended 31/12/2017* 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: *(Proceeds & Cost — Bank Investment)*	*for year ended 31/12/2017* RMB960,000,000
Maximum Daily Balance: *(Investment)*	*for year ended 31/12/2017* 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:

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

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

The share options granted on 23 May 2007 and 17 September 2009 have expired. 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)

		Number of share options					
Date of grant	Exercise period	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)	Balance as at 31.12.2017
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)

		Number of share options			
Date of grant	Exercise period	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 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	Balance as at 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 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	Balance as at 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:

			Number of share options		
Date of grant	**Exercise price per share*** HK$	**Exercise Period**	**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

	Number of share options					
Date of grant	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
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: 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	Weighted average closing price per share S$
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) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") (Note 5)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") (Note 6)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
ITOCHU Corporation ("ITOCHU") (Note 7)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)

Notes:

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

Shareholding Statistics

Based on the share register records of the Company, set out below is a shareholding statistics chart of the registered shareholders of the Company as at 31 December 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
Total:	7,517	100

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

The Company in 2017

CITIC Limited continued to fulfil its mission of providing high quality service to customers, building a platform for employees to showcase their abilities, maximising shareholder value and contributing to the country. The Company measures itself against the highest international standards of sustainable development and amplifies what sustainable development means to the Company through its environmental and social governance. In 2017, we remained committed to our employees, protection of the environment, our clients, the industry and the community.

Improving ESG Report Compiling

To meet the regulatory requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for listed companies to disclose key environmental performance data in their ESG reports, in July 2017 the Executive Office of CITIC Limited organised an ESG preparation training course for more than 60 ESG staff from the Company's functional departments and subsidiaries. Those who attended the training said the course deepened their understanding of ESG reporting and that it improved their ability to prepare the Company's ESG report.

Professional Guidance

- Price Waterhouse Coopers (PWC) also provided insights on the Stock Exchange's ESG reporting requirements and helped to clarify the focus and direction of CITIC Limited's ESG report.
- Additionally, CECEP Environmental Consulting Group explained the various focuses and applicable indicators for CITIC Limited's ESG report.

Experience Exchange

- Our subsidiary companies with ESG experience and report compiling, including CITIC Bank, CITIC Heavy Industries and CITIC Pacific Special Steel, shared their insights on ESG reporting.
- Internal and external discussions were held during the training.

Work Deployment

- The Executive Office assigned responsibilities for compiling the 2017 ESG report and issued the Work Plan for the Environmental Data Statistics to specify the methods and processes to be used for calculating and reporting environmental data.

Professional consultants advise CITIC staff during the ESG Report Training Class

Growing Together with Our Employees

One of the objectives of CITIC Limited is to build a platform on which employees can showcase their talents and abilities. We not only consider what employees can do for us, but what we can do for our employees. Through a set of carefully designed initiatives, we believe we can grow with our employees.

Equality as the Foundation of Growth

Legal compliance

- Our labour contracts were established and modified in accordance with relevant laws and regulations to protect the lawful rights of our employees and to develop strong relationships with our staff. Our labour contract signing rate was 100% over the years.
- CITIC-Prudential adopted a new labour contract policy, under which staff initially signed a one-year fixed term labour contract without a probationary period clause and with a non-fixed term labour contract to be signed upon expiry.

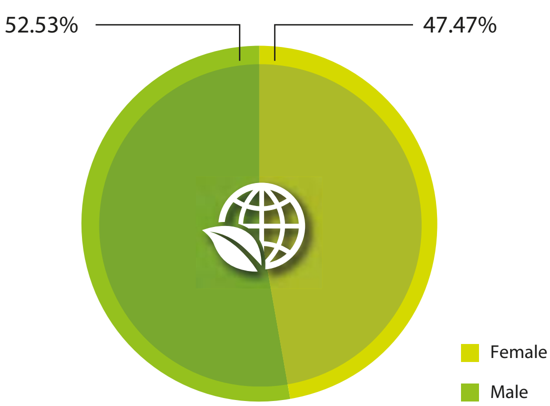
Equal job opportunities

- We are committed to the provision of fair opportunities in our staff recruitment process by adhering to the principle of open recruitment based on merit, without regard to race, nationality, religion, physical disability or gender.

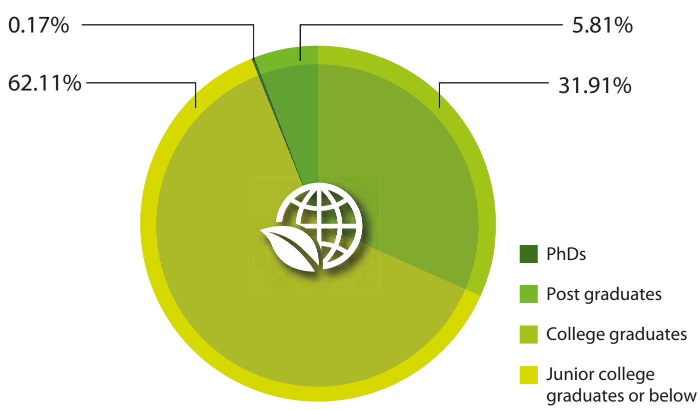
Staff overview

At the end of 2017, CITIC Limited employed 243,036 staff, representing an increase of 115,426 as compared with the previous year. (1)

Percentage of workforce by gender



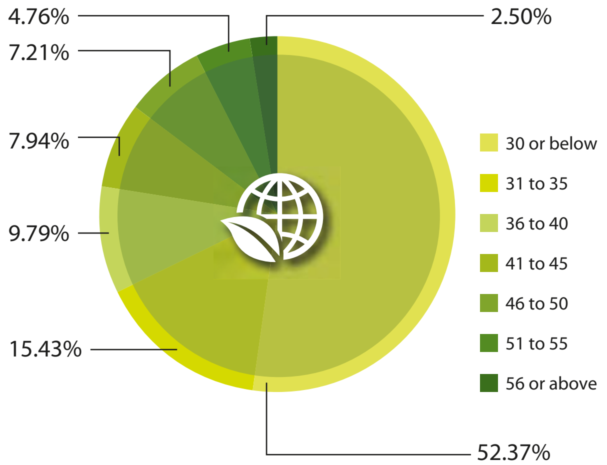
Percentage of workforce by educational background



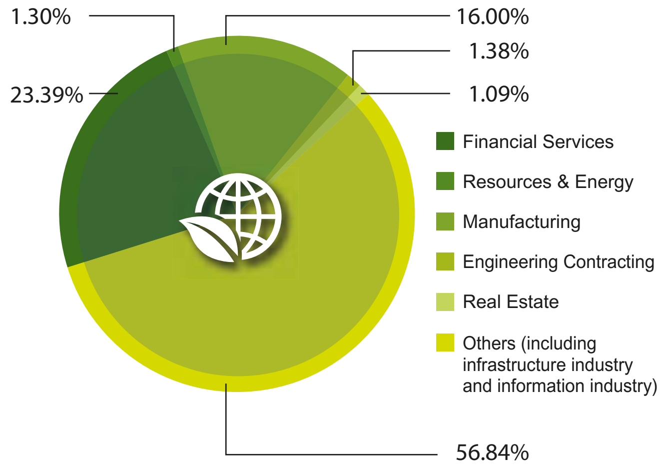
Note:

(1) The 112,360 employees from M China Management Limited were included in the scope of statistics.

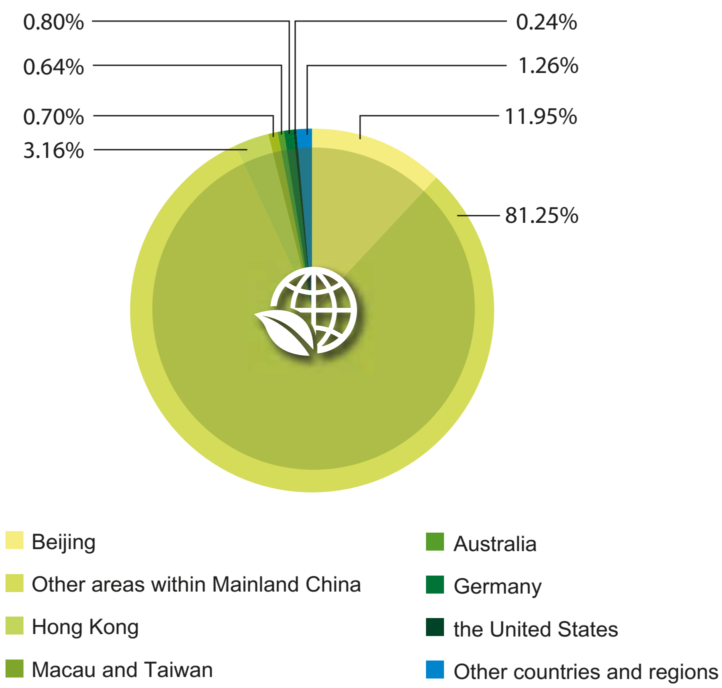
Percentage of workforce by age groups



Percentage of workforce by industries



Percentage of workforce by working places



Incentives To Consolidate Growth

Remuneration Policy

We have a remuneration system in place across all of our subsidiaries, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism makes reference to statistical data on salaries and remuneration prepared by professional consultants with equal emphasis on market competitiveness and fairness. It also correlates salary with performance to reward top talent with competitive pay. Staff morale and cohesion is thus enhanced as will the sustainable growth of the Company.

CITIC Engineering Design engaged consultants to help optimise the remuneration system and medium- and long-term incentive plans. CITIC Press established a base salary plan for its strategic investment and innovation business units.

Appraisal Mechanism

We continued to optimise our performance appraisal and remuneration systems during the year to bring out better business performance. We also introduced a differentiated appraisal mechanism and improved our industry benchmark matching system based on our management principles for different types of companies, which are classified according to their business characteristics and development stages. This helped to create a closer link between performance appraisal results and staff remuneration/incentives, with a strong emphasis on value creation and shareholder returns for our subsidiaries, as well as for the Company's overall strategic direction.

Welfare and Benefits

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

For our young employees, we provided apartments and support services in Beijing and other cities, where the housing shortage is acute. CITIC Telecom International received the Good MPF Employer award by the Mandatory Provident Fund Schemes Authority and the Support for MPF Management Award in Hong Kong.

The exterior of CITIC Youth Apartment

Shuttle Bus for CITIC Youth Apartment residence

Gym at the CITIC Youth Apartment

Training for Future Growth

Career Paths	• In line with our people-oriented philosophy, we arrange for staff postings and exchanges between our headquarters and subsidiaries, among subsidiaries, and between CITIC and relevant provincial and municipal governments. This has broadened the training of our staff and given them greater exposure to our diverse operations.
Talent Strategy	• To implement our Talent Strategy during the 13th FYP period, we formed five talent teams, which will function as a talent pool in support of the Company's development.

Five talent teams

No.	Team	Training Objective	Training Features
1	Senior management team	To cultivate a senior management team with international vision, strategic thinking, innovative spirit and management ability.	• Promote a competitive and orderly selection process, improve the evaluation system and find innovative new ways to utilise talents. • Increase the proportion of market-based recruitment and implement a comprehensive professional manager system. • Provide a high-level management team with global vision and ability to make strategic breakthroughs.
2	Industry leaders' team	To develop a group of industry leaders with high theoretical ability, strong innovation, first-class professional competence and practical achievements.	• Establish a talent system and send selected staff on international academic exchanges and cooperation programmes. • Launch a leadership training programme and build a leadership training base. • Pay special attention to the development of leaders in strategic planning, risk assessment and capital operation while selecting and training "CITIC craftsmen".
3	Senior technical team to provide advanced skills and technology skills	To build a senior technical team for providing advanced professional and technology skills. This team should have enough members and a reasonable structure.	• Combine talent development with abilities in scientific research and key projects. • Develop special channels to develop talent with key skill sets. • Provide training, development and incentives for senior staff with advanced skills.
4	International team	To establish an international talent reserve system to develop a senior management team and professional technical team with broad international vision, creative thinking and expertise in overseas business management.	• Increase exchanges with senior management of companies both at home and abroad. • Recruit talent through intermediaries. • Build a platform for medium- and long-term training and short-term intense training for international management talent and expert employees. • Clarify the correspondence between domestic and overseas posts.
5	Outstanding young officers team	To cultivate a dynamic, pioneering, versatile, innovative, well-rounded and dedicated young team who can fit in with CITIC's culture and support CITIC's sustainable growth.	• Implement a career management system for outstanding young officers and guide their growth according to ethical, knowledge, and performance standards. • Attract and foster outstanding young talent from the management, technical and front-line operation team. • Establish an outstanding young talent pool and organise additional study and training within the Company, at research institutes or overseas.

Training Programmes

- In 2017, our subsidiaries organised more than 6,000 training programmes, with over 700,000 staff participating. In particular, the Company launched the CITIC Excellence Training Project to help talents develop more versatile skills. The Company also organised large-scale training in Hong Kong for the first time and set up open classes. The Company encourages subsidiaries to share training resources and to synergise their training.
- CITIC Bank initiated an employee certification training system. China Securities organised the Special Advanced Class to Strengthen Leadership Quality for 26 business managers who had been in their jobs for an average of 10 years since their graduation in 2007 and had already moved into executive posts. CITIC Dicastal invited three groups of US Dicastal employees to take the training in China. At CITIC Heavy Industries, we developed and reviewed 5 major categories of work and 12 skills upgrading courses. CITIC Press established a training development system, consisting of promotion for specific and general abilities, new employee training, online training and external resources training. CITIC Pacific received the Manpower Developer award of the Employees Retraining Board (ERB) during the year in recognition of its efforts in staff training and personnel development.

Launch of CITIC Excellence Training Project


CITIC-CP Group- Itochu Joint Training Programme

Rewarding Our Staff

Awards and recognitions

- In 2017, one of our overseas staff won the Chinese Government Friendship Award and three won special government allowances from the State Council. Outstanding young employees and the young officers' team also received honours from the Company.
- Among our subsidiaries, CITIC Telecom International was presented with the Family Friendly Employer Award by the Hong Kong Home Affairs Bureau, the Hong Kong Family Council and the Macau Foundation, respectively. Dai Xiaoyun Studio of the Lidian Energy Group was named a Jiangyin Skills Master Studio, and Yangzhou Pacific selected 10 "Pacific craftsmen" for setting an example to employees.

Publicity

- During the year, Chairman Chang Zhenming and General Manager Wang Jiong met with award-winning experts to support them and their scientific researches. We contacted media outlets such as People's Daily to publicise our human resources programmes.
- Some of our subsidiaries took the opportunity of International Labour Day to showcase model workers and mobilise other employees. Xinyegang Steel provided special allowances to the "Xinyegang Steel craftsmen" and "operation experts".

Employee activities

- To promote quality of life and improve staff morale in the workforce, the Company organises a variety of recreational, sports, social and other activities. These include football, basketball, badminton and other sports activities, as well as events for parents and their children. To help employees in need, the Company established a Mutual Help Fund with over RMB400,000 provided to subsidise the education of our employees' children. On New Year's Day and during the Chinese New Year period, our corporate headquarters donated over RMB1.3 million to help 221 employees in our 26 subsidiaries and their families.
- CITIC Securities set up a space for nursing employees, while CITIC Huyu invited psychologists to provide regular mental health counselling. The business division of CITIC Construction (Algeria) sent 11 employees to a sports meeting organised by local China-invested enterprises.

Ma Kai, Vice Premier of the State Council, presented the 2017 Chinese Government Friendship Award to Jack Ling Chan Lung, an overseas employee from CITIC Heavy Industries

The CITIC men's basketball team competed at an invitational tournament

Summer camp for employees' children at CITIC Resources' Karazhanbas oilfield

Chang Zhenmin, Chairman of CITIC Limited, met with experts who had received special government allowances from the State Council

Health and Safety

Our safety policy emphasises prevention and comprehensive management for our employees' physical and mental health. Under our safety management policy, we supervise and inspect our facilities to eliminate possible risks and dangers, and carry out extensive an staff awareness programme on safe operations.

Controlling risks from the source

We comply with all relevant laws and regulations on occupational health and safety, and continued strengthening our safety management system to ensure safe working conditions.

CITIC Limited

- In 2017, CITIC Limited organised safe production training programmes for all subsidiaries and visited the sites of major subsidiaries. We also held a Safe Production Month and distributed educational videos on safe production.
- CITIC Limited has pledged to inspect its subsidiaries engaged in resources and energy, manufacturing and engineering contracting, with targets set for safety management at all levels of the Company.

CITIC Mining International

- CITIC Mining International established a Health Safety Management System (HSMS) to help employees and contractors meet regulatory requirements. The HSMS system and related safety practices will continue to be enhanced and integrated into CITIC Mining's corporate culture.
- In 2017, CITIC Mining held an HSE Contractors Forum to promote better communication on safety and developed a Fatality Risk Management programme for maintaining zero fatalities and zero high potential incidents.

Protecting workers' health and safety

During the year, we strengthened our safety measures to greatly reduce, control or eliminate safety risks. We also distributed protective equipment and carried out regular health checks.

CITIC Heavy Industries

- CITIC Heavy Industries distributed protective devices and minimised risks leading to work-related injuries and occupational diseases. Each year, the Company conducts checks on harmful factors such as noise, manganese dust and radiation, and introduces preventive measures to guard against these risks.
- In 2017, CITIC Heavy Industries organised health checks for 1,546 employees exposed to various hazards. No serious injuries, deaths or new cases of occupational disease were reported during the year.

Sunburst Energy • Shandong New Dragon Coal Mine

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Improved accident prevention

We believe that a thorough troubleshooting system is the best way to maintain safety and prevent accidents. This involves special screenings with daily checks to identify possible risks and dangers and to resolve existing safety problems and hazards on a timely basis.

CITIC Heavy Industries

- In the first half of 2017, CITIC Heavy Industries organised all units to check those places with less operation, for preparation process and post-processing outside workshops, 127 were identified as potential risk sources; in the second half year, it reviewed all potential risk sources. It formulated differentiated control and management measures for type A, B and C hazardous operations to improve the differentiated control and management system of each unit.
- It also carried out special inspections on the basis of comprehensive inspection of potential dangers. As for the 482 comprehensive inspections and 3,318 special inspections, no major risks and hazards were found.

CITIC Construction

- CITIC Construction installed a Project Site Safety Monitoring System with over 40 cameras in 5 divisions and 11 project departments to give headquarters the ability to conduct real-time monitoring and maximise safety.
- The Business Division of CITIC Construction in Latin America inspected more than 300 items in 9 categories for potential safety hazards and recommended corrective measures for each.

Safety awareness training

We carry out regular, in-depth security training and emergency exercises, publish manuals and give lectures to raise safety standards among employees.

CITIC Resources, CITIC Construction

- Yuedong Oilfield of CITIC Resources organised its annual emergency practice drill at its onshore terminal processing plant during the year. The exercise included a simulated rescue, firefighting and oil spill recovery, as well as training in sewage recycling and disposal.
- The business divisions of CITIC Construction in eastern Europe and the Commonwealth of the Independent States also undertook safety education and training in 2017. Additionally, they had subcontractors and construction staff conduct daily safety inspections, weekly safety meetings and monthly work meetings to promote safety knowledge and skills.

CITIC Building

- CITIC Building set up an emergency response team, in which members participated in government fire safety training and monthly fire simulation drills. Additionally, the Company checked its safety training and emergency plan, and held a fire safety evacuation and self-rescue exercise. Other safety initiatives during the year included fire safety training, publication of a fire safety leaflet and a fire safety bulletin board posted in public areas.

Emergency drill at the central land treatment station of Yuedong Oilfield

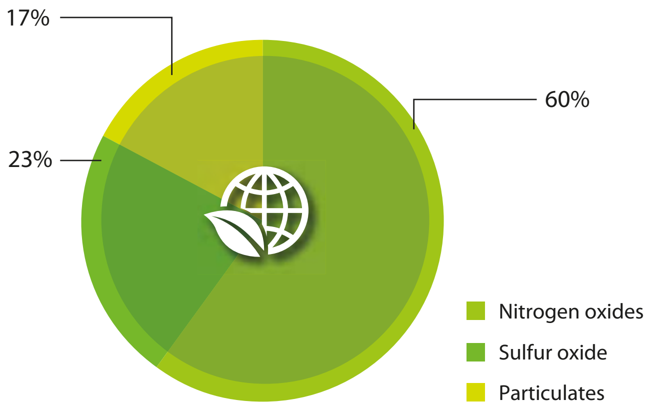
Fire safety training at CITIC Construction in the Republic of Belarus

Environmental Responsibility

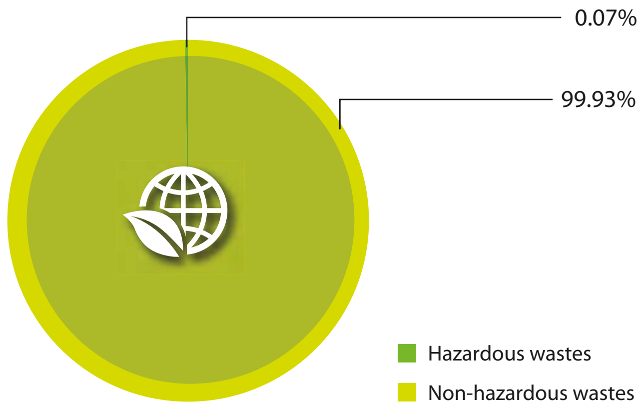
For CITIC, protecting the environment is considered to be not only part of our social responsibility commitment but a critical factor in our sustainable growth. Our subsidiaries are also required to maintain green operations and offices that improve our living environment and contribute to a Beautiful China.

Environmental Performance

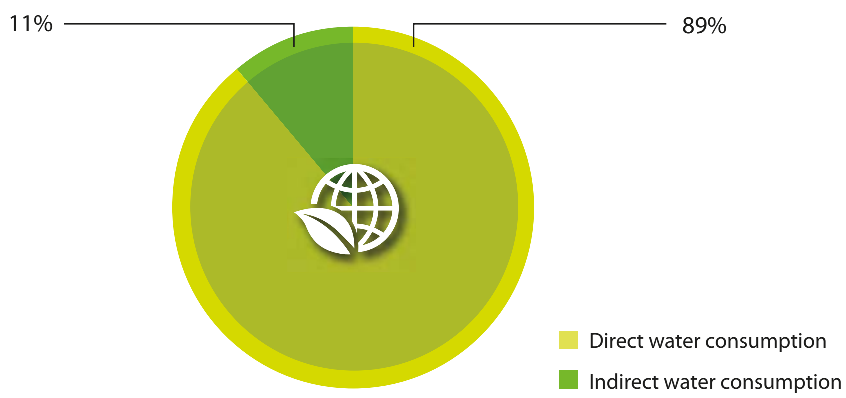
Air pollutants — 35,683.31 tonnes

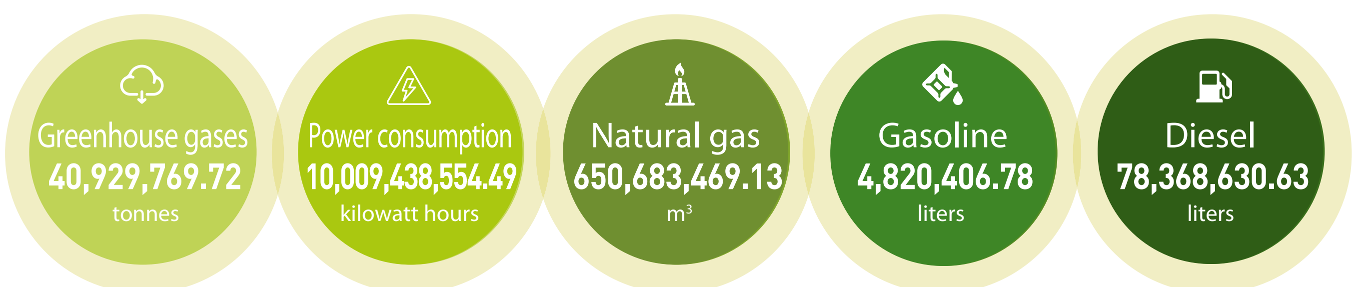


Waste — 52,184,556.02 tonnes



Water consumption — 136,870,063.94 tonnes





Awards

The Lidian Group of CITIC Pacific received the Green Model Enterprise award from the Jiangyin Environmental Protection Bureau.

The Information Technology Research and Development Base of CITIC Bank Project, contracted by CITIC Construction, was named a 2017 National Construction Industry Green Construction & Green Demonstration Project.

CITIC Telecom International earned two Hong Kong Green Organisation Certifications and the bronze medal in the Hong Kong Excellence Award for media and the telecom industry.

CITIC Envirotech received the 2017 China's Environmental and Social Responsibility Enterprise award at the 2017 China Green Development Forum.

CITIC Press received the 2017 Beijing, Tianjin and Hebei Green Printing Excellent Press award.

Performance of CITIC Envirotech in 2017

Water Treatment

- Over 60 sewage treatment plants.
- Daily sewage treatment capacity of over 5.5 million tons.

Energy Conservation

- Savings of about 22 million m^3 gas for customers.
- Savings of about 30 million kwh of power for customers.

Solid Waste Treatment

- Invested in 26 incinerator projects to convert household waste into power, 14 of which have since been put into operation.
- These projects will generate around 5.2 billion kwh annually.

Green Management

We comply with all environmental laws and regulations in the countries and regions where we operate. We have also improved our environmental management system and established a long-term mechanism for green development as a foundation for the continuous improvement of our environmental management. Projects undertaken by the Company during the year included afforestation and publicity on our environmental protection initiatives as well as other activities to encourage green practices among our employees.

CITIC Mining International: Green Programme

- CITIC Mining International continued to improve its SinoSAFE ENVIRONMENT programme during the year. Under this programme, tests and inspections were carried out on the condition of local plant life and quality of surface water and seawater in the onshore and offshore habitats surrounding its projects, with each department taking responsibility for managing its waste. In 2017, CITIC Mining International submitted more than 20 annual environmental compliance reports to the relevant Australian government regulators for the Sino Iron project. An environment regulator for the project noted, "In general, a good standard of environmental management has been maintained on site for a project of this scale and complexity."

CITIC Heavy Industries: Green Measures

- In 2017, CITIC Heavy Industries introduced its Comprehensive Conservation Plan Assessment Methods 2017, which sets out detailed assessment indicators for key energy consuming production departments. It also introduced more than 100 energy consumption quotas and new rules and regulations governing energy conservation, particularly with regard to energy waste. A total of 96 energy-saving inspections were conducted throughout the year and 100 cases of energy wastage (including release, spill, drippling and leakage) were identified with solutions for curbing the waste.

- During the year, the Company also updated and upscaled its existing energy distribution capacity utilising Internet + technologies, including an energy management system. Plans were also put in place for gas demand-side and power demand-side management platforms at the branch factory, workshop, working group and main equipment level.

CITIC Construction: Green Construction

- In 2017, CITIC Construction incorporated green construction in its new projects. In accordance with its new Project Management Handbook, all business and project departments now have green construction schemes that make use of BIM technology to minimise energy and resource consumption, and reduce the impact of construction on the environment.

Improving the Environment, Preserving the Local Ecology

CITIC Limited and its principal subsidiaries carried out 60 more times of tree planting activities during the year, with more than 3,000 employees participating.

Tree planting by staff from the head office of CITIC Limited, CITIC Trust, CITIC Metal Group and other subsidiaries

On 2017 World Environment Day, subsidiaries and the water treatment plants of CITIC Envirotech together with local environment regulators launched a series of science outreach activities targeting young people

Green Operation

At CITIC, sustainability is an important part of our entire production process and business management. In addition to supporting national policies for industrial transformation and upgrading, we have also been implementing strict pollution control measures, including discharged waste, and made our energy and water utilisation rates more efficient to achieve a low-carbon operation across the Group.

Development of green finance

Green credit

In 2017, CITIC Bank put green credit policies in place clarifying priority areas for extending green credit and the corresponding requirements. CITIC Bank also began incorporating a green appraisal system in all of its branches and implemented a green credit audit system. By the end of the year, the loan balances granted by CITIC Bank under green credit projects amounted to RMB60,358 million, up by 52.15%.

Control of credit risks in certain sectors and industries

For sectors and industries characterised by high pollution, high energy consumption and excess capacity, CITIC Bank adopted a management system and measures that rank customers by category. Companies with technical advantages, high efficiency, and good market prospects will continue to receive support, while others will have their loans gradually reduced and recovered. In cases where loans cannot be exited from in a short time period but otherwise have a good credit standing, these will eventually be dropped when it is appropriate for the Bank to do so. By the end of the year, loan balances of CITIC Bank customers in sectors and industries with high pollution, high energy consumption and excess capacity increased by 4.49% to RMB45,710 million, with their proportion to total corporate loans decreasing by 0.05 percentage points compared with that of the previous year.

Promotion of E-banking transactions

Banking by Internet and through mobile channels achieved rapid growth in 2017. By the end of the year, the Bank's total number of personal mobile banking customers reached 27,326,300, up by 39.53%, while the number of personal mobile banking transactions reached RMB4,232,368 million, up by 55.52%. The personal online banking business grew steadily, with existing subscribers reaching 27,509,500, up by 19.18%. The transaction substitution rate of e-banking transactions reached 98.96%, up by 1.13%.

Green trust

In cooperation with local governments, CITIC Trust continued to support environmental projects related to power generation through household waste incineration, wetland development and integrated water environment treatment in Liupanshui City, Guizhou Province, Weifang City, Shandong Province and Huzhou City, Zhejiang Province. CITIC Trust also cooperated with the People's Government of Rugao City, Jiangsu Province to establish a RMB3 billion trust project, the CITIC Minhui 52 Trust Fund Scheme for the Development of Energy Saving and New Energy Automobile Industry, to support green car manufacturing.

Reduction of emissions

During the year, we gave top priority to reducing emissions, including waste gas, waste water and solid waste, through technology in line with the principles of "clean development, clean production and clean operation".

Control of gas pollutants

	Initiatives	Achievements
CITIC Resources	The Yuedong Oilfield adopted a variety of initiatives in its oil production, gathering and transportation, including substituting heating systems and replacing crude oil with natural gas, which saved energy and reduced emissions.	Annual fuel oil consumption recorded a reduction of 1,035 tons, including reductions of oxynitride and sulphur dioxide emissions along with other pollutants.
	With the assistance of a third-party laboratory, the Seram Oilfield monitored the local environment and regularly submitted reports to the government.	All local environmental protection laws and regulations in respect of water and air pollution control, hazardous waste management and discharge control of oil-contaminated water were fully observed.
CITIC Pacific Special Steel	Xingcheng Special Steel invested RMB273 million to enclose its main stock yard and blending yard.	Approximately 2,000 tons of annual dust emissions were cut, significantly improving the environment.
	XinYegang Steel continued to control dust on work sites, and upgraded a number of facilities to comply with regulations. These included the 520m3 blast furnaces, the No. 16 wind-proofing and dust suppression walls in the dockyard.	All of the projects undertaken during the year brought the Company's facilities into compliance with national standards.
	Qingdao Special Steel invested RMB45.51 million to enclose the A and B strip zone of the stockyard and invested RMB33.87 million in the #2 dust proof renovation project for the ground receiving coal bunker.	
Sunburst Energy	As of January 2017, Lidian Energy Group had completed the transformation of all 8 units to achieve ultra-low emissions of air pollutants, and completed the wide load denitrification transformation of #6 and #8 units, #3 unit denitrification system optimizing and other technological transformation projects.	During the year, all environmental protection equipment was in good working condition, with flue gas desulphurisation efficiency reaching 98.79%. The operation rate of desulphurisation facilities reached 100%, and the operation rate of de-dusting facilities reached 100%. Emission indexes for air pollutants were better than expected at the beginning of the year.

Seram Oilfield under CITIC Resources conducting an environmental check

Roofing project of raw material ground by Qingdao Special Steel of CITIC Pacific Special Steel

Sewage and waste disposal

	Initiatives	Achievements
CITIC Metal Group	Jinzhou Titanium carried out a research project on laundry wastewater post-treatment and desalination, in order to recover water through membrane technology.	The project that will come out of the research is scheduled to launch at the beginning of 2018, and is expected to achieve a recovery rate of fresh water of up to 80%.
CITIC Dicastal	A project was launched to transform the sewage treatment station in the industrial park; distillation and dehydration equipment was added to treat the sewage.	The hazardous waste treatment fee was reduced by 60%, and sewage treatment capacity was doubled.
	A project was launched to transform the sewage treatment plants in the industrial park to recycle reclaimed water. The A/O biochemical treatment method and membrane bio-reactor (MBR) treatment technology were used to turn sanitary wastewater into reclaimed water for reuse.	800 tons of reclaimed water was recycled for greening and environmental maintenance, thereby reducing fresh water use.
CITIC Pacific Special Steel	XinYegang has 22 water recycling systems covering all production processes. These systems allow for the reutilisation of processed water. Large-scale circulating water treatment stations are equipped with a sludge-water separation system; it recycles, separates and purifies the sludge-water for reuse. All treated wastewater was piped through 12 distributed pumping stations to sewage plants for centralised disposal or use as supplementary water.	The recycling rate of processed water reached 96.5%, a percentage that continues to rise year-by-year.

Case study

How CITIC Resources is minimising its impact on the environment

Our Karazhanbas Oilfield has over 2,000 on-site employees and produces a huge amount of domestic waste per day. In the field, CITIC Resources set limits for waste disposal and maximal stacking. It also built a private waste-yard in 2017 for solid domestic waste, with an area of 6,380m^2 and a maximal stacking amount of 1,050m^3. Waste in the yard is disinfected daily and the excess waste handled by professional waste treatment companies.

As waste and old materials produced on the artificial island of Yuedong Oilfield were on the increase, this caused a low utilisation ratio in the yard. In 2017, Yuedong Oilfield commissioned outside parties to supervise the whole process of on-site loading, weighing and transportation, thereby ensuring standardised transportation and disposal of waste and old materials. Waste and old materials disposed of in the past year amounted to 262.48 tons, generating revenue of RMB530,000. After waste and old materials were removed, Yuedong Oilfield cleaned and renovated the site. It also implemented stockpiling under standardised management.

Saving resources and energy

Companies in the resources and energy and manufacturing sectors today are continuously improving the efficiency of their resources utilisation, reducing waste and saving energy by upgrading production equipment, eliminating obsolete production capacity and developing innovative production technology.

	Initiatives	Achievements
CITIC Resources	Karazhanbas Oilfield regularly conducts dedusting and desalting for electrical devices to ensure their safe operation; it is also making use of electricity-saving devices such as 6kV capacity battery cells and TMG-12 electricity-saving transformers to reduce energy consumption.	Actual annual electricity consumption decreased by 2.5 million kwh in the year as compared with expected consumption.
	To avoid spillage, Yuedong oilfield implemented a dynamic water adjustment plan in which Platform A adjusts freshwater supply based on the actual water usage of gas injection boilers on Platform B.	About 1,825m^3 can be saved per year through dynamic adjustment.

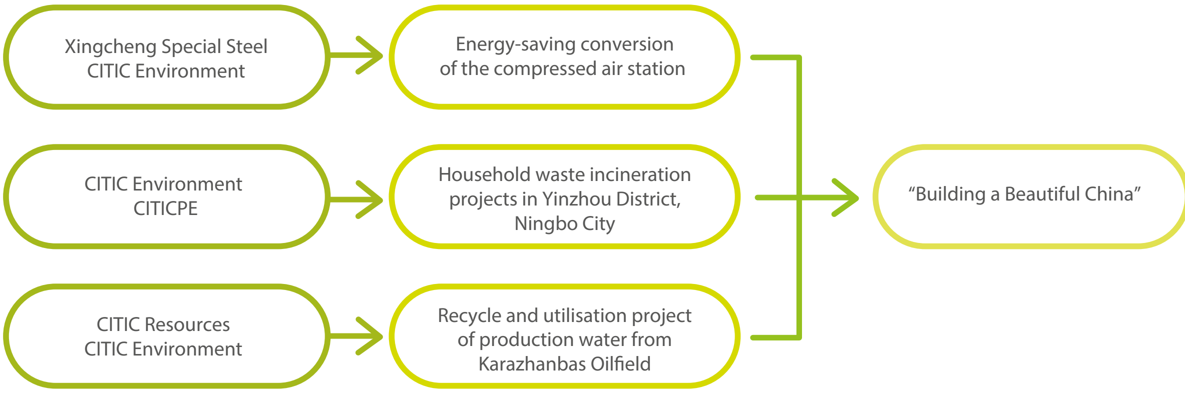
	Initiatives	Achievements
CITIC Heavy Industries	During the production process, CITIC Heavy Industries balanced peak-hour and off-hour consumption; it also introduced Management Rules on the Orderly Electricity Consumption and Response to Demand of CITIC Heavy Industries to improve power management and optimise electricity usage.	Savings of RMB15,644,000 in in basic electricity costs were achieved during the year.
	CITIC Heavy Industries conducts weekly statistical analyses of steam data to control the valve opening of each unit on the basis of temperature changes so it can adjust regional heating and reduce steam consumption.	Without affecting the amount of heat generated, total steam consumption from January to March decreased by 5.69% as compared with the last corresponding period.
CITIC Dicastal	Proceeding with the residual heat recycle and utilisation project for the production technology of Line 6, CITIC Dicastal generated 3,312kw of residual heat, which can be recycled and used for the heating of industrial parks and plants.	Savings in natural gas consumption amounted to about 1,304,599m^3 per year.
	With the completion of the residual heat recycle and utilisation project for flue gas from the smelting furnace on Line 2, we generated residual heat at the aluminium-ingot smelting furnace on Line 2 that can be recycled and used for the reheating of back water disposed of before coating and installation.	Decreasing the energy and fuel consumption of gas-fired boilers saved about 182,507m^3 of natural gas per year.

The four energy-saving boilers at Karazhanbas Oilfield

Residual heat recycle and utilization project at CITIC Dicastal

Promoting green development

We align our environmental protection efforts with the goal of "Building a Beautiful China" and work together with our member companies to offer comprehensive service solutions, including consulting and advice, design management, joint investment and project contracting. We also participate in the construction and operation of social projects and services related to environmental protection, such as sewage disposal, garbage power generation and energy-saving conversion.



Enhancing Green Awareness in Offices

In our offices, we have reduced energy wastage and pollutant emissions through measures such as upgrading electrically-powered equipment and optimising the use of official vehicles. In addition, some of our companies support a number of environmental NGOs, such as CITIC Telecom which has been a corporate member of WWF-Hong Kong for two consecutive years.

Reducing Printing Consumables at CITIC Limited

- In 2017, the headquarters building of CITIC Limited outsourced its printing requirements, including printing, copying and scanning, which has reduced time, labour and material costs. It is estimated that the Company will save 15-20% of its annual printing expenses and reduce emissions from toner particles and ozone generated during the printing process, thus improving the office environment for employees.

Green Transportation at CITIC Securities

- CITIC Securities established new rules governing the management and use of company vehicles. Statistics on monthly oil consumption by vehicles have been compiled and quarterly reports analysing oil consumption trends prepared.

Building Confidence in Our Brand

The business of CITIC Limited covers a wide range of industry sectors, including financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure. In recent years, we have also acquired new businesses such as McDonald's and Baixin Bank. With all of these businesses, we are committed to providing a high standard of service and safe, high quality products. We also attach great importance to the customer experience and use their feedback to constantly improve our customer management system in order to enhance customer satisfaction and confidence in our brands.

Performance

Honours and Awards

CITIC Bank received The Bank of the Year, China award in 2017 by The Banker magazine in the UK.

CITIC Trust was named the Best Trust Company of the Year by the Financial Times, and its AUM rating ranked first in the industry for an eleventh consecutive year.

CITIC Heavy Industries received recognition as a National Quality Trustworthy Enterprise and National Quality Leading Enterprise in the Mining Machinery Industry for the sixth consecutive year.

CITIC Construction won its fifth consecutive National Customer Satisfaction Enterprise award by the China Association for Quality. The Company's Air Force and Navy Command Headquarters Building Project in Venezuela was also named the Structural Great Wall Cup: Golden Quality Award Project in 2017-2018 by the Beijing Quality Construction Evaluation Committee.

Central and Southern China Municipal Engineering Design & Research Institute Co., Ltd.(CSMDI), one of nine pilot units in China and the only unit in the municipal design industry, received a Quality Management System Upgrade Certificate AAA by the General Administration of Quality Supervision, Inspection and Quarantine, as well as the Certification and Accreditation Administration of the People's Republic of China.

CITIC Tower received an Excellence Award in the Excellent Facility Management Award 2017 competition and a Bronze Award in the Theme Award (Facility Maintenance and Renovation) by the Hong Kong Institute of Facility Management.

Quality Products and Services

In accordance with our customer-centric philosophy, we are committed to providing the highest levels of quality control to ensure the safety and reliability of our products. We are also committed to developing innovative service models and constantly improving our service to customers.

Quality control

In our production processes and operations, we comply with national laws and regulations and industry quality standards so that we can continuously improve our corporate quality management system and strengthen process controls. This enables us to minimise quality risks and deliver high-quality products to customers.

Quality Management at CITIC Heavy Industries

- In 2017, CITIC Heavy Industries established an efficient IT-based information and quality management platform. This platform provides information in response to online queries and for OA reviews, deviation reports and online management. An interconnectivity campaign led by the quality assurance department is also conducted on a quarterly basis, using big data for preparing non-conformance reports (NCR), screening quality problems at each production unit, and identifying problem points, all of which have been effective tools for improving the Company's quality management.

Quality Improvement at CITIC Dicastal

- Should a product quality complaint be received from a customer, the Company will convene a meeting promptly to discover the cause of the problem and combine 8D, 5P, 5W2H and other customer analysis methods to provide a timely resolution.

- Additionally, CITIC Dicastal has assembled a quality control (QC) team and QC group to solve technical difficulties and improve product quality.

Case Study

Signature projects of CITIC Construction

In recent years, CITIC Construction has successfully delivered a number of signature projects in the respective countries where the Company operates, which have helped to elevate the CITIC brand and attract more customers. CITIC Construction has also won praise from the public and local governments, and has received awards for its engineering quality.

Geely Automobile Project, Belarus

- The Geely Automobile project succeeded in obtaining a project performance appraisal acceptance certificate issued by the Belarus Ministry of Construction as well as a 2016 certificate for the design and construction of industrial projects in the country.

Belarusian President Alexander Lukashenko attended the ceremony of the new production line at the Geely Automobile Production Line Project and witnessed the first car rolling off the production line

Soda and Potassium Fertiliser Processing Plant Projects, Uzbekistan

- On the 25th anniversary of the establishment of diplomatic relations between China and Uzbekistan, CITIC Construction won the Outstanding Contribution Award of China-Uzbekistan Friendship for successfully completing the Kungrad soda plant and Dehkanabad potassium fertiliser processing plant. These projects are important additions to the country's chemical industry and are creating economic and social benefits.

The housing handover ceremony for the D Zone of Tiuna Social Housing Project, Venezuela

Tiuna Social Housing Project, Venezuela

- President Nicolás Maduro of Venezuela attended the housing handover ceremony for the D Zone of the Tiuna Social Housing project held on 28 July 2017. During the ceremony, he expressed his appreciation of CITIC Construction for its contributions to the country's GMVV (Gran Misión Vivienda Venezuela) housing programme and other livelihood projects.

Our customer philosophy

We regard the needs and satisfaction of customers as our first priority. This belief motivates us to improve the level of service we offer and provide customers with comprehensive, high value-added services.

Standardising Service at CITIC Securities

- In 2017, CITIC Securities established standardised systems, procedures and specifications for all of its businesses, including customer service, network management and appraisals.

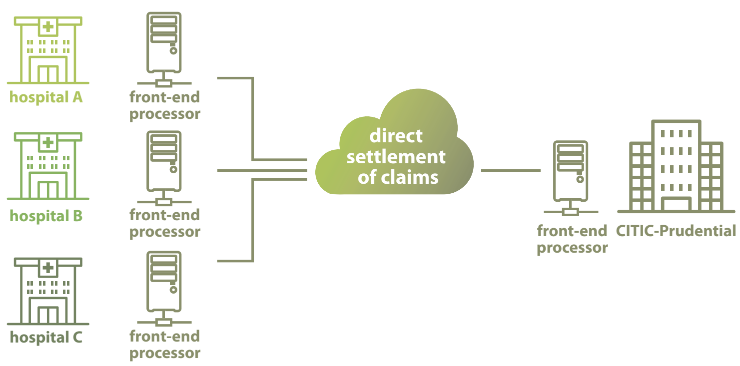
Improved Customer Service Through IT at CITIC Heavy Industries

- CITIC Heavy Industries introduced a new three-part customer service system to provide customers with in-depth service and technology-related solutions. In 2016, the Company completed the construction of the Panorama Platform for its customer service system and in the following year further expanded the scope and depth of its IT system. It also developed an intelligent service platform with customer experience, the supply stock exploration and intelligent service, achieved the all-dimensional interaction between the company and customers. In addition, CITIC Heavy Industries explored spare parts, business opportunities in service industry in depth and built itself as a comprehensive service provider.

Special Feature

CITIC-Prudential: A pilot project for direct settlement of claims service

CITIC-Prudential has piloted a direct settlement of claims service for the convenience of customers. In 2017, CITIC-Prudential LIFE also launched a pilot project for a direct settlement of claims service in Hubei, which seamlessly integrates the systems between hospitals and the company. With this new project, insurance claims information is transferred in real time so that claims can be settled for medical expenses without any personal advances or waiting.



Improving Customer Relationships

In addition to providing safe, stable and reliable products and services, we are also committed to protecting the rights of consumers. With the aim of protecting their right to know, we are continuously improving our customer management systems through surveys and the feedback we receive.

Protecting Customers' Rights and Interests

- CITIC Bank improved its information technology with the launch of its Emergency Plan for Information Technology Outsourcing Management plan, which provides detailed specifications on handling emergencies, including outsourcing, risk identification and risk response, and emergency drills. The new plan ensures that clients' capital is secure by minimising information technology risk.

- CITIC Securities Information Technology Center implemented a more rigidly defined information security policy during the year, the Information System Security Management Methods. This policy covers the management of physical security, internet security, host/terminal security, application security and data security, as well as the protection of customer information.

Responding to Customers

- CITIC Heavy Industries conducted regular investigations, performed statistical analyses of product quality, and distributed a customer questionnaire with telephone follow-up and user visits. The appropriate responses were made based on the comments and suggestions of customers. With constant improvements in product quality and the expansion of its after-sales service, CITIC Heavy Industries raised customer satisfaction levels during the year, with no consumer complaints recorded.

- CITIC Dicastal closely monitored its customer systems to ensure first-time access to external information. This enabled it to respond quickly to customer complaints, with a preliminary reply within 24-hours. In internal analysis meetings, staff proposed improvement measures and followed up.

Financial Education for Customers

- CITIC Bank launched three major public financial education programmes under three key themes during the year. These programmes were arranged by the Bank's head office, organised at the branch network level, and implemented by each banking office. Staff members were selected to publicise the programmes in schools, communities and in commercial areas. They helped to convey basic financial knowledge that is necessary in consumers' daily lives and the skills needed to prevent financial risks.

- In response to the Protecting Investors • Understanding Regulations and Clarifying Risks campaign organised by the China Securities Regulatory Commission, CITIC Securities focused on insider trading, market manipulation and illegal information disclosure and irregular operations. It also implemented online and offline communication channels to publicise cases and other financial education topics.

Partners in Industry

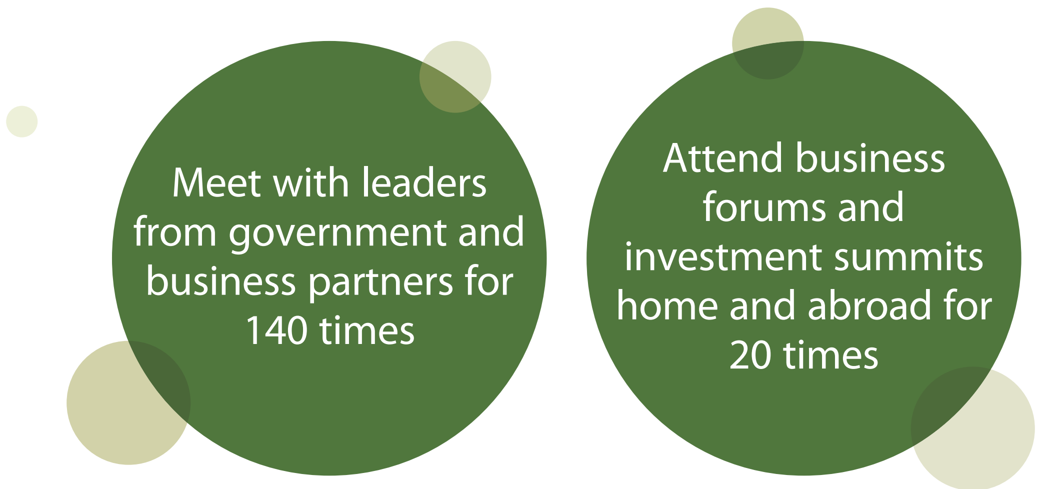
CITIC Limited helps to promote related industries by cooperating with its counterparts in government and the private sector. Its goals are to support fair competition, while contributing to the development of technology and a high quality supply chain. It is also committed to fight against corruption and encourage a transparent, healthy and competitive industrial environment.

Working with Our Partners

We work with our partners in industry and government for our mutual benefit. We are also mindful of our responsibilities to develop the local economy and communities in which we operate. In addition, we have established a platform for fully integrating both internal and external systems, as well as our upstream and downstream resources to give our partners more development opportunities.

Cooperation with government and other companies

In 2017, the senior management of CITIC Limited continued to work closely with its corporate and government partners:



Developing local economies

We have aligned our business with China's national strategies, including The Belt and Road, Made in China 2025, and the Coordinated Development of the Beijing-Tianjin-Hebei Region and Yangtze River Economic Zone. We have also established a series of cooperation platforms to support the development of regional economies and industry through the integration of internal and external resources.

Seminars on The Belt and Road and Go Global

- During the year, we organised seminars on the Belt and Road and Go Global strategies and established close relationships with domestic and overseas government authorities, large corporate groups, bilateral and multilateral financial institutions, international organisations and relevant domestic financial institutions to promote the implementation of key projects.

Made in China 2025 initiative

- We worked with the Ministry of Industry and Information Technology to explore new development models, such as supporting the Made in China 2025 initiative.

Support for regional economic development

- After entering into strategic cooperation development agreements with Beijing and Hebei province, we continued to promote the establishment of a senior level strategic cooperation platform with Tianjin for cooperation in fields such as traffic systems integration, environmental protection and industrial transfer;

- Focusing on municipal groups in the Yangtze River Economic Zone, we cooperated with Jinshan District in Shanghai, Wuhan Changjiang New Town and Jiangsu Nantong Economic Development Zone to help integrate local development projects.

Developing a Healthy Supply Chain

We continued to work with our supply chain to establish a shared value system. In the industry organisations we have joined, we share our management methods and techniques while promoting the development of the industry. We also contribute to the fight against piracy and infringement of intellectual property rights and encourage innovation.

Working with our supply chain

CITIC Securities

- With a strong commitment to green procurement, CITIC Securities requires its suppliers and contractors at the tender stage to provide certification documents in respect of ISO9000, ISO14000 and other quality certifications. By assessing and verifying suppliers and contractors, CITIC Securities has reduced potential environmental and social management risks.

- The Company has also developed supplier management requirements for its Information Technology Center, outlining procedures for supplier management, contract management, as well as daily and annual appraisals.

CITIC Construction

- For managing its supply chain, CITIC Construction has in place requirements for supplier assessments, in-factory supervision, quality checks, environmental protection and ethical practices.

Support for industry development

CITIC Trust

- CITIC Trust launched its Trust Culture in China campaign and Trust Impetus in Beautiful China campaign, led trust theoretical research, promote the implementation of laws and regulations on charitable trust and completed the relevant theories.
- In addition, CITIC Trust participated in research studies organised by the China Banking Regulatory Commission and the China Trustee Association, including those related to amendments of trust law and the trust registration system.

CITIC Resources

- At the Yuedong oilfield, where pumping units had to be frequently disassembled due to the narrow working space, a new type of workover rig with self-balanced derrick was developed to improve workover efficiency, reduce operation risk and meet crude oil production targets. This invention obtained a national patent and was awarded the Science and Technology Advancement Award of Liaohe Oilfield (Grade I).

CITIC Engineering Design

- During the year, CITIC Engineering Design issued its *Design Guidelines for Urban Integrated Utility Tunnels, the Design Guidelines for Sponge City Construction and the Design Guidelines for Soil Remediation.* These guidelines cover integrated utility tunnels, sponge city construction, soil remediation and industrialised construction, thereby contributing to the transformation, upgrade and development of the survey and design industry.

Intellectual property protection

Protecting Rights and Interests

- CITIC Securities has relevant management measures and clearly specified rights and responsibilities for its trademark rights and copyrights. To date, CITIC Securities has obtained 21 computer software copyright registration certificates for its automated trading platform, market risk computing system, big data bond system, and cloud service, among others.
- Protection of intellectual property is an important basis and key part of the Company's technological advancement and innovative development. CITIC Heavy Industries has established an intellectual property system, technical standards and quality management. As of the end of 2017, it had 541 valid patents, of which 191 are patents protecting its own inventions.

Copyright Protection

- For both its domestic and overseas publications, CITIC Press maintains copyrights in compliance with the Copyright Law and the relevant national provisions for the publishing industry. It also draws up book publishing contracts with each copyright owner or copyright agent on equal terms.
- In 2017, CITIC Press joined the Anti-piracy Alliance of Beijing 15 Publishing House and cooperated with law-enforcement agencies to identify pirated books. It also obtained a computer software copyright registration certificate for the CITIC Academy App and maintained existing entitlement documents.

Anti-Corruption

As anti-corruption is a top priority in our internal risk control, we require that employees maintain good faith and honesty in their work. We constantly enhance our internal staff supervision system and protect the Company's image of integrity. According to the requirements of the Hong Kong Listing Rules, we review the implementation of the Code of Conduct of Employees at CITIC Limited and its subsidiaries on a semi-annual basis.

Building an Early Warning System

- CITIC Limited deals with complaints in strict accordance with the Reporting and Handling Regulations and will investigate any breaches in keeping with its approach to accountability.
- To safeguard the legitimate rights and interests of employees, the Company follows the principles of justness, openness and fairness.

Monitoring Subsidiaries and Overseas Operations

- CITIC Limited monitors the performance and behaviour of its subsidiaries' management personnel and works with staff through debriefings, seminars and individual interviews.
- It also closely monitors overseas projects to protect and secure the Company's assets.

Training in Anti-Corruption

- CITIC Limited trains its employees in the relevant laws and regulations on anti-corruption.
- The first training session in anti-corruption was held for functional departments and supervisors in Hong Kong, covering the local business environment and regulatory policies. In addition, the Company reached staff through on-site teaching sessions and internal communication.

Support for Local Communities

CITIC Limited believes that contributing to the prosperity of the communities in which it operates will also benefit its businesses. Consequently, we focus on national policies and social issues, work with the community, and develop assistance programmes in response to local needs. Employees are also encouraged to volunteer their time and services.

Performance

Honours and Awards

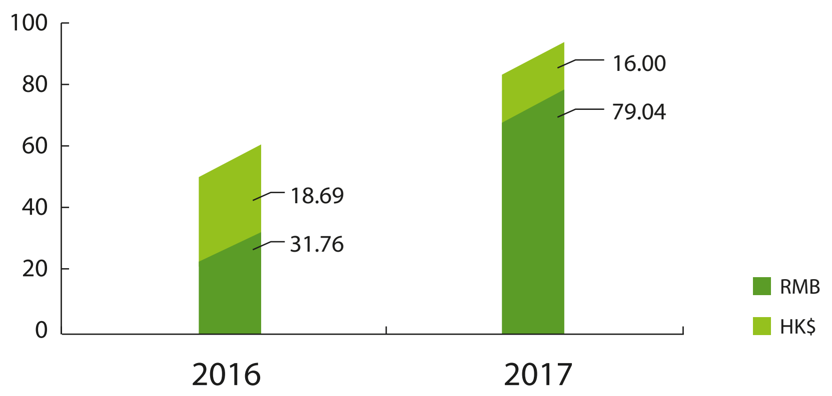
CITIC Trust won 2017 Corporate Charity Award at 7th China Charity Ceremony.

CITIC Pacific won the Support Award for five consecutive years in the Oxfam Rice Sales Campaign, as well as the Second Most Proactive Fundraising (Sponsor) in that organisation's 2017 campaign. It also received the Second Highest Fundraising (Enterprise) of Collective Ordering of Oxfam Rice award of the Charitable Poverty Alleviation Enterprise Partner Programme in 2016-2017.

CITIC Construction's Cultural Aid to Africa programme won the 11th China Young Volunteers Award for Outstanding Programme.

CITIC Telecom International won the Social Capital Power Award at the Community Investment Shared Fund of the Hong Kong Labour and Welfare Bureau, while the volunteer team of subsidiary Companhia de Telecomunicações de Macau was recognised by the Association of Volunteers of Social Service of Macau as the Outstanding Corporate Volunteer Team in Macau.

Donations to local communities (million)



Focus on National Policies and People's Livelihood

During the year, we continued to promote mutual exchanges between Hong Kong and Mainland China. We also carried out public welfare campaigns in Hong Kong and Macau and invested in local education, culture, sports and community infrastructure, and helped the underprivileged through our volunteer services.

Integration of Mainland China and Hong Kong

The year of 2017 marked the 20th anniversary of the return of Hong Kong to China. During the review period, CITIC Limited organised seven-week summer internships in Mainland China for 34 students from the University of Hong Kong, Chinese University of Hong Kong and Hong Kong University of Science and Technology with financial companies such as CITIC Bank and CITIC Securities. We also arranged exchanges between students from Hong Kong and students from universities in Mainland China, such as Tsinghua University and Peking University.

In 2017, we also organised a visit for interns to the Most Beautiful Moments in Eyes of CITIC People photo exhibition and home game with the Beijing Zhonghe Guoan football team. The Hong Kong students said that the internships in Mainland China broadened their perspectives, deepened their understanding of CITIC culture, and left an unforgettable impression on them.

The Guoan Sinobo football team at a home game


An exchange with Mainland university students

Public welfare programmes in Hong Kong and Macau

CITIC Pacific has supported charity activities held by public welfare organisations such as Oxfam Hong Kong and the Community Chest for several consecutive years. In 2017, CITIC Pacific donated HK$50,000 to Oxfam for sponsoring the Oxfam Rice Sales Campaign, and organised volunteers to set up charity sales stalls, in order to support the Small Farmer Development Fund established by Oxfam Hong Kong. CITIC Pacific also contributed HK$460,000 to the Education University of Hong Kong in support of its I Believe programme, and the Walk with Parents – evidence-based Integrated Education Programme of the Integrated Growth Development Center project, which provides aid for the treatment of children with developmental disabilities and special learning needs. At the Awards Presentation Ceremony of Lingnan University in 2017, scholarships for the CITIC Pacific Business School were presented to four outstanding students.

Our employees of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the subsidiary of CITIC Telecom International, did their utmost to ensure the normal operation of the Macau network communication services when the typhoon Hato hit Macau in 2017. As professional employees of the telecoms industry with sense of commitment, all employees worked tirelessly to maintain the uninterrupted communication service under the condition that a wide range of power supply and water supply disruptions occurred in various districts resulted from the typhoon. CTM launched the "Emergency Telecommunications Equipment Assistance Scheme". In the meantime, other colleagues in the subsidiary provided cleaning of the hostel for the elderly after the typhoon. All of these helped restoring the economy of the Macau community and rebuilding the homes of the residents. On the other hand, CTM organised over 400 participants including management team members, employees and their dependents for the large-scale charitable activity, "Walk for A Million" in Macau. In nurturing the development of youngsters, CTM held "Youth Development programmes 2017". Through a series of multi-scale activities, the program encouraged young people to make good use of their summer holidays to enhance team spirit, leadership competencies, social skills and spirit of community care. It has aimed at cultivating all-rounded talents for the sustainable development of Macau.

CTM held "Youth Development Programmes 2017"

Representative from CITIC Pacific attended awards presentation ceremony of Lingnan University in 2017

CITIC Limited Wastepaper Project

For three consecutive years since 2015, CITIC Limited has organised the Offering Charitable Aid with a Piece of Paper activity, which helps children from poor minority families in Xinjiang suffering from congenital heart disease and echinococcosis. In 2017, we established 10 collection centres at our headquarters and subsidiaries to collect discarded magazines and paper. Approximately RMB39,000 in on-site donations, remittances and sales proceeds were collected during the year, bringing total donations up to approximately RMB100,000 since the launch of the project and winning the praise of the China Charity Federation.

CITIC Prudential Care Foundation

CITIC Prudential Life Insurance supports the development of education, health and environmental protection in China through the CITIC Prudential Care Foundation. In 2017, CITIC Prudential Life Insurance donated RMB10,000,000 to the China Children and Teenagers Foundation in support of the Escort Plan. Another programme, the Convoy Plan, will be launched by the China Children and Teenagers Foundation together with government departments and agencies to provide services and Chinese cultural education for young children studying abroad. The aim of this programme is to assist students before travelling overseas and help them disseminate Chinese culture.

Overseas Public Welfare Projects

CITIC Construction opened the BN Vocational School in Angola to provide vocational training for local youth and promote the development of local culture. On 9 May 2017, CITIC BN Vocational School held its 2017 School Opening and Graduation Ceremony, during which 49 new students were enrolled and 273 students graduated. The mayor of Kilamaba, Joaquim Israel, expressed his appreciation to CITIC Construction for its sponsorship of the vocational school and its mission of providing free education for impoverished youth in Angola and developing technical talent for the country.

In August 2017, CITIC Construction donated funds to the Ice Hockey Association of the Republic of Belarus in support of ice hockey for the country's youth. Through this donation, CITIC Construction became the first Chinese partner of the Ice Hockey Association of the Republic of Belarus.

CITIC BN Vocational School held its 2017 School Opening and Graduation Ceremony

CITIC Construction donated funds to the Zce Hockey Association of the Republic of Belarus

Public Welfare Activities

In addition to supporting general welfare activities, CITIC Limited also provides its technical expertise for public projects.

CITIC Trust Charitable Trust

In 2016, CITIC Trust's charitable trust fund gained legal status in accordance with the standards of the Ministry of Civil Affairs, China Banking Regulatory Commission and Beijing Municipal Civil Affairs Bureau. At the beginning of 2017, CITIC Trust set up the first charitable trust with two trustees in Beijing – the 2016 CITIC Ala Shan SEE (Society of Entrepreneurs & Ecology) Environmental Charitable Trust, with CITIC and the Beijing Entrepreneurs Environmental Protection Fund acting as trustees and China Soft Capital acting as trustor.

On 25 July, as entrusted by He Xiangjian Charity Foundation, CITIC Trust formally established the CITIC He Xiangjian Charity Foundation 2017 Shunde Community Charitable Trust, with a total amount of RMB500 million, the largest charitable trust in China's Trust industry to date. On 17 August, CITIC Shanghai Charity Foundation Lantian Zhiai No. 2 Huifu Charitable Trust was successfully registered in Shanghai, the first with a double trusteeship structure in that city. In addition, CITIC Trust continued the CITIC Spaceflight Charitable Trust in support of the development of aerospace science and technology in China.

Support for reading by CITIC Press

On 7 June, opening ceremonies were held for the Reading Books in Zuojiazhuang and CITIC Press book donation campaigns at the Zuojiazhuang Cultural Service Center. Through these campaigns, CITIC Press will donate 2,000 books it has published to the Cultural Service Center and community reading rooms on Zuojiazhuang Street.

On 24 August, the Smiling Rainbow, Care for Special Children – Beijing Station public welfare campaign was launched during the 15th Beijing International Book Festival, which themed "reading light up the heart of every child" aiming to raise public awareness. CITIC Press responded the campaign by donating more than one hundred picture books, including *The Only Child, Nature Class by Waterside and The Butterfly Lovers* to China Rehabilitation Research Center for Hearing and Speech Impairment.

Volunteer Services

In 2017, the Volunteers' Association of CITIC, comprising 30 teams of volunteers, participated in more than 60 volunteer activities. They provided care for migrant workers' children and aid for the disabled and educational donations in more than 20 cities and regions, including Beijing, Shanghai, Chongqing and Luoyang. Approximately 10,000 volunteers took part in these activities.

Chacha Theater at Beijing Guangai School, an event organised by CITIC

Caring for Autistic Children volunteer service in Shanghai

Blood donation at Luoyang, organised by CITIC Heavy Industries

CITIC Engineering Design volunteers at Taohua Village, Chongyang County, Xianning

The Roundabout voluntary donation event, held by CITIC Investment Holdings

Disaster relief after Typhoon Hato, with volunteers from CITIC Urban Development Zhuhai Branch

Giving Children Confidence in the Future

Love, Trust, Be Together is a community welfare programme launched by CITIC Limited. In this programme, participants are given the option to redeem their credit card points for charity programmes such as the Dreams Come True, Volunteer Teachers Trips and Summer Camps projects, in which funds or redeemed items are donated to schools for migrant children and schools in impoverished mountainous areas. In the latest version of the programme, participants could make donations on their mobile phones.

In 2017, the Love, Trust, Be Together contributed to the following activities:

Dream Centers

- A total of 150,000 cardholders donated 1 billion bonus points, which were converted into donations worth RMB1million. These funds were then used to construct multi-media classrooms (Dream Centers) and provide 30 courses. From 2009 to 2017, 72 Dream Centers were installed with the donations.

Volunteer Teachers Trips programme

- The eighth Volunteer Teachers Trip was organised, with an accumulated 360 service hours contributed by 50 volunteer teachers

Summer Camps

- The eighth themed camp was organised, with 30 teachers and students from donee schools participating.

Sunshine Volunteer Trips

More than 100 young volunteers from CITIC participated in the Sunshine Volunteer Trips programme, during which volunteers listened to the stories of Teacher Li Siyuan, famous for teaching students as a volunteer for five years in a school for migrant workers' children at Guiyang- Jiancai Primary School. Volunteers also made propylene artworks and played games with primary school students. Stationery and school items such as schoolbags were donated along with aid money of RMB33,000 to the children of impoverished migrant workers.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

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

CONTENTS OF FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$ million	2016 HK$ million (Restated)
		For the year ended 31 December	
Continuing operations			
Interest income		256,108	251,423
Interest expenses		(139,426)	(125,504)
Net interest income	5(a)	116,682	125,919
Fee and commission income		64,797	58,196
Fee and commission expenses		(5,617)	(3,618)
Net fee and commission income	5(b)	59,180	54,578
Sales of goods and services	5(c)	260,481	194,136
Other revenue	5(d)	14,193	7,029
		274,674	201,165
Total revenue		450,536	381,662
Cost of sales and services	6,10	(222,869)	(166,323)
Other net income	7	14,596	7,301
Impairment losses on	8		
– Loans and advances to customers and other parties		(58,167)	(53,603)
– Others		(20,758)	(19,985)
Other operating expenses	10	(83,981)	(76,942)
Net valuation gain on investment properties	32	58	615
Share of profits of associates, net of tax		7,564	2,323
Share of profits of joint ventures, net of tax		5,889	2,876
Profit before net finance charges and taxation		92,868	77,924
Finance income		1,412	1,575
Finance costs		(11,497)	(8,708)
Net finance charges	9	(10,085)	(7,133)
Profit before taxation	10	82,783	70,791
Income tax	11	(17,687)	(18,404)
Profit for the year from continuing operations		65,096	52,387
Discontinued operations			
Profit for the year from discontinued operations	50	–	10,309
Profit for the year		65,096	62,696

	Note	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Profit for the year		**65,096**	62,696
Attributable to:			
– Ordinary shareholders of the Company		**43,902**	43,146
– Holders of perpetual capital securities		**673**	790
– Non-controlling interests		**20,521**	18,760
Profit for the year		**65,096**	62,696
Profit attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**43,902**	32,809
– Discontinued operations		**–**	10,337
		43,902	43,146
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$):	15		
Basic earnings per share from:			
– Continuing operations		**1.51**	1.13
– Discontinued operations		**–**	0.35
		1.51	1.48
Diluted earnings per share from:			
– Continuing operations		**1.51**	1.13
– Discontinued operations		**–**	0.35
		1.51	1.48

The notes on pages 175 to 339 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Profit for the year		**65,096**	62,696
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)	16		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**(9,892)**	(8,930)
Cash flow hedge: net movement in the hedging reserve		**968**	1,155
Share of other comprehensive income/(loss) of associates and joint ventures		**1,373**	(1,132)
Exchange differences on translation of financial statements and others		**44,961**	(40,295)
Items that have not been reclassified or may not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		**47**	28
Other comprehensive income/(loss) for the year, net of tax		**37,457**	(49,174)
Total comprehensive income for the year		**102,553**	13,522
Attributable to:			
– Ordinary shareholders of the Company		**70,453**	9,249
– Holders of perpetual capital securities		**673**	790
– Non-controlling interests		**31,427**	3,483
Total comprehensive income for the year		**102,553**	13,522
Total comprehensive income/(loss) attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**70,453**	(269)
– Discontinued operations		**–**	9,518
		70,453	9,249

The notes on pages 175 to 339 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 HK$ million	2016 HK$ million (Restated)
Assets			
Cash and deposits	18	924,584	927,382
Placements with banks and non-bank financial institutions	19	205,346	186,927
Financial assets at fair value through profit or loss	20	91,350	77,819
Derivative financial instruments	21	79,339	53,281
Trade and other receivables	22	149,204	139,166
Amounts due from customers for contract work		1,820	1,949
Inventories	23	58,552	49,000
Financial assets held under resale agreements	24	65,349	193,615
Loans and advances to customers and other parties	25	3,721,886	3,137,850
Available-for-sale financial assets	26	807,912	642,477
Held-to-maturity investments	27	261,654	244,151
Investments classified as receivables	28	644,789	1,166,325
Interests in associates	30	98,644	84,125
Interests in joint ventures	31	37,418	19,387
Fixed assets	32	196,047	173,326
Investment properties	32	33,073	31,539
Intangible assets	33	23,721	19,322
Goodwill	34	23,989	21,871
Deferred tax assets	35	48,585	34,802
Other assets		47,477	35,175
Total assets		7,520,739	7,239,489

Consolidated Balance Sheet

As at 31 December 2017

	Note	As at 31 December **2017** **HK$ million**	 2016 HK$ million (Restated)
Liabilities			
Borrowing from central banks		**284,818**	205,755
Deposits from banks and non-bank financial institutions	36	**954,638**	1,097,164
Placements from banks and non-bank financial institutions	37	**90,131**	93,596
Derivative financial instruments	21	**80,075**	52,648
Trade and other payables	38	**226,110**	207,600
Amounts due to customers for contract work		**3,334**	2,892
Financial assets sold under repurchase agreements	39	**160,902**	134,534
Deposits from customers	40	**4,056,158**	4,031,519
Employee benefits payables		**20,429**	18,292
Income tax payable	35	**13,446**	10,002
Bank and other loans	41	**142,442**	113,125
Debt instruments issued	42	**653,371**	543,893
Provisions	43	**5,474**	3,668
Deferred tax liabilities	35	**9,438**	6,682
Other liabilities		**26,332**	21,446
Total liabilities		**6,727,098**	6,542,816
Equity	44		
Share capital		**381,710**	381,710
Perpetual capital securities		**7,873**	7,873
Reserves		**161,368**	101,419
Total ordinary shareholders' funds and perpetual capital securities		**550,951**	491,002
Non-controlling interests		**242,690**	205,671
Total equity		**793,641**	696,673
Total liabilities and equity		**7,520,739**	7,239,489

Approved and authorised for issue by the board of directors on 28 March 2018.

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

The notes on pages 175 to 339 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	General reserve HK$ million (Note 44(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 44(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2017 (Previously reported)		381,710	7,873	(62,209)	1,203	(2,445)	44,497	158,040	(38,036)	490,633	205,218	695,851
Business combination under common control	51(c)	–	–	299	–	–	–	94	(24)	369	453	822
Balance at 1 January 2017 (Restated)		381,710	7,873	(61,910)	1,203	(2,445)	44,497	158,134	(38,060)	491,002	205,671	696,673
Profit for the year		–	673	–	–	–	–	43,902	–	44,575	20,521	65,096
Other comprehensive income/(loss) for the year	16	–	–	–	714	(5,158)	–	–	30,995	26,551	10,906	37,457
Total comprehensive income/(loss) for the year		–	673	–	714	(5,158)	–	43,902	30,995	71,126	31,427	102,553
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	464	464
Issue of other equity instruments by subsidiaries		–	–	–	–	–	–	–	–	–	1,330	1,330
Transfer of profits to general reserve		–	–	–	–	–	591	(591)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	14	–	–	–	–	–	–	(9,891)	–	(9,891)	–	(9,891)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(8,828)	(8,828)
Distribution to holders of perpetual capital securities		–	(673)	–	–	–	–	–	–	(673)	–	(673)
New subsidiaries	51(a)	–	–	–	–	–	–	–	–	–	3,793	3,793
Disposal of subsidiaries	52(b)	–	–	–	–	–	–	–	–	–	(132)	(132)
Transactions with non-controlling interests	53	–	–	269	–	–	–	–	–	269	8,727	8,996
Capital injection in business combination under common control	51(c)	–	–	(530)	–	–	–	–	–	(530)	530	–
Others		–	–	(352)	–	–	–	–	–	(352)	(292)	(644)
Other changes in equity		–	(673)	(613)	–	–	591	(10,482)	–	(11,177)	5,592	(5,585)
Balance at 31 December 2017		381,710	7,873	(62,523)	1,917	(7,603)	45,088	191,554	(7,065)	550,951	242,690	793,641

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	General reserve HK$ million (Note 44(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 44(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2016												
(Previously reported)		381,710	13,836	(65,387)	294	4,306	37,013	131,132	(10,002)	492,902	170,267	663,169
Business combination under common control	51(c)	–	–	300	–	–	–	67	(3)	364	449	813
Balance at 1 January 2016 (Restated)		381,710	13,836	(65,087)	294	4,306	37,013	131,199	(10,005)	493,266	170,716	663,982
Profit for the year		–	790	–	–	–	–	43,146	–	43,936	18,760	62,696
Other comprehensive income/(loss)												
for the year	16	–	–	–	909	(6,751)	–	–	(28,055)	(33,897)	(15,277)	(49,174)
Total comprehensive income/(loss)												
for the year		–	790	–	909	(6,751)	–	43,146	(28,055)	10,039	3,483	13,522
Redemption of perpetual capital securities	44(c)	–	(5,850)	–	–	–	–	–	–	(5,850)	–	(5,850)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	737	737
Issue of preference shares and other equity												
instruments by subsidiaries		–	–	–	–	–	–	–	–	–	46,162	46,162
Transfer of profits to general reserve		–	–	–	–	–	7,484	(7,484)	–	–	–	–
Dividends paid to ordinary shareholders of												
the Company	14	–	–	–	–	–	–	(8,727)	–	(8,727)	–	(8,727)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(6,238)	(6,238)
Distribution to holders of perpetual capital												
securities		–	(903)	–	–	–	–	–	–	(903)	–	(903)
New subsidiaries		–	–	–	–	–	–	–	–	–	165	165
Disposal of subsidiaries	52(b)	–	–	–	–	–	–	–	–	–	(908)	(908)
Termination of part of put options issued		–	–	2,229	–	–	–	–	–	2,229	–	2,229
Transaction with non-controlling interests		–	–	865	–	–	–	–	–	865	(8,418)	(7,553)
Others		–	–	83	–	–	–	–	–	83	(28)	55
Other changes in equity		–	(6,753)	3,177	–	–	7,484	(16,211)	–	(12,303)	31,472	19,169
Balance at 31 December 2016 (Restated)		381,710	7,873	(61,910)	1,203	(2,445)	44,497	158,134	(38,060)	491,002	205,671	696,673

The notes on pages 175 to 339 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 HK$ million	 2016 HK$ million (Restated)
Cash flows from operating activities			
Profit before taxation from continuing operations		82,783	70,791
Adjustments for:			
– Depreciation and amortisation	10(b)	14,171	12,292
– Impairment losses	8	78,925	73,588
– Net valuation gain on investment properties	32	(58)	(615)
– Net valuation gain on investments		(3,746)	(299)
– Share of profits of associates and joint ventures, net of tax		(13,453)	(5,199)
– Interest expenses on debts instruments issued	5(a)	22,113	16,438
– Finance income	9	(1,412)	(1,575)
– Finance costs	9	11,497	8,708
– Net gain on available-for-sale financial assets		(5,127)	(3,113)
– Net gain on disposal of subsidiaries, associates and joint ventures		(9,011)	(2,237)
		176,682	168,779
Changes in working capital			
Decrease/(increase) in deposits with central banks, banks and non-bank financial institutions		8,201	(46,273)
Decrease/(increase) in placements with banks and non-bank financial institutions		12,561	(57,754)
Decrease/(increase) in financial assets at fair value through profit or loss		18,149	(42,130)
Increase in trade and other receivables		(11,368)	(18,459)
Decrease in amounts due from customers for contract work		129	285
Increase in inventories		(9,775)	(12,784)
Decrease/(increase) in financial assets held under resale agreements		136,684	(40,458)
Increase in loans and advances to customers and other parties		(422,202)	(424,989)
Decrease in investments classified as receivables		581,091	83,565
Increase in other assets		(38,751)	(13,817)
Decrease in deposits from banks and non-bank financial institutions		(210,828)	(101,989)
(Decrease)/increase in placements from banks and non-bank financial institutions		(7,788)	39,480
Increase in trade and other payables		21,709	16,915
Increase/(decrease) in amounts due to customers for contract work		442	(4,332)
Increase in financial assets sold under repurchase agreements		16,326	57,525
(Decrease)/increase in deposits from customers		(231,665)	520,610
Increase in borrowing from central banks		62,290	171,446
Increase/(decrease) in other liabilities		22,269	(3,024)
Increase in employee benefits payables		2,137	127
Increase in provisions		1,806	101
Cash generated from operating activities of continuing operations		128,099	292,824
Income tax paid		(20,966)	(17,816)
Net cash generated from operating activities of continuing operations		107,133	275,008
Net cash generated from operating activities of discontinued operations		–	5,656
Net cash generated from operating activities		107,133	280,664

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 HK$ million	 2016 HK$ million (Restated)
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		1,214,792	681,316
Proceeds from disposal of fixed assets, intangible assets and other assets		1,281	805
Proceeds from disposal of associates and joint ventures		1,991	3,848
Net cash received from disposal of subsidiaries	52(b)	864	754
Dividends received from equity investments, associates and joint ventures		4,277	4,217
Payments for purchase of financial investments		(1,374,211)	(855,491)
Payments for additions of fixed assets, intangible assets and other assets		(21,723)	(21,842)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		(13,872)	(10,163)
Net cash used in investing activities of continuing operations		(186,601)	(196,556)
Net cash used in investing activities of discontinued operations		–	(14,887)
Net cash used in investing activities		(186,601)	(211,443)
Cash flows from financing activities			
Capital injection received from non-controlling interests		420	686
Transaction with non-controlling interests	53	9,020	(7,553)
Proceeds from new bank and other loans	52(c)	104,354	96,731
Repayment of bank and other loans and debt instruments issued	52(c)	(1,024,877)	(707,062)
Proceeds from new debt instruments issued	52(c)	1,013,629	727,321
Proceeds from preference shares and other equity instruments issued		1,330	46,131
Interest paid on bank and other loans and debt instruments issued	52(c)	(31,797)	(28,937)
Dividends paid to non-controlling interests		(8,165)	(6,238)
Dividends paid to ordinary shareholders of the Company	14	(9,891)	(8,727)
Redemption of perpetual capital securities		–	(5,850)
Distribution paid to holders of perpetual capital securities		(673)	(903)
Net cash generated from financing activities of continuing operations		53,350	105,599
Net cash used in financing activities of discontinued operations		–	(11,803)
Net cash generated from financing activities		53,350	93,796
Net (decrease)/increase in cash and cash equivalents		(26,118)	163,017
Cash and cash equivalents at 1 January		494,179	354,171
Effect of exchange changes		23,302	(23,009)
Cash and cash equivalents at 31 December	52(a)	491,363	494,179

The notes on pages 175 to 339 form part of these consolidated financial statements.

1 General information

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

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

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group"). As at 31 December 2017, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2016: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

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

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group.

(i) Amendments to HKAS 7, Statement of cash flows

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

(ii) Amendments to HKAS 12, Income taxes

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

(iii) Amendment to HKFRS 12, Disclosure of interest in other entities

The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12). Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests.

2 Significant accounting policies (continued)

(b) Functional currency and presentation currency

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

(c) Basis of measurement

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

– investment properties (see Note 2(l));

– financial assets and liabilities at fair value through profit or loss (including trading financial assets or trading financial liabilities) (see Note 2(i));

– available-for-sale financial assets, except for those whose fair value cannot be measured reliably (see Note 2(i)); and

– fair value hedged items (see Note 2((j)(i)).

(d) Use of estimates and judgement

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

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

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

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

(ii) Business combinations not involving entities under common control

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

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

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

2 Significant accounting policies (continued)

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

(iii) Consolidated financial statements

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

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

(iii) Consolidated financial statements (continued)

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

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

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

(iv) Investment in subsidiaries

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

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

(f) Associates and joint ventures

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

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

2 Significant accounting policies (continued)

(f) Associates and joint ventures (continued)

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

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

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

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

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

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

2 Significant accounting policies (continued)

(g) Goodwill

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

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

(h) Translation of foreign currencies

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

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments

(i) Initial recognition

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

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

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

(ii) Categorisation

Financial assets at fair value through profit or loss

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Financial assets at fair value through profit or loss (Continued)

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

- the assets are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets which would otherwise arise;
- the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

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

Loans and receivables

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iii) Fair value measurement principles

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

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

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

(iv) De-recognition

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

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

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

– the carrying amount of the financial asset transferred;

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) De-recognition (continued)

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

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When the securitisation of financial assets that qualify for de-recognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets that partially qualify for de-recognition, where the Group has not retained control, it derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial asset.

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

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

(v) Offsetting

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(vi) Derivatives

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

(vii) Embedded derivatives

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

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

(j) Hedging

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

(i) Fair value hedge

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

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

2 Significant accounting policies (continued)

(j) Hedging (continued)

(ii) Cash flow hedge

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

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

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

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

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

(iii) Hedge effectiveness testing

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

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

2 Significant accounting policies (continued)

(j) Hedging (continued)

(iii) Hedge effectiveness testing (continued)

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

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

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

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

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

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

(l) Investment properties

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

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

2 Significant accounting policies (continued)

(m) Property, plant and equipment

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

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

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

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

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

– Plant and buildings	5 – 50 years
– Machinery and equipment	3 – 33 years
– Office and other equipment, vehicles and vessels and others	2 – 33 years

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

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

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

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

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

(n) Land use rights

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

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

2 Significant accounting policies (continued)

(o) Intangible assets (other than goodwill)

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

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

– Roads and tunnels operating rights	Over the estimated useful lives of 30 years
– Mining assets	Over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven probable reserves of the mines using the unit-of-production method
– Franchise right	Over the estimated useful lives of 20 years

Both the period and method of amortisation are reviewed annually.

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

(p) Inventories

(i) Manufacturing, resources and energy segments

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

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

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

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

2 Significant accounting policies (continued)

(p) Inventories (continued)

(ii) Real estate segment

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

– **Property under development**

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

– **Completed property held for sale**

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

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

(q) Construction contracts

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

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

2 Significant accounting policies (continued)

(r) Operating leases

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

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

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

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

(s) Repossessed assets

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

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

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

2 Significant accounting policies (continued)

(t) Impairment of assets

(i) Financial assets

The carrying amounts of the Group's financial assets other than those measured at fair value through profit and loss are reviewed at balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes but not limited to one or more of the following loss events that occurred after the initial recognition of the asset and has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of a financial asset.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote after all the necessary legal or other proceedings are completed, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received, discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Loans and receivables (Continued)

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and advances to customers and other parties are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– land use rights;

– investments in subsidiaries, associates and joint ventures;

– goodwill; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(ii) Non-financial assets (continued)

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversable.

(u) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio. Where the payment of liability is expected not to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, and the effect would be material, these liabilities are stated at their present values in the balance sheet.

2 Significant accounting policies (continued)

(u) Employee benefits (continued)

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in the PRC are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subject to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other liabilities". The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(v)(iii) if and when: (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(v)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income arising from the use of entity assets by others is recognised in profit or loss based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(i) Interest income (continued)

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and interests paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

(iii) Sales of goods and services

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

Revenue from sales of properties is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(v) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

The Group measured the stage of completion by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Significant accounting policies (continued)

(x) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2 Significant accounting policies (continued)

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(aa) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

– engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

– the methods used to distribute the products or provide the services; and

– the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies (continued)

(cc) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations. Intra-group balances, transactions and cash flows between discontinued and continuing operations are eliminated in preparing these financial statements.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Impairment losses on loans and advances and investments classified as receivables

Loans and advances to customers and other parties

The Group reviews its loans and advances to customers and other parties to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes estimates and judgements as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually assessed loans and advances or pools of loans and advances to customers and other parties with similar risk characteristics, as described in Note 2(t)(i) impairment of financial assets carried at amortised cost.

3 Critical accounting estimates and judgements (continued)

(a) Impairment losses on loans and advances and investments classified as receivables (continued)

Loans and advances to customers and other parties (continued)

Significant judgements are made in the determination of whether objective evidence of impairment exists in individually assessed loans and advances to customers and other parties or pools of loans and advances to customers and other parties with similar risk characteristics. Among other things, objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, overdue status, financial position of guarantors, latest collateral valuations, concession the Group that would not otherwise be granted to borrowers for economic or legal reasons relating to their financial difficulties, as well as increasing industry sector over-capacity or obsolescence, or deterioration in national or regional economic conditions that are correlated to increasing loans and advances to customers and other parties defaults. These judgements are made both during management's regular assessments of credit quality of loans and advances to customers and other parties and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Where it is determined that objective evidence of impairment exists, significant judgements and estimates are made in estimating the adverse impact on future cash flows related to individually assessed impaired loans and advances to customers and other parties. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Factors affecting these estimates include the availability and granularity of information related to specific borrowers; the results of regulatory reviews and the related portfolio analysis, and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loans and advances to customer's defaults of related borrowers.

Corporate loans and advances to customers and other parties not identified as impaired from individually assessments, together with all personal loans and advances to customers and other parties are included in in homogenous groups with similar credit risks characteristics for performance of impairment assessments on a collective basis. Migration model is used for corporate loans and roll rate models are used for personal loans considering the similarity of credit risks and applying key assumptions. Significant judgements are applied to the calculation of assessed impairment using these models. Critical factors affecting these judgements include modelling assumptions (e.g., loss given default) and levels of correlation between qualitative factors and loans and advances to customers and other parties default. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; (iii) high risk products and geographic locations; and (iv) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience. The Group considers the impact of the changes and uncertainty in the macro-economic environment, in which the Group operates when assessing the methodologies and assumptions used for loss estimation, makes adjustments where appropriate.

3 Critical accounting estimates and judgements (continued)

(a) Impairment losses on loans and advances and investments classified as receivables (continued)

Investments classified as receivables

In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes significant estimates and judgements as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to investments classified as receivables by underlying assets or groups of underlying assets with similar risk characteristics, as described in Note 2(t)(i) Impairment of financial assets.

Where it is determined that objective evidence of impairment exists, significant judgements and estimates are made in estimating the adverse impact on future cash flows based on the underlying assets related to individually significant impaired investment classified as receivables.

Investments classified as receivables not identified as impaired from the individual assessment are included in groups with similar credit risk characteristics by underlying assets with the consideration of risk factors specific to different industries and different type of underlying assets, and assessed for impairment collectively. Significant judgements are applied to the calculation of collectively assessed impairment.

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, financial information regarding the investee and industry practice.

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Group estimates the net realisable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group’s profit or loss during the year.

3 Critical accounting estimates and judgements (continued)

(d) Impairment of non-financial assets

As described in Note 2(t)(ii), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. Management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

(g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

3 Critical accounting estimates and judgements (continued)

(h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc.. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

– the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

– where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

3 Critical accounting estimates and judgements (continued)

(j) Consolidation of structured entities

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

– assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

– performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

– assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(k) Metallurgical Corporation of China ("MCC") claim

MCC were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia ("Sino Iron Project"). The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd ("MCC WA"), its wholly owned subsidiary company responsible for delivering MCC's obligations under the contract.

As at the date of issuance of the consolidated financial statements, MCC has not claimed any additional costs from Sino Iron Pty Ltd ("Sino Iron") or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US$5 million per day, with a cap of approximately US$530 million in total). As at balance sheet date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

3 Critical accounting estimates and judgements (continued)

(k) Metallurgical Corporation of China ("MCC") claim (continued)

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2017.

(l) Mineralogy Pty Ltd ("Mineralogy") disputes

Each of Sino Iron and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, is a party to a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to construct and operate the Sino Iron Project and take two billion tonnes of magnetite ore.

A number of disputes have arisen in relation to the MRSLAs and associated agreements, a number of which are described below. The Group intends to contest all claims vigorously.

Option Agreement Dispute

The Company is a party to an Option Agreement with Mineralogy and Mr. Clive Palmer, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company (and its affected subsidiaries, Sino Iron and Korean Steel) (together referred to as the "CITIC Parties") commenced a legal proceeding in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by the Company, including that the Company had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr. Palmer.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (continued)

Option Agreement Dispute (continued)

Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia seeking orders compelling Mineralogy and Mr. Palmer to take the steps necessary under the Option Agreement to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore.

On 26 February 2018, Justice Kenneth Martin granted leave for Cape Preston Resource Holdings Pty Ltd, a subsidiary of the Company, to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose. Justice Kenneth Martin also made, inter alia, orders for the programming of any strike out application by the plaintiffs in respect of the defendants' defence and any counterclaim.

No trial date has been set for this proceeding.

Royalty Component B Dispute

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to 'prevailing published annual FOB prices' for certain iron ore products. Sino Iron and Korean Steel's position was that, among other things, because this phrase refers to the Annual Benchmark Pricing System ("Benchmark"), which ceased to exist in early 2010, it is no longer possible to calculate Royalty Component B. Mineralogy's position was that the phrase is not limited to a reference to the Benchmark and Royalty Component B is still ascertainable from other published data. Mineralogy commenced a proceeding in the Supreme Court of New South Wales that was transferred to the Supreme Court of Western Australia following a successful application by the CITIC Parties. In the proceeding transferred to the Supreme Court of Western Australia ("Proceeding CIV 1808/2013"), Mineralogy pursued a claim against Sino Iron and Korean Steel for payment of sums for Royalty Component B on products produced up to 31 March 2017, damages for alleged breaches of the MRSLAs and certain other relief.

The trial in Proceeding CIV 1808/2013 commenced on 14 June 2017 and ran for 10 sitting days. On 24 November 2017, Justice Kenneth Martin delivered his reasons for decision in that proceeding, finding in favour of Mineralogy. In particular, his Honour found in favour of Mineralogy as to the proper construction of the relevant clauses of the MRSLAs and the calculation of Royalty Component B.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (continued)

Royalty Component B Dispute (continued)

Following delivery of the reasons for decision in Proceeding CIV 1808/2013, Mineralogy commenced a further proceeding in the Supreme Court of Western Australia against the CITIC Parties ("Proceeding CIV 3024/2017") seeking the same relief as that sought in Proceeding CIV 1808/2013. On 18 December 2017, Justice Kenneth Martin ordered, among other things, that Proceeding CIV 1808/2013 and Proceeding CIV 3024/2017 be consolidated and that all claims be determined in the as consolidated proceeding.

Also on 18 December 2017, Justice Kenneth Martin made final orders in the consolidated proceeding. His Honour ordered, among other things, that judgement be entered for Mineralogy:

(i) against each of Sino Iron and Korean Steel in the amount of US$82,409,227.91 (including US$7,702,492.91 interest); and

(ii) against the Company in the amount of US$153,859,032.00 (including US$4,445,562.00 interest), pursuant to the guarantee in the Fortescue Coordination Deed ("FCD").

Justice Kenneth Martin ordered that the obligations to pay the above amounts to Mineralogy be suspended until the close of business on 15 January 2018.

Mineralogy could enforce the judgement against either Sino Iron and Korean Steel, on the one hand, or against the Company, on the other. However, it could not recover the judgement sums from Sino Iron/Korean Steel and the Company.

On 12 January 2018, Sino Iron paid to Mineralogy the judgement sums plus interest ordered by Justice Kenneth Martin on behalf of itself and Korean Steel. On the same day, Sino Iron paid Mineralogy the sum of US$113,332,300 in respect of payments of Royalty Component B for the quarters ended 30 June 2017, 30 September 2017 and 31 December 2017 in conformity with the judgement in Proceedings CIV 1808/2013 and CIV 3024/2017.

The CITIC Parties have appealed the consolidation orders and final orders made by Justice Kenneth Martin on 18 December 2017. No date has been set for the hearing of the appeal.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (continued)

FCD Indemnity Disputes

Mineralogy and Mr. Palmer have commenced and threatened to commence proceedings to pursue claims pursuant to an indemnity given by the Company under the FCD to Mineralogy and Mr. Palmer that extends to losses suffered by Mineralogy and Mr. Palmer in relation to failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

(i) Queensland Nickel FCD Indemnity Claim

On 29 June 2017, the final day of the trial of Proceeding CIV 1808/2013, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia claiming damages in the sum of AUD2.324 billion (now reduced by an amended statement of claim to AUD1.8065 billion). This amount is alleged to represent the reduction in the value of the assets of the Joint Venture business carried on by Queensland Nickel group of companies ("Queensland Nickel") controlled by Mr. Palmer. The Joint Venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

Mr. Palmer's claim purports to be made pursuant to an indemnity given by the Company under the FCD to Mr. Palmer and Mineralogy, that extends to losses suffered by Mr. Palmer and Mineralogy in relation to failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

Mr. Palmer claims that, in or around November 2015, Mineralogy agreed and/or determined to provide to Queensland Nickel Pty Limited, the manager of the Queensland Nickel joint venture, AUD28 million and such further funds as it might require for working capital, funded from the payment of Royalty Component B, to enable it to continue to manage and operate the Joint Venture business, while nickel prices remained low. As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of Royalty Component B, Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the Joint Venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

On 5 February 2018, the Company filed and served its defence and counterclaim in the proceeding. The Company has pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 26 February 2018, Justice Kenneth Martin made, inter alia, orders adding Mineralogy (as a plaintiff) and Sino Iron and Korean Steel (as defendants) in the proceeding.

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (continued)

FCD Indemnity Disputes (continued)

(ii) Palmer Petroleum FCD Indemnity Claim

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia, Proceeding CIV 1267/2018, in which it claims damages in the sum of AUD2.675 billion. The statement of claim pleads that Mineralogy had agreed to provide:

(1) from December 2009, funding; and

(2) in or about 2013, all future working capital,

to its wholly owned subsidiary, Palmer Petroleum Pty Ltd (now named Aspenglow Pty Ltd) (“Palmer Petroleum”). As the CITIC Parties had not paid Royalty Component B from the fourth quarter of 2013 to the second quarter of 2016, it is claimed that Mineralogy did not, and was unable to, provide the funds to Palmer Petroleum.

Mineralogy alleges that as a result, Palmer Petroleum was wound up in insolvency. The statement of claim pleads that Palmer Petroleum subsequently lost rights to a Papua New Guinea exploration licence and suffered a diminution in value, equivalent to the sale value of oil that allegedly would have been recoverable under the exploration licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum.

This proceeding is still in its early stages. On 26 February 2018, Justice Kenneth Martin suspended the obligations of the CITIC Parties under the Court Rules to file any defence and counterclaim, to bring a strikeout application or to apply for summary judgement pending further orders or directions in this proceeding.

(iii) Other Threatened FCD Indemnity Claims

Mr. Palmer and Mineralogy have also foreshadowed further claims under the indemnity in the FCD relating to other losses alleged to have been suffered by various other entities controlled by Mr. Palmer.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (continued)

Minimum Production Royalty Dispute

On 21 December 2017, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia, Proceeding CIV 3166/2017, in which it revived its claim for the minimum production royalty. Mineralogy seeks, among other things, payment by Sino Iron and Korean Steel each of US$97,802,036, and payment by the Company of US$195,604,070 pursuant to the guarantee and indemnity in the FCD.

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by factors outside their control. If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty on six million tonnes of product.

Mineralogy has applied to join Mr. Palmer (as a plaintiff) and the Company (as a defendant) to this proceeding. Mineralogy has also indicated to the CITIC Parties that Mineralogy proposes to plead the following additional claims in an amended statement of claim:

(i) that Mineralogy is entitled to recover loss suffered as a result of the CITIC Parties' unconscionable conduct, under section 21 of the Australian Consumer Law; and

(ii) that Mr. Palmer is entitled to recover loss suffered in relation to the CITIC Parties' failure to pay the minimum production royalty, pursuant to the indemnity in the FCD.

A hearing date has been set for 26 June 2018 for CITIC Parties' application that the proceeding be permanently stayed or dismissed, or the statement of claim be struck out, and Mineralogy's application to join Mr. Palmer (as a plaintiff) and the Company (as a defendant).

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (continued)

Port Dispute

Sino Iron and Korean Steel, through their agent CITIC Pacific Mining Management Pty Ltd, have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. In 2013, Mineralogy commenced a proceeding in the Federal Court of Australia seeking declarations that the port terminal facilities had vested in it, that it was entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties, which regulate usage of the port infrastructure, have been terminated by it. The Federal Court refused to grant any of the relief sought by Mineralogy.

Mineralogy appealed the decision at first instance. The Full Court of the Federal Court of Australia dismissed the appeal on all grounds raised by Mineralogy. The Full Court found that Sino Iron and Korean Steel, and not Mineralogy, were solely responsible for the operation and maintenance of the port terminal facilities.

Mineralogy applied for special leave to appeal the decision of the Full Court to the High Court of Australia. On 15 September 2017, the High Court refused Mineralogy's application for special leave to appeal. A decision to refuse special leave is final and cannot be appealed. Accordingly, this proceeding is now at an end, save for the recovery by the CITIC Parties of their costs.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2017 is 16.5% (2016: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2017 is 25% (2016: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (Note 5(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

5 Revenue (continued)

(a) Net interest income

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	12,589	11,179
Placements with banks and non-bank financial institutions	7,173	4,363
Financial assets held under resale agreements	1,391	1,078
Investments classified as receivables	41,484	54,275
Loans and advances to customers and other parties	163,317	155,248
Investments in debt securities	30,034	25,274
Others	120	6
	256,108	251,423
Interest expenses arising from:		
Borrowing from central banks	(7,088)	(3,143)
Deposits from banks and non-bank financial institutions	(42,534)	(38,172)
Placements from banks and non-bank financial institutions	(3,478)	(1,721)
Financial assets sold under repurchase agreements	(3,103)	(1,007)
Deposits from customers	(60,936)	(64,577)
Debt instruments issued	(22,113)	(16,438)
Others	(174)	(446)
	(139,426)	(125,504)
Net interest income	116,682	125,919

(b) Net fee and commission income

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
Consultancy and advisory fees	4,904	6,821
Bank card fees	35,107	22,561
Settlement and clearing fees	1,400	1,633
Commission for wealth management services	6,382	8,323
Agency fees and commission	5,094	7,197
Guarantee fees	2,422	2,790
Trustee commission and fees	8,980	7,997
Others	508	874
	64,797	58,196
Fee and commission expenses	(5,617)	(3,618)
Net fee and commission income	59,180	54,578

5 Revenue (continued)

(c) Sales of goods and services

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Sales of goods	217,333	157,372
Services rendered to customers	26,382	26,895
Revenue from construction contracts	16,766	9,869
	260,481	194,136

(d) Other revenue

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
Net trading gain (note (i))	7,580	4,153
Net gain on investment assets under financial services segment	3,580	2,022
Others	3,033	854
	14,193	7,029

(i) Net trading gain

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
Trading profit:		
– debt securities and certificates of deposits	3,187	1,358
– foreign currencies	1,932	2,705
– derivatives	2,461	90
	7,580	4,153

6 Costs of sales and services

	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Costs of goods sold	191,752	139,840
Costs of services rendered	17,402	18,172
Costs of construction contracts	13,715	8,311
	222,869	166,323

7 Other net income

	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	9,005	2,483
Net gain on financial assets under non-financial services segment	3,523	1,889
Net foreign exchange gain and others	2,068	2,929
	14,596	7,301

8 Impairment losses

	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Impairment losses (reversed from)/charged on:		
– deposits and placements with banks and non-bank financial institutions	(37)	40
– trade and other receivables	7,499	6,706
– amounts due from customers for contract work	(923)	(795)
– inventories	16	585
– loans and advances to customers and other parties (Note 25(d))	58,167	53,603
– available-for-sale financial assets	895	416
– held-to-maturity investments	(2)	2
– investments classified as receivables	1,520	1,068
– interests in associates	166	2
– interests in joint ventures	(54)	11
– fixed assets (note)	10,683	10,255
– intangible assets (note)	254	742
– others	741	953
	78,925	73,588

8 Impairment losses (continued)

Note:

Iron Ore Project

The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operation in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Projects have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is compared with its recoverable amount. Impairment is recognised when the carrying amount of the project exceeds its recoverable amount. The Group has identified indicators of impairment at 31 December 2017, including forecast discounted cash flows being lower than the carrying value.

In the model a discount rate of 10.3% is used. Iron ore price (including base price, premium on product grade and adjustment on freight) and AU$:US$ exchange rate assumptions are estimated by management with reference to external market forecasts sourced from a range of industry experts. The operating expenditure and capital expenditure for years 2018 to 2020 are forecast based on management's best estimates of costs and expenditures. Beyond the above three-year forecast period, operating expenditure and capital expenditure are forecast to remain relatively stable increasing primarily with inflation.

The impairment testing carried out at 31 December 2017 resulted in a total impairment charge of US$921 million (approximately HK$7,184 million) (2016: US$1,302 million (approximately HK$10,152 million)) being recognised in the consolidated income statement, reflecting changes in the key assumptions mentioned above. The impairment charge was allocated as follows:

- Property, plant & equipment US$891 million (approximately HK$6,950 million) (2016: US$1,208 million (approximately HK$9,417 million))

- Intangible assets US$30 million (approximately HK$234 million) (2016: US$94 million (approximately HK$735 million))

Also included in property, plant & equipment was a write-off of US$61 million (approximately HK$476 million) (2016: Nil).

The fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);

- Inputs other than quoted prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and

- Inputs for the CGU that are not based on observable market data (unobservable inputs)(level 3 inputs).

The CGU's fair value hierarchy is Level 3.

9 Net finance charges

	For the year ended 31 December	
	2017 **HK$ million**	2016 HK$ million (Restated)
Finance costs		
– Interest on bank loans and other loans	**5,125**	3,504
– Interest on debt instruments issued and other interest expenses	**6,316**	5,718
	11,441	9,222
Less: interest expense capitalised*	**(361)**	(576)
	11,080	8,646
Other finance charges	**417**	62
	11,497	8,708
Finance income	**(1,412)**	(1,575)
	10,085	7,133

* Capitalisation rates applied to funds borrowed are 1.29% – 5.70% per annum for the year ended 31 December 2017 (2016: capitalisation rate of 1.30% – 5.70%).

10 Profit before taxation

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Salaries and bonuses	40,572	34,038
Contributions to defined contribution retirement schemes	4,322	4,326
Others	7,622	7,773
	52,516	46,137

(b) Other items

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Amortisation	2,407	2,691
Depreciation	11,764	9,601
Operating lease charges: minimum lease payments	6,453	5,424
Tax and surcharges	2,368	5,948
Property management fees	1,421	1,290
Non-operating expenses	949	1,366
Professional fees (other than auditors' remuneration)	981	997
Auditors' remuneration		
– Audit services	162	156
– Non-audit services	52	56
	26,557	27,529

11 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**23,475**	22,345
Land appreciation tax	**48**	328
	23,523	22,673
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**2,075**	1,524
Current tax – Overseas		
Provision for the year	**367**	310
	25,965	24,507
Deferred tax		
Origination and reversal of temporary differences	**(8,278)**	(6,103)
	17,687	18,404

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Profit before taxation	**82,783**	70,791
Less: Share of profits of		
– associates	**(7,564)**	(2,323)
– joint ventures	**(5,889)**	(2,876)
	69,330	65,592
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**11,439**	10,823
Effect of different tax rates in other jurisdictions	**5,608**	4,483
Tax effect of unused tax losses not recognised	**3,140**	400
Tax effect of non-deductible expenses	**2,358**	3,054
Tax effect of non-taxable income	**(5,056)**	(1,688)
Others	**198**	1,332
Actual tax expense	**17,687**	18,404

12 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2017 are set out as follows:

	For the year ended 31 December 2017									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Social securities in China mainland	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as committee member		Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.34	0.24	–	0.02	0.13	0.09	–	–	0.82
Wang Jiong [i]	–	0.34	0.24	–	0.02	0.12	0.08	–	–	0.80
Li Qingping [i]	–	0.30	0.22	–	0.02	0.13	0.08	–	–	0.75
Pu Jian [i]	–	0.30	0.22	–	0.02	0.13	0.08	–	–	0.75
Non-executive Directors:										
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Song Kangle	–	–	–	–	–	–	–	–	–	–
Yan Shuqin	–	–	–	–	–	–	–	–	–	–
Liu Zhuyu [ii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.25	–	0.63
Lee Boo Jin	0.38	–	–	–	–	–	–	0.05	–	0.43
Noriharu Fujita	0.38	–	–	–	–	–	–	–	–	0.38
Paul Chow Man Yiu	0.38	–	–	–	–	–	–	0.05	–	0.43
Name of Former Directors										
Yang Jinming [ii]	–	–	–	–	–	–	–	–	–	–
	2.66	1.28	0.92	–	0.08	0.51	0.33	1.13	–	6.91

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2017 in respect of Mr. Chang Zhenming, Mr. Wang Jiong, Ms. Li Qingping and Mr. Pu Jian have not been finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK$0.375 million for Mr. Chang Zhenming, HK$0.375 million for Mr. Wang Jiong, HK$0.338 million for Ms. Li Qingping, and HK$0.338 million for Mr. Pu Jian.

(ii) Changes in directors during the year ended 31 December 2017:

(1) Mr. Yang Jinming resigned from the position as non-executive director in June 2017.

(2) Mr. Liu Zhuyu was appointed as non-executive director in August 2017.

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2016 are set out as follows:

	For the year ended 31 December 2016									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.35	0.38	–	0.03	0.13	0.11	–	–	1.00
Wang Jiong [i]	–	0.35	0.37	–	0.01	0.12	0.10	–	–	0.95
Li Qingping [i]	–	0.31	0.33	–	0.01	0.13	0.10	–	–	0.88
Pu Jian [i]	–	0.31	0.33	–	0.01	0.13	0.10	–	–	0.88
Non-executive Directors:										
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Song Kangle [ii,iii]	–	–	–	–	–	–	–	–	–	–
Yan Shuqin [ii,iii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.02	–	0.40
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.18	–	0.56
Lee Boo Jin	0.38	–	–	–	–	–	–	0.01	–	0.39
Noriharu Fujita	0.38	–	–	–	–	–	–	–	–	0.38
Paul Chow Man Yiu [ii,iii]	0.30	–	–	–	–	–	–	0.01	–	0.31
Name of Former Directors										
Yu Zhensheng [ii,iii]	–	–	–	–	–	–	–	–	–	–
Cao Pu [ii,iii]	–	–	–	–	–	–	–	–	–	–
Li Rucheng [ii,iii]	0.29	–	–	–	–	–	–	–	–	0.29
	2.87	1.32	1.41	–	0.06	0.51	0.41	0.85	–	7.43

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2016 in respect of Mr. Chang Zhenming, Mr. Wang Jiong, Ms. Li Qingping and Mr. Pu Jian were finalised in accordance with the regulations of the relevant local authorities. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK$0.375 million for Mr. Chang Zhenming, HK$0.375 million for Mr. Wang Jiong, HK$0.338 million for Ms. Li Qingping, and HK$0.338 million for Mr. Pu Jian.

(ii) Changes in directors during the year ended 31 December 2016:

(1) Ms. Cao Pu retired from the position as non-executive director in March 2016.

(2) Mr. Song Kangle and Mr. Li Rucheng were appointed as non-executive directors, and Mr. Paul Chou Man Yiu was appointed as an independent non-executive director in March 2016.

(3) Ms. Yan Shuqin was appointed as a non-executive director, and Mr. Yu Zhensheng resigned from the position as non-executive director in April 2016.

(4) Mr. Li Rucheng resigned from the position as non-executive director in December 2016.

(iii) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

(b) Other benefits and interests

For the year ended 31 December 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: None). No consideration was provided to or receivable by third parties for making available directors' services (2016: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2017 (2016: None).

13 Individuals with highest emoluments

For the year ended 31 December 2017, none of the five highest paid individuals are directors (2016: None) whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of these five individuals (2016: five) are as follows:

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
Salaries and other emoluments	**30.40**	26.29
Discretionary bonuses	**30.92**	33.24
Equity settled share based payment expenses	**2.34**	–
Retirement scheme contributions	**1.49**	1.63
	65.15	61.16

The emoluments of the five individuals (2016: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2017 Number of individuals	2016 Number of individuals
HK$11,000,001 to HK$12,000,000	**1**	3
HK$12,000,001 to HK$13,000,000	**2**	1
HK$13,000,001 to HK$14,000,000	**1**	1
HK$14,000,001 to HK$15,000,000	**1**	–
	5	5

14 Dividends

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
2016 Final dividend paid: HK$0.23 (2015: HK$0.20) per share	**6,691**	5,818
2017 Interim dividend paid: HK$0.11 (2016: HK$0.10) per share	**3,200**	2,909
2017 Final dividend proposed: HK$0.25 (2016: HK$0.23) per share	**7,273**	6,691

15 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$43,902 million for the year ended 31 December 2017 (2016: HK$43,146 million), calculated as follows:

	For the year ended 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**43,902**	32,809
– Discontinued operations	**–**	10,337
	43,902	43,146
Weighted average number of ordinary shares (in million)	**29,090**	29,090

Diluted earnings per share for the year ended 31 December 2017 and 2016 are same with basic earnings per share. As at 31 December 2017, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2017 (31 December 2016: Nil).

16 Other comprehensive income/(loss)

(a) Tax effects relating to each component of other comprehensive income/(loss)

	For the year ended 31 December					
	2017			2016		
	Before tax amount HK$ million	Tax benefit/ (expense) HK$ million	Net-of-tax amount HK$ million	Before tax amount HK$ million (Restated)	Tax benefit/ (expense) HK$ million (Restated)	Net-of-tax amount HK$ million (Restated)
Available-for-sale financial assets: net movement in the fair value reserve	(13,207)	3,315	(9,892)	(11,472)	2,542	(8,930)
Cash flow hedge: net movement in the hedging reserve	1,231	(263)	968	1,509	(354)	1,155
Share of other comprehensive income/ (loss) of associates and joint ventures	1,373	–	1,373	(1,132)	–	(1,132)
Exchange differences on translation of financial statements and others	44,961	–	44,961	(40,295)	–	(40,295)
Reclassification of owner-occupied property as investment property: revaluation gain	63	(16)	47	37	(9)	28
	34,421	3,036	37,457	(51,353)	2,179	(49,174)

16 Other comprehensive income/(loss) (continued)

(b) Components of other comprehensive income/(loss), including reclassification adjustments

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million (Restated)
Fair value losses of available-for-sale financial assets	**(12,857)**	(9,217)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(350)**	(2,255)
Tax effect	**3,315**	2,542
	(9,892)	(8,930)
Gains arising from cash flow hedge	**1,276**	1,388
Less: Net amounts previously recognised in other comprehensive (income)/loss transferred to profit or loss in the current year	**(45)**	121
Tax effect	**(263)**	(354)
	968	1,155
Share of other comprehensive income/(loss) of associates and joint ventures	**1,373**	(1,132)
Exchange differences on translation of financial statements and others	**44,961**	(40,295)
Reclassification of owner-occupied property as investment property: revaluation gain	**63**	37
Less: Tax effect	**(16)**	(9)
	47	28
	37,457	(49,174)

17 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit for the year". To arrive at segment results, the Group's profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

	For the year ended 31 December 2017								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	190,028	63,456	97,432	14,653	3,227	81,673	67	–	450,536
Inter-segment revenue	(266)	3,215	268	476	134	1,221	–	(5,048)	–
Reportable segment revenue	189,762	66,671	97,700	15,129	3,361	82,894	67	(5,048)	450,536
Share of profits of associates, net of tax	2,352	1,275	25	12	3,836	57	7	–	7,564
Share of profits/(losses) of joint ventures, net of tax	415	1,698	(9)	–	3,181	604	–	–	5,889
Finance income (Note 9)	–	285	408	215	534	151	948	(1,129)	1,412
Finance costs (Note 9)	–	(2,033)	(1,311)	(113)	(512)	(1,758)	(6,799)	1,029	(11,497)
Depreciation and amortisation (Note 10(b))	(3,262)	(3,225)	(4,153)	(152)	(233)	(3,090)	(56)	–	(14,171)
Impairment losses (Note 8)	(65,889)	(8,402)	(2,025)	(872)	(344)	(1,393)	–	–	(78,925)
Profit/(loss) before taxation	69,464	(8,879)	3,942	2,002	9,034	12,892	(5,732)	60	82,783
Income tax	(11,885)	(605)	(418)	(273)	(1,093)	(1,847)	(1,554)	(12)	(17,687)
Profit/(loss) for the year from continuing operations	57,579	(9,484)	3,524	1,729	7,941	11,045	(7,286)	48	65,096
Profit for the year from discontinued operations	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	57,579	(9,484)	3,524	1,729	7,941	11,045	(7,286)	48	65,096
Attributable to:									
– Ordinary shareholders of the Company	39,506	(9,900)	3,318	1,731	7,660	9,455	(7,908)	40	43,902
Continuing operations	39,506	(9,900)	3,318	1,731	7,660	9,455	(7,908)	40	43,902
Discontinued operations	–	–	–	–	–	–	–	–	–
– Non-controlling interests and holders of perpetual capital securities	18,073	416	206	(2)	281	1,590	622	8	21,194
Continuing operations	18,073	416	206	(2)	281	1,590	622	8	21,194
Discontinued operations	–	–	–	–	–	–	–	–	–

	As at 31 December 2017								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,925,076	129,438	130,381	46,127	159,664	163,835	177,797	(211,579)	7,520,739
Including:									
Interests in associates	35,567	14,524	951	370	36,150	9,959	1,123	–	98,644
Interests in joint ventures	6,362	4,995	177	–	19,929	5,955	–	–	37,418
Reportable segment liabilities	6,362,774	170,212	77,721	33,626	94,851	95,165	188,253	(295,504)	6,727,098
Including:									
Bank and other loans	7,176	43,900	28,130	1,267	7,898	41,934	34,605	(22,468)	142,442
Debt instruments issued	529,238	598	2,632	–	–	5,175	115,728	–	653,371

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	For the year ended 31 December 2016 (Restated)								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	187,534	51,097	62,350	11,023	4,900	64,723	35	–	381,662
Inter-segment revenue	(320)	3,527	271	315	111	1,039	6	(4,949)	–
Reportable segment revenue	187,214	54,624	62,621	11,338	5,011	65,762	41	(4,949)	381,662
Share of profits/(losses) of associates, net of tax	2,198	218	79	41	768	(986)	5	–	2,323
Share of profits of joint ventures, net of tax	809	657	–	–	858	552	–	–	2,876
Finance income (Note 9)	–	422	225	248	375	132	2,521	(2,348)	1,575
Finance costs (Note 9)	–	(2,110)	(716)	(95)	(335)	(1,476)	(6,425)	2,449	(8,708)
Depreciation and amortisation (Note 10(b))	(3,187)	(2,342)	(3,547)	(157)	(250)	(2,755)	(54)	–	(12,292)
Impairment losses (Note 8)	(61,845)	(10,536)	(831)	775	(556)	(595)	–	–	(73,588)
Profit/(loss) before taxation	71,691	(9,175)	2,343	1,969	3,676	4,947	(4,249)	(411)	70,791
Income tax	(16,193)	2,710	(1,033)	(296)	(1,412)	(1,729)	(449)	(2)	(18,404)
Profit/(loss) for the year from continuing operations	55,498	(6,465)	1,310	1,673	2,264	3,218	(4,698)	(413)	52,387
Profit for the year from discontinued operations	–	–	–	–	10,309	–	–	–	10,309
Profit/(loss) for the year	55,498	(6,465)	1,310	1,673	12,573	3,218	(4,698)	(413)	62,696
Attributable to:									
– Ordinary shareholders of the Company	38,406	(6,872)	1,740	1,675	12,111	1,987	(5,488)	(413)	43,146
Continuing operations	38,406	(6,872)	1,740	1,675	1,774	1,987	(5,488)	(413)	32,809
Discontinued operations	–	–	–	–	10,337	–	–	–	10,337
– Non-controlling interests and holders of perpetual capital securities	17,092	407	(430)	(2)	462	1,231	790	–	19,550
Continuing operations	17,092	407	(430)	(2)	490	1,231	790	–	19,578
Discontinued operations	–	–	–	–	(28)	–	–	–	(28)

	As at 31 December 2016 (Restated)								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,729,902	137,337	96,112	36,796	143,596	113,090	150,506	(167,850)	7,239,489
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	–	84,125
Interests in joint ventures	3,999	2,906	–	–	9,149	3,333	–	–	19,387
Reportable segment liabilities	6,237,647	161,579	49,474	26,579	94,244	70,059	167,944	(264,710)	6,542,816
Including:									
Bank and other loans	2,964	41,759	15,088	1,276	10,721	32,863	21,749	(13,295)	113,125
Debt instruments issued	432,579	1,453	4,242	–	–	4,682	100,937	–	543,893

17 Segment reporting (continued)

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)	**2017 HK$ million**	2016 HK$ million (Restated)
Mainland China	**347,203**	325,242	**6,902,597**	6,684,245
Hong Kong and Macau	**58,134**	26,996	**505,686**	447,065
Overseas	**45,199**	29,424	**112,456**	108,179
	450,536	381,662	**7,520,739**	7,239,489

18 Cash and deposits

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Cash	**8,150**	8,867
Bank deposits	**56,367**	50,386
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**555,449**	520,751
– Surplus deposit reserve funds (note (iii))	**106,815**	65,795
– Fiscal deposits (note (iv))	**4,884**	3,989
– Foreign exchange reserves (note (v))	**6,515**	21,090
Deposits with banks and non-bank financial institutions	**186,404**	256,544
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 45)	**–**	(40)
	924,584	927,382

18 Cash and deposits (continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at 31 December 2017, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2016: 15%) of eligible RMB deposits for domestic branches of CITIC Bank and at 15% (31 December 2016: 15%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2016: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2017.

As at 31 December 2017, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2016: 9%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the People's Bank of China.

As at 31 December 2017, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 7% (31 December 2016: 7%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2017, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2016: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2016: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months. According to the notice issued by the People's Bank of China on 11 September 2017, the rate of the foreign exchange reserve for forward transactions has been reduced to 0%. The foreign exchange reserve remained in the account will be released on maturity.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$1,601 million (31 December 2016: HK$5,517 million) included in cash and deposits as at 31 December 2017 were restricted in use. They mainly include guaranteed deposits.

19 Placements with banks and non-bank financial institutions

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Banks	**63,410**	32,335
Non-bank financial institutions	**141,937**	154,601
	205,347	186,936
Less: allowance for impairment losses (Note 45)	**(1)**	(9)
	205,346	186,927
Analysed by remaining maturity:		
– Within 1 month	**139,348**	64,619
– Between 1 month and 1 year	**65,998**	122,281
– Over 1 year	**–**	27
	205,346	186,927

20 Financial assets at fair value through profit or loss

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Held for trading purpose:		
– Debt trading financial asset (note (a))	**46,331**	10,767
– Certificates of interbank deposit (note (b))	**23,209**	56,677
– Investment funds (note (c))	**5,844**	2,577
– Trading equity investments (note (d))	**176**	189
Financial assets designated at fair value through profit or loss (note (e)):		
– Debt securities	**3,890**	5,121
– Equity investment	**7,296**	–
– Others	**4,604**	2,488
	91,350	77,819
Issued by:		
– Government	**844**	57
– Policy banks	**4,895**	3,177
– Banks and non-bank financial institutions	**38,477**	71,054
– Corporates	**47,134**	3,531
	91,350	77,819
Analysed by remaining maturity:		
– Within 3 months	**30,343**	19,188
– Between 3 months and 1 year	**31,349**	48,585
– Over 1 year	**20,409**	7,262
– No fixed terms	**9,249**	2,784
	91,350	77,819

The remaining term to maturity of financial assets at fair value through profit or loss does not represent the Group's intended holding period.

(a) Debt trading financial assets

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Listed in Hong Kong	**799**	1,092
Listed outside Hong Kong	**44,010**	7,575
Unlisted	**1,522**	2,100
	46,331	10,767

20 Financial assets at fair value through profit or loss (continued)

(b) Certificates of interbank deposit

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Listed outside Hong Kong	23,209	56,677

(c) Investment funds

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Listed in Hong Kong	226	–
Listed outside Hong Kong	2,650	–
Unlisted	2,968	2,577
	5,844	2,577

(d) Trading equity investments

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Listed in Hong Kong	89	103
Listed outside Hong Kong	84	82
Unlisted	3	4
	176	189

(e) Financial assets designated at fair value through profit or loss

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Listed in Hong Kong	7,058	–
Listed outside Hong Kong	788	4,970
Unlisted	7,944	2,639
	15,790	7,609

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed outside Hong Kong”.

21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards and swap of interest rate and currency to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

	As at 31 December					
	2017			2016		
	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge (note (c)(i)):						
– Interest rate derivatives	11,722	147	22	15,727	225	26
Cash flow hedge (note (c)(ii)):						
– Interest rate derivatives	15,498	9	1,872	17,416	–	2,187
– Currency derivatives	366	3	–	1,423	9	19
– Other derivatives	2,950	1,025	72	1,253	99	9
Non-hedging instruments						
– Interest rate derivatives	1,953,696	2,907	2,767	945,104	3,548	3,173
– Currency derivatives	4,005,534	74,209	74,821	2,920,994	47,423	44,774
– Precious metals derivatives	61,712	1,039	308	86,511	1,977	2,460
– Other derivatives	15,987	–	213	–	–	–
	6,067,465	79,339	80,075	3,988,428	53,281	52,648

21 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2017 **HK$ million**	2016 HK$ million
Within 3 months	**2,236,638**	1,077,629
Between 3 months and 1 year	**3,310,476**	2,573,742
Between 1 year and 5 years	**506,712**	324,205
Over 5 years	**13,639**	12,852
	6,067,465	3,988,428

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2017, the credit risk weighted amount for counterparty was HK$84,001 million (31 December 2016: HK$41,513 million).

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

(ii) Cash flow hedge

Cash flow hedge is adopted to hedge the risk that a financial instrument's cash flows will fluctuate because of changes in market interest rates, foreign exchange rates or commodity price by using foreign currency forward contracts, commodity forward contracts or interest rate swaps.

22 Trade and other receivables

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Trade and bills receivables (note (a))	**39,106**	33,186
Interest receivables (note (b))	**39,672**	37,579
Prepayments, deposits and other receivables (note (c))	**70,426**	68,401
	149,204	139,166

As at 31 December 2017, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$9,356 million (31 December 2016: HK$14,243 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Trade and bills receivables

(i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Within 1 year	**36,173**	29,251
Over 1 year	**5,919**	5,370
	42,092	34,621
Less: allowance for impairment losses (Note 45)	**(2,986)**	(1,435)
	39,106	33,186

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(ii) Impairment of trade and bills receivables

The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2017 and 2016 are disclosed in Note 45.

As at 31 December 2017, the Group's trade and bills receivables of HK$1,917 million (31 December 2016: HK$103 million) were individually determined to be impaired. These receivables mainly relate to customers which were in financial difficulties. It is assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses is recognised.

22 Trade and other receivables (continued)

(a) Trade and bills receivables (continued)

(iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Less than 1 year past due	**1,740**	1,298
Over 1 year past due	**376**	383
	2,116	1,681

Receivables that are past due but not impaired are related to a number of third-party customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

(b) Interest receivables

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Interest receivables	**44,444**	41,949
Less: allowance for impairment losses (Note 45)	**(4,772)**	(4,370)
	39,672	37,579

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Prepayments, deposits and other receivables	**72,367**	69,953
Less: allowance for impairment losses (Note 45)	**(1,941)**	(1,552)
	70,426	68,401

23 Inventories

	As at 31 December	
	2017 **HK$ million**	2016 HK$ million (Restated)
Raw materials	**6,629**	4,332
Work-in-progress	**5,749**	4,333
Finished goods	**18,643**	15,106
Properties:		
– Properties under development	**18,635**	16,684
– Properties held-for-sale	**5,423**	5,472
– Others	**1,402**	1,391
Others	**2,071**	1,682
	58,552	49,000

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December	
	2017 **HK$ million**	2016 HK$ million (Restated)
Carrying amount of inventories sold	**191,752**	149,113
Write-down of inventories (Note 45)	**709**	1,035
Reversal of write-down of inventories (Note 45)	**(693)**	(485)
	191,768	149,663

As at 31 December 2017, the Group's inventories included an amount of HK$20,417 million expected to be recovered after more than one year (31 December 2016: HK$18,515 million).

24 Financial assets held under resale agreements

	As at 31 December	
	2017 **HK$ million**	2016 HK$ million
Analysed by counterparties:		
– Banks	**33,995**	164,363
– Non-bank financial institutions	**31,354**	29,252
	65,349	193,615
Analysed by types of collateral:		
– Securities	**65,349**	193,577
– Others	**–**	38
	65,349	193,615
Analysed by remaining maturity:		
– Within 1 month	**65,349**	193,577
– Between 1 month and 1 year	**–**	38
	65,349	193,615

25 Loans and advances to customers and other parties

(a) Loans and advances

	As at 31 December	
	2017 **HK$ million**	2016 HK$ million (Restated)
Corporate loans:		
– Loans	**2,177,528**	2,034,515
– Discounted bills	**130,190**	83,949
– Finance lease receivables	**54,143**	38,579
	2,361,861	2,157,043
Personal loans:		
– Residential mortgages	**604,498**	484,297
– Business loans	**198,604**	125,151
– Credit cards	**399,228**	265,745
– Personal consumption	**271,016**	194,224
	1,473,346	1,069,417
	3,835,207	3,226,460
Less: Impairment allowance (Note 45)		
– Individually assessed	**(38,529)**	(32,240)
– Collectively assessed	**(74,792)**	(56,370)
	(113,321)	(88,610)
	3,721,886	3,137,850

25 Loans and advances to customers and other parties (continued)

(b) Loans and advances to customers and other parties analysed by type of security

	As at 31 December 2017 HK$ million	As at 31 December 2016 HK$ million (Restated)
Unsecured loans	850,404	617,132
Guaranteed loans	615,561	567,054
Secured loans		
– Loans secured by collateral	1,807,140	1,583,942
– Pledged loans	431,912	374,383
	3,705,017	3,142,511
Discounted bills	130,190	83,949
Gross loans and advances	3,835,207	3,226,460

(c) Assessment method of allowance for impairment losses

	As at 31 December 2017				
		Impaired loans and advances (note (i))			
	Loans and advances for which the allowance is collectively assessed HK$ million	for which the allowance is collectively assessed HK$ million	for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	3,766,580	13,630	54,997	3,835,207	1.79%
Less: allowance for impairment losses	(64,054)	(10,738)	(38,529)	(113,321)	
	3,702,526	2,892	16,468	3,721,886	

25 Loans and advances to customers and other parties (continued)

(c) Assessment method of allowance for impairment losses (continued)

	As at 31 December 2016 (Restated)				
		Impaired loans and advances (note (i))			
	Loans and advances for which the allowance is collectively assessed HK$ million	for which the allowance is collectively assessed HK$ million	for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	3,168,205	11,826	46,429	3,226,460	1.81%
Less: allowance for impairment losses	(47,308)	(9,062)	(32,240)	(88,610)	
	3,120,897	2,764	14,189	3,137,850	

Notes:

(i) Identified impaired loans and advances to customers and other parties include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).

(ii) As at 31 December 2017, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK$54,997 million (31 December 2016: HK$46,429 million). The secured and unsecured portion of these loans and advances were as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Secured portion	**33,230**	25,254
Unsecured portion	**21,767**	21,175
	54,997	46,429

As at 31 December 2017, the fair value of pledge and collateral held against these loans and advances amounted to HK$26,556 million (31 December 2016: HK$20,842 million).

The fair value of pledge and collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

25 Loans and advances to customers and other parties (continued)

(d) Movements of allowance for impairment losses

	For the year ended 31 December 2017			
	Loans and advances for which the allowance is collectively assessed	Impaired loans and advances for which the allowance is collectively assessed	Impaired loans and advances for which the allowance is individually assessed	Total
	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January	47,308	9,062	32,240	88,610
Charge for the year:				
– impairment allowance on loans charged	13,087	7,387	43,094	63,568
– Reversal of impairment for the year	(123)	(1,225)	(4,053)	(5,401)
Unwinding of discount on allowance	–	–	(639)	(639)
Write-offs	–	(6,387)	(34,309)	(40,696)
Recovery of loans and advances written off in previous year	–	1,229	461	1,690
Changes of exchange rate	3,782	672	1,735	6,189
At 31 December	64,054	10,738	38,529	113,321

	For the year ended 31 December 2016			
	Loans and advances for which the allowance is collectively assessed	Impaired loans and advances for which the allowance is collectively assessed	Impaired loans and advances for which the allowance is individually assessed	Total
	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January	47,335	6,978	21,973	76,286
Charge for the year:				
– impairment allowance on loans charged	3,201	8,094	45,587	56,882
– Reversal of impairment for the year	(113)	(474)	(2,692)	(3,279)
Unwinding of discount on allowance	–	–	(660)	(660)
Write-offs	–	(5,449)	(30,763)	(36,212)
Recovery of loans and advances written off in previous year	–	474	195	669
Changes of exchange rate	(3,115)	(561)	(1,400)	(5,076)
At 31 December	47,308	9,062	32,240	88,610

25 Loans and advances to customers and other parties (continued)

(e) Overdue loans by overdue period

	As at 31 December 2017				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	8,062	9,120	917	508	18,607
Guaranteed loans	10,220	11,654	10,545	1,752	34,171
Secured loans					
– Loans secured by collateral	16,950	16,286	14,621	565	48,422
– Pledged loans	4,057	2,633	2,566	234	9,490
	39,289	39,693	28,649	3,059	110,690

	As at 31 December 2016				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	4,455	6,235	3,073	335	14,098
Guaranteed loans	8,693	13,022	7,978	128	29,821
Secured loans					
– Loans secured by collateral	25,364	19,297	9,867	750	55,278
– Pledged loans	1,780	3,091	1,169	70	6,110
	40,292	41,645	22,087	1,283	105,307

Overdue loans represent loans of which the principal or interest are overdue one day or more.

26 Available-for-sale financial assets

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Debt securities (note (a))	**566,535**	449,754
Certificates of deposit and certificates of interbank deposit (note (b))	**48,986**	129,736
Wealth management products issued by financial institutions (note (c))	**24,951**	17,555
Equity investments (note (d))	**16,515**	15,763
Investment funds (note (e))	**152,578**	30,532
	809,565	643,340
Less: allowance for impairment losses (Note 45)	**(1,653)**	(863)
	807,912	642,477
Issued by:		
– Government	**309,846**	202,541
– Policy banks	**88,056**	102,744
– Banks and non-bank financial institutions	**281,541**	225,284
– Corporates	**128,469**	111,908
	807,912	642,477
Analysed by remaining maturity:		
– Within 3 months	**64,411**	150,556
– Between 3 months and 1 year	**81,845**	106,324
– Over 1 year	**495,895**	370,052
– No fixed terms	**165,761**	15,545
	807,912	642,477

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

26 Available-for-sale financial assets (continued)

(a) Debt securities

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Debt securities	566,535	449,754
Less: allowance for impairment losses	(60)	(148)
	566,475	449,606
Representing:		
– Listed in Hong Kong	31,995	18,521
– Listed outside Hong Kong	514,133	398,907
– Unlisted	20,347	32,178
	566,475	449,606

(b) Certificates of deposit and certificates of interbank deposit

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Certificates of deposit and certificates of interbank deposit	48,986	129,736
Representing:		
– Listed outside Hong Kong	48,986	129,736

(c) Wealth management products issued by financial institutions

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Wealth management products issued by financial institutions	24,951	17,555
Less: allowance for impairment losses	(1,176)	(373)
	23,775	17,182
Representing:		
– Unlisted	23,775	17,182

26 Available-for-sale financial assets (continued)

(d) Equity investments

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Equity investments	**16,515**	15,763
Less: allowance for impairment losses	**(384)**	(309)
	16,131	15,454
Representing:		
– Listed in Hong Kong	**6,408**	2,292
– Listed outside Hong Kong	**1,443**	1,678
– Unlisted	**8,280**	11,484
	16,131	15,454

(e) Investment funds

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Investment funds	**152,578**	30,532
Less: allowance for impairment losses	**(33)**	(33)
	152,545	30,499
Representing:		
– Listed in Hong Kong	**159**	1,492
– Listed outside Hong Kong	**142,271**	21,894
– Unlisted	**10,115**	7,113
	152,545	30,499

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

27 Held-to-maturity investments

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Debt securities	261,574	244,123
Others	80	30
	261,654	244,153
Less: allowance for impairment losses (Note 45)	–	(2)
	261,654	244,151
Representing:		
– Listed in Hong Kong	2,517	1,017
– Listed outside Hong Kong	251,205	238,128
– Unlisted	7,932	5,006
	261,654	244,151
Issued by:		
– Government	65,922	55,098
– Policy banks	64,895	78,100
– Banks and non-bank financial institutions	107,026	86,397
– Public entities	3	4
– Corporates	23,808	24,552
	261,654	244,151
Analysed by remaining maturity:		
– Within 3 months	17,958	13,663
– Between 3 months and 1 year	35,091	64,873
– Over 1 year	208,605	165,615
	261,654	244,151
Fair value	254,349	244,876
Of which: listed debt securities	248,911	240,837

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

28 Investments classified as receivables

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Trust investment plans	**159,267**	145,595
Investment management products managed by securities companies	**322,246**	509,120
Wealth management products issued by financial institutions	**166,310**	512,448
Others	**1,030**	1,296
	648,853	1,168,459
Less: allowance for impairment losses (Note 45)	**(4,064)**	(2,134)
	644,789	1,166,325

As at 31 December 2017, certain of the Group's investments with an aggregate amount of HK$116,069 million (31 December 2016: HK$164,894 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investments classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

29 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 58.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), CITIC Telecom International Holdings Limited ("CITIC Telecom International") and CITIC Resources Holdings Limited ("CITIC Resources"), which are listed subsidiaries of the Group and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	39.92%	39.76%	40.50%	40.50%
Total assets	6,792,228	6,630,502	23,580	22,106	18,581	18,183	14,133	13,269
Including:								
Cash and deposits	828,618	851,828	4,250	4,431	1,636	1,459	1,406	1,161
Placements with banks and non-bank financial institutions	205,846	186,927	–	–	–	–	–	–
Financial assets at fair value through profit and loss	78,841	72,566	–	–	–	–	3	2,884
Derivative financial assets	78,299	52,952	–	–	–	–	900	61
Financial assets held under resale agreements	65,349	190,947	–	–	–	–	–	–
Loans and advances to customers and other parties	3,715,692	3,132,871	–	–	–	–	–	–
Available-for-sale financial assets	755,691	597,571	1,833	1,667	–	–	1	1
Held-to-maturity investments	259,102	243,148	–	–	–	–	–	–
Investments classified as receivables	635,378	1,157,872	–	–	–	–	–	–
Fixed assets	24,226	20,771	4,465	4,508	2,387	2,378	3,852	4,616
Total liabilities	(6,298,834)	(6,200,662)	(14,835)	(14,037)	(10,150)	(10,283)	(8,186)	(8,573)
Including:								
Borrowing from central banks	(284,241)	(205,755)	–	–	–	–	–	–
Deposits from banks and non-bank financial institutions	(954,656)	(1,097,188)	–	–	–	–	–	–
Placements from banks and non-bank financial institutions	(92,827)	(93,596)	–	–	–	–	–	–
Trade and other payables	–	–	(2,764)	(2,915)	(895)	(752)	(167)	(131)
Derivative financial liabilities	(77,684)	(50,373)	–	–	–	–	(10)	(10)
Financial assets sold under repurchase agreements	(160,902)	(134,534)	–	–	–	–	–	–
Deposits from customers	(4,076,559)	(4,068,473)	–	–	–	–	–	–
Bank and other loans	–	–	(5,945)	(5,046)	(4,342)	(7,901)	(6,988)	(7,527)
Net assets	493,394	429,840	8,745	8,069	8,431	7,900	5,947	4,696
Equity attributable to								
– Ordinary shareholders of subsidiaries	436,271	384,869	8,551	7,941	8,396	7,871	6,064	4,804
– Non-controlling interests in subsidiaries	57,123	44,971	194	128	35	29	(117)	(108)
Carrying amount of non-controlling interests	205,586	175,942	2,993	2,727	3,387	3,158	2,339	1,838

29 Subsidiaries (continued)

	For the year ended 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million
Revenue	181,259	180,347	5,327	4,412	7,451	7,699	3,603	2,957
Profit/(loss) for the year	49,431	48,885	76	(1,831)	896	863	485	344
Total comprehensive income/(loss) for the year	37,162	43,357	79	(1,832)	968	852	1,386	591
Profit attributable to non-controlling interests	18,069	17,131	45	(584)	367	349	176	128
Dividends paid to non-controlling interests	339	183	4	–	10	11	–	–
Net cash generated/(used in) from operating activities	62,337	244,615	652	(798)	1,854	1,883	736	233
Net cash (used in)/generated from investing activities	(154,126)	(197,260)	(456)	(1,313)	(832)	(1,337)	416	199
Net cash generated from/(used in) financing activities	45,473	123,110	(664)	573	(926)	(332)	(920)	(554)

30 Interests in associates

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Carrying value	101,167	86,440
Less: allowance for impairment losses (Note 45)	(2,523)	(2,315)
	98,644	84,125

Notes:

(i) The particulars of the principal associates are set out in Note 58.

30 Interests in associates (continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		MMG South America Management Co., Ltd.	
	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million
Listed in:	**Hong Kong**		**Hong Kong, Shanghai**		**Unlisted**	
Gross amount of the associates						
Total assets	684,833	615,294	748,376	667,895	91,548	90,328
Total liabilities	(371,861)	(343,866)	(565,171)	(504,913)	(58,806)	(61,757)
Net assets	312,972	271,428	183,205	162,982	32,742	28,571
Equity attributable to:						
– Associates' shareholders	305,123	266,253	179,205	159,524	32,742	28,571
– Non-controlling interests in associates	7,849	5,175	4,000	3,458	–	–
	312,972	271,428	183,205	162,982	32,742	28,571

30 Interests in associates (continued)

Summarised financial information of the material associates are disclosed below (continued):

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		MMG South America Management Co., Ltd.	
	2017 HK$ million	From the date of investment to 31 December 2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million
Revenue	166,045	note	65,664	58,572	22,909	9,893
Profit/(loss) for the year	37,565	note	13,808	12,847	3,648	1,444
Other comprehensive income/(loss) for the year	11,641	note	(254)	(958)	–	–
Total comprehensive income for the year	49,206	note	13,554	11,889	3,648	1,444
Dividends received from associates	844	383	837	1,170	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	305,123	266,253	179,205	159,524	32,742	28,571
Group's effective interest	10.00%	10.00%	16.50%	16.66%	15.00%	15.00%
Group's share of net assets of associates	30,512	26,625	29,569	26,577	4,911	4,286
Goodwill and others	1,433	1,397	1,319	1,366	–	–
Carrying amounts in the consolidated balance sheet	31,945	28,022	30,888	27,943	4,911	4,286

Note:

No further disclosure due to the immaterial equity pick-up impact in the period from the date of investment to 31 December 2016.

30 Interests in associates (continued)

Aggregate information of associates that are not individually material:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**30,900**	23,874
Aggregate amount of the Group's share of those immaterial associates:		
Profit/(loss) for the year	**1,199**	(604)
Other comprehensive income for the year	**912**	543
Total comprehensive profit/(loss) for the year	**2,111**	(61)

31 Interests in joint ventures

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Carrying value	**38,872**	20,894
Less: allowance for impairment losses (Note 45)	**(1,454)**	(1,507)
	37,418	19,387

The principals of the principal joint ventures are set out in Note 58.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		上海瑞博置業有限公司		山東新巨龍能源有限責任公司	
	2017 HK$ million	2016 HK$ million	**2017 HK$ million**	2016 HK$ million	**2017 HK$ million**	2016 HK$ million
Gross amount of the joint ventures						
Total assets	**76,929**	61,119	**17,577**	17,687	**15,054**	10,303
Total liabilities	**(71,093)**	(56,870)	**(8,401)**	(14,601)	**(9,525)**	(6,321)
Net assets	**5,836**	4,249	**9,176**	3,086	**5,529**	3,982
Equity attributable to:						
– Joint ventures' shareholders	**5,836**	4,249	**9,176**	3,086	**5,529**	3,982
– Non-controlling interests in joint ventures	**–**	–	**–**	–	**–**	–
	5,836	4,249	**9,176**	3,086	**5,529**	3,982

31 Interests in joint ventures (continued)

Summarised financial information of the material joint ventures are disclosed below (Continued):

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		上海瑞博置業有限公司		山東新巨龍能源有限責任公司	
	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million	2017 HK$ million	2016 HK$ million
Revenue	16,271	11,517	18,060	162	9,257	6,027
Profit for the year	1,212	819	5,678	147	3,346	1,452
Other comprehensive income/(loss) for the year	31	(254)	–	–	–	–
Total comprehensive income for the year	1,243	565	5,678	147	3,346	1,452
Dividends received from joint ventures	–	–	–	–	–	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	5,836	4,249	9,176	3,086	5,529	3,982
Group's effective interest	50.00%	50.00%	50.00%	50.00%	30.00%	30.00%
Group's share of net assets of joint ventures	2,918	2,125	4,588	1,543	1,659	1,195
Goodwill and others	1,345	1,257	250	42	1,155	1,160
Carrying amount in the consolidated balance sheet	4,263	3,382	4,838	1,585	2,814	2,355

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	25,503	12,065
Aggregate amount of the Group's share of those joint ventures		
Profit for the year	1,294	1,957
Other comprehensive loss for the year	(1)	(20)
Total comprehensive income for the year	1,293	1,937

32 Fixed assets

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2017 (Restated)	63,664	145,876	14,177	15,252	12,596	7,902	259,467	16,979	276,446	31,539
Exchange adjustments	3,217	6,579	915	973	498	859	13,041	1,266	14,307	1,192
Business combination (Note 51(a) and Note 51(b))	7,925	13,527	874	255	35	7,780	30,396	3,056	33,452	–
Disposal of subsidiaries	(153)	(5)	–	(4)	(3)	–	(165)	–	(165)	–
Additions	2,613	2,891	10,106	1,286	597	469	17,962	460	18,422	87
Disposals	(353)	(1,788)	(700)	(258)	(366)	(1,760)	(5,225)	(28)	(5,253)	(13)
Transfers	1,467	3,345	(5,274)	140	5	407	90	–	90	210
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	58
At 31 December 2017	78,380	170,425	20,098	17,644	13,362	15,657	315,566	21,733	337,299	33,073
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2017 (Restated)	(16,905)	(67,371)	(162)	(9,549)	(4,693)	(2,820)	(101,500)	(1,620)	(103,120)	–
Exchange adjustments	(712)	(3,312)	(88)	(627)	(178)	(293)	(5,210)	(110)	(5,320)	–
Business combination (Note 51(a) and Note 51(b))	(1,801)	(5,960)	–	(181)	(10)	(4,087)	(12,039)	(83)	(12,122)	–
Disposal of subsidiaries	101	3	–	4	2	–	110	–	110	–
Charge for the year	(2,180)	(6,455)	–	(1,820)	(776)	(644)	(11,875)	(486)	(12,361)	–
Written back on disposals	115	1,042	–	231	215	641	2,244	–	2,244	–
Impairment losses (Note 45)	(293)	(8,720)	(1,044)	(23)	(425)	(178)	(10,683)	–	(10,683)	–
At 31 December 2017	(21,675)	(90,773)	(1,294)	(11,965)	(5,865)	(7,381)	(138,953)	(2,299)	(141,252)	–
Net book value:										
At 31 December 2017	56,705	79,652	18,804	5,679	7,497	8,276	176,613	19,434	196,047	33,073
Represented by:										
Cost	78,380	170,425	20,098	17,644	13,362	15,657	315,566	21,733	337,299	–
Valuation	–	–	–	–	–	–	–	–	–	33,073
	78,380	170,425	20,098	17,644	13,362	15,657	315,566	21,733	337,299	33,073

32 Fixed assets (continued)

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2016 (Restated)	61,653	122,783	34,154	14,369	13,212	8,637	254,808	19,131	273,939	28,508
Exchange adjustments	(3,068)	(4,312)	(941)	(878)	(425)	(388)	(10,012)	(722)	(10,734)	(776)
Disposal of subsidiaries	(1,579)	(321)	(869)	(189)	(179)	(1,863)	(5,000)	(1,512)	(6,512)	(1,539)
Additions	6,357	2,436	13,106	2,178	515	209	24,801	921	25,722	6,008
Disposals	(1,271)	(1,327)	(319)	(606)	(539)	(1,047)	(5,109)	(33)	(5,142)	(1,011)
Transfers	1,572	26,617	(30,954)	378	12	2,354	(21)	(806)	(827)	(231)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	580
At 31 December 2016 (Restated)	63,664	145,876	14,177	15,252	12,596	7,902	259,467	16,979	276,446	31,539
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2016 (Restated)	(14,040)	(47,754)	(10,646)	(8,344)	(4,129)	(2,601)	(87,514)	(1,496)	(89,010)	–
Exchange adjustments	819	1,976	9	535	162	115	3,616	30	3,646	–
Disposal of subsidiaries	540	168	6	59	150	647	1,570	100	1,670	–
Charge for the year	(2,058)	(5,372)	–	(2,197)	(876)	(506)	(11,009)	(257)	(11,266)	–
Written back on disposals	134	456	–	425	368	709	2,092	3	2,095	–
Transfers	–	(10,543)	10,543	–	–	–	–	–	–	–
Impairment losses (Note 45)	(2,300)	(6,302)	(74)	(27)	(368)	(1,184)	(10,255)	–	(10,255)	–
At 31 December 2016 (Restated)	(16,905)	(67,371)	(162)	(9,549)	(4,693)	(2,820)	(101,500)	(1,620)	(103,120)	–
Net book value:										
At 31 December 2016 (Restated)	46,759	78,505	14,015	5,703	7,903	5,082	157,967	15,359	173,326	31,539
Represented by:										
Cost	63,664	145,876	14,177	15,252	12,596	7,902	259,467	16,979	276,446	–
Valuation	–	–	–	–	–	–	–	–	–	31,539
	63,664	145,876	14,177	15,252	12,596	7,902	259,467	16,979	276,446	31,539

32 Fixed assets (continued)

As at 31 December 2017, the Group was in the process of applying the ownership certificates in respect of certain premises and land use rights of HK$6,616 million (31 December 2016: HK$4,862 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) The tenure of the plant and buildings, land use rights and investment properties is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
In Mainland China		
– leases of over fifty years	**4,217**	4,916
– leases of between ten to fifty years	**78,879**	63,997
– leases of less than ten years	**1,055**	1,175
	84,151	70,088
In Hong Kong		
– leases of over fifty years	**698**	758
– leases of between ten to fifty years	**17,870**	16,702
	18,568	17,460
Properties held overseas		
– freehold	**1,505**	1,448
– leases of more than fifty years	**12**	292
– leases of between ten to fifty years	**4,868**	4,293
– leases of less than ten years	**108**	76
	6,493	6,109
Total	**109,212**	93,657

32 Fixed assets (continued)

(b) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2017 and 2016 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2017
Mainland China and Hong Kong	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	China United Assets Appraisal Group
	Prudential Surveyors International Limited
	Centaline Surveyors Limited
	Beijing K&Z Real Estate Consult Co., Ltd.
	Knight Frank Petty Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

Properties located in	Valuers in 2016
Mainland China and Hong Kong	China Appraisal Associates
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	China Enterprise Appraisals Company
	Zhong Ming International Asset Appraisal (Beijing) Co., Ltd.
	Prudential Surveyors International Limited
	Knight Frank Petty Limited
	Centaline Surveyors Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

32 Fixed assets (continued)

(b) Fair value measurement of investment properties (continued)

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

32 Fixed assets (continued)

(b) Fair value measurement of investment properties (continued)

(ii) Fair value hierarchy (continued)

	Level 3 For the year ended 31 December	
	2017 HK$ million	2016 HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	16,940	13,713
Exchange adjustments	1,168	(788)
Additions	74	5,366
Disposal of subsidiaries	–	(1,539)
Disposals	(4)	(72)
Transfers	231	(171)
Change in fair value of investment properties	(558)	431
At 31 December	17,851	16,940
Investment properties – Hong Kong		
At 1 January	14,228	14,285
Exchange adjustments	(5)	6
Additions	6	636
Disposals	–	(761)
Transfers	(21)	(60)
Change in fair value of investment properties	571	122
At 31 December	14,779	14,228
Investment properties – Overseas		
At 1 January	371	510
Exchange adjustments	29	6
Additions	7	6
Disposals	(9)	(178)
Change in fair value of investment properties	45	27
At 31 December	443	371

32 Fixed assets (continued)

(b) Fair value measurement of investment properties (continued)

(ii) Fair value hierarchy (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil).

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

33 Intangible assets

	For the year ended 31 December				
	Roads operating rights HK$ million	Mining assets HK$ million	Franchise right HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2017 (Restated)	10,617	19,270	–	10,366	40,253
Exchange adjustments	744	–	–	500	1,244
Additions	8	53	–	1,516	1,577
Business combination (Note 51(a))	–	–	3,022	931	3,953
Disposals of subsidiaries	–	–	–	(483)	(483)
Disposals	(11)	–	–	(406)	(417)
At 31 December 2017	11,358	19,323	3,022	12,424	46,127
Accumulated amortisation and impairment losses:					
At 1 January 2017 (Restated)	(914)	(16,670)	–	(3,347)	(20,931)
Exchange adjustments	(71)	–	–	(240)	(311)
Disposals of subsidiaries	–	–	–	202	202
Business combination (Note 51(a))	–	–	(54)	(13)	(67)
Charge for the year	(204)	(69)	(63)	(863)	(1,199)
Written back on disposals	–	–	–	154	154
Impairment losses (Note 45)	–	(232)	–	(22)	(254)
At 31 December 2017	(1,189)	(16,971)	(117)	(4,129)	(22,406)
Net book value:					
At 31 December 2017	10,169	2,352	2,905	8,295	23,721

33 Intangible assets (continued)

	For the year ended 31 December			
	Roads operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2016 (Restated)	11,324	19,211	10,337	40,872
Exchange adjustments	(717)	–	(445)	(1,162)
Additions	10	84	1,853	1,947
Disposal of subsidiaries	–	–	(41)	(41)
Disposals	–	(25)	(1,338)	(1,363)
At 31 December 2016 (Restated)	10,617	19,270	10,366	40,253
Accumulated amortisation and impairment losses:				
At 1 January 2016 (Restated)	(768)	(15,870)	(3,662)	(20,300)
Exchange adjustments	57	–	130	187
Disposal of subsidiaries	–	–	22	22
Charge for the year	(203)	(65)	(1,026)	(1,294)
Written back on disposals	–	–	1,196	1,196
Impairment losses (Note 45)	–	(735)	(7)	(742)
At 31 December 2016 (Restated)	(914)	(16,670)	(3,347)	(20,931)
Net book value:				
At 31 December 2016 (Restated)	9,703	2,600	7,019	19,322

Amortisation charge is included in “cost of sales and services” and “other operating expenses” in the consolidated income statement.

34 Goodwill

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million
Cost:		
At 1 January	**22,305**	19,855
Additions (Note 51(a))	**1,535**	2,695
Disposals	**(186)**	–
Exchange differences	**719**	(245)
At 31 December	**24,373**	22,305
Accumulated impairment losses:		
At 1 January	**(434)**	(374)
Additions (Note 45)	**–**	(63)
Disposals	**52**	–
Exchange differences	**(2)**	3
At 31 December	**(384)**	(434)
Net book value:		
At 31 December	**23,989**	21,871

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Resources and energy	**1,336**	1,376
Financial services	**1,526**	1,498
Manufacturing	**1,165**	1,105
Real estate	**356**	348
Others	**19,606**	17,544
	23,989	21,871

Based on management's impairment assessment, no impairment was recognised for the year ended 31 December 2017 (2016: HK$63 million).

35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Income tax payable	**13,446**	10,002

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets and intangible assets HK$ million	Fair value changes of financial instruments HK$ million	Fixed assets and intangible assets HK$ million	Others HK$ million	Total HK$ million
Deferred tax assets							
At 1 January 2016 (Restated)	11,796	1,574	12,037	715	2,827	2,052	31,001
Credit/(charged) to profit or loss	1,650	464	4,247	(20)	1,771	(469)	7,643
(Charged)/credit to other comprehensive income	–	(1)	1	(343)	–	(281)	(624)
Disposal of subsidiaries	(244)	(118)	(41)	–	–	(220)	(623)
Exchange adjustments and others	87	(91)	(934)	(1)	50	(63)	(952)
At 31 December 2016 (Restated)	13,289	1,828	15,310	351	4,648	1,019	36,445
(Charged)/credit to profit or loss	(1,276)	925	5,256	199	1,909	488	7,501
Credit/(charged) to other comprehensive income	–	3	–	3,282	–	(57)	3,228
Business combination (Note 51(a))	6	12	2	–	49	30	99
Exchange adjustments and others	18	123	1,229	134	105	280	1,889
At 31 December 2017	12,037	2,891	21,797	3,966	6,711	1,760	49,162

35 Income tax in the balance sheet (continued)

(b) Deferred tax assets/(liabilities) recognised (continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK$ million	Temporary differences on fixed assets and intangible assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax liabilities					
At 1 January 2016	(2,750)	(630)	(3,232)	(3,607)	(10,219)
Charged to profit or loss	(593)	(233)	(527)	(328)	(1,681)
Credit/(charged) to other comprehensive income	2,452	–	(57)	39	2,434
Disposal of subsidiaries	102	–	182	743	1,027
Exchange adjustments and others	85	(88)	219	(102)	114
At 31 December 2016	(704)	(951)	(3,415)	(3,255)	(8,325)
(Charged)/credit to profit or loss	(229)	77	(117)	1,046	777
(Charged)/credit to other comprehensive income	(81)	–	(52)	59	(74)
Business combination (Note 51(a))	–	(1,140)	–	(282)	(1,422)
Exchange adjustments and others	(52)	(42)	(248)	(629)	(971)
At 31 December 2017	(1,066)	(2,056)	(3,832)	(3,061)	(10,015)

(c) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December 2017 HK$ million	2016 HK$ million
Deductible temporary differences	3,044	2,196
Tax losses	27,548	11,424
	30,592	13,620

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2017, tax losses amounting to HK$10,036 million (31 December 2016: HK$6,892 million) that can be carried forward against future taxable income are expiring within 5 years.

35 Income tax in the balance sheet (continued)

(d) Deferred tax liabilities not recognised

As at 31 December 2017 and 31 December 2016, the Group has not recognised any temporary differences relating to the undistributed profits of certain subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future.

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Banks	223,640	502,387
Non-bank financial institutions	730,998	594,777
	954,638	1,097,164
Analysed by remaining maturity:		
– On demand	287,850	205,334
– Within 3 months	461,257	658,028
– Between 3 months and 1 year	205,525	233,187
– Over 1 year	6	615
	954,638	1,097,164

37 Placements from banks and non-bank financial institutions

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Banks	59,107	71,237
Non-bank financial institutions	31,024	22,359
	90,131	93,596
Analysed by remaining maturity:		
– Within 3 months	44,486	60,304
– Between 3 months and 1 year	45,606	33,292
– Over 1 year	39	–
	90,131	93,596

38 Trade and other payables

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Trade and bills payables	**68,733**	53,147
Advances from customers	**10,848**	5,577
Interest payables	**50,049**	44,214
Other taxes payables	**5,993**	4,317
Settlement accounts	**7,976**	33,575
Other payables	**82,511**	66,770
	226,110	207,600

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Within 1 year	**48,751**	36,292
Between 1 and 2 years	**8,505**	8,726
Between 2 and 3 years	**4,672**	6,733
Over 3 years	**6,805**	1,396
	68,733	53,147

39 Financial assets sold under repurchase agreements

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
By counterparties:		
The People's Bank of China	**107,742**	95,488
Banks	**53,160**	38,968
Non-bank financial institutions	**–**	78
	160,902	134,534
By types of collateral:		
Debt securities	**98,198**	102,053
Discounted bills	**62,704**	32,481
	160,902	134,534

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2017, legal title of these collateral pledged has not been transferred to counterparties.

40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
		(Restated)
Demand deposits		
– Corporate customers	**1,947,517**	1,845,448
– Personal customers	**281,084**	260,433
	2,228,601	2,105,881
Time and call deposits		
– Corporate customers	**1,463,098**	1,554,160
– Personal customers	**357,069**	363,387
	1,820,167	1,917,547
Outward remittance and remittance payables	**7,390**	8,091
	4,056,158	4,031,519

40 Deposits from customers (continued)

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Bank acceptances	**233,647**	238,817
Letters of credit	**11,112**	10,759
Guarantees	**29,837**	28,867
Others	**130,193**	166,345
	404,789	444,788

41 Bank and other loans

(a) Types of loans

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Bank loans		
Unsecured loans	**78,106**	80,128
Loan pledged with assets (note (d))	**37,408**	24,206
Guaranteed loans	**5,955**	643
	121,469	104,977
Other loans		
Unsecured loans	**17,765**	6,883
Loan pledged with assets (note (d))	**3,077**	1,143
Guaranteed loans	**131**	122
	20,973	8,148
	142,442	113,125

41 Bank and other loans (continued)

(b) Maturity of loans

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Bank and other loans are repayable:		
– Within 1 year or on demand	31,062	29,719
– Between 1 and 2 years	14,318	10,985
– Between 2 and 5 years	39,200	27,464
– Over 5 years	57,862	44,957
	142,442	113,125

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
RMB	43,914	33,351
US$	54,368	50,453
HK$	25,956	14,876
Other currencies	18,204	14,445
	142,442	113,125

(d) As at 31 December 2017, the Group's bank and other loans of HK$40,485 million (31 December 2016 HK$25,349 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets and intangible assets with an aggregate carrying amount of HK$149,665 million (31 December 2016: HK$86,627 million), the equity interest of certain subsidiary and the claim right of shareholders' loans of certain entities.

(e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 47(b). As at 31 December 2017, none of the covenants relating to drawn down facilities have been breached (31 December 2016: Nil).

42 Debt instruments issued

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Corporate bonds issued (note (a))	**91,644**	81,376
Notes issued (note (b))	**147,002**	64,916
Subordinated bonds issued (note (c))	**88,200**	85,234
Certificates of deposit issued (note (d))	**3,409**	10,612
Certificates of interbank deposit issued (note (e))	**323,116**	301,755
	653,371	543,893
Analysed by remaining maturity:		
– Within 1 year or on demand	**370,069**	320,997
– Between 1 and 2 years	**7,073**	34,395
– Between 2 and 5 years	**156,004**	55,073
– Over 5 years	**120,225**	133,428
	653,371	543,893

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2017 (2016: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
The Company (note (i))	**64,513**	54,832
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	**19,102**	16,166
CITIC Telecom International (note (iii))	**3,487**	3,483
CITIC Heavy Industries (note (iv))	**2,632**	3,460
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(v))	**598**	2,236
CITIC Environment Investment Group Co., Limited's ("CITIC Environment") subsidiaries (note(vi))	**1,312**	1,199
	91,644	81,376

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued (continued)**

(i) Details of corporate bonds issued by the Company

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%

42 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(i) Details of corporate bonds issued by the Company (continued)

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(ii) ***Details of corporate bonds issued by CITIC Corporation***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC SCP001	RMB	2,000	2017-08-03	2018-04-30	4.35%
17 CITIC SCP002	RMB	2,000	2017-08-10	2018-05-07	4.35%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%

(iii) ***Details of corporate bonds issued by CITIC Telecom International***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(iv) ***Details of corporate bonds issued by CITIC Heavy Industries***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%
Short term corporate bonds	RMB	1,600	2017-01-18	2018-01-18	4.30%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Short term corporate bonds	RMB	1,500	2016-02-26	2017-02-26	3.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%

(v) ***Details of corporate bonds issued by CITIC Pacific's subsidiaries***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
– 16 Ligang SCP001	RMB	100	2016-09-01	2017-06-02	3.02%
– 16 Ligang SCP002	RMB	200	2016-09-21	2017-06-20	3.04%
– 16 Ligang SCP003	RMB	200	2016-10-19	2017-07-18	2.99%
– 16 Ligang SCP004	RMB	300	2016-11-15	2017-08-14	3.28%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(vi) ***Details of corporate bonds issued by CITIC Environment's subsidiaries***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
CITIC Envirotech Co., Ltd. ("CITIC Envirotech")					
– Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
CITIC Envirotech					
– Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

(b) **Notes issued**

	As at 31 December	
	2017 HK$ million	2016 HK$ million
CITIC Corporation (note (i))	32,113	29,938
CITIC Bank (note (ii))	113,135	34,978
CITIC Offshore Helicopter Company Limited (note (iii))	377	–
CITIC Trust Co., Ltd. (note (iv))	1,377	–
	147,002	64,916

(i) ***Details of notes issued by CITIC Corporation***

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

42 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(i) Details of notes issued by CITIC Corporation (continued)

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2017				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
17 Financial bonds	**RMB**	**50,000**	**2017-04-17**	**2020-04-17**	**4.20%**
Financial bonds	**RMB**	**15,000**	**2013-11-08**	**2018-11-12**	**5.20%**
Financial bonds	**RMB**	**8,000**	**2015-11-17**	**2020-11-17**	**3.61%**
Financial bonds	**RMB**	**7,000**	**2015-05-21**	**2020-05-25**	**3.98%**
Financial bonds	**US$**	**700**	**2017-12-14**	**2020-12-14**	**2.47%**
Financial bonds	**US$**	**550**	**2017-12-14**	**2020-12-15**	**2.57%**
Financial bonds	**RMB**	**3,000**	**2017-05-24**	**2020-05-24**	**4.40%**
Financial bonds	**US$**	**300**	**2017-12-14**	**2020-12-14**	**2.88%**
Financial bonds	**US$**	**250**	**2017-12-14**	**2020-12-15**	**3.13%**

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%

42 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(iii) Details of notes issued by CITIC Offshore Helicopter Company Limited

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	2017-05-04	2020-03-31	5.18%

(iv) Details of notes issued by CITIC Trust Co., Ltd.

	As at 31 December 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Participation Notes (HDPro)	US$	6	2017-12-29	2019-12-29	Non fixed interest rate
CTI 4.07% 8Oct2018 Note	US$	170	2017-10-23	2018-10-08	4.07%

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	3,996	4,071
– In September 2022 (note (ii))	–	2,322
– In May 2024 (note (iii))	2,319	2,328
Fixed rate bonds maturing		
– In May 2025 (note (iv))	13,757	12,856
– In June 2027 (note (v))	23,903	22,335
– In August 2024 (note (vi))	44,225	41,322
	88,200	85,234

42 Debt instruments issued (continued)

Notes (continued):

(c) Subordinated bonds issued (continued)

		As at 31 December 2017				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(v)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vi)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

		As at 31 December 2016				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(v)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vi)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

Note:

Subordinated notes with nominal value of USD300 million issued at a fixed rate of 3.875% per annum on 27 September 2012 by CBI were redeemed on 28 September 2017.

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 0.70% to 3.62% per annum (31 December 2016: 0.46% to 3.62% per annum).

(e) Certificates of interbank deposit issued

As at 31 December 2017, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB270,096 million (approximately HK$323,116 million) (31 December 2016: RMB269,923 million (approximately HK$301,755 million)). The yield ranges from 4.00% to 5.35% per annum (31 December 2016: 2.68% to 3.75% per annum). The original expiry terms are between 3 month to 1 year (31 December 2016: between 1 month to 2 years).

43 Provisions

	Environmental restoration expenditures HK$ million	Others HK$ million	Total HK$ million
At 1 January 2017	2,017	1,651	3,668
Exchange differences	157	144	301
Charge for the year	308	13	321
Reclassification	–	1,584	1,584
Payments made during the year	(12)	(388)	(400)
At 31 December 2017	2,470	3,004	5,474
At 1 January 2016	2,037	1,530	3,567
Exchange differences	(2)	(89)	(91)
Charge for the year	–	593	593
Disposal of subsidiaries	–	(352)	(352)
Payments made during the year	(18)	(31)	(49)
At 31 December 2016	2,017	1,651	3,668

44 Share capital, perpetual capital securities and reserves

(a) Share capital

As at 31 December 2017, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2016: 29,090,262,630).

(b) Share based payment

Share Option Plan

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

44 Share capital, perpetual capital securities and reserves (continued)

(b) Share based payment (continued)

Share Option Plan (continued)

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, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The total number of the Company's 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 Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2017, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2017 (2016: Nil).

(c) Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million), respectively. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 15 April 2016, the perpetual capital securities of US$750 million were redeemed by the Company. The amounts as at 31 December 2017 and 2016 included the accrued distribution payments.

(d) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK$286,585 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, the potential cash payments related to put options issued in conjunction with business combination and gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

44 Share capital, perpetual capital securities and reserves (continued)

(d) Nature and purpose of reserves (continued)

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2(j)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2(i)(ii) and Note 2(f) respectively.

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(h).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2017 (31 December 2016: Nil).

45 Movement of allowances for impairment losses

	For the year ended 31 December 2017							
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Business combination HK$ million (Note 51(a) and Note 51(b))	Disposal of subsidiaries HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	49	–	(37)	–	–	–	(11)	1
Trade and other receivables (Note 22)	7,357	9,078	(1,579)	(4,711)	27	(858)	385	9,699
Amounts due from customers for contract work	905	–	(923)	(10)	–	–	28	–
Inventories (Note 23)	2,513	709	(693)	(164)	321	–	52	2,738
Loans and advances to customers and other parties (Note 25)	88,610	63,568	(5,401)	(40,696)	–	–	7,240	113,321
Available-for-sale financial assets (Note 26)	863	1,013	(118)	(183)	–	(2)	80	1,653
Held-to-maturity investments (Note 27)	2	–	(2)	–	–	–	–	–
Investment classified as receivables (Note 28)	2,134	1,865	(345)	–	–	–	410	4,064
Interests in associates (Note 30)	2,315	172	(6)	–	–	–	42	2,523
Interests in joint ventures (Note 31)	1,507	–	(54)	–	–	–	1	1,454
Fixed assets (Note 32)	36,936	10,698	(15)	(74)	33	(51)	79	47,606
Intangible assets (Note 33)	16,403	254	–	(30)	40	–	6	16,673
Other assets	4,432	837	(96)	(996)	–	(66)	368	4,479
	164,026	88,194	(9,269)	(46,864)	421	(977)	8,680	204,211

45 Movement of allowances for impairment losses (continued)

	For the year ended 31 December 2016 (Restated)						
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Disposal of subsidiaries HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	10	40	–	1	–	(2)	49
Trade and other receivables (Note 22)	5,080	8,240	(722)	(3,930)	(1,130)	(181)	7,357
Amounts due from customers for contract work	1,777	10	(805)	–	–	(77)	905
Inventories (Note 23)	2,435	1,035	(485)	(73)	(393)	(6)	2,513
Loans and advances to customers and other parties (Note 25)	76,286	56,882	(3,279)	(36,212)	–	(5,067)	88,610
Available-for-sale financial assets (Note 26)	853	810	(8)	(349)	(423)	(20)	863
Held-to-maturity investments (Note 27)	49	2	–	(48)	–	(1)	2
Investment classified as receivables (Note 28)	1,190	1,631	(564)	(1)	–	(122)	2,134
Interests in associates (Note 30)	2,431	5	–	(82)	(3)	(36)	2,315
Interests in joint ventures (Note 31)	1,497	11	–	(1)	–	–	1,507
Fixed assets (Note 32)	26,612	10,255	–	(53)	(95)	217	36,936
Intangible assets (Note 33)	15,814	742	–	(154)	(3)	4	16,403
Other assets	3,965	2,249	(82)	(339)	(1,213)	(148)	4,432
	137,999	81,912	(5,945)	(41,241)	(3,260)	(5,439)	164,026

46 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

46 Contingent liabilities and commitments (continued)

(a) Credit commitments (continued)

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**15,923**	9,292
With an original maturity of 1 year or above	**68,321**	74,332
	84,244	83,624
Guarantees	**256,028**	195,605
Letters of credit	**106,739**	96,798
Acceptances	**511,913**	598,680
Credit card commitments	**371,230**	241,299
Others	**6**	3
	1,330,160	1,216,009

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Credit risk weighted amount on credit commitments	**420,470**	376,984

Note:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) As at 31 December 2017 and 2016, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

46 Contingent liabilities and commitments (continued)

(c) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the treasury bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Redemption commitment for treasury bonds	**13,748**	14,223

As at 31 December 2017, the original maturities of these bonds vary from one to five years (31 December 2016: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Related parties (note)	**17,384**	17,712
Third parties	**3,358**	2,940
	20,742	20,652

Note:

As at 31 December 2017, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016, amounting to RMB5,000 million(approximately HK$5,981 million) (31 December 2016: RMB5,300 million, approximately HK$5,900 million). The guarantees are being transferred to China Overseas which has provided counter guarantees to the Group (Note 48(b)).

The relationship of related parties is disclosed in Note 48(a).

46 Contingent liabilities and commitments (continued)

(d) Guarantees provided (continued)

Included in the above table, the Group's counter guarantees issued to related parties and third parties at the balance sheet date are as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Related parties	**–**	261
Third parties	**28**	11
	28	272

(e) Outstanding litigation and disputes

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

(i) Investigation into 2008 forex incident

Following the Company's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission (the "SFC") announced that it had commenced a formal investigation into the affairs of the Company. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

The SFC announced on 11 September 2014 that it has commenced proceedings in the Court of First Instance of the High Court of Hong Kong (the "High Court") and the Market Misconduct Tribunal (the "MMT"), respectively, against the Company and five of its former executive directors.

The SFC alleged that the Company and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about the Company's financial position in connection with losses that the Company had suffered through its investment in the leveraged foreign exchange contracts.

In the action instigated by the SFC at the MMT, the SFC asked the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(i) Investigation into 2008 forex incident (continued)

The MMT 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. The time limits for appeal of the MMT decision have expired and the SFC has discontinued the proceedings in the High Court by consent.

On 15 October 2014, the Secretary for the Financial Services and the Treasury said that the Police's investigation into the CITIC matters on aspects outside the subject matters of the SFC's actions are still ongoing.

In the absence of the findings of these investigations being made available to the Company and due to the inherent difficulties involved in attempting to predict the outcome of such investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(ii) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3(l).

(iii) CITIC Resources Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (the Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT"), an indirect wholly-owned subsidiary of the Company ("Shanxi Claim A"). In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the inventories (the "Shanxi APO").

In January 2017, pursuant to a civil ruling of the Shanxi Court, Shanxi Claim A was transferred to the Public Security Bureau for determination in accordance with China's criminal procedures. As a result, Shanxi Claim A terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

In February 2017, the Shanxi Court ordered the lifting of the Shanxi APO.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(iii) CITIC Resources Litigation (continued)

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "ICC") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "Contracts"); and (ii) claiming an amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("Shanxi Claim B").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no provision was made in respect of Shanxi Claim B.

Pursuant to the final award of the ICC of 28 September 2017, the ICC has determined that it did not have jurisdiction over CACT and Shanxi Coal I/E for the purposes of arbitrating the Claim B.

(iv) There are some issues in dispute with MCC, and their details are disclosed in Note 3(k).

(f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Contracted for	**20,794**	18,005

(g) Operating lease commitments

The Group leases certain of its properties and fixed assets under operating leases. As at the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million
Within 1 year	**5,384**	4,309
Between 1 and 2 years	**5,012**	3,362
Between 2 and 3 years	**4,029**	2,817
Over 3 years	**12,812**	8,442
	27,237	18,930

47 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. For loan business, the Group identifies and manages the credit risk through its target markets definitions, credit approval process, post-disbursement monitoring and remedial management procedures. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counterparties in fulfilling their obligations. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	As at 31 December	
	2017 HK$ million	2016 HK$ million (Restated)
Deposits with central banks, banks and non-bank financial institutions	**916,434**	918,515
Placements with banks and non-bank financial institutions	**205,346**	186,927
Financial assets at fair value through profit or loss	**78,034**	75,053
Derivative financial assets	**79,339**	53,281
Trade and other receivables	**132,971**	116,503
Financial assets held under resale agreements	**65,349**	193,615
Loans and advances to customers and other parties	**3,721,886**	3,137,850
Available-for-sale financial assets	**615,461**	579,342
Held-to-maturity investments	**261,654**	244,151
Investments classified as receivables	**644,789**	1,166,325
	6,721,263	6,671,562
Credit commitments and guarantees provided	**1,350,902**	1,236,661
Maximum credit risk exposure	**8,072,165**	7,908,223

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows:

	As at 31 December 2017				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	54,997	1	–	165	888
Allowance for impairment losses	(38,529)	(1)	–	(60)	(363)
	16,468	–	–	105	525
Collectively assessed					
Gross balance	13,630	–	–	–	–
Allowance for impairment losses	(10,738)	–	–	–	–
	2,892	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	48,418	–	–	–	91
Within which:					
– Within 3 months	36,860	–	–	–	91
– Between 3 months and 1 year	11,381	–	–	–	–
– Over 1 year	177	–	–	–	–
Allowance for impairment losses	(11,601)	–	–	–	(2)
	36,817	–	–	–	89
Neither overdue nor impaired					
Gross balance	3,718,162	1,121,780	65,349	950,360	647,874
Allowance for impairment losses (note (2))	(52,453)	–	–	–	(3,699)
	3,665,709	1,121,780	65,349	950,360	644,175
Net balance	3,721,886	1,121,780	65,349	950,465	644,789

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows (continued):

	As at 31 December 2016 (Restated)				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	46,429	36	–	68	31
Allowance for impairment losses	(32,240)	(9)	–	(35)	(16)
	14,189	27	–	33	15
Collectively assessed					
Gross balance	11,826	–	–	–	–
Allowance for impairment losses	(9,062)	–	–	–	–
	2,764	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	50,757	–	–	–	148
Within which:					
– Within 3 months	38,754	–	–	–	148
– Between 3 months and 1 year	12,003	–	–	–	–
Allowance for impairment losses	(9,393)	–	–	–	(3)
	41,364	–	–	–	145
Neither overdue nor impaired					
Gross balance	3,117,448	1,105,455	193,615	896,110	1,168,280
Allowance for impairment losses (note (2))	(37,915)	(40)	–	(115)	(2,115)
	3,079,533	1,105,415	193,615	895,995	1,166,165
Net balance	3,137,850	1,105,442	193,615	896,028	1,166,325

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows (continued):

Notes:

(1) Collateral and other credit enhancements for overdue but not impaired loans and advances:

As at 31 December 2017, the loans and advances of the Group which were overdue but not impaired were HK$48,419 million (31 December 2016: HK$54,622 million). As at 31 December 2017, the secured portion of these loans and advances were HK$28,564 million (31 December 2016: HK$37,435 million), and the remaining loans and advances were unsecured.

The fair value of collateral held against these loans and advances amounted to HK$40,057 million as at 31 December 2017 (31 December 2016: HK$45,991 million).

The fair value of collateral was estimated by management based on the latest available external valuations, if any, adjusted by taking into account the current realisation experience as well as market situation.

(2) The balances represent collectively assessed allowance of impairment losses.

(iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2017			2016		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million (Restated)	%	Loans and advances secured by collateral HK$ million (Restated)
Corporate loans						
– Real estate	403,707	11%	329,132	334,116	10%	278,240
– Manufacturing	371,930	10%	163,449	427,251	14%	223,549
– Rental and business services	266,486	7%	161,220	203,030	6%	130,565
– Wholesale and retail	231,865	6%	123,341	266,677	8%	163,971
– Water, environment and public utility management	215,353	6%	105,201	167,601	5%	87,097
– Transportation, storage and postal services	182,855	5%	94,651	181,078	6%	94,720
– Construction	99,219	3%	37,698	101,321	3%	44,362
– Production and supply of electric power, gas and water	84,639	2%	39,377	67,127	2%	28,157
– Public management and social organisations	22,653	1%	6,901	22,187	1%	4,949
– Others	352,964	9%	149,845	302,706	9%	125,048
	2,231,671	60%	1,210,815	2,073,094	64%	1,180,658
Personal loans	1,473,346	37%	1,028,237	1,069,417	33%	777,667
Discounted bills	130,190	3%	–	83,949	3%	–
	3,835,207	100%	2,239,052	3,226,460	100%	1,958,325

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector:

	As at 31 December					
	2017			2016		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million (Restated)	%	Loans and advances secured by collateral HK$ million (Restated)
Mainland China	3,629,798	94%	2,157,278	3,032,083	94%	1,881,712
Hong Kong and Macau	174,594	5%	60,434	175,682	5%	66,741
Overseas	30,815	1%	21,340	18,695	1%	9,872
	3,835,207	100%	2,239,052	3,226,460	100%	1,958,325

(v) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

	As at 31 December			
	2017		2016	
	Gross balance HK$ million	% of total loans and advances	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances	27,809	0.73%	19,266	0.60%
– rescheduled loans and advances overdue more than 3 months	23,757	0.62%	16,411	0.51%

(vi) Offsetting

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

As at 31 December 2017, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2016: Nil).

47 Financial risk management and fair values (continued)

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2017					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No maturity date HK$ million	Total HK$ million
Total financial assets	340,317	2,643,768	1,780,307	1,387,202	783,586	6,935,180
Total financial liabilities	(2,753,714)	(3,177,518)	(554,683)	(140,993)	(4,896)	(6,631,804)
Financial asset-liability gap	(2,413,397)	(533,750)	1,225,624	1,246,209	778,690	303,376

	As at 31 December 2016 (Restated)					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No maturity date HK$ million	Total HK$ million
Total financial assets	290,466	3,519,047	1,279,761	1,031,725	625,331	6,746,330
Total financial liabilities	(2,727,659)	(3,064,817)	(511,850)	(160,971)	(4,643)	(6,469,940)
Financial asset-liability gap	(2,437,193)	454,230	767,911	870,754	620,688	276,390

47 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The table below presents the undiscounted cash flows of the Group's financial assets and liabilities:

	As at 31 December 2017					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No maturity date HK$ million	Total HK$ million
Total financial assets	338,645	2,776,888	2,189,462	1,968,893	786,445	8,060,333
Total financial liabilities	(2,750,325)	(3,197,172)	(629,705)	(167,765)	(4,896)	(6,749,863)
Financial asset-liability gap	(2,411,680)	(420,284)	1,559,757	1,801,128	781,549	1,310,470

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2017			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	20,459	29,262	34,523	84,244
Guarantees	147,717	106,360	1,951	256,028
Letters of credit	104,128	2,611	–	106,739
Acceptances	511,828	85	–	511,913
Credit card commitments	371,230	–	–	371,230
Others	–	6	–	6
Total	1,155,362	138,324	36,474	1,330,160

	As at 31 December 2016			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	16,811	31,118	35,695	83,624
Guarantees	106,027	88,426	1,152	195,605
Letters of credit	95,121	1,677	–	96,798
Acceptances	598,680	–	–	598,680
Credit card commitments	241,299	–	–	241,299
Others	–	3	–	3
Total	1,057,938	121,224	36,847	1,216,009

47 Financial risk management and fair values (continued)

(c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2017				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	487,568	4,440,060	1,726,885	280,667	6,935,180
Total financial liabilities	(296,261)	(5,721,228)	(492,645)	(121,670)	(6,631,804)
Financial asset-liability gap	191,307	(1,281,168)	1,234,240	158,997	303,376

	As at 31 December 2016 (Restated)				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	314,839	4,827,564	1,372,794	231,133	6,746,330
Total financial liabilities	(225,828)	(5,645,576)	(477,137)	(121,399)	(6,469,940)
Financial asset-liability gap	89,011	(818,012)	895,657	109,734	276,390

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	As at 31 December			
	2017		2016	
	Effective interest rate	HK$ million	Effective interest rate (Restated)	HK$ million (Restated)
Assets				
Cash and deposits	1.56%-2.21%	924,584	1.40%-1.52%	927,382
Placements with banks and non-bank financial institutions	3.07%	205,346	2.56%	186,927
Financial assets held under resale agreements	2.89%	65,349	2.30%	193,615
Loans and advances to customers and other parties	4.61%	3,721,886	4.82%	3,137,850
Investments classified as receivable	4.25%	644,789	4.01%	1,166,325
Investments (note (1))	3.28%	1,296,978	3.41%	1,067,959
Others		661,807		559,431
		7,520,739		7,239,489
Liabilities				
Borrowing from central banks	3.13%	284,818	3.02%	205,755
Deposits from banks and non-bank financial institutions	3.75%	954,638	2.81%	1,097,164
Placements from banks and non-bank financial institutions	2.85%	90,131	2.10%	93,596
Financial assets sold under repurchase agreements	2.91%	160,902	2.42%	134,534
Deposits from customers	1.59%	4,056,158	1.68%	4,031,519
Bank and other loans	0.33%-6.7%	142,442	0.33%-7.8%	113,125
Debt instruments issued	2.47%-6.95%	653,371	2.80%-6.90%	543,893
Others		384,638		323,230
		6,727,098		6,542,816

Note:

(1) The Group's investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. The calculation of effective interest rate is based on the interest yielding part of the financial assets.

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2017, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$12,916 million (31 December 2016: decrease or increase by HK$9,395 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project is denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) have been designated as an accounting hedge against other US$ loans.

47 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK$ million):

	As at 31 December 2017				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**183,728**	**318,142**	**6,389,880**	**43,430**	**6,935,180**
Total financial liabilities	**(219,029)**	**(446,882)**	**(5,894,421)**	**(71,472)**	**(6,631,804)**
Financial asset-liability gap	**(35,301)**	**(128,740)**	**495,459**	**(28,042)**	**303,376**

	As at 31 December 2016 (Restated)				
	HK$	US$	RMB	Others	Total
Total financial assets	166,423	403,917	6,135,822	40,168	6,746,330
Total financial liabilities	(180,071)	(443,208)	(5,782,118)	(64,543)	(6,469,940)
Financial asset-liability gap	(13,648)	(39,291)	353,704	(24,375)	276,390

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2017 would decrease or increase the Group's profit before taxation by HK$3,515 million (31 December 2016: decrease or increase by HK$3,023 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

47 Financial risk management and fair values (continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

	As at 31 December 2017			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Financial assets at fair value through profit or loss	17,111	74,229	10	91,350
Derivative financial assets	–	78,464	875	79,339
Available-for-sale financial assets	73,039	695,115	15,160	783,314
	90,150	847,808	16,045	954,003
Liabilities				
Derivative financial liabilities	–	(80,075)	–	(80,075)

	As at 31 December 2016			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Financial assets at fair value through profit or loss	8,517	69,270	32	77,819
Derivative financial assets	206	53,073	2	53,281
Available-for-sale financial assets	60,874	553,965	18,057	632,896
	69,597	676,308	18,091	763,996
Liabilities				
Derivative financial liabilities	–	(52,646)	(2)	(52,648)

For the year ended 31 December 2017, there were no significant transfers between instruments in different levels (2016: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2016: Nil).

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2017				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2017	32	2	18,057	18,091	(2)
Total (losses)/gains:	(17)	873	(117)	739	(2)
– in profit or loss	(17)	(2)	(816)	(835)	(2)
– in other comprehensive income	–	875	699	1,574	–
Net settlements	(5)	–	(2,780)	(2,785)	4
At 31 December 2017	10	875	15,160	16,045	–
Total losses for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(17)	(2)	(816)	(835)	(2)

	For the year ended 31 December 2016				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2016	81	4	18,911	18,996	(908)
Disposal of subsidiaries	–	–	(162)	(162)	–
Total (losses)/gains	(44)	1	(292)	(335)	903
– in profit or loss	(44)	1	(122)	(165)	34
– in other comprehensive income	–	–	(170)	(170)	869
Net settlements	(5)	(3)	(400)	(408)	3
At 31 December 2016	32	2	18,057	18,091	(2)
Total (losses)/gains for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(44)	1	(122)	(165)	34

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2017				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	261,654	254,349	1,090	253,179	80
Investments classified as receivables	644,789	638,429	–	111,217	527,212
	906,443	892,778	1,090	364,396	527,292
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	91,644	87,558	2,632	84,926	–
– Notes issued	147,002	145,099	377	144,722	–
– Subordinated bonds issued	88,200	91,213	6,617	84,596	–
– Certificates of deposit (not for trading purpose)	3,409	3,408	–	3,408	–
– Certificates of interbank deposit issued	323,116	317,105	–	317,105	–
	653,371	644,383	9,626	634,757	–

	As at 31 December 2016				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	244,151	244,876	1,075	243,771	30
Investments classified as receivables	1,166,325	1,164,797	–	295,917	868,880
	1,410,476	1,409,673	1,075	539,688	868,910
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	81,376	77,110	3,460	73,650	–
– Notes issued	64,916	65,357	–	65,357	–
– Subordinated bonds issued	85,234	88,226	9,082	79,144	–
– Certificates of deposit (not for trading purpose)	10,612	10,557	–	10,557	–
– Certificates of interbank deposit issued	301,755	300,347	–	300,347	–
	543,893	541,597	12,542	529,055	–

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Debt securities and equity investments

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), available-for-sale financial assets, and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

48 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2017			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	1	89	203	293
Purchase of goods	–	211	2,521	2,732
Interest income (note (2))	–	210	247	457
Interest expenses	205	183	273	661
Fee and commission income	53	3	761	817
Fee and commission expenses	–	–	33	33
Income from other services	–	46	92	138
Expenses for other services	–	130	840	970
Interest income from deposits and receivables	–	21	2	23
Other operating expenses	2	21	217	240

48 Material related parties (continued)

(b) Related party transactions

(i) Transaction amounts with related parties (continued)

	For the year ended 31 December 2016 (Restated)			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	388	124	512
Purchase of goods	–	768	1,722	2,490
Interest income (note (2))	12	172	92	276
Interest expenses	13	273	263	549
Fee and commission income	–	9	995	1,004
Fee and commission expenses	–	–	70	70
Income from other services	2	33	100	135
Expenses for other services	–	96	669	765
Interest income from deposits and receivables	–	69	50	119
Other operating expenses	–	69	26	95

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties

	As at 31 December 2017			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	75	1,450	477	2,002
Loans and advances to customers and other parties (note (2))	–	11,539	6,119	17,658
Placements with banks and non-bank financial institutions	–	–	1,781	1,781
Cash and deposits	–	–	797	797
Financial assets at fair value through profit or loss	–	–	229	229
Derivative financial instruments and other assets	–	551	206	757
Available-for-sale financial assets	–	–	4,051	4,051
Trade and other payables	3,023	15,598	2,584	21,205
Deposits from customers	4,202	8,377	30,733	43,312
Deposits from bank and non-bank financial institutions	–	2	32,489	32,491
Derivative financial instruments and other liabilities	–	85	1	86
Bank and other loans	6,905	6,400	368	13,673
Debt instruments issued	–	–	1,328	1,328
Off-balance sheet items				
Entrusted funds	1,263	–	12,153	13,416
Funds raised from investors of non-principle guaranteed wealth management products	–	19	18	37
Guarantees provided (note (3))	–	273	17,111	17,384
Guarantees received	–	6,597	7,661	14,258

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued)

	As at 31 December 2016 (Restated)			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	69	3,202	1,249	4,520
Loans and advances to customers and other parties (note (2))	–	12,781	4,058	16,839
Placements with banks and non-bank financial institutions	–	27	748	775
Cash and deposits	–	–	2,549	2,549
Financial assets at fair value through profit or loss	–	–	143	143
Derivative financial instruments and other assets	–	3	736	739
Available-for-sale financial assets	–	–	942	942
Trade and other payables	3,055	21,430	2,043	26,528
Deposits from customers	1,365	7,997	9,067	18,429
Deposits from bank and non-bank financial institutions	–	1	11,737	11,738
Derivative financial instruments and other liabilities	3	233	76	312
Bank and other loans	6,643	–	171	6,814
Off-balance sheet items				
Entrusted funds	–	–	9,145	9,145
Funds raised from investors of non-principle guaranteed wealth management products	–	7	–	7
Guarantees provided (note (3))	–	261	17,451	17,712
Guarantees received	–	2,716	5,813	8,529

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

48 Material related parties (continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 48(b), transactions with other state-owned entities include but are not limited to the following:

– sales and purchases of goods and provision of services;

– purchase, sale and leases of property and other assets;

– lending and deposit taking;

– taking and placing of inter-bank balances;

– derivative transactions;

– entrusted lending and other custody services;

– insurance and securities agency, and other intermediary services;

– sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and

– rendering and receiving of utilities and other services.

(d) Key management personnel remuneration

For the year ended 31 December 2017, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$9.97 million (2016: HK$8.84 million).

49 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed securities and investment funds and the Group does not consolidate these structured entities.

49 Structured entities (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 31 December 2017						
Carrying amount	Financial assets at fair value through profit or loss HK$ million	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products	–	–	16,614	166,310	182,924	–	182,924
Investment management products managed by securities companies	–	–	408	322,029	322,437	–	322,437
Trust investment plans	–	–	5,681	155,224	160,905	–	160,905
Asset-backed securities	–	40,954	20,190	–	61,144	–	61,144
Investment funds	2,393	–	152,195	364	154,952	–	154,952
Total	2,393	40,954	195,088	643,927	882,362	–	882,362

	As at 31 December 2016						
Carrying amount	Financial assets at fair value through profit or loss HK$ million	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products issued by banks	–	–	12,336	512,448	524,784	–	524,784
Investment management products managed by non-bank financial institutions	–	–	1,077	509,064	510,141	–	510,141
Trust investment plans	–	–	2,757	141,203	143,960	–	143,960
Asset-backed securities	–	1,707	10,896	–	12,603	–	12,603
Investment funds	1,118	–	28,990	1,096	31,204	–	31,204
Total	1,118	1,707	56,056	1,163,811	1,222,692	–	1,222,692

49 Structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 31 December 2017, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$3,731,749 million (31 December 2016: HK$2,662,231 million).

As at 31 December 2017, the carrying amounts of management fee receivables being recognised in the balance sheet were HK$871 million (31 December 2016: HK$601 million).

As at 31 December 2017, the amount of placements and financial assets held under resale agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$84,325 million (31 December 2016: HK$69,312 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was HK$713,765 million (2016: HK$829,515 million).

During the year ended 31 December 2017, the maximum exposure of the placements and financial assets held under resale agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$86,579 million (2016: HK$64,170 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2017, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was HK$11,620 million (2016: HK$12,711 million).

49 Structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (continued)

Securitisation transactions and loan transfers

For the year ended 31 December 2017, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of the financial assets sold under repurchase agreements are set forth in Note 39. Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2017 totalled HK$210,072 million are set forth below (2016: HK$133,175 million).

During the year ended 31 December 2017, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of HK$152,254 million (2016: HK$54,952 million), of which HK$151,220 million (2016: HK$49,922 million) were qualified for full de-recognition. The balance of HK$1,035 million (2016: HK$5,030 million) was in respect of non-performing loans transferred.

The Group concluded that it had continuing involvement in these assets as at 31 December 2017 based on the related criteria set forth in Note 2(i) and Note 3. As at 31 December 2017, the Group continued to recognise assets of HK$920 million (31 December 2016: HK$771 million) under loans and advances to customers together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 25).

During the year ended 31 December 2017, the Group also through other types of transactions transferred loans of book value before impairment of HK$57,817 million (2016: HK$78,223 million), of which HK$46,336 million represented non-performing loans (2016: HK$60,396 million). The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that these transferred assets qualified for full de-recognition (Note 25(d)).

50 Discontinued operations

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with China Overseas to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. Completion of the transaction took place in September 2016.

The aggregate results of the discontinued operations were as follows:

	For the year ended 31 December 2016 HK$ million
Revenue	11,639
Expenses	(15,294)
Loss before taxation	(3,655)
Income tax	(2,246)
Loss arising from discontinued operations before disposal gain	(5,901)
Net gain on disposal	16,210
Profit for the year from discontinued operations	10,309
Attributable to:	
– Ordinary shareholders of the Company	10,337
– Non-controlling interests	(28)
	10,309

51 Major business combinations

(a) Acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses

On 31 July 2017, the Company, CITIC Capital China Partners III, L.P. ("CITIC Capital") and Carlyle Asia Partner IV, L.P. ("Carlyle") acquired from McDonald's China Holding Ltd. ("MCHL") and Golden Arches Investment Ltd. ("GAIL" together with MCHL, the "Sellers") a controlling interest in McDonald's Mainland China and Hong Kong businesses (the "Acquisition") through Grand Foods Investment Holdings Limited (the "Purchaser", an indirect non-wholly owned subsidiary of the Company). The Purchaser acquired the entire issued share capital of McDonald's China Management Company Limited ("Target Company") at a total consideration of US$1,832 million (approximately HK$14,313 million). The consideration for the Acquisition was settled partly by way of cash and partly by way of new shares in Grand Foods Holdings Limited, being the intermediate holding company of the Purchaser issued to GAIL.

Upon the completion of the Acquisition, the Target Company was owned by Fast Food Holdings Limited (which is in turn indirectly owned as to approximately 61.54% and 38.46% by the Company and CITIC Capital with a capital injection of US$309 million (approximately HK$2,411 million) and US$193 million (approximately HK$1,509 million) respectively), Carlyle and GAIL as to 52%, 28% and 20%, respectively. The goodwill of HK$945 million arising from the Acquisition is attributable to acquired customer base and economies of scale expected from combining the operations.

51 Major business combinations (continued)

(a) Acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses (continued)

The following table summarises the consideration paid for the Acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses, the fair values of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Consideration:

	HK$ million
Cash	12,806
Equity instruments	1,507
Total consideration paid by the Purchaser	14,313
Of which: fund from capital injection by the Company to Fast Food Holdings Limited	2,411
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	775
Trade and other receivables	831
Inventories	209
Interests in joint ventures	2,281
Fixed assets	8,633
Intangible assets	2,971
Deferred tax assets	92
Other assets	502
Total identifiable assets acquired	16,294
Trade and other payables	(3,237)
Deferred tax liabilities	(1,140)
Other liabilities	(23)
Total identifiable liabilities assumed	(4,400)
Total identifiable net assets of Target Company	11,894
Bank loans raised by Grand Foods Holdings Limited to fund the Acquisition	(6,780)
Non-controlling interests	(3,648)
Goodwill	945
	2,411

Net cash paid for acquisition:

	HK$ million
Total consideration paid in cash	12,482
Cash and cash equivalents acquired	(775)
	11,707

51 Major business combinations (continued)

(a) Acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses (continued)

Notes:

(i) Acquisition-related costs of approximately HK$162 million have been charged to other operating expenses in the consolidated income statement for the year ended 31 December 2017.

(ii) The fair value of acquired trade and other receivables is HK$831 million including prepayments and other receivables with a fair value of HK$831 million.

(iii) The fair value of new shares issued by Grand Foods Holdings Limited as part of the consideration for a controlling interest in McDonald's Mainland China and Hong Kong businesses was based on the fair value of net assets of Grand Foods Holdings Limited when the shares were issued.

(iv) Non-controlling interests in McDonald's Mainland China and Hong Kong businesses were recognised at proportionate share of the fair value of its net assets.

(v) The revenue and net profit attributable to ordinary shareholders of the Group during the period from 31 July 2017 to 31 December 2017 contributed by McDonald's Mainland China and Hong Kong businesses was HK$9,515 million and HK$137 million respectively. Had McDonald's Mainland China and Hong Kong businesses been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Group of approximately HK$463,589 million and HK$44,078 million respectively.

(b) Business combinations under common control - acquisition of Qingdao Special Iron and Steel Co., Ltd. ("Qingdao Special Steel")

On 15 May 2017, CITIC Group acquired 100% equity interest in Qingdao Special Steel from Qingdao Steel Holding Group Co., Ltd. On 24 October 2017, Jiangyin Xingcheng Special Steel Works Co., Ltd. ("Xingcheng Special Steel"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CITIC Group through the public tender process on the China Beijing Equity Exchange, pursuant to which Xingcheng Special Steel (as the sole bidder) agreed to acquire 100% equity interest in Qingdao Special Steel held by CITIC Group at a consideration of RMB127 million (approximately HK$150 million). On 24 October 2017, the equity transfer was completed and Qingdao Special Steel became an indirect wholly-owned subsidiary of the Company with net asset of HK$109 million.

The acquisition represents a business combination under common control as Qingdao Special Steel and the Company were ultimately controlled by CITIC Group both before and after the acquisition, and that control is not transitory. The financial statements of Qingdao Special Steel are included in the Group's consolidated financial statements as if the combination had occurred from the date when the ultimate controlling shareholder first obtained control.

51 Major business combinations (continued)

(b) Business combinations under common control - acquisition of Qingdao Special Iron and Steel Co., Ltd. ("Qingdao Special Steel") (continued)

Recognised amounts of identifiable assets deemed acquired and liabilities deemed assumed on 15 May 2017 when the ultimate controlling shareholder first obtained control

Cash and deposits	8,188
Trade and other receivables	4,488
Inventories	2,713
Interests in joint ventures	144
Fixed assets	11,642
Total identifiable assets acquired	27,175
Trade and other payables	(11,380)
Bank and other loans	(15,643)
Total identifiable liabilities assumed	(27,023)
Non-controlling interests	(2)
Total identifiable net assets acquired	150

(c) Business combinations under common control – acquisition of Star Thrive Investment Limited ("Star Thrive")

On 29 September 2017, CITIC Metal Group Limited ("CITIC Metal"), an indirect wholly-owned subsidiary of the Company, and Star Thrive, an indirect wholly-owned subsidiary of CITIC Group (which is a special purpose vehicle holding 76.37% equity interest in Jinzhou Titanium Industry Co., Ltd.), entered into the New Share Subscription Agreement, pursuant to which CITIC Metal agreed to subscribe for 60% of the enlarged share capital of Star Thrive at a consideration of HK$1,326 million. On 29 September 2017, the transaction under the New Share Subscription Agreement was completed. The Group's share of the net asset of Star Thrive was HK$1,198 million.

The acquisition represents a business combination under common control as Star Thrive and the Company were ultimately controlled by CITIC Group both before and after the acquisition, and that control is not transitory. The financial statements of Star Thrive are included in the Group's consolidated financial statements as if the combination had occurred from the date when the ultimate controlling shareholder first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated.

51 Major business combinations (continued)

(c) Business combinations under common control – acquisition of Star Thrive Investment Limited ("Star Thrive") (continued)

The following is a reconciliation of the effect arising from the acquisition of Star Thrive which is accounted for under common control combination on the consolidated financial statements.

	As at 31 December 2016			
	Balances as previously reported HK$ million	Merger of Star Thrive HK$ million	Elimination of inter-company balances HK$ million	Balances as restated HK$ million
Consolidated balance sheet				
Total assets	7,237,995	1,552	(58)	7,239,489
Total liability	6,542,144	730	(58)	6,542,816
Share capital	381,710	743	(743)	381,710
Perpetual capital securities	7,873	–	–	7,873
Other reserves	(56,990)	(284)	559	(56,715)
Retained earnings	158,040	157	(63)	158,134
Total ordinary shareholders' funds and perpetual capital securities	490,633	616	(247)	491,002
Non-controlling interests	205,218	206	247	205,671
Total equity	695,851	822	–	696,673

	For the year ended 31 December 2016			
	Balances as previously reported HK$ million	Merger of Star Thrive HK$ million	Elimination of inter-company transactions HK$ million	Balances as restated HK$ million
Consolidated income statement				
Total revenue	380,822	844	(4)	381,662
Profit for the year	62,639	57	–	62,696
Consolidated cash flow statement				
Net cash generated from/(used in) operating activities	280,465	265	(66)	280,664
Net cash (used in)/generated from investing activities	(211,586)	143	–	(211,443)
Net cash generated from/(used in) financing activities	94,155	(423)	64	93,796

52 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2017 **HK$ million**	2016 HK$ million (Restated)
Cash	**8,150**	8,867
Bank deposits on demand	**48,224**	39,519
Surplus deposit reserve funds	**106,815**	65,795
Investments in debt securities due within three months	**62,101**	57,318
Deposits with banks and non-bank financial institutions due within three months	**171,472**	252,074
Placements with banks and non-bank financial institutions due within three months	**94,601**	70,606
Cash and cash equivalents in the consolidated cash flow statement	**491,363**	494,179

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2017 **HK$ million**	2016 HK$ million
Total assets	**5,554**	147,240
Total liabilities	**(6,843)**	(126,116)
Non-controlling interests	**(132)**	(908)
Net (liabilities)/assets disposed	**(1,421)**	20,216
Total consideration	**913**	37,270
Release of other comprehensive income relating to interests in disposed subsidiaries	**–**	515
Remeasurement at fair value of retained interest in former subsidiaries	**2,393**	–
Gains on disposal/deemed disposal of subsidiaries		
– Continuing operations	**4,727**	1,359
– Discontinued operations	**–**	16,210
	4,727	17,569
Net cash inflow/(outflow) is determined as follows:		
Cash proceeds received	**1,218**	773
Less: cash and cash equivalents disposed	**(354)**	(13,152)
– Continuing operations	**864**	754
– Discontinued operations	**–**	(13,133)
	864	(12,379)

52 Supplementary information to the consolidated cash flow statement (continued)

(c) Reconciliation of financing liabilities

	For the year ended 31 December				
	Bank and other loans HK$ million	Debt instruments issued HK$ million	Lease liabilities HK$ million	Interest expense HK$ million	Total HK$ million
At 1 January 2017	113,125	543,893	469	44,214	701,701
Cash flows	13,434	79,672	(71)	(31,797)	61,238
Business combination/(disposal of subsidiaries)	12,321	239	–	102	12,662
Foreign exchange adjustments	3,709	28,214	24	3,920	35,867
Other non-cash movements	(147)	1,353	–	33,610	34,816
At 31 December 2017	142,442	653,371	422	50,049	846,284

53 Major transactions with non-controlling interests

Dilution of interests in a subsidiary without loss of control

In September 2017, CBI issued new shares to five investors, raising HK$9,053 million in total. Upon the issuance of new shares, equity interests indirectly owned by CITIC Bank in CBI reduced from 100% to 75%. The Group recognised an increase in non-controlling interests of HK$8,794 million and an increase in equity attributable to shareholders of the Company of HK$259 million.

The effect of changes in the ownership interest of CBI on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2017 HK$ million
Increase in carrying amount of non-controlling interests	8,794
Consideration received from non-controlling interests	(9,053)
Gain on disposal within equity	(259)

54 Balance sheet and reserve movement of the Company

	As at 31 December	
	2017	2016
	HK$ million	HK$ million
Non-current assets		
Fixed assets	**11**	7
Interests in subsidiaries	**428,227**	431,098
Interests in joint ventures	**35**	3,886
Available-for-sale financial assets	**3,597**	3,444
Derivative financial instruments	**–**	44
	431,870	438,479
Current assets		
Derivative financial instruments	**62**	4
Amounts due from subsidiaries	**61,898**	47,839
Trade and other receivables	**137**	251
Cash and deposits	**5,874**	4,897
	67,971	52,991
Total assets	**499,841**	491,470
Current liabilities		
Bank and other loans	**78**	2,058
Amounts due to subsidiaries and other related parties	**11,769**	23,023
Trade and other payables	**1,224**	1,425
Derivative financial instruments	**93**	44
Income tax payable	**435**	134
Debt instruments issued	**8,996**	–
	22,595	26,684
Non-current liabilities		
Long term borrowings	**21,683**	11,357
Debt instruments issued	**55,517**	54,832
Derivative financial instruments	**900**	1,090
	78,100	67,279
Total liabilities	**100,695**	93,963
Equity		
Share capital	**381,710**	381,710
Perpetual capital securities	**7,873**	7,873
Reserves	**9,563**	7,924
Total ordinary shareholders' funds and perpetual capital securities	**399,146**	397,507
Total liabilities and equity	**499,841**	491,470

The balance sheet of the Company was approved and authorised for issue by the board of directors on 28 March 2018.

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

54 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2017	381,710	7,873	630	(939)	(138)	8,371	397,507
Cash flow hedges:							
– Fair value loss during the year	–	–	–	(190)	–	–	(190)
– Transfer to net finance charges	–	–	–	310	–	–	310
	–	–	–	120	–	–	120
Profit attributable to shareholders of the Company	–	673	–	–	–	11,257	11,930
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(9,891)	(9,891)
Distributions to holders of perpetual capital securities	–	(673)	–	–	–	–	(673)
Available-for-sale financial assets: net movement in the fair value reserve	–	–	–	–	153	–	153
At 31 December 2017	381,710	7,873	630	(819)	15	9,737	399,146

	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2016	381,710	13,836	630	(1,278)	–	8,546	403,444
Cash flow hedges:							
– Fair value loss during the year	–	–	–	(28)	–	–	(28)
– Transfer to net finance charges	–	–	–	367	–	–	367
	–	–	–	339	–	–	339
Profit attributable to shareholders of the Company	–	790	–	–	–	8,552	9,342
Redemption of perpetual capital securities	–	(5,850)	–	–	–	–	(5,850)
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(8,727)	(8,727)
Distributions to holders of perpetual capital securities	–	(903)	–	–	–	–	(903)
Available-for-sale financial assets: net movement in the fair value reserve	–	–	–	–	(138)	–	(138)
At 31 December 2016	381,710	7,873	630	(939)	(138)	8,371	397,507

55 Post balance sheet events

(a) On 24 November 2017, the Supreme Court of Western Australia issued a judgement in the Royalty Component B proceeding (CIV 1808 of 2013) (the "Judgement") brought by Mineralogy (Note 3(l)). The CITIC parties concerned have filed an appeal notice in respect of the Judgement with the Court of Appeal of the Supreme Court of Western Australia on 29 January 2018.

56 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

57 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2017 and which have not been early adopted in these consolidated financial statements.

HKFRS 15	Revenue from contracts with customers (1)
HKFRS 9	Financial instruments (1)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (1)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts (1)
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards (1)
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures (1)
HKAS 40 (Amendments)	Transfers of investment property (1)
HK(IFRIC) 22	Foreign Currency Transaction and Advance Consideration (1)
HKFRS 16	Leases (2)
HK(IFRIC) 23	Uncertainty over Income Tax Treatments (2)
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (3)

(1) Effective for the annual periods beginning on or after 1 January 2018.
(2) Effective for the annual periods beginning on or after 1 January 2019.
(3) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, Financial instruments

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

57 Possible impact of amendments, new standards and interpretations issued but not yet adopted (continued)

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The impact of the adoption of HKFRS 9 on the consolidated financial statements of the Group is an overall reduction to the total ordinary shareholders' equity of the Company as at 1 January 2018 of approximately HK$4,711 million, attributable to the adoption of ECL partially offset by classification and measurement changes.

HKFRS 15, Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group made an assessment on the impact of this new standard, and concluded that it did not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

HKFRS 16, Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

57 Possible impact of amendments, new standards and interpretations issued but not yet adopted (continued)

HKFRS 16, Leases (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$27,237 million (Note 46(g)). The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

58 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	49,881	100%	100%	0%
Jiangsu CP Xingcheng Special Steel Co., Ltd. 江蘇泰富興澄特殊鋼有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%
Daye Special Steel Co., Ltd. 大冶特殊鋼股份有限公司	Mainland China	Manufacturing	449,408,480	58.13%	0%	58.13%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Investment holding	1,847,038,804	56.35%	0%	56.35%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,544,163,580	60.08%	0%	60.08%
M China Management Limited 金拱門中國管理有限公司	Hong Kong	Service	N/A	32.00%	0%	100%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	48,934,796,573	65.97%	0%	65.97%

58 Principal subsidiaries, associates and joint ventures (continued)

(a) Principal subsidiaries (continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Financial services	7,459,172,916	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%
CITIC Dicastal Co., Ltd. 中信戴卡股份有限公司	Mainland China	Manufacturing	1,377,962,404	100%	0%	100%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%

58 Principal subsidiaries, associates and joint ventures (continued)

(a) Principal subsidiaries (continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Asset Operation Co.,Ltd. 中信資產運營有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure	N/A	100%	0%	100%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy saving and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集团股份有限公司	Mainland China	Publishing	142,613,636	88%	0%	88%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

58 Principal subsidiaries, associates and joint ventures (continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate	10,956,201,535	10%	0%	10%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,116,908,400	16.50%	0%	16.50%
MMG South America Management Co., Ltd.	Hong Kong	Resources and energy	1,200	15%	0%	15%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
上海瑞博置業有限公司	Mainland China	Real estate	N/A	50%	0%	50%
山東新巨龍能源有限責任公司	Mainland China	Resources and energy	N/A	30%	0%	30%

羅兵咸永道

Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 166 to 339, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of loans and advances to customers and other parties and investments classified as receivables of China CITIC Bank Corporation Limited ("CITIC Bank")
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Disclosure of the possible impact of HKFRS 9 implementation of CITIC Bank
- Impairment of the Sino Iron Project

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank

Loans and advances to customers and other parties

Refer to Note 2(i), Note 3 and Note 25 to the consolidated financial statements.

As at 31 December 2017, loans and advances to customers and other parties of CITIC Bank amounted to RMB3,196.9 billion (approximately HK$3,824.5 billion), and the corresponding allowance for impairment losses was RMB90.9 billion (approximately HK$108.7 billion).

Allowance for impairment losses represented management's best estimates of losses incurred within loans and advances to customers and other parties as at the balance sheet date. The allowance was computed individually or on a collective basis, where appropriate.

Corporate loans were initially assessed for impairment individually by management. If objective evidence of impairment was identified, management regularly assesses the amount and timing of the expected future cash flows from the loans to calculate the allowance for impairment losses, which was the difference between the carrying amount of the loans and the present value of their expected future cash flows.

Non-impaired corporate loans and all personal loans were included in homogeneous groups with similar credit risk characteristics for performance of impairment assessments on a collective basis. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate.

Loans and advances to customers and other parties

We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers and other parties, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations).

We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate.

For impaired loans identified individually, we examined, on a sample basis, data inputs to the discounted cash flow models, including the cash flow status of the borrowers and guarantors, latest collateral valuations, applicable haircut rates and disposal plans, in supporting the estimation of future cash flows and present value.

For those loans and advances to customers and other parties which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations.

We discussed with management and scrutinised the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where necessary. We also applied sensitivities to underlying key assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank (Continued)	
Investments classified as receivables	***Investments classified as receivables***
Refer to Note 2(i), Note 3 and Note 28 to the consolidated financial statements. As at 31 December 2017, investments classified as receivables ("Investments") of CITIC Bank amounted to RMB534.1 billion (approximately HK$638.9 billion), and the corresponding allowance for impairment losses was RMB2.9 billion (approximately HK$3.5 billion). Management focused on and assessed the Investments with credit-type underlying assets individually for impairment. Underlying assets not identified as impaired from the individual assessments were included in homogenous groups with similar credit risk characteristics, considering risk factors relating to different industries and different types of underlying assets, and were assessed for impairment on a collective basis. Identification and assessment of impairment of loans and advances to customers and other parties and Investments involved complex and significant judgements by management, and, as such, we focused on this area as a key audit matter.	Loans and advances to customers and other parties and Investments relating to the same borrower were included in the integrated credit approval and management system of CITIC Bank so that management manages its credit risk exposure in a holistic manner. For Investments with credit-type underlying assets, the testing of relevant controls over impairment identification and assessments of these Investments was covered through our testing of internal controls over loans and advances to customers and other parties mentioned above. For Investments with credit-type underlying assets where the underlying assets related to borrowers who also had outstanding balances of loans and advances with CITIC Bank, we applied a consistent approach, to selection of samples and conducting credit reviews. For borrowers with no outstanding balances of loans and advances to customers and other parties with CITIC Bank, we separately selected samples and performed procedures on them to ascertain whether there was objective evidence of impairment for the underlying assets. For Investments with credit-type underlying assets, that were not identified as impaired from individual assessments, we evaluated the appropriateness of the Investments' allowance for impairment losses based on the credit risk characteristics of the underlying assets, and by reference to the level of CITIC Bank's collective impairment allowance for its corporate loans and advances to customers with similar credit risk characteristics. Based on the procedures performed above, in the context of the inherent uncertainties associated with impairment assessments, the assessment approaches, methodologies and key assumptions adopted by management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank	
Refer to Note 2(e), Note 3 and Note 49 to the consolidated financial statements. As at 31 December 2017, unconsolidated structured entities included non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank. Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgement made by management involving the structures entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities; • performed independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties. Based on the procedures performed above, we found management's judgement relating to the consolidation of structured entities for non-principal guaranteed WMPs acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of financial assets of CITIC Bank	
Refer to Note 2(i), Note 3 and Note 49 to the consolidated financial statements. During the year ended 31 December 2017, CITIC Bank entered into transactions which involved transfers of financial assets including those through securitisation and loan transfers. Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where CITIC Bank neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether CITIC Bank had relinquished its control over these financial assets, and if CITIC Bank had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Disclosure of the possible impact of HKFRS 9 implementation of CITIC Bank	
Refer to Note 57 to the consolidated financial statements. The Group adopted HKFRS 9 – Financial Instruments ("HKFRS 9") on 1 January 2018. HKFRS 9 involves three major changes: classification and measurement, impairment and hedge accounting. In addition, according to HKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, for those HKFRSs which are issued but not yet effective, entities should disclose the possible impact where it is known or can be reasonably estimated. Therefore, the Group disclosed the possible impact, whether it is known or can be reasonably estimated, of HKFRS 9 implementation in the notes to the financial statements for the year 2017. Adopting HKFRS 9 poses significant impact on the Group's subsidiary, CITIC Bank. Estimation of the impact on equity attributable to ordinary equity holders for HKFRS 9 implementation is a highly complex process, which involves significant management's judgement. Hence, we focused on this area as a key audit matter.	We obtained management's judgement and logic on classification under HKFRS 9 and its result, checked the consistency of the classification against the relevant requirements of HKFRS 9, and assessed the accuracy of the classification; We obtained management's valuation method and results of parameters selection for financial products measured at fair value, and assessed the reasonableness of the valuation method and parameters selected with the involvement of our valuation specialists; For Expected Credit Losses("ECL") under HKFRS 9 estimated by management, we performed the following procedures: • Obtained an understanding of methodology for ECL model, development processes and its relevant controls, through review of documentation and discussion with management and credit modelling specialists. With the involvement of our modelling specialists, we assessed the reasonableness of assumptions and judgement made by management on model adoption and parameters selection; • Examined the key data inputs to the ECL model on a sample basis to assess their accuracy and completeness. We obtained an understanding of the key processes related to information disclosure, and inspected the management's approval documents on the information disclosure related to change in accounting policies.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project	
Refer to Note 3 and Note 8 to the consolidated financial statements. In light of the changes in the key assumptions, an impairment assessment has been undertaken on the Sino Iron Project ("the Project") as at 31 December 2017. Management has assessed the recoverable amount of the Project using the Fair Value Less Cost of Disposal ("FVLCD") method as consistent with the approach taken previously. As a result, a total impairment charge of US$921 million (approximately HK$7,184 million) has been recognised in the consolidated income statement. In the impairment assessment, the most significant areas of judgement applied by management relate to: • The production profile of the Project (including production rates as the Project ramps up, ore grades and operating and capital expenditures); • Iron ore prices (inclusive of base price and premium on product grade); • The discount rate adopted in the valuation; • Foreign exchange rates, particularly between Australian and United States dollars. As the impairment assessment involves significant assumptions and judgements, we regard this as a key audit matter.	In evaluating management's valuation of the Project we undertook the following procedures: • Evaluated the reasonableness of management's judgement in relation to non-current asset impairment indicators, cash flow forecasts and the adoption of the FVLCD model; • Assessed whether management had included all appropriate assets and liabilities in the cash generating unit with appropriate consideration of tax impact; • Compared assumptions adopted in cash flow forecasts on production, future capital and operating expenditure with approved Life of Mine Plans, operating budgets and, where applicable, actual performance outcomes achieved to date; • With the support of our valuation experts, benchmarked key market related assumptions included in the valuation model, being base price, foreign exchange rates and the discount rate, against external market data; assessed the forecast premium on product grade with actual premiums achieved to date; and validated the competence and objectivity of the third party experts utilised by management to develop these assumptions; • Performed sensitivity analysis on the key assumptions. Based on the above procedures, we found the assumptions and judgements applied by management to be reasonable and consistent with the audit evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CORPORATE INFORMATION

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Website

www.citic.com contains a description of the Company's business, copies of half-year and annual reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267:HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	8 June 2018 to 14 June 2018 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	21 June 2018 to 25 June 2018 (both days inclusive)
Annual General Meeting:	14 June 2018, 11:00 a.m. Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place, 88 Queensway Hong Kong
Dividend payment:	5 July 2018

Annual Report 2017

The Annual Report is printed in English and Chinese and is available on our website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to the Company's Share Registrar.

Shareholders having difficulty in gaining access to the Annual Report will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

Non-shareholders who wish to receive a printed copy of the Annual Report are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.

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