IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch (the "**Arrangers**"), Deutsche Bank AG, Singapore Branch or Standard Chartered Bank (together with the Arrangers, the "**Dealers**") nor any person who controls the Arrangers or the Dealers, or any director, officer, employee or agent of the Issuer, the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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CITIC Limited
中國中信股份有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

U.S.$9,000,000,000
Medium Term Note Programme

Under the Medium Term Note Programme described in this Offering Circular (the "**Programme**"), CITIC Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$9,000,000,000 (or the equivalent in other currencies), subject to increases as described herein.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined in "*Summary of the Programme*") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system).

Each Series (as defined in "*Summary of the Programme*") of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**") and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in temporary Global Notes generally will be exchangeable for interests in permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche upon certification as to non-US beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "*Summary of Provisions Relating to the Notes while in Global Form*". Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Global Certificates (as defined below) may be deposited on the issue date with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**").

The Notes of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear, Clearstream, Luxembourg and/or the CMU, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or, as the case may be, a sub-custodian for the CMU and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear, Clearstream, Luxembourg and/or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s). Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**" and, together with the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which will be deposited on the relevant issue date with (i) a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**") or (ii) a common depository on behalf of Euroclear and Clearstream, Luxembourg or, as the case may be, a sub-custodian for the CMU.

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes and in Global Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Programme has been rated "A3" by Moody's Investor Service, Inc. ("**Moody's**") and "A-" by Standard & Poor's Rating Services, a division of the McGraw-Hill companies ("**S&P**"). Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular in connection with an investment in the Notes.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Arrangers

CITIC CLSA Securities **HSBC** **UBS**

Dealers

CITIC CLSA Securities **Deutsche Bank** **HSBC** **Standard Chartered Bank** **UBS**

31 May 2017

The Issuer having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries taken as a whole (the "CITIC Limited Group") and the Notes that is material in the context of the issue and offering of the Notes, (ii) the statements contained in it relating to the Issuer and CITIC Limited Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and CITIC Limited Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined in "*Summary of the Programme*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "Conditions") as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "Pricing Supplement"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer or the Arrangers or any of the Dealers (as defined in "*Summary of the Programme*"). Neither the delivery of this Offering Circular or any Pricing Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or CITIC Limited Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or CITIC Limited Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer, the Arrangers, the Dealers, the Trustee (as defined in the Terms and Conditions of the Notes) or the Agents (as defined in the Terms and Conditions of the Notes) represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any available exemption, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers, the Trustee or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular, any Pricing Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this Offering Circular and any Pricing Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States.

The Notes are being offered and sold, in the case of Bearer Notes and Unrestricted Notes outside the United States in reliance on Regulation S and, in the case of Restricted Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see "*Subscription and Sale*" *and* "*Transfer Restrictions*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purposes of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

None of the Arrangers, the Dealers, the Trustee or the Agents have separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, a Dealer, the Trustee or any Agent or on its behalf in connection with the Issuer, CITIC Limited Group or the issue and offering of the Notes. The Arrangers, each Dealer, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and CITIC Limited Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary.

None of the Arrangers, the Dealers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or CITIC Limited Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) (or persons acting on behalf of the Dealer or Dealers) (the "Stabilising Manager(s)") may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "PRC" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to "HK$" are to Hong Kong

dollars, to "A$" or "AUD" are to Australian dollars, to "CNY" or "RMB" are to Renminbi, the currency of the People's Republic of China, to "JPY" or to Japanese Yen, to "U.S.$" or "USD" are to U.S. dollars, to "sterling" or "£" are to the currency of the United Kingdom and to "euro" or "C" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to: "AUM" are to asset under management, "BOT" are to build-operate-transfer, "EPC" are to engineering, procurement and construction, "GFA" are to gross floor area, "GWP" are to gross written premium, "MW" are to megawatt, "NFC" are to near field communication, "PPP" are to public private partnership, "TOT" are to transfer-operate-transfer, "VPN" are to virtue private network and "SMS" are to short message service.

For the convenience of the reader, this Offering Circular presents translations into U.S. dollars of certain Hong Kong dollar amounts at the rate of HK$7.80 = U.S.$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. On 26 May 2017, the exchange rate for Hong Kong dollars into U.S. dollars as set forth in the H.10 statistical release of the Federal Reserve Board was HK$7.7923 = U.S.$1.00. This Offering Circular also includes certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a corporation organised under the laws of Hong Kong. All or a substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or to enforce against the Issuer in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities and Exchange Act of 1934 (the "**Exchange Act**"). The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding CITIC Limited Group's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause CITIC Limited Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding CITIC Limited Group's present and future business strategies and the environment in which CITIC Limited Group expects to operate in the future. Important factors that could cause CITIC Limited Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

- CITIC Limited Group's ability to integrate its newly-built operations and any future expansion of its business;
- CITIC Limited Group's ability to realise the benefits it expects from existing and future investments in its existing operations and pending expansion and development projects;
- CITIC Limited Group's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;
- CITIC Limited Group's ability to obtain external financing or maintain sufficient capital to fund its existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which CITIC Limited Group and its customers operate;
- changes in the competitive environment in which CITIC Limited Group and its customers operate;
- CITIC Limited Group's ability to secure or renew concessions or licences at future or existing facilities, operations or developments;
- failure to comply with regulations applicable to CITIC Limited Group's business;
- fluctuations in the currency exchange rates in the markets in which CITIC Limited Group operates; and
- actions taken by CITIC Limited Group's joint venture partners that may not be in accordance with CITIC Limited Group's policies and objectives.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward-looking statements speak only as of the date of this Offering Circular and the Issuer expressly disclaims any obligation or undertaking to update publicly or revise any forward-looking statements in this Offering Circular to reflect any change in the Issuer's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, there can be no assurance that projected results or events will be achieved and undue reliance should not be placed on these statements.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Issuer will during any period that it is neither subject to section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner or, prospective purchaser or, as the case may be, the Trustee, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

CONTENTS

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	CITIC Limited
Programme Description	Medium Term Note Programme
Programme Size	Up to U.S.$9,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the programme in accordance with the terms of the Dealer Agreement.
Arrangers	CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Hong Kong Branch
Dealers	CLSA Limited, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	The Bank of New York Mellon, London Branch
Issuing and Paying Agents	The Bank of New York Mellon, London Branch (in respect of Unrestricted Notes other than CMU Notes) and The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes)
Registrars	The Bank of New York Mellon (Luxembourg) S.A. (in respect of Unrestricted Notes other than CMU Notes), The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes) and The Bank of New York Mellon, Hong Kong Branch (in relation to CMU Notes)

Transfer Agents	The Bank of New York Mellon, London Branch (in respect of Unrestricted Notes other than CMU Notes) and The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes)
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form only ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Summary of the Programme – Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.
Clearing Systems	Clearstream, Luxembourg, Euroclear, the CMU, DTC and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer

Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and deposited on or about the issue date with the DTC Custodian or deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN, EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes	The Notes will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative Pledge*), unsecured obligations of the Issuer and will rank (save for certain obligations required to be preferred by law) equally with all other unsecured obligations and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Tax Redemption	Except as described in "*Summary of the Programme – Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 6(c) (*Redemption, Purchase and Options – Redemption for Taxation Reasons*).
Negative Pledge	The Notes will have the benefit of a negative pledge as described in "*Terms and Conditions of the Notes – Covenants – Negative Pledge*".
Cross Acceleration	The Notes will have the benefit of a cross acceleration provision as described in "*Terms and Conditions of the Notes – Events of Default*".
Ratings	The Programme has been rated "A3" by Moody's and "A-" by S&P. Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "*Summary of the Programme – Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, subject to customary exceptions (including the ICMA Standard EU tax exemption language), all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for listing of the Programme during the 12 month period from the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Hong Kong, Singapore, Japan, the Netherlands and the PRC. See "*Subscription and Sale*". Category 1 selling restrictions will apply for the purposes of Regulation S under the Securities Act. The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Bearer Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Transfer Restrictions	There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "*Transfer Restrictions*".
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

SUMMARY FINANCIAL INFORMATION

*The consolidated financial information of CITIC Limited for the years ended 31 December 2016 and 31 December 2015, as set forth below, is derived from the audited consolidated financial statements of CITIC Limited for the year ended 31 December 2016 (the "**Audited Consolidated Financial Statements**") which are set out in full elsewhere in this Offering Circular. Such audited consolidated financial information should be read in conjunction with the Audited Consolidated Financial Statements and the notes thereto, together with the independent auditor's report in respect of such Audited Consolidated Financial Statements.*

Consolidated Income Statement of CITIC Limited for the years ended 31 December 2016 and 31 December 2015

	For the year ended 31 December	
HK$ million	**2016**	**2015**
Interest income	251,427	270,151
Interest expenses	(125,504)	(138,268)
Net interest income	125,923	131,883
Fee and commission income	58,196	51,405
Fee and commission expenses	(3,618)	(2,506)
Net fee and commission income	54,578	48,899
Sales of goods and services	193,292	189,880
Other revenue	7,029	24,648
Total revenue	380,822	395,310
Cost of sales and services	(165,620)	(158,346)
Other net income	7,291	8,095
Impairment losses on		
– Loans and advances to customers and other parties	(53,603)	(47,827)
– Others	(19,987)	(31,361)
Other operating expenses	(76,858)	(85,523)
Net valuation gain on investment properties	615	592
Share of profits of associates, net of tax	2,323	4,741
Share of profits/(loss) of joint ventures, net of tax	2,876	(155)
Profit before net finance charges and taxation	77,859	85,526
Finance income	1,552	2,358
Finance costs	(8,688)	(9,239)
Net finance charges	(7,136)	(6,881)
Profit before taxation	70,723	78,645
Income tax	(18,393)	(19,424)
Profit for the year from continuing operations	52,330	59,221
Discontinued operations		
Profit for the year from discontinued operations	10,309	1,472
Profit for the year	62,639	60,693
Attributable to:		
– Ordinary shareholders of the Company	43,119	41,812
– Holders of perpetual capital securities	790	1,135
– Non-controlling interests	18,730	17,746
Profit for the year	62,639	60,693

HK$ million	For the year ended 31 December 2016	2015
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	32,782	40,501
– Discontinued operations	10,337	1,311
	43,119	41,812
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$):		
Basic earnings per share from:		
– Continuing operations	1.13	1.53
– Discontinued operations	0.35	0.05
	1.48	1.58
Diluted earnings per share from:		
– Continuing operations	1.13	1.52
– Discontinued operations	0.35	0.05
	1.48	1.57

Consolidated Balance Sheet of CITIC Limited as at 31 December 2016 and 31 December 2015

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

RISK FACTORS

Prior to making any investment decision, potential investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and CITIC Limited is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to CITIC Limited or which CITIC Limited currently deems to be immaterial, may affect CITIC Limited's business, financial condition or results of operations of CITIC Limited Group or its ability to fulfil its obligations under the Notes.

*"**CITIC Limited Group**" means CITIC Limited, its subsidiaries, associated companies and joint ventures; and "**CITIC Corporation Group**" refers to CITIC Corporation Limited, its subsidiaries, associated companies and joint ventures.*

General Risks Relating to the Businesses of CITIC Limited Group

CITIC Limited Group comprises subsidiaries and investee companies operating in various industries, and therefore, is exposed to a wider variety of circumstances compared to companies operating in a single business segment

CITIC Limited Group's operating business are in diverse businesses, including financial services, resources and energy, manufacturing, engineering contracting and real estate. However, there may be internal resources that CITIC Limited Group cannot effectively integrate, which may result in risks such as internal inefficiency and higher management costs, and in particular:

- CITIC Limited Group needs to devote significant resources to monitor the operations of each business and changes in their different operating environments to assess their risks. If CITIC Limited Group does not effectively monitor these changes in the operational environment, CITIC Limited Group's results of operations, financial condition and development prospects would be adversely affected;

- CITIC Limited Group has many listed company members which are subject to different regulatory regimes. These regulations impose obligations related to the transferring funds in or out of such companies, including issuing announcements, obtaining independent shareholders' approval at general meetings and disclosing events in the annual reports. The market prices and trading volumes of the listed companies' shares may fluctuate significantly, which could in turn affect the market price of CITIC Limited Group's shares;

- CITIC Limited Group's voting rights in its subsidiaries may be diluted. The non-listed subsidiaries of CITIC Limited Group may become listed. If CITIC Limited Group chooses not to or is unable to subscribe the additional equity or equity-linked securities issued by its listed and non-listed subsidiaries, CITIC Limited Group's voting rights in these entities may be diluted;

- CITIC Limited Group's businesses are operated by its subsidiaries and investee companies. CITIC Limited Group may face risks of managing and controlling its subsidiaries and investee companies. As a large conglomerate, CITIC Limited Group's operating success requires effective management and control including financial policies for subsidiaries and investee companies, as well as performance incentives for management personnel. If the management and control systems are ineffective, there is a risk of loss of business, finance and human resources;

- CITIC Limited Group has no control over certain investee companies. CITIC Limited Group's ability to manage and supervise certain investee companies mainly depends on its contractual rights under the relevant shareholders' agreements and its shareholder rights under the Company Law and other relevant laws and regulations. Any dispute with other shareholders of an investee company of CITIC Limited Group could have an adverse effect on such investee company's operation; and

- CITIC Limited’s cash flow primarily comes from the dividends from its subsidiaries and investee companies. Any failure of CITIC Limited Group’s subsidiaries or investee companies to pay cash dividends could in turn have an adverse effect on CITIC Limited Group’s ability to pay dividends to its shareholders. Under PRC laws, rules and regulations, all of CITIC Limited’s PRC entities which are not Sino-foreign joint ventures are required to set aside at least 10 per cent. of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50 per cent. of their respective registered capital, while Sino-foreign joint ventures are required to set aside part of their net profit as reserve at the discretion of their boards of directors. As a result, all of CITIC Limited’s PRC entities are restricted in their ability to transfer a portion of their net income to CITIC Limited in the form of dividends. Such restricted reserves are not distributable as cash dividends and could in turn have an adverse effect on CITIC Limited Group’s ability to pay dividends to its shareholders.

CITIC Limited Group plans to further strengthen the overall productivity and efficiency of its assets and to engage in additional projects and businesses with high return rates. However, there can be no assurance that these efforts will be successful, nor can there be any assurance that CITIC Limited will improve the profitability of the businesses in the future.

CITIC Limited Group’s business is subject to economic fluctuation in the industries in which it has operations

The business operations of CITIC Limited Group rely on the overall activity level in the industries in which it operates and the relevant upstream and downstream industries. The volatility of the international financial markets; more cautious market sentiment towards corporate investment; slow-downs in the growth of market demand; and fluctuations in the prices of commodities, major raw material prices, and exchange rates of major currencies may each affect CITIC Limited Group’s various businesses.

A substantial portion of CITIC Limited’s businesses are closely linked to the success of the PRC economy. A slowdown in the PRC economy is likely to have an adverse impact on CITIC Limited Group’s business, results of operations and financial condition. In addition, the PRC government adjusts its monetary, fiscal and other policies and measures from time to time to manage economic growth, overheating and excess capacity in a specific industry or market. Therefore, changes in the PRC’s overall economy or the industries in which CITIC Limited Group operates may result in a lower-than-expected growth rate or even negative growth for CITIC Limited Group, which may in turn have an adverse effect on CITIC Limited Group’s business, results of operations and financial condition.

Intense competition in the markets in which CITIC Limited Group has operations may lead to a decrease in market share and profitability

CITIC Limited Group’s businesses face intense competition in its operating markets. Its financial services business faces competition from domestic and international commercial banks and other financial institutions; its engineering contracting business faces competition from global companies in the industry as well as the challenges from large state-owned enterprises and private companies; its resources and energy, manufacturing, real estate and other businesses face competition in terms of resources, technology, price and service; its special steel, property, telecommunications and vehicle and other product sales businesses face competition in terms of product specification, service quality, responsiveness to customer needs, reliability and price; its businesses operating in the consumer space face competition in terms of costs, product offering and changing consumer taste and behaviour; and its magnetite iron ore mining project in Cape Preston, Western Australia (the “**Sino Iron Project**”) faces competition from other iron ore producers in terms of supply, quality and price.

Competitors may have greater access to capital, technology, management and other resources than CITIC Limited Group does, and may be capable of providing a wider range of services. These competitors may also merge or form joint ventures with the other domestic or foreign competitors, which may intensify the competition CITIC Limited Group faces.

CITIC Limited Group’s market share depends on its ability to anticipate and respond to many competitive factors, including competitors’ pricing strategy, change in customer preferences, funding and financing resources, introduction of new or improved technology, products or services in the related industries or markets. There can be no assurance that incumbent or potential competitors of CITIC Limited Group will not provide similar products or services with comparable or even better quality at the same or even lower prices, or be more adaptable to industry trends or market changes. Increased competition may lead to lower prices, a decrease in profit margins and shrink of market share.

CITIC Limited Group faces risks arising from the restructuring and realignment of businesses following the Acquisition as defined in "CITIC Limited Group – Corporate Background" and it may not effectively carry out the business strategy of the integrated CITIC Limited Group

CITIC Limited has been actively restructuring and realigning its businesses following the integration phase after the Acquisition, including consolidation of businesses operating within the same industries as well as disposals of business not considered in line with the business strategy of the integrated CITIC Limited Group.

CITIC Limited Group restructured its property business by aligning its property business with China Overseas Land and Investment Limited ("**China Overseas**") in 2016. CITIC Limited Group disposed of certain interests in PRC residential real estate projects to China Overseas in consideration for shares issued by China Overseas. Following completion on 15 September 2016, the focus of CITIC Limited Group's real estate business has shifted to mixed-use commercial complexes, public-private partnership projects and the primary development of land. There can be no assurance that the re-focusing of the real estate business will be successful and consequently that the business, results of operations and financial condition of CITIC Limited Group will not be materially and adversely affected.

CITIC Limited Group also integrated its resources and energy business in 2016. To enhance the business' investment strength and trading power in the commodities markets, CITIC Metal Group Limited ("**CITIC Metal Group**") was incorporated in 2016, as a wholly-owned subsidiary of CITIC Limited, to hold CITIC Metal Co. Ltd. ("**CITIC Metal**") and CITIC United Asia Investments Ltd. ("**CITIC United Asia**"). The integration process is still in progress and there can be no assurance that this will be successful and, if unsuccessful, the business, results of operations and financial condition of CITIC Limited Group will not be materially and adversely affected.

Further restructuring and realignment endeavours may take place in the future. There can be no assurance that previous, current or future restructuring and realignment endeavours have or will have the desired effect on the business, results of operations and financial condition of CITIC Limited Group. Such restructuring and realignment endeavours, if unsuccessful, may have an adverse effect on the business, results of operations and financial condition of CITIC Limited Group. There can be no assurance that any such restructuring or realignment endeavours will achieve the desired strategic objectives, business integration, or the expected return on investment of CITIC Limited.

For details regarding the Acquisition, see "*CITIC Limited Group – Corporate Background – CITIC Limited*". For details regarding the transaction with China Overseas, see "*CITIC Limited Group – Real Estate*".

CITIC Limited Group is exposed to the risk of fluctuations in the currency exchange rates

CITIC Limited's functional currency is the Hong Kong dollar. A significant portion of its operating costs are denominated in Renminbi, the Australian dollar as well as the Hong Kong dollar and sales made by its different businesses may be denominated in a number of currencies including Renminbi, the Hong Kong dollar and the U.S. dollar. CITIC Limited Group is therefore exposed to the risk of fluctuations in the exchange rate of the Hong Kong dollar against these other currencies. In the event that other currencies appreciate against the Hong Kong dollar, CITIC Limited Group will spend a greater proportion of its funds to settle its expenses denominated in other currencies. If such increase in expenses is not offset by an appreciation in CITIC Limited Group's revenues denominated in other currencies, its profit may be adversely affected and this could have an adverse effect on CITIC Limited Group's financial condition and results. The effect of fluctuation in exchange rates may be compounded upon the consolidation of subsidiaries whose functional currency is not the Hong Kong dollar.

CITIC Limited Group is subject to litigation and regulatory risk

CITIC Limited Group's businesses are wide-spread in terms of industry and geographical scope. In light of such wide business scope, CITIC Limited Group may not be able to improve and adjust its business practice, management and code of conduct in response to the relevant changes in domestic and foreign laws and regulations in a timely manner.

CITIC Limited Group's business and operations may be subject to litigation and regulatory actions from time to time. These proceedings and disputes may damage CITIC Limited Group's reputation and divert its resources and management's attention. Significant costs may have to be incurred in defending CITIC

Limited Group in such proceedings. In addition, CITIC Limited Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to its developments and interruptions to its operations. CITIC Limited Group may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of its projects. Any of the above could have a material adverse effect on CITIC Limited Group's business, results of operations and financial condition.

Furthermore, CITIC Limited Group is subject to periodical inspections from PRC and overseas regulatory authorities, and may be subject to potential punishments, fines or other penalties imposed by such regulatory authorities. There can be no assurance that the relevant PRC or overseas regulatory authorities will not impose punishments, fines or other penalties, or issue negative reports or opinion in the future which would have an adverse effect on the reputation, business, results of operations, financial condition of CITIC Limited Group.

The final outcomes of CITIC Limited Group's pending litigation and other regulatory matters cannot be predicted reasonably and accurately, primarily due to the different levels of uncertainty and complexity of these litigation and regulatory matters.

For details regarding pending material litigation and other regulatory matters of CITIC Limited Group, see "*CITIC Limited Group – Legal and Regulatory Proceedings*".

In addition, CITIC Limited Group may be sued by customers or other third parties in relation to CITIC Limited Group's facilities or products. CITIC Limited Group attempts to mitigate against such risk of potential claims by introducing liability limitation, compensation guarantees and insurance clauses in the relevant contracts. These attempts may not bring sufficient protection due to factors beyond the control of CITIC Limited Group, including:

- in various jurisdictions where CITIC Limited Group has operations (including the PRC), CITIC Limited Group's potential legal liability in relation to environmental or labour matters is subject to applicable laws and regulations, which may not be limited by contracts;

- customers and subcontractors may not have sufficient financial resources to fulfil their obligations owed to CITIC Limited Group;

- losses may result from risks not covered by CITIC Limited Group's compensation guarantee contractual arrangement; and

- the scope of the insurance may not be sufficient to CITIC Limited Group because certain matters cannot be insured with reasonable commercial clauses or at all. CITIC Limited Group has not yet obtained insurance covering or been fully paid for all of the potential or actual losses in relation to environmental liabilities, business interruption, profit loss, or losses due to operating interruption, industrial accidents, employee or third party protest or other activities.

CITIC Limited Group is subject to reputation risk

CITIC Limited Group may not be able to maintain its existing credit rating and reputation. Failure of any subsidiary or branch of CITIC Limited Group to effectively avoid or mitigate adverse consequences in relation to CITIC Limited Group's operations caused by safety accidents, inadequate quality control, or other reasons could have an adverse effect on CITIC Limited Group, its reputation, results of operations, financial condition and profitability.

CITIC Limited Group's historical financial information is not indicative of future results of operations. There can be no assurance that CITIC Limited's future growth rate will be maintained at the historical level

CITIC Limited Group operates businesses in diverse areas. To maintain steady business growth, CITIC Limited Group reviews and adjusts its strategies from time to time. Therefore, CITIC Limited Group's historical financial information must be read in conjunction with the effect on business due to strategic adjustments during the period as reflected in financial reports. There can be no assurance that the historical financial information will reflect the results of operations, financial condition or cash flows of CITIC Limited Group in the future. CITIC Limited Group may be unable to maintain a growth rate comparable to the historical level of CITIC Limited or the CITIC Corporation Group in terms of revenue or net profit in the future.

Major capital expenditure items of CITIC Limited Group may not be completed on schedule or within budget, if at all, or may not achieve the expected economic or commercial results

CITIC Limited Group's major capital expenditure projects often entail substantial capital investments for years before completion. The projects of CITIC Limited Group may be delayed, or adversely affected by risks or uncertainties, including market conditions, policies and regulations adopted by the governments in the PRC or in other relevant jurisdictions, capital adequacy levels, and disputes with business partners, technology and equipment suppliers, and other contractors, employees and the local government and community, natural disasters, electricity and other energy supplies, access to technological or human resources, any adverse changes in bilateral relations between the PRC and the relevant foreign government, war or any other adverse development in international relations.

As a result, there can be no assurance that all of the planned projects of CITIC Limited Group will be completed successfully or in a profitable manner. Even if such project is completed, the actual costs may exceed the original budget due to many reasons, including delay and higher financing costs due to fluctuations in foreign exchange rates and interest rates, changes of original designs and the increasing costs of materials and other supplying goods and labour. CITIC Limited Group may not be able to achieve the desired economic results and commercial success. As a result, CITIC Limited Group's results of operations, financial condition, profitability and growth prospects may be adversely affected.

For details regarding other capital expenditure projects, see "*Risk Factors – CITIC Limited may face impairment pressure in relation to the Sino Iron Project and may experience construction and operating cost pressures; it is also subject to operating challenges*".

Certain businesses and operations of CITIC Limited Group require substantial and steady capital injection; lack of adequate financing may have an adverse effect on CITIC Limited Group's business, financial performance and growth prospects

Certain businesses of CITIC Limited Group are capital-intensive and in need of substantial capital for their operations. CITIC Limited Group's financial services business and the banking business in particular, is required to maintain adequate capital to meet the China Banking Regulatory Commission's ("**CBRC**") capital adequacy ratio requirements. The resources and energy business requires significant capital expenditure for various purposes, including acquisitions and exploration of oil and mineral resources, obtaining mining permission and purchase and maintenance of the mining processing equipment in the PRC and overseas. In particular, the Sino Iron Project involves the construction and commissioning of major civil works and mechanical equipment. There are inherent difficulties in constructing and commissioning these large-scale operations, including difficulties in meeting construction or commissioning timetables and budgets. These may relate to disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events. In addition, CITIC Limited Group's manufacturing business also requires substantial capital for building, maintaining and managing production facilities, purchases of machinery and equipment and the development of new technology and products. For engineering contracting, CITIC Limited Group may need to make advanced payments in engineering construction and other engineering activities before receiving payments from the customers. The real estate business of CITIC Limited Group also requires substantial funds for land acquisitions and property development.

If capital requirements of CITIC Limited Group exceed its financial resources, CITIC Limited Group will need to incur additional debt or equity financing. CITIC Limited and CITIC Corporation Group in the past mainly relied on cash generated from the business operations, equity financing, bond issues, bank loans and other borrowing to meet their capital requirements. There can be no assurance that cash generated from business operations could sufficiently support the development and expansion plans of CITIC Limited Group. As the arrangement and cost of external financing are dependent on numerous factors (including the general economic and capital market conditions, interest rates, the credit standing of CITIC Limited, and credit availability from banks or other lenders), CITIC Limited Group may fail to obtain additional financing in a timely manner and/or at reasonable cost which would in turn adversely affect CITIC Limited Group's business developments, financial performance and growth prospects. In recent years, there has been a reduction in certain banks' capacity for loan business which has resulted in a fall in the liquidity available in the credit markets and a rise in the credit spread. The availability of external funding is subject to various factors and uncertainties including governmental approval, market conditions, credit availability, interest rates and CITIC Limited Group's results of operations in various businesses.

CITIC Limited Group might experience unexpected difficulties in implementing its expansion plan

To develop CITIC Limited Group's business and strengthen CITIC Limited Group's competitiveness and profitability, CITIC Limited Group plans to further expand its existing businesses to new industry sectors or geographical markets. Such expansion is subject to various risks, including CITIC Limited Group's lack of operational experience in certain industries or markets, changes in government policies and regulations and other risks associated with such industries or markets. Market development could also tighten CITIC Limited Group's funds, personnel and management resources. As a result, CITIC Limited Group may not be able to effectively manage its development, which would have an adverse effect on its business, results of operations, financial condition and prospects of CITIC Limited Group. In addition, CITIC Limited Group may find it difficult to win market share from companies with considerable size and market share in its corresponding industries and markets and may already take up a large portion of market share. Furthermore, CITIC Limited Group's overseas target markets may have a higher threshold of establishment of foreign companies. There can be no assurance that its expansion plan will succeed.

CITIC Limited's and CITIC Limited Group's acquisitions or strategic investments may not be integrated or managed effectively, or at all, which in turn could have an adverse effect on CITIC Limited Group's results of operations and financial condition

CITIC Limited and CITIC Limited Group may acquire or invest in businesses to expand its operations. There are many risks and difficulties in relation to acquisitions, including potential difficulties of retention and assimilation of personnel, the integration of operations and corporate cultures, distraction of management attention and other resources, and lack of knowledge and experience in new industries or markets. In addition, CITIC Limited Group may be subject to debts, other obligations and potential legal obligations of the acquired companies as a result of the acquisition. The acquisition may also result in the impairment charges of goodwill and other intangible assets. Any of these factors may have an adverse effect on the results of operations and financial condition of CITIC Limited Group. In particular, if the acquired companies' results of operations did not meet expectations, CITIC Limited Group may be required to recognise significant impairment charges, resulting in an adverse effect on CITIC Limited Group's results of operations. Therefore, there can be no assurance that any acquisitions could achieve the desired strategic objectives, business integration, or the expected return on investment.

CITIC Limited and CITIC Limited Group continue to consider and evaluate opportunities for further development. It may expand its business through acquisitions. However, there can be no assurance that either CITIC Limited or CITIC Limited Group can identify attractive acquisition targets in the future; or CITIC Limited or CITIC Limited Group can acquire the targets on commercially acceptable terms even if such target is identified. CITIC Limited Group may fail to consummate an acquisition or investment due to the lack of governmental approvals or other necessary approvals for such acquisition or investment. Failure to identify proper acquisition or investment targets or inability to complete such transactions may have an adverse effect on the competitiveness and growth prospects of CITIC Limited Group.

For details regarding CITIC Limited Group's proposed acquisition of a controlling interest in McDonald's PRC and Hong Kong businesses (the "**McDonald's Acquisition**"), see "*Risk Factors – The McDonald's Acquisition may not complete; if completed, CITIC Limited may not be able to integrate or manage the McDonald's business successfully and the McDonald's business may not achieve the expected economic or commercial results*".

Part of CITIC Limited Group's businesses comprise operations outside Hong Kong, which are subject to risks in relation to uncertainties of different economies and politics, regulatory actions and safety issues

CITIC Limited Group conducts engineering contracting, resource exploration, iron ore and coal mining, manufacturing, trading and other businesses overseas. In addition, export of machinery, special steel and auto parts and other products of CITIC Limited Group's members from the PRC are also growing. CITIC Limited Group also conducts financial service business, infrastructure business, telecommunications business, satellite business and other businesses overseas. These businesses are susceptible to the relevant country's political, economic and social conditions. CITIC Limited expects that CITIC Limited Group will continue to derive revenue and profits from international operations and other businesses overseas in the future. As a result, CITIC Limited Group is exposed to risks including but not limited to the following:

- Political risk, including risks caused by riots, terrorism and war, local and global political or military tensions, diplomatic tension or changes, economic or trade sanctions and losses caused by embargoes;

- Economic, financial and market instability and credit risk;
- Policy changes or regulations changes by domestic or foreign government in relation to international business;
- Reliance on foreign governments or foreign state-controlled entities for the need of electricity, water, transport and other public use facilities or infrastructure;
- Unfamiliarity with the local business and market conditions which may cause adverse effects such as inadequate project bidding price;
- Inadequate understanding of local laws, regulations, standards and other stipulations on construction, taxation, foreign exchange, customs, trade and others;
- Risks of increased costs, prolonged construction periods, and contradictions with anticipated targets caused by violation of laws and regulations of the host country or improper handling of the legal issues in the host country;
- Risks and uncertainties relating to appointment of foreign agents in overseas operations;
- Anti-PRC sentiments or protectionism, anti-dumping and others measures against PRC companies;
- Competition from other international and local companies;
- Adverse working conditions or strikes;
- Failure to comply with environmental laws and regulations;
- Potential disputes with foreign partners, customers, subcontractors and suppliers or local residents and communities; and
- Confiscation or nationalisation of CITIC Limited Group's assets.

Failure to maintain an effective quality control system could have an adverse effect on the business and operations of CITIC Limited Group

The quality of CITIC Limited Group's services and products is essential to the success of its businesses. To ensure its business success, CITIC Limited Group endeavours to maintain an effective quality control system. The effectiveness of the quality control system depends on a series of factors, including the design of the system, the related training programs and CITIC Limited Group's ability to ensure its employees' compliance with the quality control policies and guidelines.

CITIC Limited Group engages external contractors that are responsible for the construction and development of its resources and energy business, engineering contracting business and real estate business. In respect of the resources and energy business, manufacturing business, engineering contracting business and real estate business, CITIC Limited Group also relies on third-party manufacturers and other service providers in the manufacturing and supply of various spare parts, components and services.

CITIC Limited Group may not effectively monitor the contractors and other third parties. In addition, CITIC Limited Group may not find qualified contractors and other third parties for outsourcing in a timely manner. If CITIC Limited Group fails to find qualified contractors and other third parties, its ability to complete the relevant project or other contracts could be adversely affected. If the required payment to the contractor and other third parties exceeds CITIC Limited Group's estimates, especially in the event of having a fixed price contract with CITIC Limited Group's customers, CITIC Limited Group could suffer losses. Project outsourcing also exposes CITIC Limited Group to risks of non-performance, delay of performance and non-compliance of contractors or other third parties, which may have an adverse effect on CITIC Limited Group's results of operations, financial condition, profitability, and reputation, and may lead to litigation or damage claims against CITIC Limited Group.

Some of CITIC Limited Group's internal control and coordination measures on the group business may not be implemented at CITIC Limited Group level due to a large amount of subsidiaries, a wide range of businesses and widely distributed medium-level management teams. As a result, difficulties may arise in supervising whether the subsidiaries, management team members and employees abide by the internal control policies and procedures of CITIC Limited Group and related laws and regulations.

Any failure to comply with the quality control system, the deterioration of related systems or lack of supervision of the internal control mechanism may result in defects in CITIC Limited Group's services, projects or products, which could lead to compensatory claims in contract, product liability and other compensatory requirements. Any such claims, whether with or without merit, could lead to significant costs, damages to CITIC Limited Group's reputation and adverse effect on CITIC Limited Group's business.

Reliance on the experience and industry expertise of management personnel, skilled personnel and other qualified staff and intense competition for talent may have an adverse effect on CITIC Limited Group's business and prospects

Talented executives are essential for the rapid business development of CITIC Limited Group. If the improvement of the internal motivation and incentive mechanism and discipline mechanism lag behind other businesses' development, CITIC Limited Group's further development could be hampered. CITIC Limited Group's business operation growth depends on the continued service of the senior management team. To implement the future growth plan, CITIC Limited Group will need more management personnel with experience and talents. If any important management personnel leaves CITIC Limited Group, and CITIC Limited Group was unable to recruit or hire people with equivalent qualifications in a timely manner, CITIC Limited Group's business management and growth could be adversely affected.

CITIC Limited Group's businesses cover multiple industries and also depend on employment, training and retaining of skilled employees with different backgrounds, including management, finance, design, marketing, engineering and other technical professionals. In the PRC and other markets where CITIC Limited Group's businesses have operations, retaining qualified personnel is generally very competitive. Having high quality personnel is the key to meet the needs of future business competition. There can be no assurance that CITIC Limited Group will be able to hire the necessary manpower with the appropriate technical skills for operational activities.

There can be no assurance that the supply strains of skilful personnel will not increase the costs of employees. As a key enterprise having significant influence in the industries in which it operates, CITIC Limited Group has accumulated a large number of management personnel and technical personnel in the years of development. Despite CITIC Limited Group's various attempts to stabilise and attract the talented personnel, there are still certain risks of talent loss.

CITIC Limited Group is subject to risks of technological innovation and update

There are continuously new technology developments in each industry. New services are frequently introduced and industrial standards are always evolving. Technological transformation reduces cost and price, and competitors in the same industry all try to provide more competitive and creative products and services. It is uncertain if CITIC Limited Group will be able to effectively adapt evolving technology and respond technological transformation and industrial development. To maintain its competitiveness, CITIC Limited Group must continuously invest, which will have demands on financing and cash flow of CITIC Limited Group on the one hand, and expose CITIC Limited Group to the risk of delayed return or declined return rate on the other hand.

The rapid change of technology is likely to increase competition and may make CITIC Limited Group's technology, products or services obsolete, or result in a loss of market share. Research and development of CITIC Limited Group may not be successful or generate economic interests at the expected level. Even if the research and development is successful, CITIC Limited Group may not be able to apply the new technology to market acceptable products, or capture market opportunities. In addition, the expected market demand during the development phase of any product may not be realised, or when CITIC Limited Group launches new products, the market may not accept the new products. If CITIC Limited Group cannot predict the trend of technology or product development, and develop the new and innovative technology products required by customers, it may fail to produce sufficiently advanced products at competitive prices and may adversely affect CITIC Limited Group's results of operations, financial condition and profitability.

The lack of permits, licenses, approvals, filings and certificates may be a serious impediment to CITIC Limited Group's business and operations, and is subject to regular inspection, investigation, inquiry and audit of regulatory agencies

CITIC Limited Group must obtain and maintain valid permits, licenses, approvals, filings and certificates from government authorities to engage in certain businesses. CITIC Limited Group is subject to the restrictions and conditions stipulated by government authorities, to maintain CITIC Limited Group's permits, licenses, approvals, filings and certificates. If CITIC Limited Group fails to comply with the provisions or fails to meet the necessary conditions to maintain permits, licenses, approvals, filings and certificates, CITIC Limited Group's permits, licenses, approvals, filings and certificates may be suspended or revoked. If CITIC Limited Group extends such permits, licenses, approvals, filings and certificates after the valid period, there may be delays or rejections on the applications; licence terms or regulations may also be changed at short notice and it may be difficult to comply with the amended terms in a timely fashion or without significant cost. Any of these factors may lead to an adverse effect on CITIC Limited Group's results of operations, financial condition and profitability.

To ensure the restrictions and conditions of relevant business permits, licenses, approvals, filings and certificates are fulfilled, the government authorities have regular or special inspections, investigations, inquiries and audits of CITIC Limited Group. If any noncompliance is found by the government authorities, the permits, licenses, approvals, filings and certificates of CITIC Limited Group may be suspended or revoked, and CITIC Limited Group may receive fines or other penalties, or in some cases, be unable to operate. Failure of CITIC Limited Group to maintain, renew, or obtain certain permits, licenses, approvals, filings or certificates pursuant to the applicable laws and regulations could have an adverse effect on the business, financial condition and results of operation of CITIC Limited Group.

With respect to certain projects of CITIC Limited Group which have been commenced in the PRC certain licenses, permits, approvals, or filing certificates may not be or have not been granted by the required level of approving authority. There can be no assurance that CITIC Limited Group will not encounter problems in obtaining such licenses, permits, approvals, or filing certificates required to complete these projects, and any failure to obtain them may adversely affect the business, financial condition and results of operations of CITIC Limited Group.

CITIC Limited Group does not have land use right certificates, building ownership certificates or consent of the property owner or has not registered with respect to some owned or leased properties

As of 31 December 2016, with respect to some of the land it owns or uses, CITIC Limited Group had not fully obtained land use right certificates and/or building ownership certificates. CITIC Limited Group is in the process of applying for the relevant land use right certificates and building ownership certificates. However, it may not be able to obtain certificates for all of the properties due to various title defects or other reasons. There can be no assurances that CITIC Limited Group's ownership rights would not be adversely affected in respect of properties for which CITIC Limited Group is unable to obtain the relevant title certificates. As a result, CITIC Limited Group may face the potential risk of litigation or other penalties. See "*CITIC Limited Group – Real Estate*".

As of 31 December 2016, CITIC Limited Group had not registered certain of its leased properties, primarily because certain lessors have not cooperated with CITIC Limited Group for completing the registration procedures and certain local authorities do not provide registration services for lease agreements. With respect to some of the leased properties, the lessors were not able to provide the title certificates or documents evidencing the authorisation or consent of the owners of such properties to the lease or subletting. See "*CITIC Limited Group – Real Estate*". As a result, third parties may be able to challenge the validity of these leases. In addition, there can be no assurance that CITIC Limited Group will be able to renew the leases on commercially acceptable terms, or at all, upon their expiration. If any of the leases were terminated as a result of challenges by third parties or expiration, CITIC Limited Group may be forced to relocate affected properties. Under such circumstances, if CITIC Limited Group is not able to find alternative locations with acceptable conditions, CITIC Limited Group's operation may be adversely affected.

As of 31 December 2016, the owners of certain lands which CITIC Limited Group leased from independent third parties in the PRC had not been able to provide the relevant land use right certificates or consent authorising the lessors to lease or sublease the relevant land. See "*CITIC Limited Group – Real Estate*". In the event that any third party challenges the ownership of such land, the CITIC Corporation Group may not be able to continue to lease such land.

CITIC Limited Group is exposed to the risk of inadequate protection of its intellectual property

CITIC Limited Group relies on patent right, copyright, trademark and contract rights to protect CITIC Limited Group's intellectual property rights. CITIC Limited Group uses "中信", "**CITIC**", and "" for brand management and marketing, and believes that the brand has always been central to the success of CITIC Limited Group's competitiveness and the key to success. By entering into trademark license agreements, CITIC Group granted CITIC Limited and its relevant subsidiaries, the rights to use these registered trademarks in their operations at nil consideration.

In addition, CITIC Limited Group has developed many advanced systems, trade secrets, proprietary technology, equipment, process, process method and other intellectual property rights, which enhance production or operation efficiency. There can be no assurance that the adopted measures are sufficient to prevent abuse of CITIC Limited Group's intellectual property rights, or the competitors of CITIC Limited Group's will not develop by themselves, or obtain equivalent or superior substitute technology of CITIC Limited Group's intellectual property rights through obtaining licensing.

Intellectual property laws in the PRC are still evolving and the levels of protection and means of enforcement of intellectual property rights in the PRC differ from those in other jurisdictions. CITIC Limited may not be able to immediately detect unauthorised use of CITIC Limited Group's intellectual property and take the necessary steps to enforce CITIC Limited Group's rights in such property. In the event that the measures taken by CITIC Limited Group or the protection afforded by law do not adequately safeguard CITIC Limited Group's proprietary technology and other intellectual property rights, CITIC Limited Group could suffer losses in revenue and profit due to competing sales of products and services that exploit CITIC Limited Group intellectual property. Furthermore, there can be no assurance that any of CITIC Limited Group's existing intellectual property rights will not be challenged by third parties. Adverse judgements in any litigation or proceeding could result in the loss of CITIC Limited Group's proprietary rights and adversely affect CITIC Limited Group's results of operations, financial condition and profitability.

CITIC Limited Group's businesses may be exposed to certain risks of increasingly stringent environmental protection policies

CITIC Limited Group operates in various industries through its subsidiaries. Some of these businesses and operations may have an effect or impact on the environment and surrounding ecological area, including CITIC Limited Group's resources and energy business, manufacturing business, engineering contracting business and real estate business. An increasing amount of attention is being paid to the effect of business operations on the ecological environment. A number of jurisdiction in which CITIC Limited Group operates are strengthening the protection of the ecological environment, including the PRC. Increasingly stringent environmental policies may increase the investment expenditure and operation costs of CITIC Limited Group in the relevant industries.

CITIC Limited Group's current business operations are subject to obtaining various environmental licenses, approvals and permits in the PRC. There can be no assurance that CITIC Limited Group will not encounter problems in obtaining the required environmental approvals for the operation and development of its business or in fulfilling the conditions of such approvals. Failure to comply with the requirements or the results of an environmental impact assessment could give rise to significant fines or penalties, or restrict CITIC Limited Group's ability to utilise its infrastructure, plant and machinery. Any of these factors could have a material adverse effect on CITIC Limited Group's financial condition and results of operations.

Changes in tax policy may have an adverse effect on CITIC Limited Group's business and financial performance

Prior to 1 January 2008, except for a number of preferential tax treatment schemes applicable to various enterprises, industries and locations, enterprises in the PRC were subject to corporate income tax at the rate of 33 per cent. The new corporate income tax law took effect on 1 January 2008, imposing a tax rate of 25 per cent. on businesses. Companies which enjoy the fixed term tax benefit before 1 January 2008 will continue to enjoy tax preferential treatment until the fixed term ends. Some of CITIC Limited Group's subsidiaries are entitled to preferential enterprise income tax treatment. If there is any adjustment or termination in the tax preferential treatment of CITIC Limited Group, or any increase in the effective tax rate, the tax obligations of CITIC Limited Group will increase accordingly. In addition, with the implementation of the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Caishui Circular [2016] No. 36), from 1 May 2016, taxpayers of business tax that are engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be subject to value-added tax instead of business tax. As the tax rate and the mechanism of value-added tax are different from that of business tax, the change from business tax to value-added tax may affect the business and financial performance of CITIC Limited Group. Besides, the PRC government also adjusts or changes its policies in resource tax and other taxes from time to time. Any uncertainty brought by such adjustment or change may have an adverse effect on the business and financial performance of CITIC Limited Group.

CITIC Limited Group operates in jurisdictions that may be subject to economic and trade sanctions imposed by the United States, the European Union and other jurisdictions, which may subject CITIC Limited Group to legal and regulatory risks

The international operations of CITIC Limited Group may expose it to trade and economic sanctions or other restrictions imposed by the United States or other governments or organisations, including the United Nations, the European Union and their member countries. Some major subsidiaries of CITIC Limited Group provide goods and services, including broadcasting, international transit and roaming services to and from countries that are, or have been, subject to comprehensive sanctions administered by the United States Office of Foreign Assets Control ("**OFAC**"), including Burma (Myanmar), Cuba, Iran, North Korea, Sudan, Syria and Zimbabwe ("**Sanctions**"). Some major subsidiaries of CITIC Limited Group are also involved in certain construction and engineering projects and have manufacturing and sales business in countries that are, or have been, subject to Sanctions. Although the business activities of CITIC Limited Group in these countries are *de minimis* and do not violate applicable sanctions regulations, and CITIC Limited Group has no plans to conduct a material portion of its business with sanctioned countries, there can be no assurance that CITIC Limited Group will not in the future engage in further transactions with businesses in sanctioned countries. CITIC Limited cannot predict the interpretation or implementation of the government policies at the U.S. federal, state or local levels or any policy by any applicable jurisdiction with respect to any current or future activities of the CITIC Limited Group in these jurisdictions. Any alleged violations of economic sanctions could adversely affect the public image and reputation of CITIC Limited Group and have an adverse effect on its results of operations and financial condition.

CITIC Limited Group may not be able to detect money laundering and other improper activities, which could expose it to additional liability and negatively affect its business

CITIC Limited Group is required to comply with applicable anti-money laundering, anti-terrorism and other laws or regulations in the PRC and other jurisdictions where CITIC Limited Group has operations. These laws and regulations require CITIC Limited Group to adopt and implement "know your customer" policies and procedures and to report suspiciously large transactions to the competent regulatory authorities of different jurisdictions. Some major subsidiaries of CITIC Limited Group are implementing improvements to its anti-money laundering and anti-terrorism system. However, CITIC Limited cannot assure the timing and effectiveness of the implementation of such improvements. Even though certain major subsidiaries of CITIC Limited Group have adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and illegal or improper trades conducted by terrorists or terrorists-related organisations or individuals, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances where CITIC Limited Group's networks may be used by other parties to engage in money-laundering and other illegal or improper activities. In the event CITIC Limited Group fails to fully comply with applicable laws and regulations, the relevant government authorities to which members of CITIC Limited Group report in different jurisdictions have the power and authority to impose fines or other penalties on CITIC Limited Group. In addition, money laundering or other illegal or improper activities conducted by customers of CITIC Limited Group using its networks may negatively affect business operations, financial condition and reputation of CITIC Limited Group.

CITIC Limited Group's businesses and prospects may be materially adversely affected if it fails to maintain its risk management system or if this system proved to be ineffective or inadequate

CITIC Limited Group has established a comprehensive risk management system. Certain areas within CITIC Limited Group's risk management system may require constant monitoring, maintenance and continual improvements by the senior management and staff. CITIC Limited Group's businesses and prospects may be materially and adversely affected if efforts to maintain these systems are proved to be ineffective or inadequate. Deficiencies in the risk management and internal control systems and procedures may adversely affect CITIC Limited Group's ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact CITIC Limited Group's ability to identify any reporting errors and non-compliance with rules and regulations.

CITIC Limited Group's internal control system may contain inherent limitations caused by misjudgment or fault. As a result, there is no assurance that the risk management and internal control systems are adequate or effective notwithstanding CITIC Limited Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being taken against the CITIC Limited Group or its employees, disruption to the risk management system, and material and adverse effects on CITIC Limited Group's financial condition and results or operations.

CITIC Limited Group's financial investment activities may be exposed to credit, currency, interest rate, market and counterparty risks

In addition to day to day operational funds management aimed at maintaining the liquidity of CITIC Limited, CITIC Limited may also invest in certain financial investments. Financial investments may include but are not limited to equity securities, initial public offerings, preference securities and debt instruments. Investments by CITIC Limited are subject to strict governance and asset allocation guidelines, restrictions and policies, oversight, as well as established reporting procedures. However, there is no assurance that such guidelines, restrictions, policies, oversight and reporting procedures will be sufficient to mitigate risks related to investments of this nature or to prevent unauthorised investments. These risk management methods may not adequately prevent losses, particularly if they relate to extreme market movements and a failure of any or all of the aforementioned risk management methods may result in investments which do not meet the investment objectives of CITIC Limited that will in turn have a material adverse effect on the results of operations and financial condition of CITIC Limited.

The financial investments made by CITIC Limited set out above are subject to credit, currency, interest rate, market and counterparty risks. CITIC Limited may not recoup the full value of its investments or the investments may result in a loss. If CITIC Limited does not recoup the full value of its investments or the investments result in a loss, CITIC Limited's results of operations and financial condition may be materially and adversely affected.

CITIC Limited Group's business may not be adequately insured

CITIC Limited Group maintains insurance coverage for risks including damage to property and assets, business interruption, employee insurance and third-party liability where insurance is available at what it considers reasonable commercial terms. The level of coverage and types of insurance obtained by the management of each business differs depending on the characteristics of each business and the regulations of the jurisdictions in which it operates. The insurance coverage maintained by CITIC Limited Group may not fully indemnify it for all potential losses, damages or liabilities relating to property or business operations, particularly those arising from or as a result of war, civil unrest, terrorism, pollution, fraud, professional negligence and acts of God.

If CITIC Limited Group suffers any losses, damage or liabilities in the course of its operations arising from events for which it does not have any or adequate insurance cover, it may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. In addition, CITIC Limited Group's insurers may become impaired and become unable to meet claims. The occurrence of any of the above events and the resulting payment CITIC Limited Group makes to cover any losses, damages or liabilities may have a material adverse effect on its business, results of operations and financial position.

Risks Relating to Financial Services Business

The banking and trust businesses of CITIC Limited Group are subject to various credit risks

CITIC Limited Group's banking business provides a wide range of financial products and services, including corporate loans and trade financing to its individual customers, corporate customers, government agencies and financial institutions. If CITIC Limited Group's customers do not fulfil their obligations, thus leading to the increase of outstanding non-performing loans of CITIC Limited Group's banking business, its results of operations, financial condition and profitability could be adversely affected.

Portfolio Quality of CITIC Limited Group

Non-performing loans have an adverse effect on results of the operations of CITIC Limited Group's banking and trust businesses. The sustainable growth of CITIC Limited Group's banking business mainly depends on its ability to effectively manage the credit risk and maintain the quality of its portfolio (including loans to connected parties). Any defect in the credit risk management policy of CITIC Limited Group or any risks beyond the control of CITIC Limited Group, may have an adverse effect on the results of operations, financial condition and profitability of the banking business of CITIC Limited Group.

Loan Portfolio Losses

Actual losses on CITIC Limited Group's loan portfolio in the future may exceed its current allowance for impairment losses. If CITIC Limited Group's allowance for impairment losses is inadequate to cover the actual losses then CITIC Limited Group may need to make additional allowance for impairment losses, in which case the results of operations, financial condition and profitability of CITIC Limited Group's banking business may be adversely affected.

Loan Security

A substantial portion of CITIC Limited Group's loans portfolio is secured by collateral or guarantees. Any significant decline in the value of the collateral or deterioration of the financial condition of the guarantors or any failure by CITIC Limited Group to enforce its rights as a creditor may adversely affect the results of operations, financial condition and profitability of CITIC Limited Group's banking business.

Certain Loan Clauses

The loan customers of CITIC Limited Group are often allowed to prepay the loans owed to it under conditions approved by CITIC Limited Group. If the loan customers decide to borrow from the competitors of CITIC Limited Group or use other methods of financing, these customers may prepay or not renew their loans upon maturity, thus the interest income of the banking business of CITIC Limited Group would be adversely affected.

Concentration Risk of Loans

CITIC Limited Group's banking business faces risks relating to loans concentration. CITIC Limited Group provides loans to various groups of concentrated customers, industries and regions. If the credit profile of these concentrated customers deteriorates, the financial conditions of these concentrated industries experiences a significant or prolonged downturn, or the economy of these concentrated regions slows down, the assets quality, financial condition, and results of operations of CITIC Limited Group may be adversely affected.

The trust business of CITIC Limited Group also faces credit risk when its counterparties or financing parties in the proprietary trading or trust businesses default. If credit risks arise from proprietary trading, it may have an adverse impact on the assets and income of the trust company. If the credit risk arises from trust businesses, it may result in the loss of trust assets. This kind of risk may lead to an adverse effect on the credibility, management capabilities and brand of CITIC Limited Group's trust business.

The banking, securities and trust businesses of CITIC Limited Group is exposed to interest and exchange rate risk

CITIC Bank's results of operations depend, to a great extent, on net interest income. The financial market and environment of the PRC experienced significant changes in recent years. Domestic interest rate liberalization accelerated as the People's Bank of China ("**PBOC**") removed the higher limit of interest rates of deposits and competition in the PRC's banking industry became more intense as market interest rates fluctuated further. These had an impact on CITIC Bank. There can be no assurance that timely adjustments of the composition of asset and liability portfolios and the pricing mechanism could be made to effectively cope with the existing and any further liberalisation of interest rates. Adjustments of interest rates in the future, or market expectations of interest rate adjustment may lead to fluctuations in the price of financial products, which in turn could affect the profitability of CITIC Limited Group's fixed interest rate loans, and investment in fixed income securities. In the long run, further liberalisation of the interest rate regime may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, which would affect the results of operation of CITIC Limited Group's banking business. In addition, an increase in interest rates may result in increased financing costs for customers of CITIC Limited Group's banking business and thus reduce the overall demand for loans and accordingly, adversely affect the growth of the loan portfolio of CITIC Limited Group's banking business and increase the risk of default by customers. Furthermore, as the promotion of the internationalisation of Renminbi may result in domestic interest rates becoming more affected by foreign interest rates, there can be no assurance that there will not be further interest rate fluctuations. Changes in interest rates may adversely affect the net interest income, results of operations, financial condition and profitability of CITIC Limited Group's banking business.

CITIC Securities engages in derivatives transactions such as interest rate swaps to hedge interest rate exposure that arises from asset and liability positions, and uses derivative instruments such as stock index futures, to mitigate the influence of price volatility of its investment portfolio. As the derivatives market in the PRC is still in the early stage of development, the ability to hedge the market risks associated with CITIC Limited Group's securities business in the PRC is constrained by the limited derivative products available in the PRC. Therefore, CITIC Securities may not be able to successfully use available derivative instruments to reduce its exposure to fluctuation in the interest rates, foreign exchange rates, and price of its investment products or the derivatives it uses may not be completely effective.

The trust business of CITIC Limited Group is also subject to risks relating to price fluctuations in securities prices and interest rate. Fluctuations in securities prices and interest rates will directly affect the yield of the trust products with fixed income and the rate of return to trust beneficiaries, and thus affecting the commission income of the trust business, which may adversely affect the results of operations, financial condition and profitability of CITIC Limited Group's trust business.

The banking and securities businesses of CITIC Limited Group is exposed to liquidity risks

Customer deposits have always been the primary funding source and the main component of liabilities of CITIC Limited Group's banking business. Due to lack of alternative investment products in the PRC, CITIC Limited Group's short-term customer deposits have generally not been withdrawn upon maturity and have thus represented a stable source of funding. However, there can be no assurance that this will continue to be the case, especially as more alternative investment products become available. If a substantial portion of CITIC Limited Group's depositors withdraw their current deposits or do not renew their fixed-term deposits upon maturity, CITIC Limited Group may need to seek alternative sources of funding to meet liquidity requirements. The availability of alternative capital sources may be adversely affected by factors beyond CITIC Limited Group's control, such as deterioration of market conditions and turmoil of the financial markets. Given the foregoing reasons, if CITIC Limited Group fails to meet liquidity requirements through customer deposits and other capital sources, or if CITIC Limited Group's cost of capital increases, its liquidity, results of operations, financial condition and profitability may be adversely affected.

In response to changes and to improve profitability, CITIC Securities maintained operating leverage at a moderate level. CITIC Securities engages in debt financing through domestic and overseas capital markets and the inter-bank lending markets. CITIC Securities provides financing services through margin trading and securities lending, repurchase agreements, stocks pledged repo and stock return swaps. If CITIC Securities cannot obtain new funding sources upon maturity of existing debts, or funding sources are adversely affected by factors beyond its control, such as deteriorating market conditions, instability in financial markets, or market liquidity shortage when CITIC Securities needs temporary inter-bank lending, the results of operations, financial condition and profitability of CITIC Limited Group's securities business may be adversely affected.

The financial services businesses of CITIC Limited Group are subject to operational risks and risks relating to information technology systems

Malfunctions in the operations and information technology system of CITIC Limited Group's financial services business may jeopardise liquidity, cause business interruptions and result in leakage of confidential information, which can damage CITIC Limited Group's reputation and result in financial losses.

The financial services business of CITIC Limited Group relies heavily on the ability to process huge amounts of transactions on a daily basis, some of which is very complex and highly time sensitive. As a result, CITIC Limited Group is extremely dependent on financial, accounting, data processing and other operating system and facilities. If any of these systems cannot operate normally or at all due to events partially or entirely beyond CITIC Limited Group's control, it may have an adverse effect on CITIC Limited Group's ability to deal with transactions. If CITIC Limited Group's systems cannot accommodate the increased transaction volume, it may restrict CITIC Limited Group's ability to further expand business. There can be no assurance that the upgrades of systems will effectively prevent future system malfunction or that the upgrades could generate the adequate return on CITIC Limited Group's investment.

Information technology is widely used in the modern securities industry in areas such as fund clearance, online trading and other businesses. The level of information technologies has become an important factor in measuring the competitiveness of securities companies. Due to the rapid development in information technology, CITIC Securities is subject to corresponding technology risks. To maintain its leadership in technology and its competitive position, CITIC Securities requires ongoing investments in technology upgrading, which will increase its operation costs. The proprietary business, asset management business, and brokerage business of CITIC Securities are all dependent on the support of computer systems, networks and information management software. Unreliable computer systems and imperfect networks system will cause trading inefficiencies and loss of information, affecting its reputation and service quality, and may result in economic losses and legal disputes to CITIC Securities.

CITIC Limited Group relies on its information technology system in the process of services provided to customers, risk management, internal controls and the supervision on CITIC Limited Group's business operations. The essential equipment and communication networks of CITIC Limited Group's information technology system all have backups. CITIC Limited Group has also established a disaster backup centre which may maintain business continuity when disasters or major system malfunction occur. There can be no assurance that the business of CITIC Limited Group will not be interrupted due to partial or entire malfunction of the major information technology systems or communication networks. In addition, any threat caused by misappropriation of CITIC Limited Group's staff or theft by unauthorised persons, any maliciously caused dysfunction or impairment of data, software, hardware or other computer equipment are all likely to have an adverse effect on the business, results of operations and financial condition of CITIC Limited Group.

Furthermore, CITIC Limited Group may not be able to improve or upgrade information technology system successfully and timely in the future to satisfy customer's increasing demand on variety and quality of the products and services, the results of operations, financial condition and profitability and prospects of CITIC Limited Group's banking business may be adversely affected.

The financial services businesses of CITIC Limited Group are subject to various risks of competition

The trend of mixed operations in finance business has led to a new competitive landscape in the PRC's securities industry. Commercial banks, insurance companies and other financial institutions have entered the traditional securities industry and compete with the traditional business of securities companies through product and service innovation. Commercial banks compete with securities companies directly with their sales networks, customer resources and capital strength in businesses such as bond sales, financial advisory services and the sale of wealth management products. The increasingly relaxed supervision from China Securities Regulatory Commission ("**CSRC**") over the PRC's securities business provides new domestic and foreign competitors with the opportunity to engage in the securities business, which leads to more intense competition in the securities industry. In recent years, the overseas business of CITIC Securities has developed rapidly and faces competition from overseas capital markets. If it cannot develop and implement effective strategic plans and develop new business in time, or due to insufficient internal operations and management experience, CITIC Securities may lose its competitive advantage. Failure of CITIC Securities in the execution of its strategies and the development of new businesses will cause it to lose its competitive advantage and adversely affect the results of operations, financial condition, profitability and development prospects of CITIC Limited Group's securities business.

The trust business of CITIC Limited Group faces competition from other trust companies which may have competitive advantages in various aspects such as financial strength, management capability, resources, operation experience, market share and/or product sales channel. With changes in regulatory policies, commercial banks, securities companies, insurance companies, and fund management companies are now permitted to offer a variety of financial products, some of which are similar to those offered by trust companies. If the competitiveness of CITIC Limited Group's trust business declines in one or more aforementioned aspects, the results of operations, financial condition and business prospects of the trust business of CITIC Limited Group may be adversely affected, including reduction in market share, loss of customers and decrease in profitability.

As there is substantial product homogeneity in the insurance market, CITIC-Prudential faces market threats arising from increased product competition and comprehensive product offerings by its industry counterparties which are highly versatile and up-to-date. In addition, through sales model and the application of new technologies, industry peers have expanded sales channels, improved service efficiency and reduced service costs, which causes CITIC-Prudential to face challenges in relation to its cooperation models, sales system, business processes and management system.

The financial services business of CITIC Limited Group is subject to risks associated with employee misconduct

The financial services business of CITIC Limited Group has established rigorous internal control procedures and systems to detect, control and prevent employee misconduct. However, there can be no assurance that it can avoid economic losses, legal disputes, regulatory proceedings, investigations and default risk triggered by operational errors during all businesses and decision-making processes nor can such procedures and systems completely eliminate the individual misconduct of employees. If such misconduct occurs and is not timely detected or prevented, it may have adverse impacts on CITIC Limited Group's reputation and financial condition, and even result in lawsuits and regulatory sanctions against CITIC Limited Group.

The banking business of CITIC Limited Group is required to comply with regulatory requirements relating to capital adequacy ratios

In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) promulgated by the CBRC on 7 June 2012, the regulatory requirements relating to the capital adequacy ratio of CITIC Limited Group include minimum capital requirements, reserve capital requirements, and countercyclical capital requirements, additional capital requirements of banks of systematic importance. According to the CBRC's transitional arrangements of capital adequacy ratios, CITIC Limited Group's banking business must satisfy the minimum capital requirements by the end of 2016 (a minimum core tier-1 capital adequacy ratio of 6.7 per cent., a minimum tier-1 capital adequacy ratio of 7.7 per cent. and a minimum capital adequacy ratio of 9.7 per cent.). As of 31 December 2016, the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio, and capital adequacy ratio of CITIC Bank were 8.64 per cent., 9.65 per cent. and 11.98 per cent., respectively, all of which satisfied regulatory requirements.

To continue to meet regulatory capital adequacy ratios, the banking business of CITIC Limited Group may need to raise additional core capital or supplementary capital in the future. The continuing rapid growth of the banking business of CITIC Limited Group will lead to an increase in risk-weighted assets. In the event that CITIC Limited Group cannot replenish capital in time, the capital adequacy ratios of the banking business of CITIC Limited Group may decline. In addition, if the CBRC increases the minimum capital adequacy ratio and core capital adequacy ratio or changes its regulations on capital requirements or computing method of capital adequacy ratios, CITIC Limited Group may not be able to satisfy the new regulatory requirements in a timely manner. If the banking business of CITIC Limited Group is unable to meet capital adequacy requirements, CBRC may require CITIC Limited Group to take corrective measures including restrictions on the growth of loans and other assets of CITIC Limited Group's banking, or the declaration or distribution of dividends. These measures may adversely affect the results of operations, financial condition and profitability of CITIC Limited Group's banking business.

The loan classification criteria adopted by the banking business of CITIC Limited Group is different from criteria applied by banks in certain other countries and regions

The loans of the banking business of CITIC Limited Group are classified in accordance with the CBRC's five-category loan classification system. The loan classification system of CITIC Limited Group is different from the loan classification systems adopted by banks in certain other countries and regions in some respects. Therefore, the loan classification criteria applied by the banking business of CITIC Limited Group towards loans and advances may differ from that adopted by other jurisdictions. If CITIC Limited Group adopts the loan classification and the allowance for impairment losses policies in such countries and regions, the loan classification and provisioning policies reported by CITIC Limited Group may differ from those that could be reported.

CITIC Limited Group's financial services business is subject to extensive regulatory requirements, the non-compliance with which could cause it to incur penalties

CITIC Limited Group's financial services business is subject to extensive regulatory requirements, including requirements imposed by the PRC, Hong Kong and other jurisdictions. Such regulatory requirements are designed to ensure the integrity of the financial markets, the viability of financial institutions as well as the protection of investors and stakeholders. However, regulatory requirements may restrict the activities of CITIC Limited Group's financial services business by, among other things, imposing regulatory capital requirements, limiting the types and complexities of products and services it may offer, restricting the types of securities in which it may invest and limiting the number and location of branches it may establish. Regulatory authorities may also impose restrictions or penalties on CITIC Limited Group for non-compliance with regulatory requirements.

Despite the efforts of CITIC Limited Group to comply with applicable regulatory requirements, there are nevertheless associated risks, particularly in areas where applicable regulations may be subject to interpretation by regulators. Non-compliance may subject CITIC Limited Group to restrictions or penalties, which could have a material adverse effect on its business, results of operations or financial condition.

There is no assurance that CITIC Limited Group will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines, at all times. Failure to do so could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of its regulatory rating and limitations or prohibitions on the future business activities of CITIC Limited Group in the financial services sector, which may in turn harm its reputation, and consequently have a material adverse effect on its financial condition and results of operations.

The PRC banking regulatory regime is continually evolving and CITIC Limited Group is subject to future regulatory changes

CITIC Limited Group's banking business operates in a highly regulated industry and is subject to laws and regulations of Hong Kong, the PRC and other jurisdictions. These include banking-related statutes and regulations in the PRC such as the PRC Commercial Banking Law and related implementation rules while the principal regulators of the PRC banking industry include the CBRC, PBOC and SAFE. In particular, the banking regulatory regime of the PRC continues to evolve and changes in the laws, rules and regulations as well as their interpretations may result in additional costs or restrictions on CITIC Limited Group's banking business. For example, the State Council of the PRC announced the Regulations on Deposit Insurance (存款保險條例) on 17 February 2015 which became effective on 1 May 2015 and under which financial institutions are required to pay insurance premiums into a deposit insurance fund management institution. The calculation of such premiums depend on factors including (but not limited to) the institution's operating conditions and risks. Furthermore, the PBOC adjusted the reserve requirement ratio for PRC banks and revised its calculation basis in 2014 and 2016 and may further issue regulations in the future.

CITIC Limited Group's banking business and operations are directly affected by such changes in the laws, regulations and regulatory regimes of the PRC. There can be no assurance that the policies, laws, regulations and regulatory regimes governing the banking business of CITIC Limited Group will not change in the future or that any such changes will not materially and adversely affect CITIC Limited Group's business, financial condition and results of operations nor can there be any assurance that the CITIC Limited Group will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on CITIC Limited Group's activities and could also have a significant impact on its business.

Emerging internet finance and mobile finance may impact the operations of the traditional banking business of CITIC Limited Group

With the rise of internet finance, the financial service industry has experienced many changes in terms of payment methods, wealth management products and forms of financing which bring new challenges to the traditional banking business. For example, third-party payment organisations are growing rapidly, many new wealth management products have been launched and new internet financing forms have been developed. In addition, with the liberalisation of the interest rates regime, internet financing companies can attract customers through higher deposit rate, raising the cost of deposits taken by banks. The increasing popularity of mobile phones and mobile internet device allows customers to reduce reliance on traditional banking websites. There can be no assurance that the increasingly developed internet and mobile-finance will not adversely affect the existing banking business of CITIC Limited Group.

The securities business of CITIC Limited Group is exposed to risks brought by market fluctuations

CITIC Securities is principally engaged in investment banking, sales, trading and brokerage, asset management and investment businesses, all of which are highly dependent on economic and market conditions of the PRC and other jurisdictions (including Hong Kong) in which CITIC Securities operates. Market conditions in the PRC's capital market may change quickly and significantly, which may adversely affect the results of operations, financial condition and profitability of CITIC Securities. In addition, global market conditions may have uncertain or unfavourable effects on the PRC's market. With the continued development of the overseas business of CITIC Securities, it will also be directly affected by the global market conditions. Uncertain or unfavourable financial or economic conditions, in particular, global financial and economic crisis including the European debt crisis, may adversely affect the securities business of CITIC Limited Group.

The performance of CITIC Securities will fluctuate with the capital market conditions and be exposed to uncertainties. The risks and challenges faced by CITIC Securities include: (i) its investment banking business is subject to the ability of CITIC Securities to acquire, execute and complete projects; (ii) its brokerage business might be affected by the decrease in brokerage fees and reduced customer trading activities; (iii) its asset management business might be affected by CITIC Securities' ability to manage assets placed under its management, and if the investments performed poorly, CITIC Securities might lose customers or suffer deterioration in its performance and financial results; and (iv) any mistakes in buying and selling strategies could lead to equity and bond trading losses.

The trust business of CITIC Limited Group is exposed to risks relating to business innovation

With changes of industrial structure and regulatory environment, the trust business of CITIC Limited Group has increasingly undertaken business innovation in various areas such as capital market and equity investment. It has explored business development opportunities in multiple markets and developed innovative businesses including equity index futures, private equity, offering innovative products including land circulation trusts and family trusts. The profit models of these new businesses are still in their rudimentary stage and face operating risks.

The insurance business of CITIC Limited Group is exposed to risks relating to distribution of insurance products

The insurance business of CITIC-Prudential primarily provides products to individual customers through individual insurance agents, bancassurance channels, direct sales and other channels, while it provides group insurance products to institutional customers primarily through CITIC-Prudential's group insurance sales representatives, individual insurance agents and bancassurance channels. Any termination of, interference with or any adverse change to the relationships with these distribution channels may adversely affect the business of CITIC-Prudential. Moreover, as competition intensifies, these sales agents may demand higher commission rates, which may increase CITIC-Prudential's cost of sales, thus adversely affect the results of operations of CITIC Limited Group's insurance business.

The insurance business of CITIC Limited Group is exposed to risks relating to insurance policy claims

If CITIC-Prudential experiences deterioration in operations, or a downgrade in solvency and credit levels, customers' confidence in its insurance products may be negatively affected. This may lead to large numbers of insurance policy surrenders, especially within the long-term life insurance business segment, which will lead to a further deterioration of CITIC-Prudential's financial condition. In addition, even when insurance business is carried out under normal circumstances, CITIC-Prudential may still be exposed to risks of normal policy surrenders or concentrated surrenders caused by radical emergencies, major changes in national policy, significant changes in the market environment or other causes. If concentrated claims lead to insufficient asset liquidity, CITIC-Prudential may be forced to dispose of assets at unfavourable prices, causing serious deterioration in the financial condition of CITIC-Prudential and leading to operation difficulties. The occurrence of emergencies with significant impacts may also adversely affect the results of operations, financial condition and profitability of CITIC Limited Group's insurance business.

The insurance business of CITIC Limited Group is exposed to certain risks relating to the inability in effective asset management

With the continuing expansion of premiums scale, insurance companies will experience more pressure on asset allocation. CITIC-Prudential will face significant uncertainty on how to increase its return on assets in the environment of declining market returns. Fluctuations in the capital markets may also affect the achievement of stable return on the investment of CITIC-Prudential. CITIC-Prudential faces various inherent risks of the insurance market. Failing to effectively control these risks may adversely affect the financial performance of CITIC-Prudential. CITIC-Prudential is subject to relevant regulations of the China Insurance Regulatory Commission ("**CIRC**") on the maintenance of a required solvency ratio. If CITIC-Prudential cannot meet the solvency ratio requirement, the CIRC may impose a series of regulatory sanctions.

The insurance business of CITIC Limited Group is exposed to certain risks relating to adverse changes in reinsurance market and the failure of reinsurance companies to perform their contractual obligations

CITIC-Prudential transfers a portion of its business to international reinsurance companies and reinsurance companies in the PRC to reduce its own underwriting risk. Adverse changes in the reinsurance market or the failure of reinsurance companies to perform their contractual obligations for CITIC-Prudential may adversely affect CITIC-Prudential's results of operations and financial condition. In accordance with the relevant regulatory requirements such as Insurance Law and Provisions on the Administration of Reinsurance Business, based on comprehensive assessment of business development scale, concentration of risks undertaken, and actual financial situation, CITIC-Prudential developed and implemented a series of reinsurance arrangements to ensure that underwriting risks are dispersed. If CITIC-Prudential cannot effectively identify the potential risk of existing insurance products, and fails to enter into reinsurance arrangements at reasonable costs or appropriately select a reinsurance company, in the event of a claim or reinsurer default, any loss compensation obligations incurred due to the occurrence of major trigger events will not be compensated by reinsurance companies and shall be borne by CITIC-Prudential.

There are risks relating to CITIC Limited Group's other financial businesses

In addition to the above businesses, CITIC Limited Group also include fund business, futures business and asset management business. In particular, China AMC and Goldstone Investment which are subsidiaries of CITIC Securities may face market risk, management risk, policy risk and other risks in their operations.

The aforementioned businesses of CITIC Limited Group are subject to greater influence from economic cycles. The differences in policy implementation progress among the regional management and compliance departments, or poor implementations of the policies in certain regions may cause difficulties for CITIC Limited Group's business operation. Based on the actual experiences, the delay in implementation of the relevant laws and regulations by regional offices and compliance departments may result in adverse effects on business development or other legal risks.

Risk relating to Resources and Energy Business

The resources and energy business of CITIC Limited Group is subject to operating risks

CITIC Limited Group has significant investments in its resources and energy business and operates various businesses overseas in Australia, Brazil, Peru, Gabon, Indonesia and Kazakhstan and other countries and regions. These overseas businesses involve the exploration and production of oil, coal, iron ore, manganese, aluminium, niobium and other metal and mineral resources. CITIC Limited Group has invested and will continue to invest substantial capital and other resources in its resources and energy projects, and must undertake various risks relating to these projects, including operational risks.

CITIC Limited Group may continue to encounter various operational difficulties in implementing its resources and energy projects. Since some of the difficulties are beyond the control of CITIC Limited Group, there could be resulting delays in the production process or an increase in production costs. These operating risks include deferred payments from governments (changes in environmental policies), less beneficial tax policies, labour disputes, disputes with contractors and partners, unexpected technical and maintenance failures, production disruptions caused by adverse weather conditions and natural disasters, interruption in the energy and fuel supply, fire and other unusual and unexpected changes to the mineral, geological or mining conditions. These risks can cause damage and loss to CITIC Limited Group's resources and energy business, resulting in an adverse impact on CITIC Limited Group's results of operations, financial condition and profitability.

The resources and energy business of CITIC Limited Group is subject to the influence of market price fluctuations

As the resources and energy industry is significantly influenced by the economic cycles, changes in supply and demand in the resources and energy market, currency fluctuations, speculation in the international market, the discovery of new resources and the related substitution effect will have a significant impact on the cost, revenue and results of operations in this industry and result in certain operational risks. Factors such as fluctuations in resource and energy prices including but not limited to the prices of commodities such as Brent Crude Oil, iron ore and coking coal, changes in supply and demand and currency fluctuations may have an adverse impact on the business and profitability of CITIC Limited Group.

In particular, the price of iron ore experienced a significant decline in 2015 and remains at relatively low levels due to weak demand. Independent forecasts of long-term prices have also been lowered. The existing and forecasted price of iron ore is a key consideration for each periodic review of the value of the Sino Iron Project. As a result, a non-cash impairment of HK$7.2 billion (net of tax) was made for the year ended 31 December 2016. There can be no assurance that similar or other impairment will not be made by CITIC Limited and such impairment may have an adverse impact on the profitability of CITIC Limited Group.

The resources and energy business of CITIC Limited Group is subject to the risk that actual resources, production amount and resource quality may be lower than expected

The resources and energy business of CITIC Limited Group is exposed to the risk that the actual resource may be lower than expected. For energy resources such as oil and minerals, the proven reserves, probable reserves and possible reserves are only estimates, and are not equivalent to the actual reserves available.

In the mining process, there is the risk that the estimated resources may be significantly higher than the actual resources available. The estimated resource amount, the estimation of potential production rate and resource quality is a complex process which does not have a definitive measure. CITIC Limited Group will inevitably encounter various uncertain factors, some of which are beyond the control of CITIC Limited Group. The estimation of the life of mine may also be adjusted based on actual production experience, prevailing commodity prices and other factors. As a result, not all of estimated resources can be converted into reserves. There can be no assurance that CITIC Limited Group will be able to realise the expected production volume. The actual production amount produced by CITIC Limited Group is subject to many factors which are beyond the control of CITIC Limited Group. The inability to realise its projected production volume and resource quality may adversely affect CITIC Limited Group's future cash flows, results of operations, financial condition and profitability.

The resources and energy business of CITIC Limited Group is subject to risks relating to overseas business development

The continuing success of the resources and energy business of CITIC Limited Group depends on the policies and macro economies of the foreign invested countries, whether new resources and energy can be continuously obtained and developed, and acquisition of the relevant mining rights and government approvals. The continuing success of the resources and energy business also depends on whether CITIC Limited Group can successfully exploit and develop current mines and land, and expand oil reserves. CITIC Limited Group may not be able to maintain its current profitability level in the future. In addition, if CITIC Limited Group obtains new resources and energy, it may substantially amend the reserves estimation. The variations in recyclable rate caused by the geological environment and technology advancements may eventually lead to the adjustment of resources and energy reserve estimations. Fluctuation in commodity prices and changes in production costs may also affect the scope and scale of the mining process and the probability of success. These factors may lead to substantial decrease in extractable reserves in the one or more main resources and energy development regions, the results of operations, financial condition, profitability and prospects of resources and energy business of CITIC Limited may be adversely affected.

CITIC Limited Group's strategy includes exploring and developing new oil reserves, obtaining mining rights for new resources, increasing resources and energy reserves through mergers and acquisitions, making joint venture investments in other oil production and mining regions, and cooperating with other resource operators. However, CITIC Limited Group does not have a specific timetable for these plans. There can be no assurance that the CITIC Limited Group's exploration and development projects and acquisition activities will lead to a substantial increase in its resources and energy reserves, and there is no assurance that CITIC Limited Group will continue to develop its resources and energy business successfully. In addition, developing the resources and energy business requires obtaining approvals from different government authorities. CITIC Limited Group cannot guarantee that it will continue to obtain the necessary licenses and authorisations to conduct economically-feasible operations in the various regions it operates in.

The resources and energy business of CITIC Limited Group is subject to risks relating to operational safety and natural disasters

The resources and energy business is exposed to health, safety and environmental protection risks. In part of its exploration, development and mining business, CITIC Limited Group is involved in operating and storing explosives, poisonous substances and other dangerous goods. Although procedures and policies are in place to reduce risks, there can be no assurance that CITIC Limited Group's current on-site safety measures are sufficient to prevent accidents. If any on-site accidents occur, the results of operations, financial condition, profitability of the resources and energy business of CITIC Limited Group may be adversely affected.

CITIC Limited Group faces impairment pressure in relation to the Sino Iron Project and may experience construction and operating cost pressures; it is also subject to operating challenges

With the Sino Iron Project in operation and generating revenue, capitalised costs will migrate from CITIC Limited's balance sheet to the income statement with depreciation starting to accrue. The proportion of total interest incurred by CITIC Limited to be taken to the income statement has increased significantly since commercial production has been attained. CITIC Limited continues to face impairment pressure in relation to the Sino Iron Project and incurred a HK$13.7 billion after tax non-cash impairment charge for the year ended 31 December 2014. Furthermore, fluctuations in resource and energy prices have an impact on the valuation of the Sino Iron Project on CITIC Limited's balance sheet and in turn, result in impairment or provisions that impact the income statement. A non-cash impairment of HK$12.5 billion (net of tax) was made for the year ended 31 December 2015 as a result of the decline in iron ore price due to weak demand and a further non-cash impairment of HK$7.2 billion was made for the year ended 31 December 2016 due to the lowering of independent forecasts of long-term prices. There can be no assurance further impairment provisions or charges will not be made in the future. Such impairment provisions or charges, if made, might have an adverse effect on CITIC Limited Group's business, financial condition and results of operation.

CITIC Limited's estimates and budgets may be exceeded due to additional construction and labour costs. The inability to contain costs, and in particular labour and contractor costs, may impact CITIC Limited's operating margins for an extended period. Construction schedules may be delayed and actual costs may exceed budgeted amounts, and there may be further cost overruns prior to the project coming into full operation. In addition, CITIC Limited will be subject to all the risks inherent in the establishment and operating of any new mining project. The commercial viability and future profitability of such projects are substantially dependent upon the successful completion, commissioning and operation of the mine, and the price of ore when available for sale. There can be no assurance that CITIC Limited will be able to fully commission or achieve full production or sustain the successful operation of the new mining projects or achieve project completion or commercial viability. Any failure to do so would increase the operating cost pressures and thus have a material adverse impact on CITIC Limited Group's business, financial condition and operating results.

Changing industrial relations legislation may impact workforce flexibility, productivity and costs. Labour unions may seek to pursue claims under the new framework. Industrial action may impact CITIC Limited's operations resulting in lost production and revenues.

CITIC Limited's operations are energy intensive and earnings could be adversely affected by rising costs or by supply interruptions including the unavailability of energy, fuel or water due to a variety of reasons, including fluctuations in climate, significant increase in costs, inadequate infrastructure capacity, interruptions in supply due to equipment failure or other causes and the inability to extend supply contracts on economical terms.

Unexpected natural and operational events could lead to disruptions in production and loss of facilities and adversely affect CITIC Limited Group's financial results

CITIC Limited operates extractive, processing and logistical operations in many geographic locations both onshore and offshore. CITIC Limited's operational processes and geographic locations may be subject to operational accidents such as port and shipping incidents, fire and explosion, floods, pitwall failures, loss of power supply, railroad incidents and mechanical failures. Existing business continuity plans may not be able to assure the recovery or continuity in production and operations. The impact of these events could lead to disruptions in production and loss of facilities and adversely affecting CITIC Limited's financial results.

Malfunction of equipment could have an adverse effect on the Sino Iron Project's product delivery, business, financial position and operating results

The production processes of the Sino Iron Project are dependent on various equipment such as some of the largest in-pit crushers in Australia, autogenous grinding mills, ball mills, classifying cyclones, magnetic separators and concentrate thickeners that make up the concentrators, complex slurry and water pipelines, power stations and desalination plants as well as sophisticated systems to operate such equipment. Such equipment and operational systems may incur downtime as a result of unanticipated malfunctions or other events, such as breakdowns or unexpected natural conditions.

There can be no assurance that technical problems or equipment malfunction will not occur in the future. If the Sino Iron Project experiences problems or disruptions relating to equipment going forward, it may be subject to delay and loss of production which could have an adverse effect on CITIC Limited's product delivery, business, financial position and operating results.

The Sino Iron Project may not achieve its total life of mine production estimates

The mineral reserve estimates of the Sino Iron Project are estimates based on the judgment, experience and technical data available to CITIC Limited only and may not be recoverable in full. As a result, CITIC Limited may not achieve its total life of mine production estimates. No assurance can be given that the reserves presented in this Offering Circular will be recovered at the quality or yield presented. Investors should not assume that resource estimates will be directly reclassified as reserves under the Australasian Joint Ore Reserves Committee Code. Mineral resources that are not mineral reserves do not have demonstrated economic viability, and are not the equivalent of a commercially mineable ore body or a reserve. While there has been metallurgical testing of the Sino Iron Project's magnetite iron ore from samples taken across the proposed mining area, by its very nature, mineralisation is not homogenous and the samples may not be representative of the broader ore body. The extent to which the magnetite iron ore produced has different properties to the Sino Iron Project's original evaluation may affect the saleability and price as well as the volume that can be produced. In addition, market fluctuations in the price of iron ore, as well as increased production costs or reduced recovery rates, may render certain mineral resources uneconomic and may ultimately result in a restatement of reserves, resources or both.

The Sino Iron Project may not be able to maintain its right to mine

The right to mine at the Sino Iron Project is granted under agreements entered into with Mineralogy Pty Ltd. ("**Mineralogy**"), whose right to mine is derived from the mining leases granted to it under the Mining Act 1978 (WA) and the Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Act 2002 (WA). In the event of a breach by Mineralogy of the mining leases or other tenements, Mineralogy's capacity to grant the right to mine to CITIC Limited may cease. This could result in production slow down or stoppage and would have a material adverse impact on the operations of the Sino Iron Project and the business, financial condition and results of operations of CITIC Limited Group as a whole. Furthermore, in the event of a contractual breach by CITIC Limited under the project documents, CITIC Limited's right to mine, process and export at the Sino Iron Project may be affected or may cease. CITIC Limited is involved in and may be subject to further disputes or legal proceedings with Mineralogy in relation to the Sino Iron Project. These disputes may have a major bearing on the long-term viability, the profitability and the cash flow of the Sino Iron Project. For a discussion of risks relating to such disputes and legal proceedings, see "*CITIC Limited Group – Legal Proceedings and Regulatory Investigations*".

Risks relating to Manufacturing Business

The manufacturing business of CITIC Limited Group is subject to the risk of changing market demand

The manufacturing business of CITIC Limited Group mainly includes the production and manufacturing of special steel, heavy machinery, power electronic equipments, automobile aluminium wheels and automobile aluminium casting. CITIC Limited Group's business operations depend on the overall market activity level and growth rate of the upstream and downstream industries in which its customers conduct their businesses. CITIC Heavy Industries, a subsidiary of CITIC Limited Group, engages in the design, manufacturing and sales of large equipment, complete technical equipment and key basic parts of Heavy Equipment, Complete Engineering Project Management (which is the provision of complete engineering, capital equipment manufacturing and project management services for the entire project, including site assessment and investigation, design, procurement of materials, provision of technical services, manufacturing, installation, training and other services in relation to each stage of the project), Robots and Intelligent Equipment, Energy Conservation and Environmental Protection, New Energy Power Equipment and others. CITIC Dicastal, a subsidiary of CITIC Limited Group, engages in the manufacturing of automobile aluminium wheels and automobile aluminium casting. Its customers are mainly from the automobile industry, which is highly dependent on economic development and growth. Due to the recovering international financial markets and the slowdown in market demand, investors tend to be more cautious when making investment decisions in enterprises. Large fluctuations may occur in the prices of commodities and principal raw materials, the major foreign exchange rates, the money markets and the capital markets. Therefore, the growth rate of the overall economy and the industries in which customers of the manufacturing business operate in may be slower than expected or experience a decline, which may adversely affect the results of operations, financial condition and profitability of the manufacturing business of CITIC Limited Group.

CITIC Limited Group's manufacturing business depends on whether it can obtain sufficient raw materials supply at acceptable prices and in a timely manner

The successful operation of the manufacturing business depends on it obtaining a sufficient supply of raw materials in a timely manner, and obtaining supplementary materials, energy, water and other commodities from suppliers at acceptable prices and quality. Global fluctuations in the prices of raw materials and spare parts will directly influence the production capacity and profitability, while the import and export businesses, as well as their respective settlement methods, are affected by foreign exchange rates. In addition, the manufacturing business is exposed to market risks including price fluctuations of raw materials and other commodities. The manufacturing business involves the production of heavy machinery and auto parts, which are subject to the supply and demand of upstream and downstream industries in the short term. The manufacturing business' main raw materials include steel and aluminium alloy, which are subject to significant price fluctuations due to their respective production costs, market demand, short-term market speculations and other factors. In addition, an increase in energy prices (including fuel oil, natural gas, electricity and water prices) may also adversely affect the business operations of CITIC Limited Group. Power outages, shortages of oil, natural gas and water and other factors may also have an adverse effect on CITIC Limited Group's business operations.

In addition, changes in the global economic landscape have encouraged the domestic manufacturing industry to conduct industrial upgrades and structural adjustments, which in turn has affected the competitive landscape and future trends of the industry as a whole. There can be no assurance that CITIC Limited Group will continue to obtain sufficient raw materials in a timely manner or obtain energy and water supply from its existing suppliers at the prevailing or acceptable prices. There is also no guarantee that CITIC Limited Group will not be adversely affected by a shortage of raw materials, energy or water supply, or that it will be able to pass the increasing costs of the raw materials, energy or water supply onto its customers. If CITIC Limited Group cannot obtain sufficient raw materials, energy or water on commercially acceptable terms in a timely manner, the results of operations, financial condition and profitability of the manufacturing business of CITIC Limited Group may be adversely affected.

The research and development activities of CITIC Limited Group may not bring the expected benefits to CITIC Limited Group

The future performance and reputation of the manufacturing business of CITIC Limited Group depends on whether it can continuously develop new products. Research and development activities require a substantial input of labour and capital resources. CITIC Limited Group's research and development activities may not be successful or generate the expected economic benefits. Even if such efforts are successful, CITIC Limited Group may not be able to apply the newly-developed technology in products that will be accepted in the market, or apply such technology in a timely manner to capture commercial opportunities. In addition, the anticipated market demand during the development phase may not actualise.

Alternatively, the market may not accept such new products upon their launch. The level of economic benefits that can be reaped from newly-developed technologies or products may be affected by the following factors:

- The rate at which competitors are able to copy the relevant technology or products, or the rate at which competitors are able to develop newer or cheaper substitute products; and

- If CITIC Limited Group cannot predict the trend of technology or products development and promptly develop new model, including new technology or products required by its customers, CITIC Limited Group may not be able to produce sufficiently advanced products at competitive prices, which will adversely affect the results of operations, financial condition and profitability of the manufacturing business of CITIC Limited Group.

Certain new products, new processes, and new technologies that are currently under development by CITIC Heavy Industries are unprecedented, and there are risks that they may not be successfully developed, which may adversely affect CITIC Heavy Industries' results of operations. CITIC Dicastal engages in automobile aluminium wheels and automobile aluminium castings and must internally develop the various core industry technology upgrades required in its manufacturing process. If CITIC Limited Group cannot successfully upgrade its industrial technologies or fails to obtain the prerequisites to achieve standardised production, CITIC Limited Group may be unable to compete effectively with its competitors in the industry.

Anti-dumping measures and other non-tariff barriers adopted by countries of destination may affect the export sales of CITIC Limited Group

A portion of the automobile aluminium wheels and automobile aluminium castings produced by CITIC Dicastal are exported. CITIC Dicastal's products exported to Europe and India were partly regulated by anti-dumping measures. There can be no assurance that the countries and regions to which CITIC Limited Group's products are exported will not impose additional anti-dumping measures or other regulatory restrictions on CITIC Limited Group. If such countries and regions adopt additional anti-dumping measures or other non-tariff barriers, the results of operations, financial condition and profitability manufacturing business of CITIC Limited Group may be adversely affected.

CITIC Limited Group's manufacturing business may be materially and adversely affected if there is malfunction of equipment, insufficient or suspension of electric power or water

The production process of CITIC Limited Group's manufacturing business may cease if there is unanticipated malfunctioned equipment, or insufficient or suspension of electric power. Certain manufacturing businesses of CITIC Limited Group also rely on water to operate its cooling systems, and consequently a shortage of water may adversely affect operations.

CITIC Limited Group may in the future suffer from plant shutdowns, extended periods of reduced production as a result of such equipment failures or other events or major shortage of electricity or water supply. Any significant increase in utilities costs or any interruption in such supply or lost production which could not recovered by unaffected facilities, will not only increase cost of production, adversely affecting its financial position, but will also prevent CITIC Limited Group from producing and delivering its products to its customers as scheduled.

Equity interest held by CITIC Limited in certain of its subsidiaries exceeds the limit provided in the "Policy on the Development of the Steel and Iron Industry"

In July 2005, the NDRC promulgated its "Policy on the Development of the Steel and Iron Industry" (the "**Iron and Steel Development Policy**"). Amongst other things, the Iron and Steel Development Policy prohibits non-PRC investors from holding majority equity interests in a PRC steel mill. As at the date of this Offering Circular, CITIC Limited owns a 100 per cent. equity interest in the Jiangyin Xingcheng special steel plant, a 100 per cent. equity interest in the Xin Yegang special steel plant and a 58 per cent. indirect equity interest in the Daye special steel plant. Although CITIC Limited is a non-PRC entity, CITIC Group Corporation, itself a PRC entity, indirectly owns 58 per cent. of CITIC Limited. As such, CITIC Limited is of the view that its shareholdings in its special steel plants do not conflict with the Iron and Steel Development Policy. There can, however, be no assurance that governmental authorities in the PRC would subscribe to this view and in these circumstances CITIC Limited may be required to reduce its equity interests in the plants to a level below 50 per cent.

Risks Relating to Engineering Contracting Business

Failure to accurately estimate overall risk or cost of the engineering contracting business of CITIC Limited Group may result in cost overrun, declining profitability or even a loss

Most operating income of the engineering contracting business of CITIC Limited Group comes from fixed price engineering contracting contracts and is expected to continue to be derived from the same source in the future. The cost estimation of CITIC Limited Group involves a number of assumptions including future economic conditions, labour and material costs and supplies, performance of sub-contractor, equipment utilisation rate and construction and technology standards specific to a particular project. However, such assumptions may not be always accurate. In addition, there are uncertainties and risks to the fulfilment of fixed price engineering contracting contracts, such as delay caused by bad weather, technical issues, and failing to obtain the necessary permits and approvals. Even if the increases in labour, materials, and other costs have been considered by CITIC Limited Group during the bidding, these factors may still result in significant differences in the actual risk and costs incurred by CITIC Limited Group as compared to the original estimation. Several project contracts of CITIC Limited Group contain price adjustment provisions that allow CITIC Limited Group to claim for additional costs attributed to certain unexpected rise in the costs of raw materials. However, CITIC Limited Group usually still has to bear part of the increased costs. The risk of cost overrun for existing or future engineering contracting projects may adversely affect the financial condition and the result of operations of CITIC Limited Group's engineering contracting business.

The engineering contracting customers of CITIC Limited Group pay funds according to project progress and ask for quality assurance deposit. The delay in payment and refund of cash deposits from the engineering contracting customers of CITIC Limited Group will affect the operating capital and cash flows of CITIC Limited Group

Most engineering contracting contracts of CITIC Limited Group require customers to pay instalment payments by reference to the project value that is completed at the specified deadlines. If CITIC Limited Group fails to obtain favourable advance payment terms and fails to achieve a balance between advance payment deduction and progress payment disbursement, or if customers delay in paying the instalment payments, or refunding the quality assurance deposits, CITIC Limited Group's working capital may be adversely affected. If customers defer in the payments of projects in which CITIC Limited Group has invested substantial resources, the liquidity of CITIC Limited Group may be affected and it reduces the capital source that CITIC Limited Group can use. CITIC Limited Group may bring a claim based on the contract for its loss, but dispute resolution generally requires a significant amount of time, money and other resources, and the results are usually unpredictable. In general, CITIC Limited Group makes provisions for bad debts originated from instalment payments or refunds of quality assurance deposits mainly based on aging and other factors, including the specific circumstances of a particular customer. There can be no assurance that customers can perform instalment payments and refund the quality assurance deposits on schedule. There can be no assurance that CITIC Limited Group may be able to effectively manage the bad debts level attributed to such payment failures.

The engineering contracting business of CITIC Limited Group may be exposed to certain project implementation risks

Engineering contracting business of CITIC Limited Group faces the following project implementation risks: (i) risk of project implementation, delivery and operation; (ii) risk relating to making the land ready for constructions and the quality of land (such as the costs and the time required for acquisition of the land, license requirements and right of the way assurance, the effects of geological conditions, or other conditions of the land and the costs pressure to satisfy environmental protection standards); (iii) risk of exceeding the time limit or budget for the process of design, construction and adjustment, and risks of the design or construction quality not meeting the requirements of the project and because CITIC Limited Group usually appoints third party contractors to provide construction service, the construction quality of the construction done by third party contractors is not completely under control; (iv) risk relating to engaging third-party contractors with financial or operational difficulties which results delay and additional costs in construction or commission of new projects and developments business; and (v) risk of service disruption and the risk of potential differences between the cost of operation and maintenance of the assets and the expected demand. The risks above may adversely affect the financial conditions and the result of operations of CITIC Limited Group's engineering contracting business.

The engineering contracting business of CITIC Limited Group may be exposed to certain design technique risks

Design companies of CITIC Limited Group may need to conduct additional work or change the design according to the contract from time to time. Such process may require determination on whether such work is within the original project scope of work listed, or it is additional work for which the customer should pay additionally. Even if the customer agrees to pay for additional work, CITIC Limited Group may still need to invest money and bear the costs of such work upfront for an extended period of time before such customer recognises the change of design and delivers the payment. In addition, any delay caused by additional work may affect the project progress of CITIC Limited Group and the ability to finish the specific contract and project timely. Additional costs may also be incurred when design changes are not recognised or when a contract dispute arises. There can be no assurance that CITIC Limited Group can fully recover costs of additional work or change of design related work, or at all, which may lead to commercial disputes, or may adversely affect the financial condition, results of operations and prospects of CITIC Limited Group's engineering contracting business. In addition, the additional work on one project may lead to delays of other projects and may adversely affect CITIC Limited Group's ability to finish other projects on time.

The engineering contracting businesses of CITIC Limited Group may be exposed to certain risks of safe operation and natural disasters

CITIC Limited Group's engineering contracting is subject to production safety risks during production and operation. Various disasters and emergencies may bring potential risks to CITIC Limited Group's production and operation, including aerial work, dangerous areas work, underground excavation engineering, and the use of heavy equipment and handling of inflammable and explosive materials. Therefore, CITIC Limited Group may face the risks relating to these activities including geological disasters, poisonous gas and liquid leakage, equipment failure, industrial accidents, fire, explosion and leakage of groundwater. These risks and disasters have caused casualties, may cause damage to property or production facilities, pollution and other environmental damage in some cases, any of such serious consequences can affect the business of CITIC Limited Group and lead to potential legal liability and damage the reputation and corporate image of CITIC Limited Group.

The contract value and backlog of engineering contracting business of CITIC Limited Group may not be a reliable indicator to the future results of operations

The contract value and backlog of engineering contracting business of CITIC Limited Group represent the total estimated contract value of work that remains to be completed pursuant to the terms of outstanding contracts as of a certain date. Any modification, termination or suspension of these contracts by clients, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on engineering contracting business of CITIC Limited Group's contract backlog. Projects may also remain in engineering contracting business of CITIC Limited Group's backlog for an extended period of time beyond what was initially anticipated due to various factors beyond CITIC Limited Group's control. Adding new contracts may also have a direct impact on the backlog. Moreover, backlog is not a measure defined by generally accepted accounting principles. Due to various reasons, including some projects commencing and ending within a short period of time, not all revenue will be recorded in the backlog information. Therefore, backlog information only reflects the general volume of future projects under contract and may not be indicative of future operating results. There can be no assurance that the estimated amount of the backlog of CITIC Limited Group's engineering contracting business will be realised in a timely manner, or at all, or that even if realised, such amounts will result in profits. As a result, undue reliance should not be placed on backlog information of CITIC Limited Group's engineering contracting business nor should it be considered a reliable indicator of future profits or results of operations.

Risks Relating to Real Estate Business

The policies, laws and regulations, and the implementation measures adopted by the PRC government may have an adverse effect on the real estate business of CITIC Limited Group

CITIC Limited Group's real estate business is subject to extensive laws and regulations and is sensitive to changes in regulatory measures and policies adopted by the PRC government. In the past, the PRC government had promulgated a series of policies and measures to control the overheating real estate development and the speculation activities of the residential property market.

These measures include:

- Raising the requirements on real estate developers;
- Stipulating that a set portion of approved development in any year be used for the development of low-cost, small and medium-sized and low-rent properties;
- Increasing the minimum down payment for units over 90 square meters to 30% of the purchase price of the underlying property for first purchasers of residential property;
- Imposing more stringent minimum down payment and lowest mortgage interest rate requirements for purchasers of second residential property through mortgage loans;
- Suspension of mortgage loans for the purchase of the third or subsequent residential properties;
- Increasing the minimum down payment for purchasers of the dual-use (residential and commercial) properties;
- Imposing higher taxation for properties with a holding period of individual external transaction of less than 2 years;
- Confiscating land which the holder of land use right may hold from time to time without compensation if the holder of land use right does not commence construction within two years after the date specified in the land grant contract unless delay is caused by certain permitted circumstances;
- Restricting the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans.

These existing policies and measures, any future policies and measures, or even any rumours related to new restriction policies and measures, may cause decline in CITIC Limited Group's real estate business, results of operations and financial condition may be adversely affected.

Restrictions on land usage

Since 2003, applications for changes in land use for the construction of villas have been ordered to be rejected by the Ministry of Land and Resources (the "**MLR**"). In 2004, the State Council ordered all levels of governments and all departments to cease approving the land supply for property comprising high-grade villas until new policies or regulations are formulated. In 2006, the land use rights for construction of villas fell within the remit of the "Forbidden Land Use Catalogue (2006 Edition)" promulgated by the MLR and the NDRC. In March 2010, the MLR declared a prohibition on land supply for villas. Since 2013, the land use rights for construction of villas are still stipulated in the "Forbidden Land Use Catalogue (2012 Edition)" promulgated by the MLR and the NDRC. If CITIC Limited Group's property business fails to comply with the aforesaid regulations and rules, it may be ordered to cease the development or operation of villas within its developments and/or rectify such illegal activities and/or be subject to penalties.

Land grant conditions

Under PRC laws and regulations, if a holder of land use right fails to develop a property according to the terms of the land grant contract, the PRC government may issue a warning, impose a penalty or confiscate any land which CITIC Limited Group may hold from time to time. Under current PRC laws and regulations, the PRC government may impose an "idle land fee" equal to 20 per cent. of the land premium if (i) construction does not commence for more than one year after the date specified in the relevant land grant contract, (ii) total constructed gross floor area is less than one-third of the total proposed gross floor area for the development and the development is suspended for one year without PRC government approval, or (iii) the capital invested in the development is less than one-quarter of the PRC government-approved total investment amount for the development and the development is suspended for one year without PRC governmental approval.

The PRC government has the authority to confiscate land which the holder of land use right may hold from time to time without compensation if the holder of land use right does not commence construction within two years after the date specified in the land grant contract, unless the delay is caused by force majeure, governmental action or preliminary work necessary for the commencement of construction.

There are certain pieces of land where the land use rights are held by CITIC Limited Group in relation to which development or commencement of development has not taken place according to original plans for various reasons, including but not limited to the modification of urban planning by the PRC government, the delay in approval of the master plans and/or design modification, incomplete infrastructure, changes in government approval process and site formation for the commencement of construction, a delay in site hand-over and the need for site clearance and/or resettlement of residences on the land. CITIC Limited Group has been discussing and co-ordinating with relevant authorities to resolve issues with the aim of commencing construction as soon as possible. However, there can be no assurance that the relevant authorities will not take any of the actions described above in relation to these pieces of land.

The real estate business of CITIC Limited Group is exposed to the risk of its profitability being affected by property price fluctuations

Change in the supply and demand of property or property prices in the PRC or unfavourable government actions may adversely affect the results of operations, financial condition and profitability of CITIC Limited Group's real estate business. Policies and measures that have been or may be adopted by the PRC government may lead to changes in market conditions, including unstable property prices in the PRC and imbalanced supply and demand. There can be no assurance that the real estate market in the PRC will not experience sharp downturns in the future or there will not be any material decline in other real estate markets within the regions where CITIC Limited Group operates. In addition, there can be no assurance that the relevant PRC government departments will not implement additional measures to limit the growth of the real estate market, or the PRC's economy and its real estate market will not experience any adverse changes due to policies implemented by the PRC government. Any such changes may cause the property price to fluctuate and in turn may bring adverse effects on CITIC Limited Group's results of operations.

The real estate business of CITIC Limited Group is exposed to the risk of fluctuations in market demand

Due to regional overheating of real estate markets, imbalance in supply and demand of real estate such as over-development and lack of demand in some regions contrasts with strong demand but lack of supply in other regions, the PRC government has strengthened control of the real estate market and implemented a series of policies to promote stable and healthy development of the real estate market in recent years. On 20 February 2013, the executive committee of the State Council issued five measures and further promulgated the State Council Notice on the Regulation of the Continuing to Improve the Work of the Real Estate Market 《國務院辦公廳關於繼續做好房地產市場調控工作的通知》(國辦發(2013)17號) ("**State Five Rules**") to further tighten controls of the real estate market. The new rules have been implemented according to the State Council Notice of Certain Questions on the Regulation of Further Improving the Work of the Real Estate Market promulgated on 26 January 2011 to continue to restrict purchases of real estate. These restrictions apply to primary and secondary commercial housing properties located in all administrative areas of designated cities, and stipulate the review of the purchasing eligibility of all potential purchasers prior to the signing of any purchase agreement. In addition, non-resident households, which have one or more residential property and cannot produce payment evidences of local taxes or social insurance contributions within the prescribed period, shall continue to be suspended from the purchase of any other commercial residential properties. Therefore, the scales of commercial bank credit and mortgage approvals are affected in various degrees.

Factors such as macroeconomic fluctuations, performance of the real estate markets, regulatory changes in the local government financing platform and the implementation of Capital Management Measures of Commercial Bank (Tentative) may materially impact the financing environment. Any real estate market downturn, economic downturn or over-supply of properties and adverse development in these or any other markets where CITIC Limited Group operates could adversely affect its profitability. Policies and measures may also lead to changes in the real estate market conditions including unstable prices and imbalanced supply and demand of offices, residential area, retails, entertainment and cultural properties which could adversely affect the results of operations and financial condition of CITIC Limited Group's real estate business.

The real estate business of CITIC Limited Group depends on whether CITIC Limited Group could acquire land reserves that are suitable for development at reasonable prices

CITIC Limited Group's real estate business depends on CITIC Limited Group's ability to seek and acquire suitable land reserves at affordable prices. CITIC Limited Group needs to acquire land reserves to achieve business growth. Substantial costs may be incurred when CITIC Limited Group seeks, evaluates and acquires appropriate new land sites for future developments. The PRC government's land supply policy may affect the cost of land acquisition and CITIC Limited Group's ability to purchase land for future property developments. The PRC government controls the land supply through zoning, land usage regulations and other measures and stipulates that public bidding, auction or listing must be used for any transfer of land-use rights in residential and commercial property development projects. In addition, the PRC government may restrict the land supply for the development of commercial housing in the PRC or the cities in which CITIC Limited Group operates or intends to operate its business. All these measures intensify the competition for land in the PRC among property developers and land supply policies have a direct impact on CITIC Limited Group's ability to acquire land use rights and its costs of acquisition. If the government policy changes and reduces the supply of land for future projects of CITIC Limited Group or CITIC Limited Group fails to bid for new land, locate new land at reasonable prices, or acquire sufficient new land for development, the results of operations of CITIC Limited Group's real estate business may be adversely affected.

There may be significant differences in the results of operations of real estate business of CITIC Limited Group in different periods

Results of operations of CITIC Limited Group's real estate business may fluctuate according to factors such as the property project development schedule, the popularity of the project among the target customers, sales timing, as well as the fluctuations in the cost of land and construction and other costs. If CITIC Limited Group delays or fails to obtain relevant and necessary PRC government approvals or licenses for the development projects, the project completion time may be delayed, which may adversely affect the results of operations of CITIC Limited Group's real estate business.

In addition, when the properties are completed and delivered to the buyer (CITIC Limited Group considers that the main risks and returns of ownership have been transferred to the buyer), CITIC Limited Group will recognise its income from the sale of property. As the completion and delivery time may be different based on the construction schedule, the income and results of operations in different periods (depending on the completion and delivery time) may significantly differ. In addition, any completion and delivery of properties in development may be adversely affected by various factors, including bad weather conditions, delay in obtaining the permits and approvals from relevant government authorities and other factors that are beyond CITIC Limited Group's control. Any such factor may affect the completion and delivery time, cash flows, project revenue recognition and the financial condition of CITIC Limited Group's real estate business.

The increase in costs of construction and development may have an adverse effect on the results of operations of the real estate business of CITIC Limited Group

CITIC Limited Group's ability to profit from real estate projects and infrastructure projects depends on effective control on the construction and development costs. Competitive pricing construction costs in the PRC generally continue to increase due to the increasing cost of building materials and labour costs. To obtain the competitive pricing from the contractors, CITIC Limited Group generally conducts project bidding. However, CITIC Limited Group will not contract out projects to the sub-contractor of the lowest bid price without considering factors including the required skills and professional knowledge of the contractor, required project design and project schedule requirements. There can be no assurance that CITIC Limited Group can always obtain the most competitive price from the contractor or that the actual project construction cost is no more than the preliminary estimation. If the cost of labour or materials increases greatly and CITIC Limited Group cannot reduce other costs to offset such increase or such increase in costs cannot be transferred to the buyer or tenant of the property, the results of operations, financial condition and profitability of CITIC Limited Group's real estate business may be adversely affected.

Leasing of investment properties makes CITIC Limited Group subject to risks incidental to the ownership and operation of industrial, office, retail and residential properties

CITIC Limited Group is subject to risks incidental to the ownership and operation of industrial, office, retail and residential including, among other things, changes in market rental levels, competition for tenants, concentration of lease renewals and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency or other financial difficulties. In addition, failure to renew leases with tenants on reasonable terms or at all, upon the expiration of the existing terms and any downturn in the rental market could negatively affect the demand for CITIC Limited Group's investment properties and the amount of rental income, which may have a material adverse effect on its business, results of operations and financial condition.

Hotel operations in the PRC are subject to events and operating conditions that impact the hotel industry

CITIC Limited Group's hotel operations in the PRC are subject to seasonality and changes in general economic conditions, including the severity and duration of the current economic downturn, unfavourable weather conditions and the impact of natural disasters, competition with other hotels for customers, decreases in demand for rooms and related lodging services, changes in travel patterns, the performance of third-party hotel management companies, limitations of the local labour pool, and changes in operating costs. Deterioration in the events and operating conditions that impact the hotel industry could adversely affect the hotel operations and CITIC Limited Group's business, results of operations and financial condition. CITIC Limited may be liable to fines, penalties or may be required to cease operations if final environmental assessment approval and completion reports or final acceptance filings for construction pending from local governments or regulatory bodies are not ultimately issued.

Risks Relating to Infrastructure Business

The operations of certain infrastructure businesses of CITIC Limited Group are restricted by the operating periods of local relevant industries

The operations of certain infrastructure businesses of CITIC Limited Group, such as expressways, are subject to the operating periods of local relevant industries. According to a series of laws and regulations related to administration of toll roads that have promulgated by the PRC national and local governments, the toll charging period for profit-making expressways is determined in accordance with the principle of investment recovery with reasonable returns, which shall not exceed 25 years. The toll charging period for profit-making expressways in the central and western provinces, autonomous regions and municipalities directly under the national government shall not exceed 30 years. The Chengdu-Chongqing Expressway, Chongqing-Guizhou Expressway and Shanghai-Chongqing Expressway projects run by CITIC Limited Group will expire on 22 December 2024, 16 March 2037, and 23 December 2043, respectively. If CITIC Limited Group does not build or acquire other profit-making expressways in a timely manner, the ability to sustain its operation in relation to expressways, the results of operations, financial condition, profitability and business prospects of CITIC Limited Group's infrastructure business may be adversely affected.

Certain infrastructure businesses of CITIC Limited Group are restricted by the industry's toll regulation

The income of certain infrastructure businesses of CITIC Limited Group, such as the expressway toll, are governed by the relevant industry toll regulation. According to the the PRC's Highways Law and the Regulations on the Administration of Toll Roads, the determination and adjustment of the tolls regulation of all expressways operated by CITIC Limited Group in the PRC shall be submitted to the competent provincial traffic department and competent pricing department at the corresponding level for review and approval. If there are substantial changes to factors such as the operating environment, the price level and operating costs of the highway operated by CITIC Limited Group, CITIC Limited Group can apply for an adjustment to the toll regulation, but there can be no assurance that such applications may be approved timely or at all. In addition, if the PRC government issues new expressway toll policies, CITIC Limited Group will need to conduct its operations in accordance with these new provisions, which may adversely affect the stability of CITIC Limited Group's profitability. If the toll regulation of the expressways operated by CITIC Limited Group cannot be timely adjusted according to changes in market conditions, the results of operations, financial condition and business prospects of the infrastructure business of CITIC Limited Group may be adversely affected.

Risks Relating to the McDonald's Acquisition

The McDonald's Acquisition may not complete; if completed, CITIC Limited may not be able to integrate or manage the McDonald's business successfully and the McDonald's business may not achieve the expected economic or commercial results

On 9 January 2017, CITIC Limited announced the McDonald's Acquisition. Upon closing of the McDonald's Acquisition, CITIC Limited will have a controlling interest in McDonald's PRC and Hong Kong businesses, and will be granted a master franchise to operate McDonald's restaurants in the PRC and Hong Kong for a term of 20 years. The closing of the McDonald's Acquisition is, however, subject to regulatory approvals and there can be no assurance that such regulatory approvals will be granted in a timely manner or at all. Consequently, there can be no assurance that the McDonald's Acquisition will complete.

If completed, CITIC Limited may not be able to integrate or manage the McDonald's business successfully. Although the intention is for the existing management team of McDonald's to remain, there can be potential difficulties of retention and assimilation of personnel. Furthermore, the integration of operations and corporate cultures, distraction of management attention and other resources, lack of knowledge and experience in consumer foods business and the competitive market pose risks and difficulties in effectively integrating and managing the McDonald's business. In particular, although CITIC Limited Group has been involved in the consumer space before the McDonald's Acquisition, the consumer foods business is intensely competitive, with many established international, national and local competitors. While continued urbanisation of the PRC, an expanding middle class and increasing discretionary household income should translate into further spending, including on the consumer foods business, any number of factors can impact consumer spending and there can be no assurance that the consumer foods business and consequently, the McDonald's business will grow or reach its expected potential. If the McDonald's business does not achieve its expected economic or commercial results, CITIC Limited Group's results of operations, financial condition, profitability and growth prospects may be adversely affected.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as governmental policies could affect CITIC Limited Group's business, financial condition and results of operations

A significant part of CITIC Limited Group's businesses, assets and operations are located in the PRC. Accordingly, CITIC Limited Group's financial condition, results of operations and business prospects are, to a large extent, subject to the economic, political and legal development in the PRC.

Changes in the PRC's macroeconomy may subject the results of operations of CITIC Limited Group to fluctuation risks. The PRC's economy has started to enter into an adjustment phase. The PRC's future economic growth on a macro-level may be positioned in a weak growth cycle and fluctuations in the international and domestic economy will affect the operations of PRC enterprises. The government is in the process of conducting comprehensive reforms to expand and open up the economy, implement innovation-driven policies, actively develop a mixed-ownership economy, deepen reforms of state-owned enterprises, promote tax system reforms, accelerate the establishment of a modern market system, construct a new open economy system, expand financial businesses in the PRC and overseas, enable qualified private capital to set up medium and small sized banks and other financial institutions according to the law, consolidate the multi-tiered capital market system, improve the Renminbi exchange rate marketisation system and push forward interest rate marketisation. The relevant reform policies may be promulgated step-by-step and the relevant businesses of CITIC Limited Group may be affected by the changes in policies in varying degrees.

The PRC may not be able to maintain such growth rate in terms of GDP growth for the past 20 years. If the PRC's economic growth rate declines or the PRC's economy enters into a severe economic downturn, the results of operations, financial condition, profitability and business prospects of CITIC Limited Group may be adversely affected.

The rules and regulations of the PRC government impose certain restrictions on CITIC Limited Group's financial business. A majority of the Renminbi-denominated investment assets of CITIC Limited Group are invested in certain limited products that the PRC's commercial banks are approved to issue, such as government bonds issued by the Ministry of Finance of the PRC, financial bonds issued by policy banks in the PRC, bonds issued by PBOC, bonds issued by other PRC commercial banks, short-term financing bonds issued by qualified PRC company entities, derivatives and domestic company bonds traded on the interbank market. Such restrictions on CITIC Limited Group's ability to create a diverse investment portfolio limit its ability to adopt similar investments made by other countries' banks in order to obtain more returns and manage liquidity. In addition, CITIC Limited Group is exposed to risks relating to its heavy focus on Renminbi-denominated investment assets and its lack of hedging tools. The decrease in investment value of CITIC Limited Group's financial business will adversely affect the results of operations and financial condition of CITIC Limited Group. CITIC Limited Group is subject to a credit scale system for its industry loans. Pursuant to national policies, CITIC Limited Group has restricted lending capability in industries that (i) generate substantial pollution, (ii) have high energy consumption or (iii) have excess production capacity. If the PRC government further tightens the relevant policies, the loan quality of the financial business of CITIC Limited Group may be adversely affected. If borrowers of the government's financing vehicles are unable to repay loans, whether due to macroeconomic fluctuations, changes in national policies or other reasons, the loan quality, financial condition and results of operations of CITIC Limited Group may be adversely affected. The relevant regulatory relating to the policies trust business may bring about systematic risk to CITIC Trust. The PRC government has promulgated a series of laws and regulations related to the trust industry. The PRC's financial regulatory system and related policies are undergoing constant improvements. Changes in regulatory policies related to the trust business and other relevant policies can subject the business expansion and product innovation plans of CITIC Trust to certain systematic risks. Meanwhile, as the trust business is governed by various financial regulatory fields, changes in the regulatory policies of different financial regulatory departments may also affect types of trust products offered by trust companies and their profit models and sources of profit, which in turn affect the profitability of CITIC Limited Group's financial business.

In light of the overheating of the property market in regional areas and for other policy reasons, the PRC government has intensified its efforts to regulate and stabilise the property market with the promulgation of a series of policies to enable the stable development of the property market. As a result, the credit scale and mortgage approvals of commercial banks may be affected in various degrees. CITIC Limited Group's real estate business may be affected by regulatory and industry changes. CITIC Limited Group's infrastructure construction business includes expressways, ports and piers, which depend largely on the macroeconomic policies adopted by the PRC government, especially the PRC government's investment guides and scale control policies towards infrastructure construction. In recent years, along with the growth in the PRC's comprehensive national strength, the investment in infrastructure has experienced rapid growth, and there have been substantial fixed asset investments and technological advancements in industries such as building materials, mining and electricity, which has promoted the development of the burgeoning heavy machinery industry. Nevertheless, the PRC government's spending on infrastructure construction and other construction projects may be easily affected by fluctuations in the PRC's economy and policy changes. If the PRC government adjusts its macroeconomic policies and shifts its preferential policies towards these industries, there may be changes to the operating environment of the aforementioned industries, causing a decrease in the fixed assets investment amount or adjustments to the technological advancement projects, which can adversely affect the market prospects for CITIC Limited Group's products and services.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could adversely affect CITIC Limited Group

The majority of CITIC Limited Group's operations are conducted in the PRC and are therefore subject to PRC laws and regulations. Since the opening up of the PRC's economy, many new laws and regulations governing general economic matters have been promulgated in the PRC. The PRC's legal system is based on written statutes and their interpretations by the courts. While prior court decisions may be cited for reference purposes, they have limited weight as precedents. There are uncertainties regarding the interpretation and enforcement of the PRC's laws and regulations which could adversely affect CITIC Limited Group.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have an adverse effect on the business operations, financial condition and results of operations of CITIC Limited Group

Any future occurrence of natural disasters such as earthquakes, typhoons, floods, cyclones or other adverse weather conditions, acts or threats of terrorism, or outbreaks of epidemics and contagious diseases, which may include avian influenza, severe acute respiratory syndrome, and swine influenza from H1N1 or other strains, may adversely affect CITIC Limited Group's business and results of operations. In 2009, there were reports on the occurrences of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong where CITIC Limited Group's principal businesses are located. The outbreak of an epidemic or contagious disease can result in a widespread health crisis and restrict the level of business activities in the affected areas, which may in turn adversely affect CITIC Limited Group's business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods, landslides, rainstorms, hail and droughts in the past. Any future occurrence of severe natural disasters in the PRC may adversely affect the national economy and in turn CITIC Limited Group's business. There can be no assurance that any future occurrence of natural disasters or outbreaks of avian influenza, severe acute respiratory syndrome, swine influenza or other contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, would not seriously disrupt the operations of CITIC Limited Group. In the event of such disruption, CITIC Limited Group's results of operations, financial conditions and profitability may be adversely affected.

A downgrading of the credit ratings of CITIC Limited may affect the price of the Notes

CITIC Limited is currently rated A- (negative) and A3 (negative) by Standard & Poor's and Moody's, respectively. CITIC Limited's ratings may be affected by changes in its results of operations, capital structure or other factors, which will mean certain risks for the investors. A rating is not a recommendation to buy, sell or hold CITIC Limited's securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. There can be no assurance that any of these two ratings or outlooks given by the rating agencies will remain or not be lowered for any given period of time. A negative change in the CITIC Limited's credit rating or outlook may materially affect CITIC Limited's ability to access the capital markets at a better cost of financing.

Risks relating to the Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes, and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders agree, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, with DTC or lodged with CMU (each of Euroclear, Clearstream, Luxembourg, DTC and CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, CITIC Limited will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg, to DTC or, as the case may be, to CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. CITIC Limited has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against CITIC Limited (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by CITIC Limited may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that CITIC Limited would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, CITIC Limited may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when CITIC Limited may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. CITIC Limited may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes contain provisions regarding modification, waivers and substitution which may affect the rights of Holders

In certain circumstances (including the giving of notice to the Issuer pursuant to Condition 8(b) and the taking of enforcement steps pursuant to Condition 8(c)), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Holders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such actions directly.

Dual currency notes have features which are different from single currency issues

CITIC Limited may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

CITIC Limited may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("**LIBOR**"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that CITIC Limited may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. CITIC Limited's ability to convert the interest rate will affect the secondary market and the market value of such Notes since CITIC Limited may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If CITIC Limited converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If CITIC Limited converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes issued

If, in the case of a particular tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index-linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of CITIC Limited. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the Stock Exchange of Hong Kong Limited, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

CITIC Limited will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks Relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into and outside the PRC

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from

PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Payments with respect to Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

All payments to investors in respect of Renminbi Notes will be made solely (i) for so long as Renminbi Notes are represented by global certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) for so long as Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplements. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by an Amended and Restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 5 December 2014 between the Issuer and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 5 December 2014 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon, London Branch and The Bank of New York Mellon as the initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agents, the other paying agents, the registrar, the transfer agent(s), the exchange agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar), the "**Exchange Agent(s)**" and the "**Calculation Agent(s)**" (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar, Transfer Agent(s), Exchange Agent(s) and the Calculation Agent(s) being together referred to as the "**Agents**"). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, 40th Floor, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

(a) ***No Exchange of Notes***: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes***: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) ***Transfers Free of Charge***: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require) in respect of tax or charges.

(f) ***Closed Periods***: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. **Status**

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4. **Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of the Principal Non-listed Subsidiaries of the Issuer will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest ("**Security**") upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, other than Permitted Security, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security.

For the purposes of these Conditions:

"**Permitted Security**" means:

(a) any Security over assets (or related documents of title) of a Principal Non-listed Subsidiary incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof and any substitute security created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets (**provided that** the principal amount secured by any such security may not be increased without the approval by an Extraordinary Resolution of the Noteholders);

(b) any Security on assets (or related documents of title) of a Principal Non-listed Subsidiary existing prior to the time such Principal Non-listed Subsidiary becomes a direct or indirect Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof, and any substitute security created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets (**provided that** the principal amount secured by any such security may not be increased without the approval by an Extraordinary Resolution of the Noteholders);

(c) any Security over assets (or related documents of title) of or shares or interests in a Project Subsidiary; and

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency of political subdivision thereof or any other entity;

"**Principal Non-Listed Subsidiary**" means any Principal Subsidiary of the Issuer other than one which is listed on The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other stock exchange, and their respective Subsidiaries;

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose profit after taxation ("**after-tax profit**") or (in the case of a Subsidiary which itself has Subsidiaries) consolidated after-tax profit, as shown by its latest audited profit and loss account is at least 10 per cent. of the consolidated after-tax profit as shown by the latest published audited consolidated profit and loss account of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; and

(b) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or

(c) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, **provided that** the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) and (b) above, **provided that**, in relation to paragraphs (a) and (b) above:

    (1) in the case of a Person becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

    (2) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, after-tax profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer;

    (3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its after-tax profit or gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

    (4) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer;

"**Project Subsidiary**" means any Subsidiary:

(a) which is a special purpose joint venture, partnership, company or other entity whose principal assets and activities are constituted by, or relate to, a project;

(b) whose obligations in respect of the Relevant Indebtedness over which security has been created in relation to the project is not subject to any recourse whatsoever in respect thereof to the Issuer or any of its other Subsidiaries (other than another Project Subsidiary), except in connection with an enforcement of any encumbrance given by the Issuer or any of its other Subsidiaries over the Issuer's or such other Subsidiary's shares or the like in the capital of such single purpose company; and

(c) which has been designated as such by the Issuer by written notice to the Trustee, **provided that** the Issuer may give written notice to the Trustee at any time that any Project Subsidiary is no longer a Project Subsidiary, whereupon it shall cease to be a Project Subsidiary;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, or other securities which for the time being are, or are intended by the issuer thereof to be quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, having an original maturity of more than one year from its date of issue, and are initially issued, offered or distributed outside the People's Republic of China (which for the purposes of these Conditions excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan); and

"**Subsidiary**" means, in respect of any Person, any entity whose financial statements at any time are required by law, or in accordance with generally accepted accounting principles, of the jurisdiction of incorporation of such Person to be fully consolidated with those such Person.

5. **Interest and other Calculations**

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) ***Interest on Floating Rate Notes and Index Linked Interest Notes***:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iii) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) ***Zero Coupon Notes***: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) ***Dual Currency Notes***: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) ***Partly Paid Notes***: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) ***Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding***:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) ***Calculations***: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts***: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual

Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(m), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) ***Determination or Calculation by Trustee***: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall appoint an agent on its behalf to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) ***Definitions***: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vi) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(vii) if "Actual/Actual-ICMA" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) ***Calculation Agents***: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) ***Business Day Convention***: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

6. Redemption, Purchase and Options

(a) ***Redemption by Instalments and Final Redemption:***

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) ***Early Redemption:***

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it, and an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled without further enquiry to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) ***Redemption at the Option of the Issuer***: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption at the Option of Noteholders***: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Partly Paid Notes***: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) ***Purchases***: The Issuer and its Subsidiaries as defined in the Trust Deed may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) ***Cancellation***: All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. **Payments and Talons**

(a) ***Bearer Notes***: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this paragraph, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) ***Registered Notes***:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this paragraph, "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) ***Payments in the United States***: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments subject to Fiscal Laws***: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***: The Issuing and Paying Agents, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, any Exchange Agent appointed under the Agency Agreement and the Calculation Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, any Exchange Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Agency Agreement, **provided that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee, and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons***:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), the Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) ***Non-Business Days***: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required), in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) ***Other connection***: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong or the PRC other than the mere holding of the Note, Receipt or Coupon; or

(b) ***Presentation more than 30 days after the Relevant Date***: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(c) ***Payment to individuals***: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) ***Payment by another Paying Agent***: (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured and/or pre-funded by the Noteholders or by a third party on their behalf to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(i) ***Non-Payment***: the Issuer fails to pay any amount of principal in respect of any of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of any of the Notes within 14 days of the due date for the payment thereof; or

(ii) ***Breach of Other Obligations***: the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 45 days after notice of such default shall have been given to the Issuer by the Trustee; or

(iii) ***Cross-Acceleration***: (A) any other present or future indebtedness of the Issuer or any Principal Subsidiary for or in respect of Borrowed Money (as defined below) becomes due and payable prior to its stated maturity by way of acceleration following a default by the Issuer or any Principal Subsidiary; or (B) when the Issuer or any Principal Subsidiary defaults for more than five days in the only or last remaining payment due of any principal of any of its Borrowed Money beyond any grace period provided in respect thereof; or (C) the Issuer or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for or in respect of Borrowed Money after any originally applicable grace period, **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) has or have occurred equals or exceeds U.S.$75,000,000 or its equivalent; or

(iv) ***Enforcement Proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or

(v) ***Security Enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries against the whole or a substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and is not discharged within 60 days; or

(vi) ***Insolvency***: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or

(vii) ***Winding-up***: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations and is not discharged or stayed within 60 days, in each case except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its other Subsidiaries; or

(viii) ***Authorisation and Consents***: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or

(ix) ***Illegality***: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(x) ***Analogous Events***: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs;

Provided that in the case of Condition 10(ii) and, in relation only to a Principal Subsidiary, Condition 10(iv), 10(v) and 10(x), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interest of the Noteholders.

For the purposes of this Condition 10:

"**Borrowed Money**" means indebtedness incurred that has a final maturity of one year or more from its date of incurrence or issuance and that is evidenced by any agreement or other instrument, in respect of (i) money borrowed; (ii) any bond, note, loan stock, debenture or any similar instrument; (iii) acceptance or commercial paper facilities; and (iv) the deferred purchase price of assets or services (other than goods and services obtained on normal commercial terms in the ordinary course of trading).

11. **Meetings of Noteholders, Modification, Waiver and Substitution**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) ***Modification of the Trust Deed***: The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) ***Substitution***: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and subject to the Trustee obtaining approval by way of an Extraordinary Resolution of the Noteholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. No Noteholder, Couponholder or Receiptholder shall, in connection with any such substitution be entitled to claim any indemnification or payment in respect of any tax consequence thereof to such Noteholder, Couponholder or Receiptholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) ***Entitlement of the Trustee***: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee, acting for and on behalf of Noteholders, shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders. For the avoidance of doubt, the provisions of this Condition 11(d) shall not restrict or prevent the Trustee from claiming any indemnity or payment from the Issuer for its own account.

12. **Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

14. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law and Jurisdiction**

(a) ***Governing Law***: The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) ***Service of Process***: The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

(d) ***Waiver of immunity***: The Issuer has irrevocably agreed in the Trust Deed that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer has irrevocably consented in the Trust Deed generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

3. **Exchange**

3.1 **Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Bearer Global Note or for Definitive Notes is improperly withheld or refused.

3.2 **Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 **Permanent Global Certificates**

(a) Unrestricted Global Certificates

If the Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole or in part with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(b) Restricted Global Certificates

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC or Euroclear and Clearstream, Luxembourg or the CMU. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of that clearing system, but will limit the circumstances in which the Notes may be withdrawn from that clearing system. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "**clearing agency**" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole, but not in part, if the Notes are held on behalf of Euroclear or Clearstream, Luxembourg or CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(iii) in whole or in part, with the Issuer's consent, **provided that**, in either case, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes.

Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4. **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for enfacement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which enfacement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) at the close of business on the Clearing System Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

4.2 **Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register of the certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 **Purchase**

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU, DTC or any other clearing system (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

4.8 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee or sub-custodian for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.9 Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

5. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for the general corporate purposes of CITIC Limited Group including, without limitation, refinancing of indebtedness of CITIC Limited Group or as may otherwise be disclosed in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of CITIC Limited

The following table sets out the consolidated capitalisation of CITIC Limited as derived from the Audited Consolidated Financial Statements of CITIC Limited. The table should be read in conjunction with the Audited Consolidated Financial Statements of CITIC Limited and the notes thereto:

	As at 31 December 2016	
	(US$ million)*(Note 1)*	**(HK$ million)**
Bank and other loans		
Bank loans	13,419	104,671
Other loans	1,045	8,148
Subtotal	14,464	112,819
By remaining maturity		
Within one year or on demand	3,771	29,413
Between one and two years	1,408	10,985
Between two and five years	3,521	27,464
Over five years	5,764	44,957
Subtotal	14,464	112,819
Debt instruments issued*(Note 2)*		
Within one year or on demand	41,153	320,997
Between one and two years	4,410	34,395
Between two and five years	7,061	55,073
Over five years	17,106	133,428
Subtotal	69,730	543,893
Finance lease payables	52	405
Equity		
Share capital	48,937	381,710
Perpetual Capital Securities	1,009	7,873
Reserves	12,955	101,050
Non-controlling interests	26,310	205,218
Total Equity	89,211	695,851
Total Capitalisation*(Note 3)*	173,457	1,352,968

Notes:

1. The exchange rate used for translations into US$ in the capitalisation table is HKD:US$ = 7.8:1.

2. Since 31 December 2016, CITIC Limited has issued new debt securities as follows:

   (1) US$500,000,000 (approximately HK$3,900,000,000) 3.125 per cent. Notes due 2022 on 28 February 2017; and

   (2) US$750,000,000 (approximately HK$5,850,000,000) 3.875 per cent. Notes due 2027 on 28 February 2017.

   Since 31 December 2016, CITIC Bank has issued new financial bonds as follows:

   (1) RMB50,000,000,000 (approximately HK$56,500,000,000) 4.20 per cent. Bonds due 2020 on 13 April 2017.

   Since 31 December 2016, the amount of certificates of interbank deposits issued by CITIC Bank has increased.

3. Total capitalisation represents total borrowings (total of bank and other loans, debt instruments issued and finance lease payables) and total equity.

Save as indicated above, there has been no material change in the capitalisation of CITIC Limited since 31 December 2016.

CITIC LIMITED GROUP

CITIC Limited Group is a large multi-industry conglomerate involved in financial services, resources and energy, manufacturing, engineering contracting, real estate as well as other business segments.

For the years ended 31 December 2016 and 31 December 2015, the total revenue of CITIC Limited Group was HK$380,822 million and HK$395,310 million, respectively.

For the years ended 31 December 2016 and 31 December 2015, the profit before tax of CITIC Limited Group amounted to HK$70,723 million and HK$78,645 million, respectively.

As at 31 December 2016 and 31 December 2015, the net assets of CITIC Limited Group were HK$695,851 million and HK$663,169 million, respectively.

CITIC Limited had a market capitalisation of approximately HK$328,138 million at the close of business on 28 April 2017. As at 31 December 2016, CITIC Limited had 29,090,262,630 shares in issue. Its registered office is at 32/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. It is a constituent stock of the Hang Seng Index.

Corporate Background

In 1990, CITIC Hong Kong (Holdings) Limited (formerly known as China International Trust & Investment Corporation Hong Kong (Holdings) Limited) acquired a 49 per cent. interest in Tylfull Company Limited. Tylfull Company Limited was incorporated in Hong Kong on 8 January 1985, listed on the Hong Kong Stock Exchange on 26 February 1986 and renamed CITIC Pacific Limited on 22 August 1991.

On 16 April 2014, CITIC Pacific Limited entered into a share transfer agreement (the "**Share Transfer Agreement**") with CITIC Group Corporation ("**CITIC Group**") and Beijing CITIC Enterprise Management Co., Ltd ("**CITIC Enterprise Management**", together with CITIC Group, the "**Vendors**") in relation to the acquisition of 100 per cent. of the total issued shares (the "**Target Shares**") of CITIC Limited (now known as CITIC Corporation Limited) (the "**Acquisition**"). The total price paid by CITIC Pacific Limited to the Vendors for the Target Shares (the "**Transfer Consideration**"), as adjusted according to the Share Transfer Agreement, was RMB226,996 million (equivalent to approximately HK$286,585 million), which was satisfied through a combination of cash of (and in equivalent to) HK$53,358 million (the "**Cash Consideration**") and share consideration of (and in equivalent to) HK$233,228 million (the "**Share Consideration**").

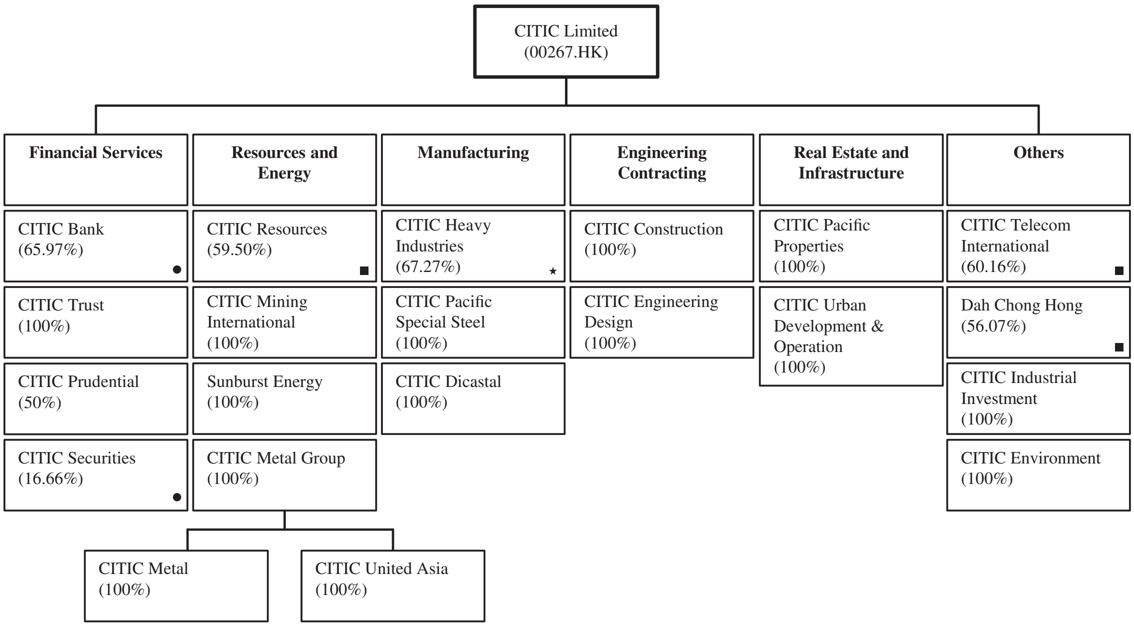
The Cash Consideration was financed by CITIC Pacific Limited through internal sources and equity fund raising. The Share Consideration was satisfied by the issue of 17,301,765,470 shares by CITIC Pacific Limited to CITIC Glory Limited and CITIC Polaris Limited.

The Acquisition was completed on 25 August 2014 and CITIC Pacific Limited changed its name to CITIC Limited on 26 August 2014. Prior to the Acquisition, the business of CITIC Group was conducted mainly through CITIC Corporation Limited, its subsidiaries, associated companies and joint ventures.

In 2015, Charoen Pokphand Group Company Limited, ITOCHU Corporation and Youngor Group Co., Ltd. became investors of CITIC Limited.

Business Segment Structure

The business segment structure chart which shows the principal operating entities and/or units of CITIC Limited Group is set out below.



● *refers to the companies listed on both the SEHK and SSE.*
■ *refers to the companies listed on SEHK.*
★ *refers to the companies listed on SSE.*

As at 31 March 2017

Strengths of CITIC Limited Group

CITIC Limited Group has the following competitive strengths:

CITIC Limited Group is the largest multi-industry conglomerate in the PRC with leading positions across multiple industries. With its well-structured business profile and deep understanding and knowledge across the multiple industries, CITIC Limited Group is well-equipped to capture the opportunities arising from the PRC's economic development

CITIC Limited Group is the largest multi-industry conglomerate in the PRC. As at 31 December 2016 and 31 December 2015, the total assets of CITIC Limited Group were HK$7,237,995 million and HK$6,803,309 million, respectively, and the equity attributable to the equity shareholders of CITIC Limited Group was HK$482,760 million and HK$479,066 million, respectively. For the years ended 31 December 2016 and 31 December 2015, the total revenue of CITIC Limited Group was HK$380,822 million and HK$395,310 million, respectively.

CITIC Limited Group has a well-structured business profile across the "pillar industries" and emerging industries in the PRC and has secured leading positions in many of its main business segments. CITIC Limited Group's main businesses include financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses. Among its main businesses, CITIC Limited Group has been engaged in emerging industries including information industry, renewable energy, modern agriculture, water treatment, seawater desalination, robotics and other modern services.

One of CITIC Limited Group's core competitiveness is its ability to integrate resources. Many businesses of CITIC Limited Group have benefited from the sharing and integration of resources and cross-pollination of staff and experience, enabling them to compete in the fast changing market conditions. With a number of its businesses being industry leaders, the management of CITIC Limited has deep understanding, local knowledge and foresight to explore the opportunities in new sectors while enhancing existing businesses. Accordingly, CITIC Limited Group believes that it is well-equipped to capture future opportunities arising from the PRC's economic growth and transition, thus creating greater value for its shareholders.

CITIC Limited Group is a pioneer of the PRC's economic reform and a market-oriented group with strong innovation capabilities

The establishment and development of CITIC Group has been closely connected to the process of "Reform and Opening up" in the PRC. From the outset, CITIC Group pursued growth through innovation, creativity and embraced market principles. The majority of the industries in which CITIC Group operates are highly competitive. For over 35 years, CITIC Group has been operating in accordance with market disciplines as well as adopting international best practices, and has been a pioneer in a series of unprecedented endeavours shown in various areas and has emerged as a formidable force amid intense market competitions.

CITIC Limited Group believes that its innovation capabilities and its endogenous power enable it to remain competitive and to maintain its market vitality.

CITIC Limited Group has an international platform and the ability to allocate resources globally

The international platform owned by CITIC Limited Group and its ability to allocate resources globally are the core competitive advantages which distinguish it from the majority of Chinese enterprises.

CITIC Limited Group has an extensive global business network with operations covering multiple regions and has accumulated significant experience in foreign investment management and talented personnel.

CITIC Limited Group has various businesses operating internationally, including its financial services business, resources and energy business, manufacturing business, engineering contracting business, real estate and other businesses.

In the financial services business, CITIC Limited Group has established international business platforms in banking and securities:

- For its banking business, China CITIC Bank Corporation Limited ("**CITIC Bank**") conducts its overseas banking business mainly through China CITIC Bank International Limited ("**CBI**"), providing services including corporate finance, retail finance and asset management. As at 31 December 2016, CBI has 34 branches in Hong Kong as well as other branches located in Macau, Shanghai, New York, Los Angeles and Singapore.

- For its securities business, CITIC Securities International, a subsidiary of CITIC Securities Co., Ltd. ("**CITIC Securities**"), conducts international securities business in Hong Kong. CITIC Securities completed the acquisition of CLSA B.V. ("**CLSA**") in 2013 and has further expanded its overseas business channels and network.

In the resources and energy business, CITIC Resources Holdings Limited ("**CITIC Resources**") and CITIC Metal Group, which holds CITIC Metal and CITIC United Asia, have been actively engaged in overseas acquisitions and exploration of various oil and mineral resources, holding various interests in development projects in countries and regions which have rich resource reserves, including China, Australia, Brazil, Peru, Gabon, Indonesia and Kazakhstan. The Sino Iron Project in Western Australia, held through CITIC Mining International Ltd. (together with its subsidiaries, "**CITIC Mining International**"), is one of CITIC Limited Group's largest overseas investment.

In the manufacturing business, CITIC Heavy Industries Co., Limited ("**CITIC Heavy Industries**") completed the acquisition of CITIC HIC Gandara Censa, S.A.U. in 2011 to enable it to control a mature manufacturing base overseas to tap into Europe, South America and South Africa which are rich in mineral resources. CITIC Heavy Industries has become the owner of one of the world's most advanced mineral processing technology with its acquisition of all the intellectual property rights of Australia's CITIC SMCC Process Technology. CITIC Dicastal Co., Ltd. ("**CITIC Dicastal**") has been consecutively listed in the "Top 100 Auto Spare Parts and Accessories Suppliers", as published by the authoritative US magazine Automotive News since 2011. In 2011, CITIC Dicastal acquired KSM Castings Group GmbH ("**KSM Castings**") and established an overseas manufacturing base and further expanded its global sales network of automobile aluminium wheels business in Asia, Europe, America and Oceania, serving clients including most of the renowned international automobile brands such as Daimler-Benz, BMW, Volkswagen, General Motors, Ford, Toyota and Honda.

In the engineering contracting business, CITIC Construction Company Limited ("**CITIC Construction**") conducts its business in Angola, Venezuela, Brazil, Belarus, the United Kingdom and other overseas markets. CITIC Construction has become one of the largest international project contractors and has successfully implemented various large-scale overseas projects recognised internationally, including the Algeria east-west expressway project, the Angola social housing project, the Venezuela social housing project, and the Brazil Candiota thermal power plant project.

For other businesses, CITIC Telecom International Holdings Limited ("**CITIC Telecom**"), a telecommunications operator in Asia, provides reliable and high quality telecommunications services to the Greater China region and overseas regions.

With the tightened link between the PRC and global economy, the international knowledge of CITIC Limited Group will enable it to follow closely the development trend of both the PRC and the rest of the world, and to remain competitive globally.

CITIC Limited Group continuously enhances its existing businesses through the optimisation of its business structure or business model, the development of value added products and services through innovation and a focus on new investments in areas that maximise returns

In respect of its existing business, CITIC Limited Group has anticipated market demand and has optimised business structures or models and developed high value products and services through innovation to enhance quality and competitiveness. CITIC Limited Group has also sought opportunities that provide greater integration and increasingly focused on consumption driven, environmental and new economy industries.

CITIC Limited Group has optimised its business structure and continued to develop new opportunities in the financial services sector.

Optimising business structure: CITIC Bank continues to transform its business model by changing its product mix, customer mix and revenue mix. In corporate banking, CITIC Bank implemented a system for stratified differentiated management of corporate customers which tailor makes integrated financial service solutions for core strategic customers. CITIC Bank is also in the process of transforming its retail strategy to provide customers with integrated services.

Accelerating the development of internet banking: CITIC Bank continues to enhance its competitiveness in internet economy by persistently pursuing the innovation of concepts, products and marketing. CITIC Bank led the establishment of the "Online Finance Alliance", a shared platform of 12 commercial banks, and enhanced its digital capabilities, particularly in relation to its mobile platform, by upgrading online customer service capabilities and introducing online payment products such as E-pos, CITIC e-pay and Cross-border pay. There have also been payment services collaborations with S.F. Express, JD.COM, Xiaomi, Huawei and Fanli.com, which have contributed to considerable growth in CITIC Bank's base of credit card customers. In particular, Quick Pass, another new service, enables customers to clear payments on their mobile phones which are linked to their CITIC Bank accounts. In the development of its Internet finance business, CITIC Bank has developed Baixin Bank in partnership with Baidu, which was approved by the China Banking Regulatory Commission in 2017.

As part of the optimisation of its business model, CITIC Construction has evolved from being a traditional project contractor to a large and comprehensive international engineering service provider. CITIC Heavy Industries also transformed its operations from being only an equipment manufacturer to a contracting service provider who provides project-based solutions. CITIC Dicastal has adopted an asset light development strategy.

In 2016, CITIC Limited Group restructured its property business by aligning its property business with China Overseas Land and Investment Limited ("**China Overseas**"). The restructuring of CITIC Limited Group's property business was a result of a critical evaluation of its assets, operating model, position in the market and aims to best position CITIC Limited Group in the changing property market in the PRC. CITIC Limited Group believes that aligning its property business with China Overseas will best unlock the value of its quality residential land bank and the partnership ensures that CITIC Limited Group can continue to participate in the growth of the PRC's residential market. Fundamentally, CITIC Limited Group views this change in its property business model as a constructive and commercially sensible way to add value to CITIC Limited Group.

On 9 January 2017, CITIC Limited announced the McDonald's Acquisition. Upon closing of the McDonald's Acquisition, CITIC Limited will have a controlling interest in McDonald's PRC and Hong Kong businesses, and will be granted a master franchise to operate McDonald's restaurants in the PRC and Hong Kong for a term of 20 years. CITIC Limited's proposed investment and partnership with McDonald's gives it direct exposure to the exciting growth dynamic of the PRC's consumer foods business, where it intends to capitalise on the growth potential of McDonald's in the PRC, particularly in tier three and four cities.

CITIC Limited Group has also further developed its telecommunications and general aviation businesses in modern services sector with a focus on satisfying the rapidly changing and demanding needs of customers.

CITIC Limited Group is able to maximise conglomerate synergies and possesses a strong ability to integrate resources

CITIC Limited Group has a strong synergy in terms of strategy, business, management, brand, talent and expertise, based on its strengths in business variety, clients, business network and other areas. CITIC Limited Group exerts the group's overall strength to mobilise the sharing of internal resources so as to maximise the group's overall value. CITIC Limited Group has accumulated a diversified client base in multiple industries and markets including a number of Fortune 500 enterprises, sector leading enterprises and high net worth clients both at home and abroad.

CITIC Limited Group has established a work process to enable synergy across its subsidiaries and investee companies. CITIC Limited Group has consistently promoted innovative models for its group synergy, aiming to help with business expansion and generate value for CITIC Limited Group.

- *Provision of comprehensive services centred on clients:* by signing strategic overall cooperation agreements with large enterprises, provincial and city local governments, CITIC Limited Group has been able to consolidate various resources within the group and win mandates for important projects and business opportunities. CITIC Limited Group is able to provide comprehensive financial resolutions to regionally important clients through joint marketing, and increase the contribution in value by high-net-worth clients and strengthen their loyalty through joint development of products and cross-selling by financial companies as well as value-added services jointly developed by financial companies and industrial companies.

- *Industrial business and financial business complement each other:* CITIC Limited Group's financial companies provide industrial companies and their customers with comprehensive financial solutions and services at a fair price, and industrial companies provide financial companies with specialised support to enable the latter to gain access to industry clients.

- *Synergy among industrial businesses connecting industry chains:* each entity exerts its advantages in products, services, talents and technology to achieve cooperation between the upstream and downstream industry players along each industry chains. CITIC Limited Group also closely monitors the emerging industries with national strategic importance in order to identify new areas of growth momentum through group synergy.

The "CITIC" brand is one of the PRC's most recognised brands

With a stable operation for more than 35 years, CITIC Limited Group has established a series of "**CITIC**" linked and prestigious corporate brands in various business segments. The success of the "CITIC" brand allows its group companies to enjoy reputational advantages over its competitors, and provides strong support in the development of its business. The reputation gained by the group members in their sectors also further strengthens the "CITIC" brand.

CITIC Limited Group believes that its high brand awareness will help it enter into new business areas and enhance the acceptance level of its group members among its customers and business partners.

CITIC Limited Group has a stable and experienced management team with market-oriented management philosophies, international vision and a corporate culture of pursuing excellence

CITIC Limited Group's senior management team possesses a wealth of experience in managing large conglomerates, with average relevant industry experience of more than 30 years. The senior management team is stable and with management experience encompassing multiple industries and regions. The management team of CITIC Limited Group also has international vision since many members of the senior management team have worked or studied overseas. CITIC Limited Group believes that the stable management and its extensive expertise and operational experience have laid a solid foundation for the success of CITIC Limited Group.

In a long history of its development, CITIC Limited Group, based on its development strategy, business characteristics and management style, has refined and established its own corporate culture with core values of "Integrity, Innovation, Cohesion, Unison, Dedication and Excellence". The successful development of CITIC Limited Group is attributable to the corporate culture of pursuing excellence, market-oriented positioning and innovative mind-set.

CITIC Limited Group actively fulfils its corporate responsibility and devotes itself in greening, environmental protection, education, poverty alleviation, disaster relief and other social public welfare matters. CITIC Limited Group has and maintains a good social image.

CITIC Limited Group operates a prudent and comprehensive risk management system with a balanced emphasis on both control and efficiency

CITIC Limited Group considers risk management one of its core competitiveness and has devoted resources to further improve the system. CITIC Limited Group has established a prudent and comprehensive risk management system covering all of its business segments and consistently develops and improves its risk management framework and processes.

A substantial portion of CITIC Limited Group's assets are already listed, with its listed subsidiaries having established their own risk management systems which have withstood challenges from the markets. All the financial subsidiaries of CITIC Limited Group are subject to stringent industry regulations. Non-financial subsidiaries have been required to either establish risk management departments or have designated personnel responsible for risk management according to their business needs.

Strategies of CITIC Limited Group

CITIC Limited Group is committed to being a first-class international conglomerate in the PRC by pursuing strategy-led, innovative and high value-added growth. CITIC Limited Group will (i) leverage the overall strengths that it has accumulated over years of operating its businesses; (ii) seize opportunities brought by the evolution of the Chinese economy and its globalisation; (iii) adhere to the development concepts of "innovative, coordinated, green, open and shared"; and (iv) adopt a market-led and customer-centric business model to maximise enterprise value.

CITIC Limited's operating principles are as follows:

Enhance existing businesses with focus

- CITIC Limited Group aims to maximise benefits of the CITIC platform.
- By anticipating market demand, CITIC Limited Group will develop high value-added products and services through innovation.
- CITIC Limited Group will consolidate similar businesses to maximise synergies within the group.
- CITIC Limited Group will enhance quality and competitiveness, increase productivity and reduce cost.
- CITIC Limited Group will strive for a balanced development between financial and non-financial industries.

Focus new investments in areas that align with the PRC's growth trajectory and continue to invest internationally

- CITIC Limited Group will seek opportunities that provide greater integration and connectivity among its businesses.

- CITIC Limited Group will leverage its strong competitive advantage to identify consolidation opportunities in the PRC through mergers and acquisitions.

- CITIC Limited Group will increase its focus on the consumption sector, environmental and new economy industries to align with the PRC's future growth trajectory.

- CITIC Limited Group will continue to invest internationally to further its businesses in an integrated fashion.

Continue to exercise discipline in capital allocation and maintain a strong credit profile to enhance long-term shareholder value

- CITIC Limited Group will adopt a disciplined approach towards capital planning and allocation, and will continue to optimise its business portfolio.

- CITIC Limited Group will improve its capital efficiency and cash flow.

- CITIC Limited Group will strengthen its funding capability and maintain its strong credit profile.

- CITIC Limited Group will continue to exercise stringent disciplines in capital allocation, in order to maximise the overall value of CITIC Limited Group and realise sustainable growth.

Enhance corporate governance framework to protect shareholder interests by extending CITIC Limited's international standard of corporate governance to CITIC Limited Group

- CITIC Limited's international standard of corporate governance will be extended to CITIC Limited Group.

- CITIC Limited will strengthen overall supervision of CITIC Limited Group while providing clear strategies to guide businesses towards greater value creation.

- CITIC Limited will ensure rights of all stakeholders are respected.

Business

The main businesses of CITIC Limited Group include the following:

Financial Services

CITIC Limited Group operates financial services businesses in different segments, including banking, securities, trust and insurance. CITIC Limited Group provides domestic and overseas banking services through CITIC Bank and its subsidiaries, securities services through CITIC Securities, trust services through CITIC Trust Co., Ltd. ("**CITIC Trust**"), and life insurance services through CITIC-Prudential Life Insurance Co., Ltd. ("**CITIC-Prudential**").

Resources and Energy

The resources and energy business of CITIC Limited Group has an extensive global business covering exploration, mining, processing and trading of mineral resources as well as power generation. CITIC Limited Group predominately operates its resources and energy business through CITIC Resources, CITIC Mining International, CITIC Metal Group and Sunburst Energy Development Co., Ltd. ("**Sunburst Energy**").

CITIC Limited owns 100 per cent. of the Sino Iron Project through CITIC Mining International which is being managed by CITIC Pacific Mining Management Pty Ltd. ("**CITIC Pacific Mining**"). The Sino Iron Project is one of the largest magnetite iron ore mine being developed in the world. It is located at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. All six production lines are in operation. The magnetite concentrate produced is shipped to the two steel plants operated by CITIC Limited's special steel business unit ("**CITIC Pacific Special Steel**") as well as other third party steel mills in the PRC.

Manufacturing

The manufacturing business of CITIC Limited Group consists mainly of the manufacturing of special steel, heavy equipment, automobile aluminium wheels and automobile aluminium castings.

CITIC Limited Group manufactures special steel through CITIC Pacific Special Steel, which is the largest manufacturer dedicated to the production of special steel in the PRC with two operating steel plants-Xingcheng Special Steel and Xin Yegang. Its annual steel producing capacity was nine million tonnes at the end of 2016. Major products manufactured by the CITIC Pacific Special Steel include bars, plates, seamless steel tubes, wires, forging steel and casting billets. These are widely used in various industries, including auto components, machinery manufacturing, power generation, oil and petrochemicals and industrial sectors.

CITIC Limited Group conducts the manufacturing of heavy machinery and power electronic equipment and contracting services through its subsidiary CITIC Heavy Industries, while the manufacturing of automobile aluminium wheels and automobile aluminium castings is conducted through its subsidiary CITIC Dicastal.

Engineering Contracting

The engineering contracting business of CITIC Limited Group consists mainly of contracting of services in the areas of infrastructure, housing and industrial construction, as well as urban and architectural planning engineering design services. The contracting business is operated through CITIC Construction whilst its engineering design business is operated through CITIC Engineering Design and Construction Company Limited ("**CITIC Engineering**").

CITIC Construction provides engineering contracting services both domestically and internationally, and engages in infrastructure, housing and industrial construction projects, while CITIC Engineering's principal businesses include urban and rural planning, survey, consulting, design and supervision, project general contracting, project management and other businesses.

Real Estate

The real estate business of CITIC Limited Group consists mainly of development, sales and investment of properties. The real estate business of CITIC Limited Group is predominately operated through CITIC Urban Development and Operation Co., Ltd., CITIC Pacific Limited ("**CITIC Pacific Properties**") and CITIC Heye Investment Co., Ltd. ("**CITIC Heye**"). In 2016, CITIC Limited Group disposed of certain interests in PRC residential real estate projects to China Overseas in consideration for shares issued by China Overseas representing approximately 10 per cent. of the share capital of China Overseas as at September 2016 and certain commercial real estate assets of China Overseas (the "**China Overseas Transaction**").

Other Businesses

The other businesses of CITIC Limited Group include, among other things, information services, telecommunications, general trading, infrastructure investment and management, environmental services, modern agriculture, publishing and general aviation. These businesses are operated through CITIC Telecom, Asia Satellite Telecommunications Holdings Limited ("**AsiaSat**"), Dah Chong Hong Holdings Limited ("**Dah Chong Hong**"), CITIC Industrial Investment Group Co., Ltd. ("**CITIC Industrial Investment**"), New Hong Kong Tunnel Company Limited ("**New Hong Kong Tunnel**"), CITIC Environment Investment Group Co., Ltd. ("**CITIC Environment**"), CITIC Envirotech Ltd ("**CITIC Envirotech**"), CITIC Agriculture Investment Co., Ltd. ("**CITIC Agriculture**"), CITIC Press Corporation ("**CITIC Press**") and CITIC Offshore Helicopter Co., Ltd. ("**COHC**").

CITIC Limited continues to expand in the consumer space through its partnership with McDonald's.

The following table sets out the revenue of each business segment of CITIC Limited Group for the years ended 31 December 2016 and 31 December 2015:

	CITIC Limited Group			
	For the year ended 31 December			
Business Segment	**2015**		**2016**	
	Revenue	**%**	**Revenue**	**%**
	(in millions of HK$, except percentages)			
Financial Services	205,378	52.0%	187,537	49.2%
Resources and Energy	45,664	11.6%	50,254	13.2%
Manufacturing	60,077	15.2%	62,350	16.4%
Engineering Contracting	14,676	3.7%	11,023	2.9%
Real Estate[1]	6,025	1.5%	4,900	1.3%
Others[2]	63,348	16.0%	64,723	17.0%
Operation Management	142	0.0%	35	0.0%
Elimination	–	0.0%	–	0.0%
Total	395,310	100%	380,822	100%

Notes:

1 Numbers have been adjusted as a result of the completion of the China Overseas Transaction.

2 Others include various businesses including aviation services, publishing services and others.

The following table sets out the profit before tax (before non-controlling interests) of each business segment of CITIC Limited Group for the years ended 31 December 2016 and 31 December 2015:

	CITIC Limited Group			
	For the year ended 31 December			
Business Segment	**2015**		**2016**	
	Profit before tax	**%**	**Profit before tax**	**%**
	(in millions of HK$, except percentages)			
Financial Services	89,912	114.3%	71,691	101.4%
Resources and Energy	(22,997)	(29.2)%	(9,243)	(13.1)%
Manufacturing	3,582	4.6%	2,343	3.3%
Engineering Contracting	3,488	4.4%	1,969	2.8%
Real Estate[1]	3,448	4.4%	3,676	5.2%
Others[2]	4,937	6.3%	4,947	7.0%
Operation Management	(4,064)	(5.2)%	(4,249)	(6.0)%
Elimination	339	0.4%	(411)	(0.6)%
Total	78,645	100%	70,723	100%

Notes:

1 Numbers have been adjusted as a result of the completion of the China Overseas Transaction.

2 Others include various businesses including aviation services, publishing services and others.

Descriptions of the business segments are set out below.

Financial Services

CITIC Limited Group's financial services business spans across the banking, trust, insurance and securities sectors. CITIC Limited Group offers a full-service platform which provides integrated financial solutions for its customers.

As at 31 December 2016 and 31 December 2015, the total assets of CITIC Limited Group's financial services business were HK$6,729,902 million and HK$6,211,176 million, respectively, representing 93.0 per cent. and 91.3 per cent. of CITIC Limited Group's total assets, respectively. The revenue generated from CITIC Limited Group's financial services business in 31 December 2016 and 31 December 2015 was HK$187,537 million and HK$205,378 million, respectively, representing 49.2 per cent. and 52.0 per cent. of CITIC Limited Group's total revenue, respectively. For the years ended 31 December 2016 and 31 December 2015, CITIC Limited Group's profit before tax generated from financial services business was HK$71,691 million and HK$89,912 million, respectively, representing 101.4 per cent. and 114.3 per cent. of CITIC Limited Group's profit before tax, respectively.

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's financial services business for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Net Profit Attributable to Ordinary Shareholders	Revenue	Net Profit Attributable to Ordinary Shareholders
	(in millions of HK$)			
CITIC Bank[(1)]	181,261	51,258	180,351	48,702
CITIC Trust.	12,782	3,917	6,806	3,652
CITIC-Prudential[(2)]	10,191	476	11,517	819
CITIC Securities[(3)].	90,820	24,659	58,573	12,126

Notes:

1 CITIC Corporation Limited held 65.37 per cent. of CITIC Bank's equity interest as at 31 December 2016.

2 CITIC Corporation Limited held 50.00 per cent. of CITIC-Prudential's equity interest as at 31 December 2016.

3 CITIC Corporation Limited held 16.50 per cent. of CITIC Securities' equity interest as at 31 December 2016 and was its largest shareholder.

Banking

CITIC Limited Group conducts its domestic and overseas banking business through CITIC Bank and its subsidiaries.

CITIC Bank (SSE Stock Code: 601998; Stock Exchange Stock Code: 0998) was incorporated in 1987. CITIC Corporation Limited held a 65.37 per cent equity interest in CITIC Bank as at 31 December 2016. CITIC Bank is a national joint-stock commercial bank characterised by rapid growth and strong integrated competitive strength. CITIC Bank's main businesses include corporate finance, personal finance and financial market.

The following table sets out the major consolidated financial and regulatory indicators of CITIC Bank and its subsidiaries during the periods indicated:

Major Operational Indicator	For the year ended 31 December	
	2015	2016
	(in millions of RMB, except percentages)	
Total Assets	5,122,292	5,931,050
Revenue	145,545	154,159
Profit before tax	54,986	54,608
Net profit attributable to ordinary shareholders of CITIC Bank	41,158	41,629
Return on average assets (ROAA) (%)(1)	0.90	0.76
Return on average equity (ROAE) (%)(2)	14.26	11.95
Cost-to-income ratio (%)(3)	27.87	27.75
Net interest spread (%)(4)	2.13	1.89
Net interest margin (%)(5)	2.31	2.00

Notes:

1 ROAA = Net profit of CITIC Bank/(total assets at the beginning of the period plus total assets at the end of the period)/2

2 ROAE = Net profit attributable to ordinary shareholders of CITIC Bank/(total equity attributable to ordinary shareholders of CITIC Bank at the beginning of the period plus total equity attributable to equity shareholders of CITIC Bank at the end of the period)/2

3 Cost-to-income ratio = (Operating expense minus business tax and surcharges)/revenue

4 Net interest spread represents the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

5 Net interest margin = Net interest income/(balance of total interest-earning assets at the beginning of the year plus balance of total interest-earning assets at the end of the period)/2

The following table sets out the consolidated revenue of CITIC Bank and its subsidiaries for the periods indicated:

Business Segment	For the year ended 31 December			
	2015		2016	
	Revenue	% of total	Revenue	% of total
	(in millions of RMB, except percentages)			
Corporate banking	85,314	58.6	85,639	55.6
Retail banking	33,333	22.9	40,175	26.1
Financial markets business	18,359	12.6	16,109	10.4
Others and unallocated	8,539	5.9	12,236	7.9
Total	145,545	100.0	154,159	100.0

Corporate banking

The corporate banking business of CITIC Bank has been a traditional strength. It offers a range of financial products and services to corporations, government agencies and non-financial institutions. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services. In recent years, CITIC Bank has reinforced its traditional strength in this segment and accelerated adjustments of its corporate banking business structure, customer composition and income structure. CITIC Bank enhanced the sustainable development ability of its corporate banking business by developing emerging businesses including investment banking, supply chain financing, cash management and online and cross border banking services.

The revenue generated from corporate banking business was RMB85,639 million and RMB85,314 million, for the years ended 31 December 2016 and 31 December 2015, respectively, representing an increase of 0.4 per cent. and accounting for 55.6 per cent. of CITIC Bank's revenue, and net non-interest income generated from corporate banking business was RMB15,391 million and RMB16,747 million, respectively, representing a decrease of 8.1 per cent.

Retail banking

Retail banking business has become one of the key development areas of CITIC Bank in recent years. CITIC Bank provides various services to retail finance customers, including personal deposits and loans, wealth management and private banking, credit cards, electronic banking and internet finance. CITIC Bank has focused on expanding its retail banking business, by optimising its network of branches in tier one cities and seeking to create an improved customer experience. In addition, CITIC Bank has developed internet finance and broadened its web sales channels to increase market penetration by capitalising on the rapid growth of mobile internet.

These include the creation of a new "Internet + Finance" business model, establishing the "Online Finance Alliance", a shared platform of 12 commercial banks, expanding mobile payment services through collaborations with other companies such as S.F. Express, JD.com and Xiaomi, the introduction of Quick Pass, which enables customers to clear payments on mobile phones linked to their CITIC Bank accounts and developed Baixin Bank in partnership with Baidu which was approved by the China Banking Regulatory Commission in 2017. CITIC Bank also enhanced its digital capabilities, particularly in relation to its mobile platform, by upgrading online customer service capabilities and introducing online payment products such as E-pos, CITIC e-pay and Cross-border pay.

Across its branch network, CITIC Bank improved the cost structure and introduced new services, including self-service, at various facilities, in line with the strategy of optimising the offerings of each branch location and its unique local customer profile.

The revenue generated from retail banking business of CITIC Bank was RMB40,175 million and RMB33,333 million, for the years ended 31 December 2016 and 31 December 2015, respectively, representing 26.1 per cent. and 22.9 per cent. of CITIC Bank's revenue, respectively, and the net non-interest income was RMB23,897 million and RMB17,734 million, respectively, representing an increase of 34.8 per cent.

In the year ended 31 December 2016, the number of medium-and high-net worth retail customers in China for CITIC Bank increased by 21 per cent. to 504,651 and the number of private banking customers increased by 31 per cent. to 21,575. CITIC Bank opened 79 new outlets during the year ended 31 December 2016, expanding its network to a total of 38 Tier-1 branches across China.

Financial markets business

CITIC Bank's financial markets business focuses on the monetary, capital and international finance markets. Its principal traded products include foreign currencies, bonds, precious metals and derivatives. In terms of services, the financial markets business provides bond market-making and underwriting services, structured finance, international trade finance, bank bill and wealth management products and a range of other specialised investment and financing services.

CITIC Bank is a market maker in direct trading of Renminbi to South African Rand, Canadian Dollar, Danish Krone and Norwegian Krone, covering the domestic interbank market of less actively traded currencies. In addition, CITIC Bank established the Asset Management Business Center as a platform for cooperation with over 200 institutional clients comprising securities firms, insurance companies and trust companies.

Trust

CITIC Limited Group conducts trust business through 100 per cent. owned CITIC Trust, the equity of which is 80 per cent. owned by CITIC Corporation and 20 per cent. by CITIC Industrial Investment, as at the date of this Offering Circular. CITIC Trust, formerly known as CITIC Xingye Trust Investment Co., Ltd., was incorporated in 1988.

CITIC Trust offers a comprehensive range of integrated solutions across its investment, financing and wealth management services. CITIC Trust has introduced a number of unique financial products and services and it continues to innovate in relation to a wide array of financial solutions leveraging diverse financial instruments, such as securities, private equity funds, asset securitisation and mezzanine funds, as well as debt financing and trustee services. CITIC Trust allocates trust capital across several major industries, which allows it to align its investment portfolio in line with changing market opportunities. The primary sectors currently targeted by CITIC Trust include infrastructure, real estate, energy and resources, manufacturing, agriculture and financial institutions.

The assets under management ("**AUM**") of CITIC Trust totalled RMB1,764 billion as at 31 December 2016, of which the trust AUM amounted to RMB1,424.9 billion. The trust AUM recorded an increase of 39 per cent. as compared to the previous year.

The following table sets out the principal financial indicators of CITIC Trust for the periods indicated:

Financial Indicator	**For the year ended/As at 31 December**	
	2015	**2016**
	(in millions of RMB)	
Total assets	23,799	27,922
Net assets	17,997	20,214
Revenue[(1)]	10,263	5,818
Profit before tax	4,046	4,067
Net profit attributable to ordinary shareholders of CITIC Trust	3,145	3,122
Outstanding trust AUM	1,022,815	1,424,889

Note:

1 CITIC Limited to include note on one-off investment gain from sale of equity of Taikang Insurance.

CITIC Trust's business consists of trust business, proprietary trading and intermediary business. The main difference between these business arms is the source of assets. The assets managed in trust business originate from the clients and require the setting up of related arrangements such as trust product design, structural arrangements for trust product transactions, sales of trust products, beneficiary rights management (customer relationship management), information disclosure, trust establishment, trust termination and liquidation. The assets of proprietary trading originate from funds owned by CITIC Trust itself, and thus have no arrangements related to clients' assets. The intermediary business mainly comprises transaction, financing abroad and other financial consultancy services. CITIC Trust's specialised subsidiaries aim to explore and increase CITIC Trust's exposure to asset management, overseas businesses and consultancy services in order to provide synergies and add value for the core businesses.

Having launched its family trust services in 2014, CITIC Trust expanded the product line beyond family office trust plans and introduced specialised investment, insurance trust services and other wealth management services to its clients. In 2016, CITIC Trust introduced a new brand "CITIC Family Trust" and launched its first cross-border employee stock ownership trust in the PRC, in response to the asset shortage.

Insurance

CITIC-Prudential was incorporated in 2000. As at the date of this Offering Circular, CITIC Corporation Limited and Prudential plc each held 50 per cent. of its equity interest. CITIC-Prudential is primarily engaged in the business of providing life insurance, health insurance and accident insurance, as well as reinsurance of the above categories.

The following table sets out the main financial indicators of CITIC-Prudential for the periods indicated:

	For the year ended 31 December	
Financial Indicator	**2015**	**2016**
	(in millions of RMB)	
Total assets	47,975	54,672
Net assets	3,318	3,801
GWP	6,218	8,231
Net profit	382	700

Products

CITIC-Prudential's products mainly include life insurance, accident insurance and health insurance, among which life insurance is its major source of revenue. The following is a summary of some of CITIC-Prudential's main products:

- *Life insurance*

  Life insurance products include traditional life insurance, participating life insurance, universal life insurance and investment-linked insurance, among which participating life insurance products generate the majority of the GWP of CITIC-Prudential. Participating life insurance combines the features of traditional life insurance and investment products and can cater to the client's requirements for insurance, savings and investments in one product.

- *Accident insurance*

  Accident insurance products include the provision of compensation for the death, disability and other conditions that have been stated in the policy of policy holders due to an accident or other incident specified by the policy.

- *Health insurance*

  Health insurance products provide policy holders with insurance for illness and medical treatment and is divided into short-term health insurance and long-term health insurance.

Distribution

CITIC-Prudential has two primary distribution channels: agency and bancassurance. CITIC-Prudential remodelled the bancassurance channel for value enhancement and scaled down the business in short or medium duration products. The remodelling of the bancassurance channel business is still in its initial stage, but has been successful as a result of the significant optimisation of the product mix. In 2016, the strategic cooperation with Minsheng Bank achieved significant results with an annual premium equivalent of RMB46.7 million, an increase of 3958 per cent. from 2015, while the bancassurance partnership with the Agricultural Bank of China was extended to three branches with an annual premium equivalent of RMB1.1 million, an increase of 398 per cent. from 2015. CITIC-Prudential has also expanded its strategic partnerships with CITIC Bank and Standard Chartered Bank.

Securities

CITIC Securities (SSE stock code: 600030; Stock Exchange stock code: 6030) was incorporated in 1995. CITIC Limited held 16.5 per cent. of CITIC Securities' equity interest, being the largest shareholder, as at the date of this Offering Circular.

CITIC Securities is one of the first comprehensive securities companies approved by the CSRC. Its main businesses include investment banking, brokerage, asset management and trading.

The following table sets out major financial and regulatory indicators of CITIC Securities during the periods indicated:

Financial Indicator	For the year ended/As at 31 December 2015	2016
	(in millions of RMB)	
Total assets	616,108	597,439
Total equity attributable to equity shareholders of CITIC Securities	139,138	142,696
Total Revenue and Other income	72,924	50,067
Profit before income tax	27,287	14,263
Net profit attributable to ordinary shareholders of CITIC Securities	19,800	10,365

Principal Regulatory Indicator	As at 31 December 2015[1]	2016
	(in millions of RMB, except percentages)	
Net capital	94,454	93,504
Net capital/net assets (%)	81.28	78.66
Net capital/total liabilities (%)	35.32	37.02
Net assets/total liabilities (%)	43.45	47.06
Value of equity securities and derivatives held/net capital (%)	33.74	35.01
Value of fixed income securities held/net capital (%)	134.91	143.30
Risk Coverage Ratio (%)	252.45	170.79
Capital Leverage Ratio (%)	20.04	21.62
Liquidity Coverage Ratio (%)	180.70	166.77
Net Stable Funding Ratio (%)	130.70	143.29

Note:

1 Relevant data as at the end of 2015 has been restated in accordance with *Measures for the Risk Control Indices of Securities Companies* (2016 Revision).

The following table sets out the revenue generated from various businesses of CITIC Securities during the indicated period:

Fee and Commission Income	For the year ended 31 December 2015	2016
	(in millions of RMB)	
Brokerage	22,714	12,574
Investment banking	4,563	5,471
Trading	287	407
Asset management	6,449	6,860
Others	240	463
Fee and commission expenditure	4,621	3,331
Net fee and commission income	29,632	22,444

Investment banking

CITIC Securities provides financing and financial advisory services to all kinds of enterprises and institutional clients in the PRC and abroad. In the PRC, CITIC Securities is in an advantageous position in serving leading clients and obtaining large projects, and is also committed to meeting the diversified financing needs of small and medium enterprises and emerging enterprises.

- *Equity business*

  The equity financing business of CITIC Securities, which is comprised mainly of its initial public offering ("**IPO**"), follow-on offering and issuance of convertible bonds, has maintained its market leading position for many years. Based on its principle of "being client-oriented with comprehensive services, maximising the efficiency of resources allocation, and improving the quality of customer services", CITIC Securities aims to maximise business opportunities through comprehensive products coverage and professional customer services.

- *Debt securities*

  CITIC Securities' debt securities businesses are divided into three categories, i.e. underwriting of bonds, structured financing and asset-backed securities, and have experienced a fast growth in recent years.

- *Financial advisory services*

  CITIC Securities' financial advisory services include financial advisory for cross-border and domestic mergers and acquisitions (M&A) projects as well as M&A investment and financing.

Brokerage

CITIC Securities provides brokerage services to companies, institutions and individual customers, including trading of stocks, bonds, mutual fund rights, warrants, futures and other tradable securities, and obtains commissions by implementing and clearing customers' trades and selling financial wealth management products for cooperative entities.

With diversified financial products and professional service, CITIC Securities made rapid development in its value-added services for customers such as financing, wealth management and consulting. Value-added service has become a driving force for the income of brokerage business. CITIC Securities' brokerage platform has strong capacity in resources integration by constantly attracting high-quality clients and providing them with various kinds of investment and financing services.

Asset management

With the encouragement of industrial innovation from the regulatory agencies, CITIC Securities' asset management business grew at a fast pace in recent years. CITIC Securities' total AUM increased from RMB1,075,854 million by the end of 2015 to RMB1,815,180 million by the end of 2016.

CITIC Securities is also the largest shareholder of China AMC, a leading asset management company with RMB1,005,846 million under management as at the end of 2016.

Trading

CITIC Securities' trading business includes flow-based and proprietary trading. Flow-based trading includes equity, fixed income, commodities, and margin financing and securities lending.

As a member of the underwriting syndicate, CITIC Securities provides services for various government issuers in issuing fixed income products in the public market. CITIC Securities is an A level member of the underwriting syndicate appointed by the MOF to issue government bonds and a first tier trader of PBOC bills in the public market appointed by PBOC. CITIC Securities also participates in the distribution of the policy financial bonds of the Agricultural Development Bank of China, the Export-Import Bank of China and the China Development Bank as a member of the underwriting syndicate.

Besides conventional proprietary trading, CITIC Securities received stable gains with low risk and low market correlation through means such as hedging, arbitrage and quantitative investment by leveraging on the inefficiency across the domestic and international markets.

CITIC Securities started to provide margin financing and securities lending services in March 2010 as one of the first six securities companies approved for such service in the PRC.

Other businesses

CITIC Securities' other businesses mainly include private equity investment and fund management, principal investments, research and others. In 2013, CITIC Securities completed the acquisition of 100 per cent. equity interest in CLSA, which is mainly engaged in brokerage, investment banking and private investment businesses in Asia Pacific. Following the acquisition, CITIC Securities' business coverage has expanded to cover many markets around the world, such as United States, Great Britain, Japan, Australia, Singapore, India, South Korea, the Philippines, Malaysia, Indonesia and Thailand. In addition, CITIC Securities operates a futures business through CITIC Futures Company Limited, a wholly owned subsidiary of CITIC Securities which has 43 branches. As at the date of this Offering Circular, CITIC Securities also held 62.20 per cent. equity interest in China Asset Management Co., Ltd., a fund management company in the PRC, and wholly owns Goldstone Investment Ltd., which adopts a mixed investment strategy of direct investment and fund investment, targeting to invest in large equity financing opportunities in the Chinese market.

Other Financial Services

Other financial services of CITIC Limited Group include funds and capital management. The funds business of CITIC Limited Group is mainly conducted by CITIC Kingview Capital Management Co., Ltd. ("**CITIC Kingview Capital**"), in which CITIC Limited held 73.02 per cent. of its equity interest as at 31 December 2016. The capital management business of CITIC Limited Group is mainly conducted by CITIC Finance Company Limited ("**CITIC Finance**"), a wholly-owned subsidiary of CITIC Limited.

Resources and Energy

CITIC Limited Group's resources and energy business comprises the exploration, mining, processing and trading of energy products and mineral resources as well as power generation. CITIC Limited Group operates its resources and energy business through CITIC Resources, CITIC Mining International, CITIC Metal Group and Sunburst Energy.

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's resources and energy business for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Net Profit/ (Loss) Attributable to Ordinary Shareholders	Revenue	Net Profit/ (Loss) Attributable to Ordinary Shareholders
	(in millions of HK$)			
CITIC Resources[1]	3,713	(6,105)	2,957	363
CITIC Mining International	15	(13,487)	3,607	(12,569)
CITIC Metal Group	33,094	574	36,739	782

Note:

1 CITIC Limited held 59.50 per cent. equity interests in CITIC Resources as at 31 December 2016.

Revenue from CITIC Limited Group's resources and energy business for the years ended 31 December 2016 and 31 December 2015 amounted to HK$50,254 million and HK$45,664 million, respectively, which was 13.2 per cent and 11.6 per cent of CITIC Limited Group's revenue, respectively. The operating loss before tax of CITIC Limited Group's resources and energy business for the years ended 31 December 2016 and 31 December 2015 amounted to HK$9,243 million and HK$22,997 million, respectively.

CITIC Resources

As at 31 December 2016, CITIC Limited held a 59.50 per cent. equity interest in CITIC Resources. CITIC Resources is listed on the Hong Kong Stock Exchange (Stock Exchange stock code: 1205). CITIC Resources principally engages in the development and production of oil and coal, the import and export of commodities as well as investments in bauxite mining, alumina refinery, aluminium smelting and manganese.

The following table sets out CITIC Resources' revenue and segment performance attributed to external customers for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Segment Performance[1]	Revenue	Segment Performance[1]
	(in millions of HK$)			
Aluminium[2]	1,031	(50)	858	4
Coal[3]	584	(158)	515	29
Import and Export of Commodities	1,136	43	697	7
Crude oil	962	(313)	887	(267)
Total	3,713	(478)	2,957	(227)

Notes:

1 Management of CITIC Resources monitors the results of its operating segments separately for the purposes of resource-allocation decision-making and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the CITIC Resources' profit/(loss) before tax except that interest income, finance costs, dividend income, share of profit/(loss) of associates and a joint venture, and impairment on assets as well as head office and corporate expenses are excluded from such measurement.

2 The aluminium smelting business is located in Australia.

3 The coal business is located in Australia.

CITIC Resources holds a 22.5 per cent. participating interest in the Portland Aluminium Smelter joint venture in Australia, which experienced a power outage that disrupted its operation and reduced production capacity. The local government is assisting in funding the restart of the Portland Aluminium Smelter and its on-going operations.

CITIC Mining International

CITIC Limited, owns CITIC Mining International which in turn, owns via its subsidiary Sino Iron Holdings Pty Ltd, 100 per cent. of the Sino Iron Project which is being managed by CITIC Pacific Mining, a wholly-owned subsidiary of CITIC Mining International.

CITIC Pacific Mining was established to manage the construction and operation of the Sino Iron Project, which is an integrated mining, processing and port operation. The Sino Iron Project is located at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. It is the largest magnetite iron ore mining and processing operation by production in Australia focused on developing and producing magnetite iron ore.

The Sino Iron Project was granted major project facilitation status by the Australian Federal Government in 2006. CITIC Limited has rights to extract two billion tonnes of resource and has exercised an option to acquire an additional one billion tonne of resource. CITIC Limited has further rights to acquire three additional billion tonnes of magnetite resources from the same location. The Sino Iron Project achieved a significant milestone in 2013, delivering its first shipment of magnetite concentrate to the PRC. On 2 December 2013, barge loaders carried magnetite concentrate product from the new port at Cape Preston to a ship moored offshore destined for CITIC Limited's special steel plant in Jiangyin, PRC.

The common facilities for all six lines, including infrastructure in support of the processing activities, the power station, gas pipeline and desalination plant are all in operation, delivering a steady supply of power and water to meet the needs of processing activities and the entire project. Further commissioning of some sections will occur as demand for power and water increase in line with production throughput.

The six production lines have an annual design capacity of 24 million tonnes, based on available samples taken from the mine pit. Actual production volume will depend on the characteristics of the rocks being mined. All six production lines are in operation. The operational focus now is to ramp up concentrate production, improve efficiency and lower operation cost, while ensuring an integrated "pit-to-port" operation supported by site-based energy and water supply. From January 2016 to the end of March 2017, more than 14 million wet metric tonnes of premium magnetite concentrate had been delivered to CITIC Limited's own special steel plants and other steel mills in the PRC.

In full production, the Sino Iron Project fully meets CITIC Limited's need for high quality iron ore concentrates. The iron ore product produced by the Sino Iron Project will be used in CITIC Limited's special steel mills in the PRC and sold to other steel mills in the PRC. The commencement of commercial production of the Sino Iron Project and the start of revenue and costs recognition means that significant costs will begin to migrate from CITIC Limited's balance sheet to the income statement. There will be significant increased interest expenses and depreciation as well as impairment pressure. Accordingly, the financial results (including profit) of CITIC Limited Group will be affected in the short term. Furthermore, a decline in the price of iron ore and the lowering of the independent forecast of long-term prices, which is a key component for consideration, resulted in a HK$7.2 billion (net of tax) non-cash impairment charge for CITIC Limited Group for the year ended 31 December 2016.

For further information on the Sino Iron Project, see sections headed "*Risk Factors – Risk relating to Resources and Energy Business*" and "*CITIC Limited Group – Legal and Regulatory Proceedings*".

CITIC Metal Group

CITIC Metal Group, which holds CITIC Metal and CITIC United Asia, was formed to enhance the business' investment strength and trading power in the commodities markets.

CITIC Metal Group was incorporated in 2016. As at the date of this Offering Circular, CITIC Metal Group was a wholly owned subsidiary of CITIC Limited. CITIC Metal Group's principal businesses include resources trade and strategic resources investment in niobium products, iron ore, steel, nonferrous metals, coal and platinum.

Resources development

CITIC Metal Group is the single largest shareholder with 33.3 per cent. equity interest in China Niobium Investment Holdings Limited which in turn holds a 15.0 per cent. equity interest in Companhia Brasileira de Metalurgia e Mineracao ("**CBMM**"), which produces more than 80 per cent. of global ferroniobium products through its mine which contains high-grade pyrochlore ore and has relatively long-term mine life and low mining costs. Ferroniobium is used in the production of high strength low alloy steel, special alloy steel, stainless steel and superalloy. Due to its investment in the upstream market and good working relationships with core resource companies, CITIC Metal Group is able to acquire a sufficient and stable ferroniobium supply for external sales. It has exclusive distribution rights of CBMM's ferroniobium in the PRC.

CITIC Metal Group has a 15 per cent. equity interest in MMG South America Management Company Limited ("**MMG South America**") which owns the Las Bambas copper mine project in Peru. The Las Bambas copper mine project is located in Cotabambas, Apurimac Region of Peru and is currently one of the largest copper mine globally based on its copper resources and output. The Las Bambas copper mines reached design capacity in September 2016. CITIC Metal Group has exclusive distribution rights to 26.25 per cent. of the copper concentrates extracted from the site.

Resources trading

CITIC Metal Group is CBMM's exclusive distributor in the PRC. Its sales coverage of ferroniobium across most of the medium-to large-scale steel enterprises in the PRC and allows CITIC Metal Group to maintain an approximate 80 per cent. market share in ferroniobium sales annually.

CITIC Metal Group is one of the PRC's major iron ore importers, importing products from renowned mineral mining enterprises located in Australia, Brazil, India and South Africa, including VALE, Rio Tinto, BHP Billiton and Kumba, for national medium-to large-scale steel enterprises. CITIC Metal Group is one of the first 14 enterprises constituting the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters, of which it is the management unit of the iron ore branch, and to receive an AAA credit rating.

CITIC Metal Group, together with CITIC Trust, holds a 67.0 per cent. equity interest in Tianjin Precious Metal Exchange Limited, which principally engages in spot transactions of silver, platinum, palladium, nickel, copper, aluminium and other minerals in major provinces, municipalities and self-autonomous regions in the PRC. It is currently the leading silver spot transactions exchange platform in terms of trading volume in the PRC.

Procurement and supply

CITIC Metal Group maintains procurement channels and reduces procurement costs by establishing long-term working relationships and monitoring the procurement admittance mechanism. In the PRC, the procurement admittance mechanism is implemented in the domestic procurement process, which is selecting partner enterprises with similar objectives and comparable skills to become qualified suppliers of a company. CITIC Metal Group continues to optimise and evaluate its suppliers to achieve a stable and timely supply of high-quality and low-cost resources. For foreign imports of mineral products, CITIC Metal Group establishes long-term and stable strategic alliances with large global mineral vendors to ensure a stable supply of bulk imported raw materials.

Customers, Sales and Marketing

CITIC Metal Group has adopted a technology-driven sales strategy and established the Microalloying Technology Center ("MTC") together with CBMM. MTC has an advisory team of domestic and international metallurgists dedicated to the technological development, promotion and application of Niobium technology. CITIC Metal Group and CBMM jointly fund R&D projects and industry chain cooperation on Niobium technology. Joint laboratories were established with University of Science and Technology Beijing, Chinese Iron and Steel Research Institute and Shanghai University to encourage academic research on Niobium technology. CITIC Metal Group actively encourages improvements in steel products by cooperating with relevant industry associations, participating in the nurturing and development of the ferroniobium market and promoting the reform and upgrade of the current Chinese industrial product mix. CITIC Metal Group's customer base in the PRC covers most major steel companies, including Baosteel Group Corporation, Ansteel Group Corporation, Taiyuan Iron and Steel Group Corporation and Shougang Group Corporation.

Sunburst Energy and Other Energy and Resources business

CITIC Limited Group also has interests in a number of power stations and a coal mine in the PRC. It has the majority equity ownership in the Ligang power plant in Jiangsu, minority equity interests in the Hanfeng power plant in Hebei, the Huaibei power plant in Anhui and the Hohhot power plant in Inner Mongolia and a 30 per cent. equity interest in the Xin Ju Long coal mine in Shandong. The Xin Ju Long coal mine has a raw coal production capacity of 7.0 million tonnes per annum which products include high quality coking coal and thermal coal. CITIC Limited sold its 49 per cent. interest in the Chenming power plant in Shandong in November 2013. As at 31 December 2016, the power generating capacity attributable to CITIC Limited Group was approximately 3,167 MW. The energy segment's attributable profit to CITIC Limited Group for the years ended 31 December 2016 and 31 December 2015 was HK$1,365 million and HK$2,039 million, respectively.

CITIC Kazakhstan Limited Liability Partnership ("**CITIC Kazakhstan**"), a wholly owned subsidiary of CITIC Limited, conducts asphalt production and industrial investment businesses.

CITIC Dameng Holdings Limited ("**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 the PRC and has interests in several other mines in the PRC and Gabon, West Africa.

Manufacturing

CITIC Limited Group's manufacturing business mainly comprises production and manufacture of special steel, heavy equipment, automobile aluminium wheels and automobile aluminium castings.

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's manufacturing business for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Net Profit Attributable to Ordinary Shareholders	Revenue	Net Profit Attributable to Ordinary Shareholders
	(in millions of HK$)			
CITIC Pacific Special Steel	35,211	1,220	35,166	1,942
CITIC Heavy Industries[(1)]	5,007	77	4,412	(1,853)
CITIC Dicastal	20,173	903	23,038	1,023

Note:

1 CITIC Limited held 67.27 per cent. equity interest in CITIC Heavy Industries as at 31 December 2016.

The revenue generated from CITIC Limited Group's manufacturing business for the years ended 31 December 2016 and 31 December 2015 were HK$62,350 million and HK$60,077 million, respectively, accounting for 16.4 per cent. and 15.2 per cent. of CITIC Limited Group's total revenue, respectively. Profit before tax generated from CITIC Limited Group's manufacturing business for the years ended 31 December 2016 and 31 December 2015 were HK$2,343 million and HK$3,582 million, respectively, accounting for 3.3 per cent. and 4.6 per cent. of CITIC Limited Group's profit before tax, respectively.

Special Steel

CITIC Pacific Special Steel is the largest manufacturer dedicated to the production of special steel in the PRC with two operating steel plants, Xingcheng Special Steel and Xin Yegang. Its annual steel producing capacity was nine million tonnes at the end of 2016. Major products manufactured by the CITIC Pacific Special Steel include special steel bar, special steel plates, seamless steel tubes, special wires, casting billets and special forging steel. These are widely used in various industries, including auto components, machinery manufacturing, oil, petrochemicals, transportation, energy, railways and shipbuilding.

It continues to refine its procurement strategy and to maintain overall raw material costs at below market levels.

In 2016, CITIC Pacific Special Steel sold 7.82 million tonnes of special steel products, a 12 per cent. decrease compared to 2015 as global demand for steel remained weak in 2016.

With the establishment of a centralised sales office in 2016, CITIC Pacific Special Steel achieved further gains integrating domestic sales and production capacity planning. It also continued to invest in optimising its product mix, including increased production of higher quality bar steel products.

CITIC Heavy Industries

CITIC Limited Group, through CITIC Heavy Industries, engages in the design, manufacturing and sales of large equipment, complete technical equipment and key basic parts of Heavy Equipment, Complete Engineering Project Management (which is the provision of complete engineering, capital equipment manufacturing and project management services for the entire project, including site assessment and investigation, design, procurement of materials, provision of technical services, manufacturing, installation, training and other services in relation to each stage of the project), Robots and Intelligent Equipment, Energy Conservation and Environmental Protection, New Energy Power Equipment and others. As at 31 December 2016, CITIC Limited held a 67.27 per cent. equity interest in CITIC Heavy Industries. CITIC Heavy Industries (stock code: 601608) is listed on the SSE.

CITIC Heavy Industries adopts a "core manufacturing plus integrated service provider" business model with a balance between R&D and marketing services.

The first two production plants in relation to CITIC Heavy Industries' high-end electro-hydraulic intelligent control equipment manufacturing project were built and put into operation in 2015. The intelligent manufacturing project was completed in 2016.

CITIC Heavy Industries also purchased 80 per cent. of the equity of Tangshan Kaicheng, renamed CITIC Heavy Industries Kaicheng Intelligence Equipment Co., Ltd in 2015. It is the only enterprise in the PRC with the license to manufacture robot products in coal mining and rescue efforts and provides integrated mining automation solutions. CITIC Heavy Industries' robotics division expanded significantly in 2016. Its current focus is on the manufacturing of special robots for use in high-risk environments such as fire rescue and mining solutions.

Products and Production

CITIC Heavy Industries' main products include the following:

- Heavy Equipment Industry: integrated and intelligent key equipment including mills, crushers, rolling press, vertical mills, rotatory kilns, hoists, tunnel boring machine and metal melting and milling machine, as well as key basic parts such as large forging and casting parts and different kinds of spare parts required for the operation of different projects;

- Complete Engineering Project Management segment: the provision of complete engineering, capital equipment manufacturing and project management services for the entire project, including site assessment and investigation, design, procurement of materials, provision of technical services, manufacturing, installation, training and other services in relation to each stage of the project for clients in various sectors such as construction, mining and metallurgy;

- Robots and Intelligent Equipment Industry: special robots, intelligent control machines and related services; and

- Energy Conservation and Environment Protection Industry: energy conservation and environment protection equipment that perform functions such as waste heat and waste pressure utilisation, waste disposal, liquid-solid separation, coal cleaning and high-efficiency utilisation.

Procurement and Supply

The major raw materials for CITIC Heavy Industries' heavy machinery manufacturing include steel, blanks, motors, bearings and spare parts. These materials are mainly procured from domestic and international markets through tendering and are mostly supplied directly by manufacturers with some procurement from distributors or dealers. Based on its production needs, CITIC Heavy Industries also outsources the manufacturing of some spare parts due to limits of its production capacity or other low-tech components that it does not manufacture.

Customers, Sales and Marketing

CITIC Heavy Industries is one of the domestic enterprises in the PRC with the capability to design and manufacture cement and mining equipment in accordance with European Union (EU) and US standards. It has more than 60 large customer groups formed by high-end customers in the coal and mining industries, metallurgical industry, construction materials industry, power generation industry, nonferrous metals industry, power electronic industry and the energy-saving and environmental protection industry. These customers include, among others, BHP Billiton, VALE, China Shenhua Energy Company Limited, China Huaneng Group, China National Gold Group Corporation, Anhui Conch Cement Company, Lafarge S.A., Holcim Ltd, Cemex SAB de CV, HeidelbergCement AG and Italcementi Group.

CITIC Heavy Industries' sales focus on the domestic market in the PRC and are supplemented by sales to the international market. In the domestic market in China, CITIC Heavy Industries uses a model of direct sales, winning orders by participating in bidding and negotiations. CITIC Heavy Industries' sales teams market the products nationwide in different industry sectors based on the targets of different products. In its sales to the international market, based on its own circumstances and the market demands, CITIC Heavy Industries targets different countries and regions by adopting different business models including direct sales, agent sales, subcontracting and cooperation with large customers.

In 2016, CITIC Heavy Industries continued developing the overseas and domestic markets for engineering, procurement and construction ("**EPC**") projects, through signing a new contract of RMB957 million total value with Century Peak Holdings Corp. in the Philippines for the construction of a 5,000TPD cement plant. Its Cambodia CMIC 5,000TPD Cement Line EPC Project also entered production.

CITIC Dicastal

CITIC Limited Group engages in the manufacturing of automobile aluminium wheel, automobile aluminium castings, model manufacturing, casting machinery manufacturing, manufacturing of specialised equipment for auto parts through CITIC Dicastal, which is now a subsidiary of CITIC Industrial Investment. CITIC Dicastal was incorporated in 1988 and as at 31 December 2016, CITIC Limited held a 100 per cent. equity interest in CITIC Dicastal.

CITIC Dicastal mainly provides automobile aluminium wheels and automobile aluminium castings to automobile manufacturers. CITIC Dicastal has formed a business model of "headquarters core plus manufacturing bases" with a "one-stop" service from product design to production.

Products and Production

- *Automobile aluminium wheels*

  CITIC Dicastal produces three main types of automobile aluminium wheels, namely cast wheels, forged wheels and cast flow-forming wheels. It is currently one of the few manufacturers in the world that is capable of providing all three types of automobile aluminium wheels. Furthermore it is able to meet all surface treatment requirements of existing automobile aluminium wheels.

  As at 31 December 2016, CITIC Dicastal's automobile aluminium wheel business had 21 manufacturing bases in a number of regions, including Qinhuangdao, Sanmenxia, Wuxi, Ningbo, Europe and the United States and it imports different manufacturing equipments from Germany, the US and Japan.

  In the United States, CITIC Dicastal's new wheel plant in Michigan entered trial operation in early 2016, completing its first bulk dispatch in late May 2016. The facility has a designed annual capacity of three million wheels. CITIC Dicastal also upgraded its Wuxi manufacturing base to increase production capacity by 2.6 million wheels per year. All new facilities are equipped with advanced robotics and smart production systems.

- *Automobile aluminium castings*

  CITIC Dicastal produces three main types of automobile aluminium castings, namely chassis segment, powertrain segment and automobile body parts. CITIC Dicastal conducts automobile aluminium castings mainly through KSM Castings, which was acquired in 2011.

  KSM Castings mainly produces chassis and powertrain segments, and is a technology-advanced company in the high-end market of automobile aluminium castings, one of the largest aluminium chassis segment suppliers in the world and one of the leading powertrain segment suppliers in Europe.

  CITIC Dicastal has eight manufacturing bases for automobile aluminium castings in Germany, the Czech Republic, the PRC and the US with a total area of approximately 300,000 square meters.

  As domestic demand for high quality aluminium cast components continued to rise in the PRC, CITIC Dicastal began trial production in January 2017 at its KSM (Chengdu) Phase I plant. This facility has a designed annual capacity of 20,000 tonnes. After the full commissioning of Phase I, construction of Phase II will follow, which will add another 20,000 tonnes of capacity upon completion. All new facilities are equipped with advanced robotics and smart production systems.

Customers, Sales and Marketing

CITIC Dicastal's major customers for automobile aluminium wheels are leading, global automobile manufacturers including Daimler-Benz, BMW, Volkswagen (including Audi), Citroen-Peugeot, Renault-Nissan, General Motors, Ford, Fiat-Chrysler, Toyota, Honda, Mazda, Mitsubishi, Hyundai and Kia and domestic automobile manufacturers including FAW Group, Shanghai Automobile Group, Donfeng Motor Group, Guangzhou Automobile Group, Beijing Automotive, Chang'an Automobile Group and Geely Volvo Car.

CITIC Dicastal's automobile aluminium casting business focuses on high-tech products that utilise advanced technologies. Its major customers are leading, global automobile manufacturers with brands including Mercedes-Benz, BMW, Volkswagen, Audi, and tier one suppliers in the automotive industry including TRW Automotive, ZF Friedrichshafen AG and Bosch.

R&D and Intellectual Property

CITIC Dicastal owns one state-certified enterprise technology centre in the PRC and R&D institutions in the EU and North America. It is the first domestic automobile aluminium wheels manufacturer that is able to synchronize its manufacturing process with that of foreign automobile manufacturers. It established one national automobile aluminium wheel test center, which supervises and implements automobile wheel standards approved by the China Association of Automobile Manufacturers.

CITIC Dicastal's headquarters has installed proprietary testing equipment as well as a dedicated mould development centre and an innovation taskforce. The testing facility has set an industry benchmark for crash and stress tests. Unlike traditional road test facilities, it is capable of conducting fully simulated in-house wheel and chassis tests, thereby minimising safety concerns. The mould centre has an annual capacity of 2,300 sets, expanding CITIC Dicastal's capacity to directly produce a greater range of products on site. As a long-term investment in R&D, CITIC Dicastal's new innovation task force has the mandate of creating a long-standing technological advantage over its peers. The priority is to extend CITIC Dicastal's offering in synchronous design services and has a wide range of sophisticated modelling and processing tools at its disposal, including digital sludge systems, 3D printers and virtual reality machines, to help improve existing services and explore new technologies.

Engineering Contracting

CITIC Limited Group's engineering contracting business mainly comprises engineering contracting and engineering design. Revenue generated from the engineering contracting business for the years ended 31 December 2016 and 31 December 2015 totalled HK$11,023 million and HK$14,676 million, respectively. Profit before tax for the years ended 31 December 2016 and 31 December 2015 totalled HK$1,969 million and HK$3,488 million, respectively.

Engineering contracting

The engineering contracting business is operated by CITIC Construction, in which CITIC Limited has a 100.00 per cent. equity interest. CITIC Construction was incorporated in 2002.

CITIC Construction is an integrated engineering services company, providing management and engineering services, as well as procurement and construction services on large industrial and civil infrastructure projects.

CITIC Construction maintains an overseas business presence mainly in regions including Eastern Europe, Africa and Latin America. As at 31 December 2016, CITIC Construction has expanded its business to 16 countries and regions, with Africa as its largest market. By leveraging on its existing projects, CITIC Construction has engaged in in-depth development of two key markets, Angola and Venezuela, while developing businesses in various overseas markets including Belarus, where it is constructing an auto assembly line for Chinese automaker Geely, Kazakhstan, where it has signed a road rehabilitation project, Thailand, where it is exploring large-scale private public partnership projects, Myanmar, where it has signed a substation upgrade project, and the United Kingdom, where it has diversified its project portfolio by signing an EPC building contract with ABP (London) Ltd. to redevelop London's Royal Albert Dock into the "Asian Business Port", a new financial district, representing a total project value of £1.9 billion.

Major projects

The following table sets out the representative domestic and international engineering contracting projects of CITIC Construction:

Project	**As at 31 December 2016**	
	Contract Value	**Progress (Approximate percentage)**
	(in millions of US$)	
Air Force and Navy Commercial Headquarters Building Project, Venezuela	760	44% complete
Desalination Plant Project, Venezuela	130	14% complete
Substation Project, Myanmar	18	56% complete
Geological Study Project, Angola	77	19% complete
Geely Automobile Production Line Project, Belarus	290	92% complete
Road Rehabilitation Project, Kazakhstan	936	Field survey, investigation, and design ongoing
Phase 1, Royal Albert Dock Project, the U.K.	272	Scheduled to commence construction in second quarter 2017

Engineering design

The engineering design business is operated by CITIC Engineering, a wholly owned subsidiary of CITIC Limited incorporated in 2013.

CITIC Engineering was formed through the integration of CITIC General Institute of Architectural Design and Research Co., Ltd. ("**CADI**") and Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd. ("**CSMDI**"). CADI was incorporated in 1990 and is a wholly owned subsidiary of CITIC Limited. CADI's principal businesses include infrastructure design, urban planning, engineering consulting, design, supervision, general contracting, project management and other businesses. CSMDI was incorporated in 1991 and was directly affiliated with the former Ministry of Construction. CSMDI is a wholly owned subsidiary of CITIC Limited, and its principal businesses include municipal infrastructure, urban planning, municipal engineering planning, engineering survey, project supervision, general contracting, project management and other businesses. CSMDI was granted premium-class engineering design certification in 2015.

CITIC Engineering transformed its business model in 2016, adding investment and EPC services to its historical core in municipal engineering design and management. In the fields of urban planning and architectural design as well as municipal engineering design, CITIC Engineering owns a number of patents and has participated in setting a number of national standards, it is a leading municipal engineering design institute in the PRC.

Real Estate

The real estate business of CITIC Limited Group includes development, sales, operation and management of residential, commercial and integrated property projects in the PRC and in Hong Kong.

The following table sets out the financial information of CITIC Limited Group's real estate business for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Net Profit Attributable to Ordinary Shareholders	Revenue	Net Profit Attributable to Ordinary Shareholders
	(in millions of HK$)			
Real Estate	6,025	4,137	4,900	12,111

The revenue from the real estate business of CITIC Limited Group for the years ended 31 December 2016 and 31 December 2015 amounted to HK$4,900 million and HK$6,025 million, respectively, representing 1.3 per cent. and 1.5 per cent. of the total revenue of CITIC Limited Group, respectively. The profit before tax for the years ended 31 December 2016 and 31 December 2015 were HK$3,676 million (including a gain of HK$10.3 billion from the China Overseas Transaction) and HK$3,448 million, respectively, representing 5.2 per cent. and 4.4 per cent. of profit before tax of CITIC Limited Group, respectively.

CITIC Limited Group restructured its property business by aligning its property business with China Overseas Land and Investment Limited ("**China Overseas**") in 2016. CITIC Limited Group disposed of certain interests in PRC residential real estate projects to China Overseas in consideration for shares to be issued by China Overseas.

Completion of the China Overseas Transaction took place on 15 September 2016. The final consideration agreed on by CITIC Limited and China Overseas was HK$37,080,452,621. China Overseas allotted shares with a total value of HK$29,724,174,778, representing approximately 10 per cent. of the enlarged share capital of China Overseas as at the date of completion and transferred a portfolio of commercial properties owned by China Overseas to a wholly-owned subsidiary of CITIC Limited, at a total value of HK$7,356,277,843 based on the valuation results of such properties filed with the relevant PRC supervisory authority(ies).

With the refocusing of the real-estate business, CITIC Limited has been aggressively pursuing new commercial opportunities in first and second tier mainland Chinese cities such as Wuhan.

The following sets out the key projects and major development properties of CITIC Limited Group:

Projects	Usage	Ownership	Area under construction and area to be developed (m^2)
Zhongguo Zun, Beijing	Office	100%	437,000
Lujiazui Harbour City, Shanghai	Office, residential, hotel and retail	50%	872,800
CITIC Pacific Technology and Fortune Square, Shanghai	Office and retail	50%	238,629
CITIC Coast New Town, Shantou	New town	51%	168,000,000
Chengdu Tianfu New Area, Chengdu	Exhibition	100%	537,000
KADOORIA, Hong Kong	Residential	100%	14,200
Lok Wo Sha, Hong Kong	Residential	100%	21,000
Discovery Bay, Hong Kong	Residential, retail and hotel	50%	155,600

The Hong Kong investment property portfolio provided stable rental income for the year ended 31 December 2016, with an overall occupancy rate of approximately 97 per cent. The following sets out CITIC Limited Group's major investment properties.

Major Investment Properties

Projects	Usage	Ownership	Approx. gross area (m^2)
Zhongguo Zun, Beijing	Office	100%	137,000
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

Other Businesses

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's other businesses for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Net Profit Attributable to Ordinary Shareholders	Revenue	Net Profit Attributable to Ordinary Shareholders
	(in millions of HK$)			
CITIC Telecom[(1)]	8,350	802	7,699	850
AsiaSat[(2)]	1,311	440	1,272	430
Dah Chong Hong[(3)]	44,803	570	46,462	511
CITIC Environment	1,515	(191)	3,124	219
CITIC Press	944	126	1,143	148
COHC[(4)]	1,606	211	1,371	101

Notes:

1 CITIC Limited held 60.24 per cent. equity interest in CITIC Telecom as at 31 December 2016.

2 CITIC Limited held 37.59 per cent. equity interest in AsiaSat as at 31 December 2016.

3 CITIC Limited held 56.07 per cent. equity interest in Dah Chong Hong as at 31 December 2016.

4 CITIC Limited held 19.71 per cent. equity interest in COHC as at 31 December 2016.

The revenue generated from the other businesses of CITIC Limited Group for the years ended 31 December 2016 and 31 December 2015 were HK$64,723 million and HK$63,348 million respectively, representing 17.0 per cent. and 16.0 per cent. of CITIC Limited Group's total revenue, respectively. Profit before tax generated from CITIC Limited Group's other businesses for the years ended 31 December 2016 and 31 December 2015 were HK$4,947 million and HK$4,937 million, respectively, accounting for 7.0 per cent. and 6.3 per cent. of CITIC Limited Group's profit before tax, respectively.

Information services

CITIC Limited provides services in two areas – mobile telecommunications, Internet, international telecommunications, enterprise solutions and fixed line services operated by CITIC Telecom; and the leasing and sale of satellite transponders operated by AsiaSat.

CITIC Telecom

The following table sets out CITIC Telecom's revenue by services for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	Revenue	Percentage	Revenue	Percentage
	(in millions of HK$, except percentages)			
Mobile sales and services	3,498	41.9	2,858	37.1
Internet services	833	10.0	922	12.0
International telecommunications services	1,555	18.6	1,341	17.4
Enterprise solutions	2,107	25.2	2,256	29.3
Fixed line services	357	4.3	322	4.2
Total	8,350	100.0	7,699	100.0

As at 31 December 2016, CITIC Limited owns 60.24 per cent. of CITIC Telecom, which is a telecommunications operator in Asia providing international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services (in Macau), and through its wholly-owned subsidiary CITIC Telecom International CPC Limited, has established numerous Points-of-Presence ("**PoPs**") around the world (especially in the Asia-Pacific region) to provide data and telecoms services (including VPN, Cloud, network security, co-location, Internet access, etc.) to multinational corporations. CITIC Telecom's key markets are the PRC, Macau and Hong Kong. CITIC Telecom is listed on the Hong Kong Stock Exchange.

CITIC Telecom also owns 99 per cent. of Companhia de Telecomunicacoes de Macau, S.A.R.L., one of the leading integrated telecoms services providers in Macau, and is the only full telecoms services provider in Macau.

On 24 August 2015, CITIC Group and CITIC Telecom entered into an acquisition arrangement whereby CITIC Group proposed to sell and CITIC Telecom proposed to bid (or to procure its subsidiary including CITIC Telecom International CPC Limited to bid) for, in an open tender process at China Beijing Equity Exchange (北京產權交易所), up to 39 per cent. equity interest in CITIC Networks Company Limited from CITIC Group. The maximum consideration proposed under the agreement is not expected to exceed RMB1,287 million.

In connection with the acquisition CITIC Group and CITIC Telecom entered into a share subscription agreement on 24 August 2015, whereby CITIC Group has conditionally agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 new shares of CITIC Telecom at the subscription price of HK$3.00 per subscription share, subject to the terms and conditions of the share subscription agreement. The total consideration of the share subscription is not expected to exceed HK$1,562,139,658. According to the acquisition arrangement, unless a later date is agreed, 30 June 2017 is the latest date on which completion of the relevant acquisition and share subscription can take place. As of the date of this Offering Circular, it cannot be determined whether all relevant approvals can be obtained. Accordingly, the acquisition will be terminated on 30 June 2017 in accordance with the terms of the acquisition arrangement unless all relevant approvals are obtained or a later date for completion is agreed.

AsiaSat

CITIC Limited Group's satellite transponder leasing and sales business is operated by its jointly controlled entity, AsiaSat. As at 31 December 2016, Bowenvale Limited held a 74.43 per cent. of equity interest in AsiaSat, and CITIC Corporation held a 50.5 per cent. equity interest in Bowenvale Limited. AsiaSat is not consolidated as a subsidiary of CITIC Limited.

AsiaSat's business includes the leasing and sale of satellite transponders to customers, broadcasting, communications and data uploading and downloading services A service fee is charged based on the number of transponders leased or usage volume The satellites owned and operated by AsiaSat provide high performance satellite transponder resources and services for its television broadcasting and communications users, and are capable of satisfying customer demands for a fast and efficient satellite communications network.

Dah Chong Hong

As at 31 December 2016, CITIC Limited owns 56.07 per cent. of Dah Chong Hong (HK: 1828), which is a Hong Kong based conglomerate with a diversified business portfolio. CITIC Limited is involved in the sales of motor vehicles and associated services, food and consumer products, supported by its logistics services. In 2016, Dah Chong Hong acquired Li & Fung Limited's consumer and healthcare distribution business in Asia. Dah Chong Hong's networks cover Hong Kong, Macau, the PRC, Taiwan, Japan, Myanmar, Singapore and other Southeast Asia countries.

Infrastructure investment and management

CITIC Limited Group operates and invests in the infrastructure business, which includes expressway and port terminal projects, mainly through CITIC Industrial Investment. CITIC Industrial Investment was incorporated in 1997 and as at 31 December 2016, was a wholly owned subsidiary of CITIC Limited. CITIC Industrial Investment's principal businesses include industrial investment and other businesses.

CITIC Industrial Investment currently operates three expressways projects including the Chongqing segment of the Chongqing-Guizhou Expressway, the Shanghai-Chongqing Expressway (downtown Chongqing-Fuling segment of the Chongqing Riverside Expressway) and the Chongqing segment of the Chengdu-Chongqing Expressway. The expressways are operated through the business models of TOT and BOT. Revenue from this business is mainly generated from vehicle tolls.

The following table sets out the main expressway projects operated by CITIC Industrial Investment:

Project	Concession Period	Equity Interest held by CITIC Industrial Investment
Chongqing-Guizhou Expressway	30 years (17 March 2007 – 16 March 2037)	60%[(1)]
Shanghai-Chongqing Expressway.	30 years (23 December 2013 – 23 December 2043)	60%[(2)]
Chengdu-Chongqing Expressway	25 years (23 December 1999 – 22 December 2024)	49%[(3)]

Notes:

1 Chongqing-Guizhou Expressway, 20 per cent. of whose equity interest is owned by CITIC Industrial Investment (Ningbo) and 40 per cent. is owned by CITIC Infrastructure Investment Co., Ltd. CITIC Infrastructure Investment Co., Ltd. is a wholly-owned subsidiary of CITIC Industrial Investment.

2 Shanghai-Chongqing Expressway, 20 per cent. of whose equity interest is owned by CITIC Construction and 40 per cent. is owned by CITIC Infrastructure Investment Co., Ltd.

3 Chengdu-Chongqing Expressway, 49 per cent. of whose equity interest is owned by CITIC Infrastructure Investment Co., Ltd.

CITIC Industrial Investment also invests in and operates the port terminal projects through acquisitions and constructions. 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. The port operation of CITIC Industrial Investment is positioned in oil port warehousing business, providing services to companies engaged in petrochemical production, trade and logistics. The oil port warehousing business consists of loading/unloading and warehousing business. The loading/unloading business consists of providing loading and unloading services to customers in CITIC Industrial Investment's ports, thereby charging loading and unloading fees. The warehousing business consists of providing warehousing services to customers after transporting their goods through special transportation channels to the storage tanks, thereby charging storage fees.

The following table sets out the main port terminal projects operated by CITIC Industrial Investment:

Project	Project Type	Equity Interest held by CITIC Industrial Investment
Ningbo Daxie PetroChina Fuel Oil Terminal Co., Ltd. (300,000 tonne grade)	Oil terminal	51%
Ningbo Daxie Guanwai Liquefied Chemical port terminal (50,000 tonne grade)	Chemical terminal	51%
Ningbo Daxie Gangfa oil port terminal (50,000 tonne grade)	Oil terminal	20%
Ningbo Daxie China Merchants International Container Terminal	Container terminal	20%
Ningbo Daxie Development Zone Xinhai Oil Terminal Co, Ltd.	Oil storage	30%
Ningbo Daxie Development Zone Xinyuan Port Terminal Co, Ltd (under construction)	Oil terminal	51%
Ningbo Xinrun Petrochemical Storage and Transportation Co., Ltd (50,000 tonne grade, under construction)	Petrochemical storage	90%

Tunnels

CITIC Limited owns 35 per cent. equity stake in Western Harbour Tunnel Company Limited, which operates and manages the Western Harbour Tunnel Company Limited. This tunnel is one of three tunnels linking the island of Hong Kong to Kowloon.

The concession to operate the Western Harbour Tunnel will expire in 2023.

Environmental Services

CITIC Environment Investment Group ("**CITIC Environment**") specialises in the investment and management of environmental-related businesses. It focuses on three major sectors, namely water treatment, solid waste treatment and energy saving services.

In 2015, CITIC Environment successfully acquired Singapore's leading water treatment company United Envirotech Ltd and became its controlling shareholder. United Envirotech Ltd was later renamed CITIC Envirotech Ltd ("**CITIC Envirotech**"). CITIC Envirotech was established in 2003 and listed on the Main board of the Singapore Exchange Securities Trading Limited in 2004. It is an integrated water and wastewater treatment solutions provider with a business model covering the whole industrial chain, including EPC, membrane technology and water investment divisions. In addition, CITIC Envirotech has leading technologies in relation to the research, production and integration processes of a water purifying membrane that integrates membrane bioreactor, continuous membrane filtration, reverse osmosis and other technologies. The business focus of CITIC Envirotech is on the water and wastewater segment mainly in relation to the municipal, chemical and petrochemical fields and industrial parks in the PRC. In addition, CITIC Environment has also started strategic development in the solid waste treatment sector, such as providing soil remediation services. In 2016, CITIC Environment brought in a new strategic investor, China Reform Fund, for CITIC Envirotech. China Reform Fund is currently the second largest shareholder of CITIC Envirotech.

In the solid waste treatment sector, CITIC Environment became the second largest shareholder of Chongqing Sanfeng Environmental Industrial Group Co., Ltd. ("**Chongqing Sanfeng**"), after acquiring 13.58 per cent. of its shares in 2016. Chongqing Sanfeng is a vertically integrated solid waste treatment company which specialises in each of the design, investment, manufacture and construction and management phases of solid waste treatment.

As at the end of 2016, CITIC Envirotech had won 21 EPC, Build-Operate-Transfer ("**BOT**") or Transfer-Operate-Transfer projects in the PRC and other major economies in the PRC government's The Silk Road Economic Belt and the 21st-century Maritime Silk Road initiative.

Modern Agriculture

CITIC Limited is working to establish a modern agricultural production regime to upgrade the upstream agricultural industry. It will do so by leveraging its big data platform to address three major areas of demand related to new types of agricultural production associated with science, technology and agricultural services.

In January 2016, CITIC Limited officially became the largest and controlling shareholder of Yuan Longping High-tech Agriculture Co., Ltd. ("**Longping High-Tech**"), one of the major companies in China producing grain, vegetable and fruit seeds and a leader in the breeding and distribution of hybrid rice. Longping High-Tech is listed on the Shenzhen Stock Exchange. Through the acquisition, CITIC Limited aims to accelerate the consolidation of domestic farming industry and the strategic development of international market. In June 2016, CITIC Agri Fund Management Co., Ltd. was jointly established by CITIC Agriculture, Longping High-Tech and two other listed agricultural companies. CITIC Agri Fund (Limited Partnership) is the first domestic partnership established by CITIC Agri Fund Management Co., Ltd. to invest in the agriculture.

Publishing

CITIC Limited Group's publishing business is operated through its subsidiary, CITIC Press. CITIC Press holds all required licenses for publishing, distribution and retail granted by the State Administration of Press, Publication, Radio, Film and Television.

As at 31 December 2016, CITIC Press was officially listed on the National Equities Exchange and Quotations becoming the first listed state-owned company in the publishing industry. On 26 May 2017, CITIC Limited announced that CITIC Press has submitted an application to the China Securities Regulatory Commission ("**CSRC**") for the listing of its shares on the Growth Enterprise Market of the Shenzhen Stock Exchange (the "**Proposed Spin-off**") and received the letter of acknowledgement issued by CSRC on 26 May 2017. CITIC Limited had submitted an application in relation to the Proposed Spin-off to Hong Kong Stock Exchange.

CITIC Press had 73 airport bookstores in China. In addition, CITIC Press operated six office building bookstores. It has also established a preliminary online bookstore system and successfully operates the official flagship of CITIC Press and online bookstores on several e-commerce platforms, such as Tmall.com, JD.com and Amazon China.

General aviation

CITIC Limited Group's general aviation business is primarily operated through its subsidiary, COHC, and provides general aviation services (offshore helicopter oil flight services and other general aviation flight services) and general aviation maintenance services. As at 31 December 2016, CITIC Limited held a 51.03 per cent. equity interest in China Zhonghaizhi Corporation, which held a 38.63 per cent. of equity interest in COHC.

In 2016, COHC further expanded into the helicopter escrows market with an increasing number of helicopters in its escrow.

COHC's main operational base is in Shenzhen, and has operations bases in Zhuhai, Zhanjiang, Dongfang, Zhoushan, Tianjin. Its bases cover markets in the South China Sea, the East China Sea, the Bohai Sea, the Yangtze River Delta, the Pearl River Delta, and Beijing-Tianjin Region. COHC also operates Airbus Helicopters, an authorised helicopter repair centre in China.

The McDonald's Acquisition and the franchise

On 9 January 2017, CITIC Limited announced that CITIC Limited, CITIC Capital China Partners III, L.P. ("**CITIC Capital**") and Carlyle Asia Partners IV, L.P. ("**Carlyle**") propose to acquire a controlling interest in McDonald's PRC and Hong Kong businesses (the "**McDonald's Acquisition**") through Grand Foods Investment Holdings Limited (the "**Purchaser**", being an indirect non-wholly-owned subsidiary of CITIC Limited).

The Purchaser entered into a sale and purchase agreement (the "**SPA**") on 9 January 2017 with, among others, McDonald's China Holdings Limited ("**MCHL**") and Golden Arches Investments Limited ("**GAIL**" and together with MCHL, the "**Sellers**", being subsidiaries of McDonald's Corporation) for the acquisition of the entire issued share capital of McDonald's China Management Limited (the "**Target**" and together with its subsidiaries, the "**Target Group**"), at a total consideration of up to U.S.$2,080 million (equivalent to approximately HK$16,141 million). The consideration for the McDonald's Acquisition will be settled partly by way of cash and partly by way of new shares in Grand Foods Holdings Limited ("**Holdco**"), being the intermediate holding company of the Purchaser, to be issued to GAIL.

Upon closing of the McDonald's Acquisition ("**Closing**"), the Target will be owned by Fast Food Holdings Limited (which is in turn indirectly owned as to approximately 61.54 per cent. and 38.46 per cent. by CITIC Limited and CITIC Capital, respectively), Carlyle and GAIL as to 52 per cent., 28 per cent. and 20 per cent., respectively. The Target will become an indirect non-wholly-owned subsidiary of CITIC Limited upon Closing. Whilst CITIC Limited will acquire a controlling interest in the Target at Closing, CITIC Limited's attributable economic interest (on a see through basis) in the Target will be 32 per cent. (after accounting for all minority interests). CITIC Limited's exposure to the consideration payable for the McDonald's Acquisition will only be up to U.S.$665.6 million (equivalent to approximately HK$5,165 million), which represents CITIC Limited's attributable economic interest of 32 per cent. in the Target.

Subject to Closing, the Target Group will be granted a master franchise to operate McDonald's restaurants in the PRC and Hong Kong for a term of 20 years pursuant to two master franchise agreements which will commence from Closing.

Upon Closing, the board of directors of the Target will comprise of representatives from CITIC Limited, CITIC Capital, Carlyle and McDonald's. The existing management team of McDonald's will remain in the Target Group after the Closing.

Reasons for and benefits of the McDonald's Acquisition and the franchise

The PRC's consumer sector is growing rapidly, benefiting from continued urbanisation, an expanding middle class and increasing disposable household incomes. The PRC's working population is larger than those of the United States and Europe combined, yet spending levels of the PRC's middle class are a small fraction of those in more developed countries. As disposable incomes rise, people will continue to spend more on leisure and on dining out, and there is particularly great growth potential in tier 3 and 4 cities. As such, the market for western quick service restaurants is expected to continue to grow rapidly.

This investment offers a chance to deepen CITIC Limited's exposure to the consumer sector, which is poised to be the main driver of the PRC's economy for decades to come. This transaction is also another step in CITIC Limited's efforts to better balance its financial and non-financial businesses. CITIC Limited sees opportunities for synergies with its existing businesses. McDonald's extensive network and consumer base will provide CITIC Limited with invaluable insight, which CITIC Limited will leverage to the benefit of its existing businesses.

Employee and Human Resources

CITIC Limited Group (including CITIC Corporation) had 127,610 employees as at 31 December 2016.

Intellectual Properties

CITIC Limited Group strongly emphasises the establishment, application, administration and protection of intellectual property rights. Through research, development and application in its ordinary course of business, CITIC Limited Group has obtained various intellectual property rights which add enormous value to CITIC Limited Group s businesses.

"", "CITIC" and "中信" trademarks, trademarks containing words or patterns of "中信", "CITIC" and "", and trademarks of variant design on words or patterns of "中信", "CITIC" and "" are all applied for registration by CITIC Group

CITIC Group has entered into trademark licensing agreements with CITIC Limited and its related subsidiaries, pursuant to which CITIC Group has authorised CITIC Limited and its related subsidiaries to use the trademarks above in the names and business activities. The transactions under the trademark licensing agreements will constitute continuing connected transactions of CITIC Limited upon Completion. Given that the transactions contemplated under trademark licensing agreements are without consideration, according to Rule 14A.33(3)(a) of the Listing Rules, the transaction is exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Legal and Regulatory Proceedings

CITIC Limited Group may be involved in legal and/or regulatory proceedings or disputes in the ordinary course of business. There are also a number of claims currently outstanding by or against the CITIC Limited Group. While the outcome of such claims cannot be readily predicted, CITIC Limited believes that such claims will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the CITIC Limited Group.

CITIC Limited Group's operations in the PRC are subject to review and inspections by relevant governmental authorities, including MOF, PBOC, CBRC, CSRC, CIRC, the State Administration of Foreign Exchange, the National Audit Office, State Administration of Taxation and State Administration for Industry and Commerce. As at the date of the Offering Circular, CITIC Limited Group was not aware of any material administrative penalties caused by the review or inspections conducted by such government departments that would have a material adverse effect on the business, financial condition, results of operations or prospects.

Qualifications

Major domestic subsidiaries of CITIC Limited have acquired all the major licenses, permissions and accords that are necessary to conduct their major business.

Litigation and arbitration

As at the date of the Offering Circular and as part of its ordinary course of business, CITIC Limited Group was involved in a number of unresolved litigations and arbitrations. CITIC Limited Group was a plaintiff or claimant in the significant majority of these material unresolved litigations. Such proceedings mainly relate to disputes on loan agreements, guarantee agreements, bills, agreements of construction projects, bankruptcy reorganisation, loan fraud and other agreements.

CITIC Limited Group was a defendant in a number of other unresolved litigations and due to the nature of litigation, the aggregate amount in dispute involved in such claims is difficult to quantify.

Litigation proceedings in relation to which announcements have been made by CITIC Limited Group (either itself or through the relevant subsidiary) previously which may or may not be material depending the outcome (which cannot be readily predicted as at the date of the Offering Circular), include the following:

CITIC Resources proceedings

(1) In August 2014, CITIC Resources, a subsidiary of CITIC Limited Group, noted from an announcement issued by 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("**Shanxi Coal Int'l**") that 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 Shanxi Coal Int'l, commenced a claim (the "**Claim A**") in 山西省高級人民法院 (Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of CITIC Resources. Shanxi Coal I/E is claiming from CACT (i) the sum of U.S.$89,755,000 (approximately HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Claim A.

    In January 2017, the Shanxi Court has ruled Claim A be transferred to the Public Security Bureau pursuant to Article 12. Any remedy Shanxi Coal I/E may have in respect of the aluminium ingots that are the subject of Claim A will be determined in accordance with the PRC's criminal legal procedures. Following its transfer to the Public Security Bureau, Claim A has terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Claim A.

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (ii) claiming the amount of U.S.$27,890,000 (approximately HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Claim B**").

CACT considers Claim B to be baseless and the purported submission to arbitration by the ICC wrongful. CACT has not entered into the Contracts as alleged by Shanxi Coal I/E. Accordingly, no provision was made in respect of Claim B.

(3) In August 2014, CITIC Resources noted from an announcement issued by Qingdao Port International Co., Ltd. (the "**Qingdao Port Announcement**") that a legal complaint dated 14 July 2014 (the "**Legal Proceedings**") had been issued by ABN AMRO Bank N.V., Singapore Branch ("**ABN AMRO**") against CACT.

According to the Qingdao Port Announcement, ABN AMRO had, among other things, issued the Legal Proceedings alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claims it had been granted a pledge (the "**Subject Cargo**") and is seeking an order that (i) CACT compensate ABN AMRO for loss of CNY1,000,000 (approximately HK$1,193,000), (ii) CACT withdraw its asset protection order over the Subject Cargo, and (iii) CACT bear all fees and legal costs of the Legal Proceedings.

In October 2016, CITIC Resources noted from an announcement issued by Qingdao Port International Co., Ltd. that ABN AMRO had withdrawn the Legal Proceedings.

The Hong Kong Securities and Futures Commission (the "SFC") Investigation

Following CITIC Limited's announcement of a foreign exchange related loss, on 22 October 2008, the SFC announced that it had commenced a formal investigation into the affairs of CITIC Limited. 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 had announced on 11 September 2014 that it had commenced proceedings in the Court of First Instance of the High Court of Hong Kong and the Market Misconduct Tribunal (the "MMT Proceedings"), respectively, against CITIC Limited and five of its former executive directors. In summary, the SFC alleged that CITIC Limited and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about CITIC Limited's financial position in connection with losses that CITIC Limited had suffered through its investment in the leveraged foreign exchange contracts.

The hearing in the MMT Proceedings was completed in July 2016. On 10 April 2017, the Market Misconduct Tribunal handed down its decision determining that, in the publication of CITIC Limited's circular on 12 September 2008, no market misconduct within the meaning of section 277(1) of the Securities and Futures Ordinance (Cap. 571) took place. The time limits for appeal have expired.

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 proceedings and investigations being made available to CITIC Limited and due to the inherent difficulties involved in attempting to predict the outcome of such proceedings and investigations and in assessing the possible findings, the directors of CITIC Limited do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such proceedings and investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be.

Material Disputes with Mineralogy in relation to the Sino Iron Project

Each of Sino Iron Pty Ltd ("**Sino Iron**") and Korean Steel Pty Ltd ("**Korean Steel**"), subsidiary companies of CITIC Limited, is a party to a Mining Rights 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.

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on ore mined (the "**Royalty Component A**") and concentrate produced (being Royalty Component B, as defined below). The MRSLAs also provide that, unless certain exceptions apply, a minimum production royalty (the "**Minimum Production Royalty**") is payable to Mineralogy by each of Sino Iron and Korean Steel where a minimum production level is not achieved by a specified date.

Due to changes in the way in which seaborne-traded iron ore is priced, CITIC Limited considers that it is no longer possible to calculate Royalty Component B. Mineralogy and its related companies have commenced a number of proceedings against CITIC Limited, Sino Iron, Korean Steel, Sino Iron Holdings Pty Ltd and certain officers of those companies containing or derived from claims for Royalty Component B and/or the Minimum Production Royalty. To the extent those proceedings have not been determined, permanently stayed or dismissed, they are being vigorously contested by CITIC Limited Group. A trial in the Royalty Component B proceeding has been provisionally listed to commence on 14 June 2017 and to run 15 sitting days.

CITIC Limited Group does not consider that a reliable estimate can be made of the amount of any potential liability for Royalty Component B arising from the Royalty Component B proceeding and, therefore, no provision has been recognised in the financial statements.

There are a number of ongoing disputes with Mineralogy. Set out below are the details of those disputes considered to be material.

- *Option Agreement Dispute*

  CITIC Limited is a party to an option agreement (the "**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. CITIC Limited 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 CITIC Limited, purported to accept that repudiation and stated that the Option Agreement was at an end.

  CITIC Limited (and its affected subsidiaries, Sino Iron and Korean Steel) commenced legal proceedings in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by CITIC Limited, including that it had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr. Palmer.

  Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from CITIC Limited's exercise of the first option under the Option Agreement. On 31 March 2016, CITIC Limited, Sino Iron and Korean Steel commenced a proceeding in the Supreme Court of Western Australia to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. No trial date has been set for this proceeding.

- *Royalties Disputes*

  The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which (the "**Royalty Component B**") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products (the "**annual benchmark prices**"). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

  On 20 November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and CITIC Limited (together, for the purpose of this application, the "**CITIC Parties**") to pay to Mineralogy royalties under the MRSLAs. The application was heard in December 2015 by Justice Tottle. His Honour dismissed the application. Mineralogy appealed the decision at first instance and on 27 June 2016 the appeal was unanimously allowed and orders made for the injunction application to be remitted for rehearing.

  The remitted injunction application was heard in October 2016 by Justice Kenneth Martin and judgment was delivered in Mineralogy's favour in December 2016. Pursuant to Justice Martin's judgment, his Honour made injunction orders to the effect that Sino Iron and Korean Steel were to pay on an interlocutory basis pending final judgment (a) by 30 January 2017, into Court the sum of

U.S.$10,690,270.50 (or the Australian dollar equivalent) to abide further orders of the Court, and to Mineralogy, the same sum; (b) subject to Mineralogy demonstrating it is ready, willing and able to perform its obligations under the MRSLAs and amending its Statement of Claim to withdraw claims the MRSLAs had been terminated, by 28 February 2017, into Court the sum of U.S.$29,801,812.50, and to Mineralogy, the same sum; and (c) in respect of each quarter from 30 June 2016 in arrears, into Court, amounts assessed as a payment of U.S.$6/DMT of iron ore concentrate shipped, the payments in respect of the quarters ended September 2016 and December 2016 to be paid by 31 March 2017.

The CITIC Parties have appealed the injunction orders made by Justice Kenneth Martin for Korean Steel and Sino Iron to pay monies to Mineralogy and into Court. The appeals were heard on 8 March 2017. On 20 April 2017, the Court of Appeal allowed the appeals on all grounds. The Court of Appeal ordered that the payment orders be set aside and all monies paid into Court by Sino Iron and Korean Steel pursuant to the orders be paid back. The Court of Appeal dismissed Mineralogy's application for interlocutory mandatory injunction.

The trial in this proceeding is provisionally listed to commence on 14 June 2017 and is set to run for 15 sitting days.

- *Port Dispute*

Sino Iron and Korean Steel have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it, that it is entitled to possession, control and ownership of that infrastructure and that the facilities deeds between the parties which regulate usage of the port infrastructure have been terminated by it.

The matter was heard by the Federal Court of Australia in June 2015. The Court's reasons for its decision were handed down in August 2015. The Court refused to grant any of the relief sought by Mineralogy. The effect of the decision was to preserve the status quo in relation to the operation of the port facilities which continue to be operated by or on behalf of Sino Iron and Korean Steel.

Mineralogy appealed the decision at first instance. The appeal was heard from 9 to 12 May 2016. On 30 March 2017, the Full Court of the Federal Court of Australia handed down its unanimous decision dismissing the appeal. The Full Court held that Mineralogy was not entitled to a declaration that it was the owner of the port terminal facilities and found that the primary judge was correct in concluding that the CITIC Parties were solely responsible for the operation and maintenance of the port terminal facilities. The Full Court held that the termination notices issued in November 2014 and relied upon by Mineralogy in the appeal were ineffective.

On 2 May 2017, Mineralogy served an application for special leave to appeal to the High Court of Australia to the CITIC Parties, in respect of the decision of the Full Court. There is no automatic right of appeal to the High Court and special leave is required. As of the date of this Offering Circular, it is not possible for CITIC Limited to predict when the High Court will decide on the special leave application.

Investigations in relation to CITIC Securities

On 24 May 2017, CITIC Securities noted in an announcement on Hong Kong Stock Exchange with reference to previous announcements issued by it dated 26 November 2015 and 29 November 2015 that it was under investigations by CSRC for the suspected failure to execute business contracts with its customers in accordance with the relevant regulations in the conduct of its margin financing and securities lending business. CITIC Securities received on 24 May 2017, the Prior Notification Letter of Administrative Penalty. CSRC proposed to order CITIC Securities to make rectification for the acts of the two employees involved, issue a warning to CITIC Securities, confiscate illegal proceeds of RMB61,655,849.78 and impose a fine of RMB308,279,248.90 on CITIC Securities. The CSRC also proposed to issue warnings and impose fines on each of the employees. In the two years following such event, CITIC Securities has continued to improve the relevant internal control mechanism under the guidance of regulatory institutions. In the future, CITIC Securities will further strengthen the management of daily operation and launch all businesses in accordance with laws and regulatory requirements. At present, CITIC Securities represented it was under normal operation.

Tax dispute

In 2014, the Kazakhstan tax authorities completed a tax inspection on a subsidiary of a joint venture company of CITIC Resources (the "**JV**") in respect of transfer pricing for the five years from 2008 to 2012. As a result, the tax authorities issued a tax assessment for KZT12,263,596,000 (approximately HK$284,981,000) on the JV. In 2015, CITIC Resources made full provision for its share, being HK$132,070,000.

In 2016, the final appeal was concluded and the tax assessment on the JV was cancelled. CITIC Resources wrote back the provision made previously of HK$167,347,000.

In 2014, the Kazakhstan tax authorities also completed an integrated tax inspection on the JV (in addition to the tax inspection referred to above) for the four years from 2009 to 2012. As a result, the tax authorities issued a tax assessment of KZT4,492,047,000 (approximately HK$104,386,000) on the JV and CITIC Resources' share was HK$49,390,000. The JV made a provision for the amount of the tax assessment it had agreed with the tax authorities, being KZT633,851,000 (approximately HK$14,729,000), of which CITIC Resources' share was HK$6,970,000. The JV applied to the State Revenue Committee of the Ministry of Finance of Kazakhstan requesting a reconsideration of the remaining amount under the tax assessment (the "**Remaining Amount**").

In 2015, JV made a further provision of KZT2,069,789,000 (approximately HK$48,098,000), of which CITIC Resources' share was HK$22,758,000.

In 2016, in respect of the Remaining Amount, the tax authorities issued a revised tax assessment of KZT2,146,970,000 (approximately HK$48,891,000). Based on advice from the JV's legal counsel, the JV had justifiable arguments for its tax position. Following the receipt of the revised tax assessment, the JV made an appeal to the Specialized Court Board of the Court of Astana City, but the appeal was concluded with an unfavourable decision. The JV made a further appeal to the Specialized Court Board of the Supreme Court of Kazakhstan but the decision was again unfavourable. The JV lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan (the "**Supreme Court**") but the court declined to review the appeal. The JV is considering making an appeal to the General Prosecutor's Office of Kazakhstan on the decision of the Supreme Court.

Administrative proceedings and penalties

As at the date of the Offering Circular, CITIC Limited Group was not aware of any material ongoing administrative penalties against it. From 1 January 2012 to 31 December 2015, none of the subsidiaries of CITIC Limited was involved in any material administrative violations, proceedings or penalties that would have a material adverse effect on CITIC Limited Group's business, financial condition and results of operations.

Risk Management

In accordance with CITIC Limited Group's development strategy, CITIC Limited has established a risk management and internal control system covering all the business segments to identify, assess and manage various risks in CITIC Limited Group's business activities.

The risk management and internal control system of CITIC Limited Group 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 risk management and internal control system of CITIC Limited Group 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 Group, 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 Group, (ii) second line of defence comprised by the risk management functions of each level of CITIC Limited Group, and (iii) third line of defence comprised by the internal audit departments or functions of each level of CITIC Limited Group.

The asset and liability management committee ("**ALCO**") has been established to monitor financial risks of CITIC Limited Group and its member companies in accordance with the relevant treasury and financial risk management policies. CITIC Limited has relevant departments which are responsible for communicating and implementing ALCO's decisions to member companies, monitoring adherence and preparing relevant reports. All member companies of CITIC Limited Group have the responsibility for identifying and managing their financial risk positions effectively and report to ALCO on a timely basis, in accordance with the overall risk framework under the treasury and financial risk management policies and within the scope of authorisation.

CITIC Limited Group 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 CITIC Limited Group.

Corporate Governance

CITIC Limited 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.

Board composition and changes

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

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

On 20 December 2016, Mr Li Rucheng resigned from the board as a non-executive director of CITIC Limited.

Pursuant to Article 95 of the articles of association of CITIC Limited, Mr Song Kangle, Mr Li Rucheng, Mr Paul Chow Man Yiu and Ms Yan Shuqin who were appointed as directors of CITIC Limited during 2016, shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of CITIC Limited and then shall be eligible for re-election at such meeting. All of the above directors were re-elected at the annual general meeting of CITIC Limited held on 8 June 2016. Mr Li Rucheng subsequently resigned as a non-executive director of CITIC Limited with effect from 20 December 2016 due to his other work commitments.

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

Board committees

As at the date of this Offering Circular, the board had the following committees:

- An audit and risk management committee to oversee the relationship with the external auditor, and to review CITIC Limited's financial reporting, annual audit and interim report. The committee acts on behalf of the board in providing oversight of CITIC Limited's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews CITIC Limited's policies and practices on corporate governance.

- A nomination committee 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. It also reviews the structure, size, composition and diversity of the board.

- A remuneration committee to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options, pension rights, compensation payments (including any compensation payable for loss or termination of office or appointment) and other plans.

- A strategic committee to accommodate the strategic development of CITIC Limited and enhance its core competitiveness, make and implement the development plan of CITIC Limited, streamline the investment-related decision making procedures and procure well-advised and efficient decision making.

- A special committee to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, CITIC Limited and its directors, arising from the 2008 forex incident, including but not limited to by the Market Misconduct Tribunal, the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force.

The following is the composition of the five Board committees:

Board Committee / **Director**	**Audit and Risk Management Committee**	**Nomination Committee**	**Remuneration Committee**	**Special Committee**	**Strategic Committee**
Chang Zhenming		C			C
Wang Jiong		M			M
Li Qingping					
Pu Jian					
Yang Jinming			M		
Liu Yeqiao	M				
Song Kangle					M
Yan Shuqin		M			M
Liu Zhongyuan					
Yang Xiaoping	M				M
Francis Siu Wai Keung	C	M	M	M	
Xu Jinwu	M	M	M		
Anthony Francis Neoh	M	M	C		M
Lee Boo Jin		M			
Noriharu Fujita					M
Paul Chow Man Yiu			M		

Notes: C Chairman of the relevant Board committees

M Member of the relevant Board committees

Management Committees

Executive Committee

With effect from 22 November 2016, the executive committee is the highest authority of the management of CITIC Limited. The functions and powers of the executive committee include formulating CITIC Limited Group's material strategic plans and annual material investment and financing plans, reviewing CITIC Limited's annual business plan, financial plans and monthly reports and managing and monitoring CITIC Limited's core activities. It also has the power of appointing and dismissing personnel of key positions, which are not required to be appointed or dismissed by the Board and are of positions that rank below that of assistant to general manager. The executive committee also approves internal rules on the day-to-day operations of CITIC Limited and reviews and approves proposals to establish and adjust CITIC Limited's management and organisational structure.

Asset and Liability Management Committee ("ALCO")

The ALCO has been established as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of CITIC Limited. The principal responsibilities of the ALCO are to monitor and control the asset and liability financial position of CITIC Limited on a regular basis and to monitor and control the asset and liability structure, counterparties, currencies, interest rates, commodities and commitments and contingent liabilities of CITIC Limited. It also reviews financing plans and manages the cash flow of CITIC Limited on the basis of the annual budget and establishes hedging policies and approves the use of new financial instruments for hedging.

Competition

CITIC Limited Group's businesses face intense competition in each of its operating markets. Its financial services business faces competition from domestic and international commercial banks and other financial institutions; its engineering contracting business faces competition from global companies in the industry as well as the challenges from large Chinese state-owned enterprises and private companies; its real estate, resources and energy, manufacturing and other businesses face competition in terms of resources, technology, price and service.

Environment

CITIC Limited Group conducts engineering contracting, resource exploration, trading in relation to resources and mining, as well as other businesses in the PRC and overseas. In addition, export of machinery and auto parts and other products of CITIC Limited Group from the PRC are also growing. These businesses are subject to the PRC and the relevant country's environmental regulations and rules, and failure to comply with such environmental laws and regulations may adversely affect CITIC Limited Group's business operations.

The environment team within CITIC Limited Group's different subsidiaries are always working closely with and alongside regulators to ensure that the all projects obtained all the necessary approvals and fulfil all requirements before operation begins.

Insurance

CITIC Limited Group is covered by a range of insurance policies underwritten by reputable insurance companies for each of its businesses. Save as set out in the Risk Factors (see "*Risk factors – CITIC Limited Group's business may not be adequately insured"),* CITIC Limited Group believes that its operations and assets are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage.

Notwithstanding CITIC Limited Group's insurance coverage, damage to buildings, facilities, equipment, plants, mills, natural resource sites or other properties or assets as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons, earthquakes and other natural disasters could nevertheless have a material adverse effect on CITIC Limited Group's financial condition and results of operations.

DIRECTORS AND SENIOR MANAGEMENT OF CITIC LIMITED

Board of Directors and Senior Management of CITIC Limited

The board of directors of CITIC Limited currently has 16 directors, comprising four executive directors, six non-executive directors and six independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise three-fourths of the board, of which independent non-executive directors represents at least one-third of the board, as required under Rule 3.10A of the HKSE Rules.

Board of directors

CHANG Zhenming (Executive Director and Chairman)

Age 60: Mr Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for CITIC Limited. From 2000 to 2005, he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of CITIC Limited. Mr Chang is the chairman of the executive committee, the nomination committee and the strategic committee. He is also the chairman of CITIC Group, CITIC Corporation Limited and CITIC Hong Kong (Holdings) Limited, the vice chairman of CITIC International Financial Holdings Limited and a non-executive director of CITIC Bank. He was the chairman of the board of CITIC Bank, the vice chairman and president of China Construction Bank, a non-executive director and deputy chairman of Cathay Pacific Airways Limited and a non-executive director of China CITIC Bank International Limited.

WANG Jiong (Executive Director, Vice Chairman and President)

Age 57: an executive director, vice chairman and president of CITIC Limited since 2014. Mr Wang is vice chairman of the executive committee and a member of the nomination committee and the strategic committee. Mr Wang is currently the vice chairman and president of CITIC Group and CITIC Corporation Limited. He was formerly deputy general manager of CITIC Shanghai Co., Ltd.; the general manager and chairman of CITIC Shanghai (Group) Co., Ltd.; the chairman and general manager of CITIC East China (Group) Co., Ltd.; the assistant president of China International Trust & Investment Corporation; and an executive director and vice president of CITIC Group. Mr Wang has a background of more than 20 years in finance and industry, with extensive knowledge and experience particularly in corporate strategy planning, operating management, investment financing, mergers, acquisitions and restructuring. He graduated from Shanghai University of Finance & Economics with a master's degree in economics.

LI Qingping (Executive Director)

Age 54: an executive director of CITIC Limited since 2015. Ms Li is the vice president and a member of the executive committee of CITIC Limited. Ms Li is currently an executive director of CITIC Group, the vice president and an executive director of CITIC Corporation Limited and the chairperson and an executive director of CITIC Bank. Ms Li was formerly president of CITIC Bank and general manager of the International Department, general manager of Guangxi Branch and a director of the Retail Business Department of Agricultural Bank of China. Ms Li is a senior economist who has 30 years of experience in the banking industry, with particular emphasis on international business and retail business. She graduated from the International Finance Programme at Nankai University with a master's degree in economics.

PU Jian (Executive Director)

Age 58: an executive director of CITIC Limited since 2015. Mr Pu is the vice president and a member of the executive committee of CITIC Limited. Mr Pu is currently an executive director of CITIC Group and executive director and vice president of CITIC Corporation Limited. He was formerly vice president of CITIC Securities Co., Ltd.; vice chairman of China Offshore Helicopter Co., Ltd.; president of CITIC Offshore Helicopter Co., Ltd.; director of CITIC Group; and 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 of experience in financial institutions, particularly in the securities and trust fields. Mr Pu is a researcher and a graduate of Fordham University with a master's degree in business administration.

YANG Jinming (Non-executive Director)

Age 59: a non-executive director of CITIC Limited since 2014. Mr Yang is a member of the remuneration committee. Mr Yang is currently a non-executive director of CITIC Group and CITIC Corporation Limited. He was formerly deputy director of the General Office, China National Salt Industry Corporation Beijing Branch; deputy chief of the Payroll Division of the General Planning Department, Ministry of Finance; chief of the Extra-budgetary Fund Management Division of the Policy and Reform Department, Ministry of Finance; chief of the Government Procurement Division, the Treasury Department, Ministry of Finance; and inspector (deputy director-general level) of the Treasury Department, Ministry of Finance. Mr Yang graduated from the Correspondence Institute of the Central Party School with a bachelor's degree in international economics.

LIU Yeqiao (Non-executive Director)

Age 55: a non-executive director of CITIC Limited since 2014. Mr Liu is a member of the audit and risk management committee. He has been a non-executive director of CITIC Group and CITIC Corporation Limited since September 2014. Mr. Li was an employee of Trucking Company and the Transportation Bureau of Jurong County in Jiangsu Province. He joined the Ministry of Finance ("**MOF**") in July 1991, and until October 2007 served successively as officer, senior staff, deputy director of the Policy Division of the Industrial Transport Department; officer, associate researcher and deputy director and researcher of the General Division of the Finance Department; deputy director-general of the Department of Finance of Yunnan Province from October 2007 to October 2009; and a non-executive director of The People's Insurance Company (Group) of China Limited from September 2009 to March 2014. Mr Liu is a senior accountant. He graduated from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1991 with a master's degree in accounting. He also obtained a master's degree in accounting from The George Washington University in May 2000 and a doctoral degree in economics from the Research Institute for Fiscal Science, MOF in August 2003.

SONG Kangle (Non-executive Director)

Age 53: a non-executive director of CITIC Limited with effect from 18 March 2016. Mr Song is a member of the strategic committee. He is currently serving as Counsel at director general level in Department of Asset Management of Ministry of Finance. Mr. Song worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as the Department of Human Resource Development, the Department of External Financing, the Department of External Affairs and the Department of Enterprise. He graduated from the School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a postgraduate degree holder.

YAN Shuqin (Non-executive Director)

Age 56: a non-executive director of CITIC Limited with effect from 12 April 2016. Ms Yan is a member of the nomination committee and the strategic committee. She is currently serving as the chief inspector of Ningbo Supervision & Inspection Office of Ministry of Finance. She worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, director, assistant inspector, deputy inspector and chief inspector in Jiangxi Supervision & Inspection Office and Ningbo Supervision & Inspection Office. She graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics. She is a certified public accountant.

LIU Zhongyuan (Non-executive Director)

Age 47: a non-executive director of CITIC Limited since 2014. Mr Liu was formerly officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for

Social Security Fund; director-general of the Overseas Investment Department of the National Council for Social Security Fund; and director-general of the Equity and Fixed-Income Investment Department of the National Council for Social Security Fund. Mr Liu has a doctorate degree in economics from the School of Economics at Renmin University of China.

YANG Xiaoping (Non-executive Director)

Age 53: a non-executive director of CITIC Limited since 2015. Mr Yang is a member of the audit and risk management committee and the strategic committee. Mr Yang is currently the senior vice chairman of the CP Group, an executive director and the vice chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, a non-executive director of Ping An Insurance (Group) Company of China, Ltd. and a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited. Mr Yang previously acted as the manager of Nichiyo Co., Ltd. for China Division and the chief representative of Nichiyo Co., Ltd., Beijing Office. Mr Yang is also a member of The Twelfth National Committee of Chinese People's Political Consultative Conference, the vice president of the China Institute for Rural Studies of Tsinghua University, the associate dean of the Institute of Global Development of Tsinghua University, the chairman of Related Party Transaction Committee of the board of directors of China Minsheng Investment (Group) Corp., Ltd. Mr Yang obtained a bachelor degree from Jiangxi Institute of Technology and has studied overseas in Japan.

Francis SIU Wai Keung (Independent Non-executive Director)

Age 62: an independent non-executive director of CITIC Limited since 2011. Mr Siu is the chairman of the audit and risk management committee and a member of the remuneration committee, the nomination committee and the special committee. He is an independent non-executive director of GuocoLand Limited, China Communications Services Corporation Limited, CGN Power Co., Ltd., China International Capital Corporation Limited, and Beijing Gao Hua Securities Company Limited. He is also the chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd. He was an independent non-executive director of Hua Xia Bank Co., Limited, Beijing Hualian Hypermarket Co., Ltd., Hop Hing Group Holdings Limited, Shunfeng International Clean Energy Limited and China Huishan Dairy Holdings Company Limited. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of the KPMG Shanghai office. From 2002 to March 2010, he was a senior partner of the KPMG Beijing office, and a senior partner of Northern Region, KPMG China.

XU Jinwu (Dr.-Ing.) (Independent Non-executive Director)

Age 67: an independent non-executive director of CITIC Limited since 2012. Dr Xu is a member of the audit and risk management committee, the remuneration committee and the nomination committee. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

Anthony Francis NEOH (Independent Non-executive Director)

Age 70: an independent non-executive director of CITIC Limited 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 served as a member of the International Advisory Council of the China Securities Regulatory Commission ("**CSRC**") until October 2016. He previously served as Chief Advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee (and chaired its Disciplinary Committee and Debt Securities Group) and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of

Hong Kong. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of Hong Kong and in 2016, he was also awarded the Degree of Doctor of Social Science, *honoris causa*, by Lingnan University. Mr Neoh is an independent non-executive director of Industrial and Commercial Bank of China Limited. He is an independent non-executive director of New China Life Insurance Company Ltd. with effect from 12 September 2016. He ceased to be an independent non-executive director of China Life Insurance Company Limited with effect from 20 July 2016. He was a non-executive director of Global Digital Creations Holdings Limited. He also served as an independent non-executive director of Link Asset Management Limited (manager of Link Real Estate Investment Trust), China Shenhua Energy Company Limited and Bank of China Limited.

LEE Boo Jin (Independent Non-executive Director)

Age 46: an independent non-executive director of CITIC Limited 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. Ms Lee was formerly president of Corporate Strategy for Cheil Industries and an advisor of Samsung C&T Corporation, which are affiliates of the Samsung Group. Ms Lee graduated from Yonsei University with a Bachelor of Science degree in 1994.

Noriharu FUJITA (Independent Non-executive Director)

Age 66: an independent non-executive director of CITIC Limited since 2015. Mr Fujita is a member of the strategic committee. He is currently an independent director of Sanken Electric Co., Ltd. He established Fujita Noriharu Accounting Firm in July 2013. From April 1973 to May 1978, he performed audit engagements in Japanese accounting firms. From July 1980 to December 1988, he worked in Imperial Chemical Industries PLC and stationed in London and Tokyo office. From January 1989 to June 2007, Mr Fujita was a partner of Ernst & Young, LLP Chicago and New York office. From July 2007 to June 2013, he was an executive partner of Ernst & Young ShinNihon, LLC and served as the JBS Global Services Leader. He retired in June 2013. He is a licensed Certified Public Accountant in both Japan and the United States. As an accounting professional, Mr Fujita has extensive experience in accounting. Mr Fujita graduated from Keio University with a Bachelor degree in Economics in March 1973. He also obtained a Master of Business Administration from the College of Business, University of Illinois at Urbana-Champaign in May 1980.

Paul CHOW Man Yiu (Independent Non-executive Director)

Age 70: an independent non-executive director of CITIC Limited with effect from 18 March 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. Mr Chow is also the chairman of the nomination committee and a member of the remuneration committee of China Mobile Limited since 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 from his position as the chairman of the Hong Kong Cyberport Management Company Limited on 4 June 2016 and from his position as a member of the Asian Advisory Committee of AustralianSuper Pty. Ltd. on 28 February 2017. He retired from the office as a member of the 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 his office as the independent non-executive director, chairman of the personnel and remuneration committee, member of the audit committee, the risk policy committee and the connected transactions control committee of Bank of China Limited with effect from 18 August 2016. Mr Chow was awarded the title of Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the HKSAR Government in 2003, 2005 and 2010 respectively.

Senior Management

CAI Huaxiang

Age 57: a vice chairman of the executive committee of CITIC Limited with effect from 22 September 2016. Mr Cai was formerly president of the Nanchang branch, president of the Jiangxi branch, president of the Beijing branch, general manager of the Operations Department and the deputy director general of the Human Resources Department of China Development Bank. He was also the vice president of China Development Bank Corporation and vice president and executive director of Agricultural Bank of China Limited. Mr Cai is a senior economist. He graduated from the China University of Geosciences in industrial engineering, with a master's degree in engineering.

FENG Guang

Age 59: a member of the executive committee of CITIC Limited since 2014. Mr Feng is currently secretary of the Party Discipline Inspection Commission of CITIC Group. He was formerly deputy division chief, division chief and deputy director of the Second Department of Case Investigation and deputy director of the Seventh Department of Case Investigation of the Ministry of Supervision of the People's Republic of China. Mr Feng has worked in discipline supervision for many years and has extensive practical experience in clean government practices and anti-corruption, human resources management, compliance governance, and corporate culture establishment. Mr Feng graduated from the Graduate School of the Central Party School with a master's degree in jurisprudence.

ZHU Gaoming

Age 52: vice president and a member of the executive committee of CITIC Limited since 2015. Mr Zhu was formerly secretary to the Board of Directors, general manager of Credit Approval Department, general manager of Corporate Banking Department, general manager of Small Enterprise Finance Department and concurrently that of Investment Banking Department of Head Office of Agricultural Bank of China ("**ABC**"). He also served as president and vice president of ABC Jiangsu Branch and vice president of ABC Shanghai Branch. Mr Zhu is a senior economist who has extensive experience in banking industry. He graduated from Fudan University and from the University of Sheffield with master's degree in economics and in business administration respectively.

CAI Xiliang

Age 50: a vice president and a member of the executive committee of CITIC Limited with effect from 12 August 2016. Mr Cai was formerly 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 the Shanghai University of Finance and Economics with a master's degree in economics.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, none of the directors of CITIC Limited had nor were they taken to or deemed to have, under Part XV of the Securities and Futures Ordinance ("**SFO**"), any interests or short positions in the shares, underlying shares or debentures of CITIC Limited or its associated corporations or any interests which were required to be entered into the register kept by CITIC Limited pursuant to section 352 of the SFO or any interests which were required to be notified to CITIC Limited and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SHAREHOLDERS' INTERESTS IN SECURITIES

Substantial Shareholders

As at 31 December 2016, substantial shareholders of CITIC Limited (other than directors of CITIC Limited) who had interests or short positions in the shares or underlying shares of CITIC Limited which would fall to be disclosed to CITIC Limited 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 CITIC Limited under section 336 of the SFO, or which were notified to CITIC Limited, were as follows:

Name	Nature of interest/capacity	Number of ordinary shares held	Approximate percentage to the number of total issued shares
CITIC Group Corporation ("**CITIC Group**")*(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**")*(2)*	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("**CITIC Polaris**")*(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**")*(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**")*(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**")*(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**")*(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.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law, published practice and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (which could be made on a retroactive basis), and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations which may be relevant to a decision to purchase, own or dispose of any Notes.

Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes may be subject to profits tax in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bearer Notes may be subject to profits tax. Sums derived from the sale, disposal or redemption of the Bearer Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or financial institution may be subject to Hong Kong profits tax if such sums have a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.1% by each of the seller and the purchaser by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC Taxation

Pursuant to the New EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China shall be PRC tax resident enterprises for the purpose of the New EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC.

As confirmed by the Issuer, as of the date of the Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future.

Pursuant to the New EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC, shall pay enterprise income tax at the rate of 10 per cent. on the incomes sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes. In addition, if the Issuer is treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future, any gain realised by the non-resident enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional notes (as described under "*Terms and Conditions-Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by the State Administration of Foreign Exchange of the PRC ("**SAFE**") and PBoC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBoC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBoC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg, the CMU or DTC (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons.

Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "**banking organisation**" under the laws of the State of New York, a member of the US Federal Reserve System, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Restricted Global Certificate or an Unrestricted Global Certificate. The Issuer may also apply to have Notes represented by a Restricted Global Certificate or an Unrestricted Global Certificate accepted for clearance through the CMU. Each Restricted Global Certificate and Global Certificate deposited with a common depositary for Euroclear and/or Clearstream will have an ISIN and a Common Code or, lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

The Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number.

Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "*Transfers of Registered Notes*", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

Payments through DTC

Payments in US dollars of principal and interest in respect of a Restricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than US dollars in respect of Notes evidenced by a Restricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into US dollars and deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg CMU and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear, Clearstream, Luxembourg or the CMU. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg, the CMU and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream, Luxembourg or the CMU by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC, Euroclear, Clearstream, Luxembourg or the CMU, as the case may be to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, Luxembourg, the CMU or DTC, as the case may be to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "*Transfer Restrictions*", cross-market transfers among DTC, and directly or indirectly through Euroclear or Clearstream, Luxembourg or CMU accountholders, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear, Clearstream, Luxembourg and/or the CMU and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear, Clearstream, Luxembourg or the CMU and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear, Clearstream, Luxembourg and the CMU, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear, Clearstream, Luxembourg or the CMU accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "*Transfer Restrictions*".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream, Luxembourg, the CMU and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg, the CMU or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg, the CMU or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg, the CMU and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Restricted Global Certificates*" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Unrestricted Global Certificates*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.

3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend (the "**Rule 144A Legend**") in or substantially in the following form:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT ("**RULE 144**"), IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

4. It understands that the Issuer, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated 31 May 2017 made between the Issuer, the Arrangers and the Permanent Dealers (together, the "**Dealer Agreement**"), the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers and otherwise. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer will pay each Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Subscription Agreement. The Issuer may agree, through the relevant Dealers, a rebate or commission to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks. If a rebate or commission is agreed for a particular drawdown it shall be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The relevant Dealers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

The relevant Dealers and certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

The relevant Dealers or certain of their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except (i) to QIBs in reliance on Rule 144A under the Securities Act; (ii) in accordance with Regulation S under the Securities Act; (iii) or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations thereunder.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer and sale is made otherwise than in accordance with Rule 144A or another exemption from the requirements of the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area – Public Offer Selling Restriction Under the Prospectus Directive

From 1 January 2018, unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

A a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or

B a customer within the meaning of Directive 2002/92/EC (as amended, the IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

C not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive); and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes; and

Prior to 1st January, 2018, and from that date if the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer represents and agrees, that in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), and with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in clauses (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" includes any relevant implementing measure in the Relevant Member States.

The Netherlands

Each Dealer has represented, warranted and undertaken that it will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in the Netherlands unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in the Netherlands.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in the Netherlands in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Netherlands by any measure implementing the Prospectus Directive in the Netherlands, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Netherlands, and includes any relevant implementing measure in the Netherlands, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented, warranted and agreed that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the People's Republic of China and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of the Issuer nor any other Dealer shall have responsibility therefor.

FORM OF PRICING SUPPLEMENT

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][1]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

1 Pricing Supplement dated [●]

CITIC Limited
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

under the U.S.$9,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 31 May 2017. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[1] Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

(i)	Issuer:	CITIC Limited
[(i)]	Series Number:	[●]
[(ii)	Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[●]
	Specified Currency or Currencies:	[●]
	Aggregate Nominal Amount:	
[(i)]	Series:	[●]
[(ii)	Tranche:	[●]]
[(i)]	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
[(ii)	Net proceeds:	[●] (*Required only for listed issues*)]
[(iii)	Private Bank Rebate/Commission:	[Applicable/Not Applicable]
[(iv)	Use of proceeds:	[●] (*Required if different from the Offering Circular*)]
	Specified Denominations:	[●][2] [3]
	Calculation Amount:	[*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
(i)	Issue Date:	[●]
(ii)	Interest Commencement Date:	[Specify/Issue date/Not Applicable]
	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4]
	Interest Basis:	[[●] per cent. Fixed Rate] [[specify reference rate] +/-[●] per cent. Floating Rate] [Zero Coupon] [Other (specify)] (further particulars specified below)
	Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Instalment] [Other (*specify*)]

2 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

3 If the specified denomination is expressed to be €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No notes in definitive form will be issued with a denomination above [€99,000]/[€199,000].

4 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
(i) status of the Notes:	Senior
(ii) Date of Board Resolutions approving the issuance of the Notes:	[●]
Listing:	[Hong Kong/Other (specify)/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Rate[(s)] of Interest:	[●] per cent. Per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"]/not adjusted*]
Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[5]
Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment date falling [in/on] [●]
Day Count Fraction (Condition 5(i)):	[30/360/Actual/Actual/(ICMA/ISDA)/Actual/365 (fixed)/other]
Determination Date(s) (Condition 5(k)):	[●] in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N. B only relevant where Day Count Fraction is Actual/Actual (ICMA).*]
Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
Floating Rate Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
(i) Interest Period(s):	[●]
Specified Interest Payment Dates:	[●]
Interest Period Date(s):	[●] (*Not applicable unless different from Interest Payment Date*)
Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]

5 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

Business Centre(s) (Condition 5(k):	[●]
Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not [●] as Calculation Agent):	[●]
Screen Rate Determination (Condition 5(b)(ii)(B)):	
Reference Rate:	[●] (*Either LIBOR, EURIBOR, HIBOR or other, although additional information is required if other*)
Interest Determination Date:	[●] (*the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro or Hong Kong Dollars or first day of each Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollar or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro*)
Relevant Screen Page:	[●] [(*In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)]
ISDA Determination (Condition 5(b)(ii)(A)):	
Floating Rate Option:	[●]
Designated Maturity:	[●]
Reset Date:	[●]
ISDA Definitions:	2006 (if different to those set out in the Conditions, please specify)
Margin(s):	[+/-] [●] per cent. per annum
Minimum Rate of Interest:	[●] per cent. per annum
Maximum Rate of Interest:	[●] per cent. per annum
Day Count Fraction (Condition 5(k)):	[●]
Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
(ii) Any other formula/basis of determining amount payable:	[●]

Dual Currency Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not [●] as Calculation Agent):	[●]
Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

Call Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Optional Redemption Date(s):	[●]
Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
If redeemable in part:	
• Minimum Redemption Amount:	[●] per Calculation Amount
• Maximum Redemption Amount:	[●] per Calculation Amount
Notice period:	[●]
Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) Notice period:	[●]
Final Redemption Amount of each Note:	[●] per Calculation Amount
Early Redemption Amount:	
(i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

Form of Notes:	[Bearer Notes/Exchangeable Bearer Notes/Registered Notes] [*Delete as appropriate*] [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [●] days' notice][6] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]
Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
Details relating to Instalment Notes: amount of each Instalment, date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late repayment:	[Not Applicable/*give details*]
Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
Consolidation provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

(i) If syndicated, names of Managers:	[Not Applicable/give names] [*include date and description of subscription agreement*]
(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
(iii) If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(iv) Whether TEFRA D/C Rules applicable or TEFRA Rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]

6 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: [€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [C99,000]/[C199,000] the Temporary Global Note shall not be exchangeable on [●] days notice.

(v) Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
(vi) Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
CMU Instrument Number:	[●]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Additional Paying Agent(s) (if any):	[●]

GENERAL

The aggregate principal amount of Notes issued has been translated into [U.S. dollars] at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/[U.S.$][●]]
In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	[●]
In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London:	[●]
Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [Other: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[**PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue and listing on the [Hong Kong Stock Exchange] of the Notes described herein pursuant to the U.S.$9,000,000,000 Medium Term Note Programme of CITIC Limited].

[STABILISING

In connection with this issue, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:
Duly authorised

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the following:

(a) each relevant Pricing Supplement;

(b) any interim (whether on a pro-forma basis or otherwise) consolidated financial information of CITIC Limited Group published from time to time subsequent to the date of this Offering Circular (if any);

(c) the most recently published annual report and audited consolidated financial statements and any unaudited interim consolidated financial statements of CITIC Limited published from time to time subsequent to the date of this Offering Circular (including any relevant audit reports, if any);

(d) any interim consolidated financial information of CITIC Corporation Limited published from time to time subsequent to the date of this Offering Circular (including any relevant audit reports, if any); and

(e) all amendments and supplements from time to time to this Offering Circular,

each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents (except for documents specified in (d) above, which will be available from the specified office of the Issuer) set out at the end of this Offering Circular. See "*General Information*" for a description of the financial information and statements currently published by CITIC Limited Group.

GENERAL INFORMATION

(1) Application has been made to the Hong Kong Stock Exchange for the listing of the Programme. The issue price of Notes to be issued under the Programme and listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HKD500,000 (or equivalent in other currencies).

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the establishment and update of the Programme. The establishment of the Programme was authorised by resolution of the Board of Directors of the Issuer passed on 6 April 2011 and the update of the Programme was authorised by resolution of the Board of Directors of the Issuer and the Executive Committee of the Board of Directors of the Issuer on 25 November 2015 and 26 May 2017, respectively.

(3) Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Issuer or of CITIC Limited Group since 31 December 2016.

(4) None of the Issuer or CITIC Limited Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as the Issuer or any member of CITIC Limited Group is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. In addition, the Issuer may make an application for Registered Notes to be accepted for trading in book-entry form by DTC. The relevant ISIN, the Common Code, CUSIP, and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

(7) For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Issuer at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and at the specified office of the Paying Agents:

    (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

    (ii) the Agency Agreement;

    (iii) the Memorandum and Articles of Association of the Issuer;

    (iv) the audited consolidated financial statements of the Issuer for the year ended 31 December 2016; and

    (v) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular.

Copies of the documents referred to in sub-paragraphs (i) to (vi) above will also be available free of charge during the hours referred to above at the following address of The Bank of New York Mellon, Hong Kong Branch: Level 24, Three Pacific Place, 1 Queen's Road East, Hong Kong, so long as any of the Notes is outstanding.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The audited consolidated financial statements of CITIC Limited for the year ended 31 December 2016 set out herein are reproduced from CITIC Limited's annual report for the year ended 31 December 2016 including the page numbers and page references set forth in such annual report.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

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

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

1 General information

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

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

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

2 Significant accounting policies

(a) Basis of preparation

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

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

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

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

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

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Amendment to HKAS 27, Equity method in separate financial statements
The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

(iv) Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: applying the consolidation exception
The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

(v) Amendment to HKFRS 11, Accounting for acquisitions of interests in joint operations
The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3, Business combinations).

(vi) Annual improvements to HKFRS 2012-2014 cycle
The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

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

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

(b) Functional currency and presentation currency

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

2 Significant accounting policies (continued)

(c) Basis of measurement

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

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

(d) Use of estimates and judgement

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

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

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

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

2 Significant accounting policies (continued)

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

(ii) Business combinations not involving entities under common control

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

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

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

(iii) Consolidated financial statements

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

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

2 Significant accounting policies (continued)

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

(iii) Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

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

(iv) Investment in subsidiaries

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

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

(f) Associates and joint ventures

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(g) Goodwill

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

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

(h) Translation of foreign currencies

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

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

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

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

(i) Financial instruments

(i) Initial recognition

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation

Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

Loans and receivables

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

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

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Other financial liabilities

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

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

(iii) Fair value measurement principles

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

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

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

(iv) De-recognition

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

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

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

– the carrying amount of the financial asset transferred;

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) De-recognition (continued)

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

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

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

(v) Offsetting

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

(vi) Derivatives

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

(vii) Embedded derivatives

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

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

2 Significant accounting policies (continued)

(j) Hedging

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

2 Significant accounting policies (continued)

(j) Hedging (continued)

(iii) Hedge effectiveness testing

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

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

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

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

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

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

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

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

(l) Investment properties

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

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

2 Significant accounting policies (continued)

(m) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

(n) Land use rights

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

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

2 Significant accounting policies (continued)

(o) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

(p) Inventories

(i) Manufacturing, resources and energy segments

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

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

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

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

2 Significant accounting policies (continued)

(p) Inventories (continued)

(ii) Real estate segment

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

– **Property under development**

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

– **Completed property held for sale**

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

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

(q) Construction contracts

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

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

(r) Operating leases

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

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

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

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

2 Significant accounting policies (continued)

(s) Repossessed assets

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

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

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

(t) Impairment of assets

(i) Financial assets

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

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of financial difficulties;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of a financial asset.

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

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

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

Loans and receivables

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

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

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

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

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

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

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

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

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

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

Held-to-maturity investments

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

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

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

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

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

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

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

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

(ii) Non-financial assets

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

- property, plant and equipment (other than properties carried at revalued amounts);
- land use rights;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

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

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(ii) Non-financial assets (continued)

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

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

An impairment loss in respect of goodwill is not reversable.

(u) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement schemes

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

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

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

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

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(w) Revenue recognition

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

(i) Interest income

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

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

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

(ii) Fee and commission income

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

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

(iii) Sales of goods and services

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

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

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

(v) Contract revenue

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

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

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

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(vi) Rental income from operating leases

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

(vii) Dividend income

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

(viii) Government grants

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

(x) Income tax

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

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

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

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

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

(y) Cash and cash equivalents

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

2 Significant accounting policies (continued)

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(aa) Segment reporting

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

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

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

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

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

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

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

– the nature of the regulatory environment.

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

(bb) Borrowing costs

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

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

2 Significant accounting policies (continued)

(cc) Disposal groups held for sale and discontinued operations

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

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

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

3 Critical accounting estimates and judgements

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

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

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

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

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

3 Critical accounting estimates and judgements (continued)

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

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

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

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

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

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

3 Critical accounting estimates and judgements (continued)

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

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

(c) Provision for inventories

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

(d) Impairment of non-financial assets

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

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

(e) Fair value of financial instruments

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

(f) Depreciation

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

3 Critical accounting estimates and judgements (continued)

(g) Income taxes

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

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

(h) Assets acquired/liabilities assumed in business combination

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

(i) De-recognition of financial assets

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

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

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

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

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

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

3 Critical accounting estimates and judgements (continued)

(j) Consolidation of structured entities

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

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

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

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

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

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

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

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

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

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 Critical accounting estimates and judgements (continued)

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

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

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

Option Agreement Dispute
The Company is a party to an Option Agreement with Mineralogy and Mr Clive Palmer, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company (and its affected subsidiaries, Sino Iron and Korean Steel) commenced legal proceedings in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by the Company, including that the Company had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr Palmer.

Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the Company, Sino Iron and Korean Steel commenced a proceeding in the Supreme Court of Western Australia to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. No trial date has been set for this proceeding.

Royalties Disputes
The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products ("annual benchmark prices"). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

3 Critical accounting estimates and judgements (continued)

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

Royalties Disputes (continued)

Mineralogy's latest amended statement of claim was filed on 25 January 2017. In its current statement of claim, Mineralogy seeks payment of sums for Royalty Component B, damages for breach of the MRSLAs or a declaration that the MRSLAs be rectified, among other things. Mineralogy has withdrawn all claims that the MRSLAs have been terminated.

The current defence and counterclaim of Korean Steel, Sino Iron and the Company, which was filed on 6 February 2017, pleads that the provisions concerning Royalty Component B can be severed from the remainder of the MRSLAs (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, they contend that the parties to the MRSLAs must negotiate a new Royalty Component B formula in good faith, or alternatively, Korean Steel and Sino Iron must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the Court having regard to the relevant circumstances.

In November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and the Company (together, for the purpose of this application, the "CITIC Parties") to pay to Mineralogy royalties under the MRSLAs. The application was heard in December 2015 by Justice Tottle, who dismissed the application. Mineralogy appealed Justice Tottle's decision at first instance and on 27 June 2016 the appeal was unanimously allowed and orders made for the injunction application to be remitted for rehearing.

The remitted injunction application was heard in October 2016 by Justice Kenneth Martin and judgement was delivered in Mineralogy's favour in December 2016. Pursuant to Justice Martin's judgement, his Honour made injunction orders to the effect that Sino Iron and Korean Steel were to pay on an interlocutory basis pending final judgement (a) by 30 January 2017, into Court the sum of US$10,690,270.50 (or the Australian dollar equivalent) to abide further orders of the Court, and to Mineralogy, the same sum; (b) subject to Mineralogy demonstrating it is ready, willing and able to perform its obligations under the MRSLAs and amending its Statement of Claim to withdraw claims the MRSLAs had been terminated, by 28 February 2017, into Court the sum of US$29,801,812.50, and to Mineralogy, the same sum; and (c) in respect of each quarter from 30 June 2016 in arrears, into Court, amounts assessed as a payment of US$6 per DMT of iron ore concentrate shipped, the payments in respect of the quarters ended September 2016 and December 2016 to be paid by 31 March 2017.

The CITIC Parties have appealed the injunction orders made by Justice Martin for Korean Steel and Sino Iron to pay monies to Mineralogy and into Court. The appeals were heard on 8 March 2017 and judgement was reserved. The orders to pay amounts to Mineralogy have been stayed until after the delivery of such judgement.

3 Critical accounting estimates and judgements (continued)

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

Royalties Disputes (continued)
The trial in this proceeding is provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

The MRSLAs contain a clause stating that, unless certain exceptions apply, each of Korean Steel and Sino Iron is required to pay an amount to Mineralogy if either of them produced less than six million tonnes of saleable product by March 2013 (the "Minimum Production Royalty"). In August 2015, Queensland Nickel Pty Ltd. ("Queensland Nickel") commenced a proceeding in the Supreme Court of Queensland alleging that the non-payment of the Minimum Production Royalty to Mineralogy amounted to unconscionable conduct by the Company, Sino Iron and Korean Steel, and that the Company, Sino Iron Holdings Pty Ltd. and individual officers of the Company and its subsidiaries (together, for the purpose of this proceeding, the "CITIC Parties") were knowingly concerned in the alleged contraventions. Queensland Nickel sought damages for losses suffered as a consequence of Mineralogy being unable to advance funds to it due to such non-payment. In September 2015, the CITIC Parties filed a strike out application in the proceeding. At a hearing on 16 March 2016, the Court ordered that Queensland Nickel be removed as plaintiff and QNI Resources Pty Ltd. and QNI Metals Pty Ltd. be substituted as plaintiffs in the proceeding. On 23 March 2016, the Court upheld the strike out application brought by the CITIC Parties and dismissed the proceeding. QNI Resources Pty Ltd. and QNI Metals Pty Ltd. appealed the decision. However, they subsequently withdrew their appeal and, on 1 September 2016, the appeal was discontinued.

Port Dispute
Sino Iron and Korean Steel have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it, that it is entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties which regulate usage of the port infrastructure have been terminated by it.

The matter was heard by the Federal Court of Australia in June 2015. The Court's reasons for decision were handed down in August 2015. The Court refused to grant any of the relief sought by Mineralogy. The effect of the decision was to preserve the status quo in relation to the operation of the port facilities which continue to be operated by or on behalf of Sino Iron and Korean Steel. Mineralogy appealed the decision at first instance. The appeal was heard from 9 to 12 May 2016. Judgement was reserved.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2016 is 16.5% (2015: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2016 is 25% (2015: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (Note 5(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

(a) Net interest income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**11,179**	11,323
Placements with banks and non-bank financial institutions	**4,363**	3,561
Financial assets held under resale agreements	**1,078**	4,979
Investments classified as receivables	**54,275**	57,400
Loans and advances to customers and other parties	**155,252**	170,211
Investments in debt securities	**25,274**	22,654
Others	**6**	23
	251,427	270,151
Interest expenses arising from:		
Borrowing from central banks	**(3,143)**	(1,238)
Deposits from banks and non-bank financial institutions	**(38,172)**	(44,613)
Placements from banks and non-bank financial institutions	**(1,721)**	(928)
Financial assets sold under repurchase agreements	**(1,007)**	(699)
Deposits from customers	**(64,577)**	(80,259)
Debt instruments issued	**(16,438)**	(10,439)
Others	**(446)**	(92)
	(125,504)	(138,268)
Net interest income	**125,923**	131,883

(b) Net fee and commission income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Consultancy and advisory fees	**6,821**	8,685
Bank card fees	**22,561**	16,708
Settlement and clearing fees	**1,633**	2,174
Commission for wealth management services	**8,323**	7,287
Agency fees and commission	**7,197**	4,634
Guarantee fees	**2,790**	3,940
Trustee commission and fees	**7,997**	7,131
Others	**874**	846
	58,196	51,405
Fee and commission expenses	**(3,618)**	(2,506)
Net fee and commission income	**54,578**	48,899

5 Revenue (continued)

(c) Sales of goods and services

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Sales of goods	**156,528**	149,628
Services rendered to customers	**26,895**	27,370
Revenue from construction contracts	**9,869**	12,882
	193,292	189,880

(d) Other revenue

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Net trading gain (note (i))	**4,153**	4,622
Net gain on investment assets under financial services segment	**2,022**	19,557
Others	**854**	469
	7,029	24,648

(i) Net trading gain

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	**1,358**	2,300
– foreign currencies	**2,705**	2,865
– derivatives	**90**	(543)
	4,153	4,622

6 Costs of sales and services

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Costs of goods sold	**139,137**	129,884
Costs of services rendered	**18,172**	18,179
Costs of construction contracts	**8,311**	10,283
	165,620	158,346

7 Other net income

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Net gain on disposal of subsidiaries, associates and joint ventures	**2,483**	1,513
Net gain on financial assets under non-financial services segment	**1,889**	5,856
Commissions income, net foreign exchange gain and others	**2,919**	726
	7,291	8,095

8 Impairment losses

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Impairment losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	**40**	–
– trade and other receivables	**6,706**	4,098
– amounts due from customers for contract work	**(795)**	–
– inventories	**587**	593
– loans and advances to customers and other parties (Note 25(d))	**53,603**	47,827
– available-for-sale financial assets	**416**	(5)
– held-to-maturity investments	**2**	(4)
– investments classified as receivables	**1,068**	4,647
– interests in associates	**2**	476
– interests in joint ventures	**11**	–
– fixed assets (note)	**10,255**	17,445
– intangible assets (note)	**742**	2,233
– others	**953**	1,878
	73,590	79,188

8 Impairment losses (continued)

Note:
Iron Ore Project
The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operation in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Projects have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project that had indicators of impairment at 31 December 2016, including the reduction in the iron ore price outlook. As a result the Group assessed the recoverable amount of the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is compared with its recoverable amount. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs of disposal and value in use. The Group has adopted fair value less costs of disposal methodology in its assessment, using a nominal discounted cash flow model based on the mine life of the Sino Iron Project.

In the model a discount rate of 9.5% is used. Iron ore price (including base price, premium on product grade and adjustment on freight) and AU$:US$ exchange rate assumptions are estimated by management with reference to external market forecasts sourced from a range of industry experts. The operating expenditure and capital expenditure for years 2017 to 2019 are forecast based on management's best estimates of costs and expenditures. Beyond the above three-year forecast period, operating expenditure and capital expenditure are forecast to remain relatively stable increasing primarily with inflation.

The impairment testing carried out at 31 December 2016 resulted in a total impairment charge of US$1,302 million (approximately HK$10,152 million) (2015: US$2,213 million (approximately HK$17,261 million)) being recognised in the consolidated income statement, reflecting a softening in forecast iron ore prices. The impairment charge was allocated as follows:

- Property, plant & equipment US$1,208 million (approximately HK$9,417 million) (2015: US$1,979 million (approximately HK$15,436 million))
- Intangible assets US$94 million (approximately HK$735 million) (2015: US$234 million (approximately HK$1,825 million))

The fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);
- Inputs other than quoted prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the CGU that are not based on observable market data (unobservable inputs)(level 3 inputs).

The CGU's fair value hierarchy is Level 3.

9 Net finance charges

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Finance costs		
– Interest on bank loans and other loans	**3,486**	4,533
– Interest on debt instruments issued and other interest expenses	**5,718**	5,592
	9,204	10,125
Less: interest expense capitalised*	**(576)**	(2,138)
	8,628	7,987
Other finance charges	**60**	1,252
	8,688	9,239
Finance income	**(1,552)**	(2,358)
	7,136	6,881

* Capitalisation rates applied to funds borrowed are 1.30% – 5.70% per annum for the year ended 31 December 2016 (2015: capitalisation rate of 2.12% – 6.86%).

10 Profit before taxation

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Salaries and bonuses	**33,993**	32,385
Contributions to defined contribution retirement schemes	**4,326**	4,204
Others	**7,753**	7,838
	46,072	44,427

(b) Other items

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million (Restated)
Amortisation	**2,690**	2,466
Depreciation	**9,547**	9,308
Operating lease charges: minimum lease payments	**5,424**	5,798
Tax and surcharges	**5,929**	14,225
Property management fees	**1,290**	1,050
Non-operating expenses	**1,363**	1,238
Professional fees (other than auditors' remuneration)	**997**	885
Auditors' remuneration		
– Audit services	**156**	155
– Non-audit services	**56**	23
	27,452	35,148

11 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**22,337**	23,716
Land appreciation tax	**328**	218
	22,665	23,934
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**1,524**	959
Current tax – Overseas		
Provision for the year	**310**	791
	24,499	25,684
Deferred tax		
Origination and reversal of temporary differences	**(6,106)**	(6,260)
	18,393	19,424

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Profit before taxation	**70,723**	78,645
Less: Share of (profits)/loss of		
– associates	**(2,323)**	(4,741)
– joint ventures	**(2,876)**	155
	65,524	74,059
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**10,811**	12,220
Effect of different tax rates in other jurisdictions	**4,485**	5,596
Tax effect of unused tax losses not recognised	**397**	428
Tax effect of non-deductible expenses	**3,054**	2,121
Tax effect of non-taxable income	**(1,688)**	(1,675)
Others	**1,334**	734
Actual tax expense	**18,393**	19,424

12 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2016 are set out as follows:

	For the year ended 31 December 2016									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.34	0.24	–	0.03	0.13	0.11	–	–	0.85
Wang Jiong [i]	–	0.34	0.24	–	0.01	0.12	0.10	–	–	0.81
Li Qingping [i]	–	0.30	0.22	–	0.01	0.13	0.10	–	–	0.76
Pu Jian [i]	–	0.30	0.22	–	0.01	0.13	0.10	–	–	0.76
Non-executive Directors:										
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Song Kangle [ii,iii]	–	–	–	–	–	–	–	–	–	–
Yan Shuqin [ii,iii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.02	–	0.40
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.18	–	0.56
Lee Boo Jin	0.38	–	–	–	–	–	–	0.01	–	0.39
Noriharu Fujita	0.38	–	–	–	–	–	–	–	–	0.38
Paul Chow Man Yiu [ii,iii]	0.30	–	–	–	–	–	–	0.01	–	0.31
Name of Former Directors										
Yu Zhensheng [ii,iii]	–	–	–	–	–	–	–	–	–	–
Cao Pu [ii,iii]	–	–	–	–	–	–	–	–	–	–
Li Rucheng [ii,iii]	0.29	–	–	–	–	–	–	–	–	0.29
	2.87	1.28	0.92	–	0.06	0.51	0.41	0.85	–	6.90

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2016 in respect of Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian have not been finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained.

(ii) Changes in directors during the year ended 31 December 2016:

(1) Ms Cao Pu retired from the position as non-executive director in March 2016.

(2) Mr Song Kangle and Mr Li Rucheng were appointed as non-executive directors, and Mr Paul Chou Man Yiu was appointed as an independent non-executive director in March 2016.

(3) Ms Yan Shuqin was appointed as a non-executive director, and Mr Yu Zhensheng resigned from the position as non-executive director in April 2016.

(4) Mr Li Rucheng resigned from the position as non-executive director in December 2016.

(iii) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2015 are set out as follows:

	For the year ended 31 December 2015									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.34	0.34	–	0.03	0.12	0.11	–	–	0.94
Wang Jiong [i]	–	0.34	0.34	–	–	0.12	0.10	–	–	0.90
Li Qingping [i,ii,iii]	–	0.03	0.03	–	–	0.01	0.01	–	–	0.08
Pu Jian [i,ii,iii]	–	0.03	0.03	–	–	0.01	0.01	–	–	0.08
Non-executive Directors:										
Yu Zhensheng	–	–	–	–	–	–	–	–	–	–
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Cao Pu	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping [ii,iii]	0.16	–	–	–	–	–	–	–	–	0.16
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.17	–	0.55
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.03	–	0.41
Lee Boo Jin	0.38	–	–	–	–	–	–	–	–	0.38
Noriharu Fujita [ii,iii]	0.16	–	–	–	–	–	–	–	–	0.16
Name of Former Directors										
Dou Jianzhong [ii,iii]	–	–	–	–	–	–	–	–	5.00	5.00
Alexander Reid Hamilton [ii,iii]	0.16	–	–	–	–	–	–	0.10	–	0.26
Zhang Jijing [ii,iii]	–	–	–	–	–	–	–	–	6.53	6.53
	2.00	0.74	0.74	–	0.03	0.26	0.23	0.68	11.53	16.21

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The emoluments for the year ended 31 December 2015 in respect of Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian were finalised in accordance with the regulations of the relevant local authorities.

(ii) Changes in directors during the year ended 31 December 2015:

(1) Mr Dou Jianzhong resigned from the position as executive director in May 2015.

(2) Mr Alexander Reid Hamilton retired from the position as independent non-executive director in June 2015.

(3) Mr Yang Xiaoping was appointed as a non-executive director, and Mr Noriharu Fujita was appointed as an independent non-executive director in August 2015.

(4) Ms Li Qingping and Mr Pu Jian were appointed as executive directors, and Mr Zhang Jijing retired from the position as executive director in December 2015.

(iii) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

(b) Other benefits and interests

For the year ended 31 December 2016, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: None). No consideration was provided to or receivable by third parties for making available directors' services (2015: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2016 (2015: None).

13 Individuals with highest emoluments

For the year ended 31 December 2016, none of the five highest paid individuals are directors (2015: none) whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of these five individuals (2015: five) are as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Salaries and other emoluments	**26.29**	27.07
Discretionary bonuses	**33.24**	29.99
Equity settled share based payment expenses	–	3.40
Retirement scheme contributions	**1.63**	2.09
	61.16	62.55

The emoluments of the five individuals (2015: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2016	2015
	Number of individuals	Number of individuals
HK$10,000,001 to HK$11,000,000	–	1
HK$11,000,001 to HK$12,000,000	**3**	–
HK$12,000,001 to HK$13,000,000	**1**	2
HK$13,000,001 to HK$14,000,000	**1**	2
	5	5

14 Dividends

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
2015 Final dividend paid: HK$0.20 (2014: HK$0.20) per share	**5,818**	4,981
2016 Interim dividend paid: HK$0.10 (2015: HK$0.10) per share	**2,909**	2,909
2016 Final dividend proposed: HK$0.23 (2015: HK$0.20) per share	**6,691**	5,818

15 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$43,119 million for the year ended 31 December 2016 (2015: HK$41,812 million), calculated as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**32,782**	40,501
– Discontinued operations	**10,337**	1,311
	43,119	41,812
Weighted average number of ordinary shares (in million):		
Issued ordinary shares as at 1 January	**29,090**	24,903
Weighted average number of newly issued ordinary shares (Note 44(a))	**–**	1,611
Weighted average number of ordinary shares as at 31 December (basic)	**29,090**	26,514
Impact of issued convertible preferred shares (Note 44(a))	**–**	100
Weighted average number of ordinary shares as at 31 December (diluted)	**29,090**	26,614

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. As at 31 December 2016, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2016. For the year ended 31 December 2015, the Company's dilutive potential ordinary shares included convertible preferred shares issued at 3 August 2015 (Note 44(a)), assuming conversion of convertible preferred shares into ordinary shares at 3 August 2015.

16 Other comprehensive loss

(a) Tax effects relating to each component of other comprehensive loss

	For the year ended 31 December					
	2016			2015		
	Before tax amount HK$ million	**Tax benefit/ (expense) HK$ million**	**Net-of-tax amount HK$ million**	Before tax amount HK$ million	Tax (expense)/ benefit HK$ million	Net-of-tax amount HK$ million
Available-for-sale financial assets: net movement in the fair value reserve	**(11,472)**	**2,542**	**(8,930)**	3,478	(506)	2,972
Cash flow hedge: net movement in the hedging reserve	**1,509**	**(354)**	**1,155**	136	3	139
Share of other comprehensive loss of associates and joint ventures	**(1,132)**	**–**	**(1,132)**	(958)	–	(958)
Exchange differences on translation of financial statements and others	**(40,248)**	**–**	**(40,248)**	(34,978)	–	(34,978)
Reclassification of owner-occupied property as investment property: revaluation gain	**37**	**(9)**	**28**	372	(93)	279
	(51,306)	**2,179**	**(49,127)**	(31,950)	(596)	(32,546)

16 Other comprehensive loss (continued)

(b) Components of other comprehensive loss, including reclassification adjustments

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Fair value (losses)/gains of available-for-sale financial assets	**(9,217)**	9,875
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(2,255)**	(6,397)
Tax effect	**2,542**	(506)
	(8,930)	2,972
Gains arising from cash flow hedge	**1,388**	15
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**121**	121
Tax effect	**(354)**	3
	1,155	139
Share of other comprehensive loss of associates and joint ventures	**(1,132)**	(958)
Exchange differences on translation of financial statements and others	**(40,248)**	(34,978)
Reclassification of owner-occupied property as investment property: revaluation gain	**37**	372
Less: Tax effect	**(9)**	(93)
	28	279
	(49,127)	(32,546)

17 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

17 Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit for the year". To arrive at segment results, the Group's profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

	For the year ended 31 December 2016								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	187,537	50,254	62,350	11,023	4,900	64,723	35	–	380,822
Inter-segment revenue	(324)	3,527	271	315	111	1,039	6	(4,945)	–
Reportable segment revenue	187,213	53,781	62,621	11,338	5,011	65,762	41	(4,945)	380,822
Share of profits/(losses) of associates, net of tax	2,198	218	79	41	768	(986)	5	–	2,323
Share of profits of joint ventures, net of tax	809	657	–	–	858	552	–	–	2,876
Finance income (Note 9)	–	399	225	248	375	132	2,521	(2,348)	1,552
Finance costs (Note 9)	–	(2,086)	(716)	(95)	(335)	(1,476)	(6,425)	2,445	(8,688)
Depreciation and amortisation (Note 10(b))	(3,187)	(2,287)	(3,547)	(157)	(250)	(2,755)	(54)	–	(12,237)
Impairment losses (Note 8)	(61,845)	(10,538)	(831)	775	(556)	(595)	–	–	(73,590)
Profit/(loss) before taxation	71,691	(9,243)	2,343	1,969	3,676	4,947	(4,249)	(411)	70,723
Income tax	(16,193)	2,721	(1,033)	(296)	(1,412)	(1,729)	(449)	(2)	(18,393)
Profit/(loss) for the year from continuing operations	55,498	(6,522)	1,310	1,673	2,264	3,218	(4,698)	(413)	52,330
Profit for the year from discontinued operations	–	–	–	–	10,309	–	–	–	10,309
Profit/(loss) for the year	55,498	(6,522)	1,310	1,673	12,573	3,218	(4,698)	(413)	62,639
Attributable to:									
– Ordinary shareholders of the Company	38,406	(6,899)	1,740	1,675	12,111	1,987	(5,488)	(413)	43,119
Continuing operations	38,406	(6,899)	1,740	1,675	1,774	1,987	(5,488)	(413)	32,782
Discontinued operations	–	–	–	–	10,337	–	–	–	10,337
– Non-controlling interests and holders of perpetual capital securities	17,092	377	(430)	(2)	462	1,231	790	–	19,520
Continuing operations	17,092	377	(430)	(2)	490	1,231	790	–	19,548
Discontinued operations	–	–	–	–	(28)	–	–	–	(28)

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	As at 31 December 2016								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,729,902	135,784	96,112	36,796	143,596	113,090	150,506	(167,791)	7,237,995
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	–	84,125
Interests in joint ventures	3,999	2,906	–	–	9,149	3,333	–	–	19,387
Reportable segment liabilities	6,237,647	160,848	49,474	26,579	94,244	70,059	167,944	(264,651)	6,542,144
Including:									
Bank and other loans	2,964	41,398	15,088	1,276	10,721	32,863	21,749	(13,240)	112,819
Debt instruments issued	432,579	1,453	4,242	–	–	4,682	100,937	–	543,893

	For the year ended 31 December 2015 (Restated)								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Continuing operations									
Revenue from external customers	205,378	45,664	60,077	14,676	6,025	63,348	142	–	395,310
Inter-segment revenue	649	2,287	284	100	90	866	–	(4,276)	–
Reportable segment revenue	206,027	47,951	60,361	14,776	6,115	64,214	142	(4,276)	395,310
Share of profits/(losses) of associates, net of tax	4,350	(430)	92	37	232	441	19	–	4,741
Share of profits/(losses) of joint ventures, net of tax	357	(1,585)	(69)	–	315	827	–	–	(155)
Finance income (Note 9)	–	435	369	431	323	58	3,668	(2,926)	2,358
Finance costs (Note 9)	–	(1,837)	(861)	(135)	(578)	(1,649)	(8,000)	3,821	(9,239)
Depreciation and amortisation (Note 10(b))	(3,087)	(1,821)	(3,868)	(135)	(165)	(2,667)	(31)	–	(11,774)
Impairment losses (Note 8)	(55,784)	(21,764)	(560)	(7)	(27)	(946)	(105)	5	(79,188)
Profit/(loss) before taxation	89,912	(22,997)	3,582	3,488	3,448	4,937	(4,064)	339	78,645
Income tax	(19,729)	4,679	(958)	(887)	(628)	(1,337)	(1,008)	444	(19,424)
Profit/(loss) for the year from continuing operations	70,183	(18,318)	2,624	2,601	2,820	3,600	(5,072)	783	59,221
Profit for the year from discontinued operations	–	–	–	–	1,472	–	–	–	1,472
Profit/(loss) for the year	70,183	(18,318)	2,624	2,601	4,292	3,600	(5,072)	783	60,693
Attributable to:									
– Ordinary shareholders of the Company	52,753	(17,251)	2,496	2,601	4,137	2,501	(6,208)	783	41,812
Continuing operations	52,753	(17,251)	2,496	2,601	2,826	2,501	(6,208)	783	40,501
Discontinued operations	–	–	–	–	1,311	–	–	–	1,311
– Non-controlling interests and holders of perpetual capital securities	17,430	(1,067)	128	–	155	1,099	1,136	–	18,881
Continuing operations	17,430	(1,067)	128	–	(6)	1,099	1,136	–	18,720
Discontinued operations	–	–	–	–	161	–	–	–	161

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	As at 31 December 2015								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	6,211,176	141,693	97,208	42,245	232,809	113,738	132,562	(168,122)	6,803,309
Including:									
Interests in associates	28,821	11,128	3,143	217	4,036	3,245	73	–	50,663
Interests in joint ventures	3,794	2,628	–	–	9,582	6,697	–	–	22,701
Reportable segment liabilities	5,777,576	147,960	47,529	30,467	160,689	73,651	155,973	(253,705)	6,140,140
Including:									
Bank and other loans	1,339	42,562	16,521	1,282	85,618	37,672	12,586	(50,359)	147,221
Debt instruments issued	345,120	446	5,033	–	4,750	5,283	89,804	(664)	449,772

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers For the year ended 31 December		**Reportable segment assets As at 31 December**	
	2016 HK$ million	2015 HK$ million (Restated)	**2016 HK$ million**	2015 HK$ million
Mainland China	**324,402**	340,348	**6,682,751**	6,312,332
Hong Kong and Macau	**26,996**	26,365	**447,065**	380,549
Overseas	**29,424**	28,597	**108,179**	110,428
	380,822	395,310	**7,237,995**	6,803,309

18 Cash and deposits

	As at 31 December	
	2016 HK$ million	2015 HK$ million
Cash	**8,867**	8,827
Bank deposits	**50,263**	63,166
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**520,751**	519,487
– Surplus deposit reserve funds (note (iii))	**65,795**	75,983
– Fiscal deposits (note (iv))	**3,989**	4,532
– Foreign exchange reserves (note (v))	**21,090**	4,078
Deposits with banks and non-bank financial institutions	**256,544**	125,542
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 45)	**(40)**	–
	927,259	801,615

18 Cash and deposits (continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2015: 15%) of eligible RMB deposits for domestic branches of CITIC Bank and at 15% (31 December 2015: 0%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2016.

As at 31 December 2016, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2015: 9.5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the People's Bank of China.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 7% (31 December 2015: 7.5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2016, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2015: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$5,517 million (31 December 2015: HK$7,416 million) included in cash and deposits as at 31 December 2016 were restricted in use. They mainly include guaranteed deposits.

19 Placements with banks and non-bank financial institutions

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Banks	**32,335**	49,563
Non-bank financial institutions	**154,601**	92,222
	186,936	141,785
Less: allowance for impairment losses (Note 45)	**(9)**	(10)
	186,927	141,775
Analysed by remaining maturity:		
– Within 1 month	**64,619**	68,561
– Between 1 month and 1 year	**122,281**	73,168
– Over 1 year	**27**	46
	186,927	141,775

20 Financial assets at fair value through profit or loss

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Held for trading purpose:		
– Debt trading financial assets (note (a))	**10,767**	10,189
– Certificates of interbank deposit (note (b))	**56,677**	18,175
– Investment funds (note (c))	**2,577**	6,371
– Trading equity investments (note (d))	**189**	338
Financial assets designated at fair value through profit or loss (note (e)):		
– Debt securities	**5,121**	2,108
– Others	**2,488**	3,210
	77,819	40,391
Issued by:		
– Government	**57**	507
– Policy banks	**3,177**	4,509
– Banks and non-bank financial institutions	**71,054**	30,961
– Corporates	**3,531**	4,414
	77,819	40,391
Analysed by remaining maturity:		
– Within 3 months	**19,188**	15,378
– Between 3 months and 1 year	**48,585**	15,236
– Over 1 year	**7,262**	9,757
– No fixed terms	**2,784**	20
	77,819	40,391

The remaining term to maturity of financial assets at fair value through profit or loss does not represent the Group's intended holding period.

(a) Debt trading financial assets

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Listed in Hong Kong	**1,092**	832
Listed outside Hong Kong	**7,575**	9,235
Unlisted	**2,100**	122
	10,767	10,189

20 Financial assets at fair value through profit or loss (continued)

(b) Certificates of interbank deposit

	As at 31 December 2016 HK$ million	2015 HK$ million
Listed outside Hong Kong	**56,677**	18,175

(c) Investment funds

	As at 31 December 2016 HK$ million	2015 HK$ million
Unlisted	**2,577**	6,371

(d) Trading equity investments

	As at 31 December 2016 HK$ million	2015 HK$ million
Listed in Hong Kong	**103**	202
Listed outside Hong Kong	**82**	133
Unlisted	**4**	3
	189	338

(e) Financial assets designated at fair value through profit or loss

	As at 31 December 2016 HK$ million	2015 HK$ million
Listed in Hong Kong	**–**	1,733
Listed outside Hong Kong	**4,970**	–
Unlisted	**2,639**	3,585
	7,609	5,318

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards and swap of interest rate and currency to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

	As at 31 December					
	2016			2015		
	Nominal amount HK$ million	**Assets HK$ million**	**Liabilities HK$ million**	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge (note (c)(i)):						
– Interest rate derivatives	**15,727**	**225**	**26**	13,302	283	46
– Currency derivatives	**–**	**–**	**–**	3,939	48	–
Cash flow hedge (note (c)(ii)):						
– Interest rate derivatives	**17,416**	**–**	**2,187**	14,246	–	2,608
– Currency derivatives	**1,423**	**9**	**19**	113	–	2
– Other derivatives	**1,253**	**99**	**9**	24	–	908
Non-hedging instruments						
– Interest rate derivatives	**945,104**	**3,548**	**3,173**	716,684	1,258	1,467
– Currency derivatives	**2,920,994**	**47,423**	**44,774**	1,911,069	13,717	12,082
– Precious metals derivatives	**86,511**	**1,977**	**2,460**	22,396	1,203	362
– Other derivatives	**–**	**–**	**–**	6,234	–	–
	3,988,428	**53,281**	**52,648**	2,688,007	16,509	17,475

21 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December 2016 HK$ million	2015 HK$ million
Within 3 months	**1,077,629**	974,188
Between 3 months and 1 year	**2,573,742**	1,560,625
Between 1 year and 5 years	**324,205**	144,900
Over 5 years	**12,852**	8,294
	3,988,428	2,688,007

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2016, the credit risk weighted amount for counterparty was HK$41,513 million (31 December 2015: HK$22,332 million).

(c) Derivatives designated as hedging instruments

(i) Fair value hedge
Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

(ii) Cash flow hedge
Cash flow hedge is adopted to hedge the risk that a financial instrument's cash flows will fluctuate because of changes in market interest rates, foreign exchange rates or commodity price by using foreign currency forward contracts, commodity forward contracts or interest rate swaps.

22 Trade and other receivables

	As at 31 December 2016 HK$ million	2015 HK$ million
Trade and bills receivables (note (a))	**32,990**	27,333
Interest receivables (note (b))	**37,579**	36,750
Prepayments, deposits and other receivables (note (c))	**68,373**	77,264
	138,942	141,347

As at 31 December 2016, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$14,243 million (31 December 2015: HK$16,502 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

22 Trade and other receivables (continued)

(a) Trade and bills receivables

(i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Within 1 year	**29,055**	23,522
Over 1 year	**5,370**	4,947
	34,425	28,469
Less: allowance for impairment losses (Note 45)	**(1,435)**	(1,136)
	32,990	27,333

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(ii) Impairment of trade and bills receivables

The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2016 and 2015 are disclosed in Note 45.

As at 31 December 2016, the Group's trade and bills receivables of HK$103 million (31 December 2015: HK$411 million) were individually determined to be impaired. These receivables mainly relate to customers which were in financial difficulties. It is assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses is recognised.

(iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Less than 1 year past due	**1,298**	1,365
Over 1 year past due	**383**	407
	1,681	1,772

Receivables that are past due but not impaired are related to a number of third-party customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

22 Trade and other receivables (continued)

(b) Interest receivables

	As at 31 December 2016 HK$ million	2015 HK$ million
Interest receivables	**41,949**	39,297
Less: allowance for impairment losses (Note 45)	**(4,370)**	(2,547)
	37,579	36,750

(c) Prepayments, deposits and other receivables

	As at 31 December 2016 HK$ million	2015 HK$ million
Prepayments, deposits and other receivables	**69,925**	78,661
Less: allowance for impairment losses (Note 45)	**(1,552)**	(1,397)
	68,373	77,264

23 Inventories

	As at 31 December 2016 HK$ million	2015 HK$ million
Raw materials	**4,294**	3,104
Work-in-progress	**4,319**	4,622
Finished goods	**15,063**	13,318
Properties:		
– Properties under development	**16,684**	86,927
– Properties held-for-sale	**5,472**	18,460
– Others	**1,391**	2,190
Others	**1,682**	1,826
	48,905	130,447

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Carrying amount of inventories sold	**148,416**	146,594
Write-down of inventories (Note 45)	**1,035**	831
Reversal of write-down of inventories (Note 45)	**(483)**	(145)
	148,968	147,280

As at 31 December 2016, the Group's inventories included an amount of HK$18,515 million expected to be recovered after more than one year (31 December 2015: HK$89,589 million).

As at 31 December 2016, the carrying amount of restricted inventories of CITIC Resources Holdings Limited ("CITIC Resources"), a subsidiary of the Group, was HK$ Nil (31 December 2015: HK$270 million).

24 Financial assets held under resale agreements

	As at 31 December 2016 HK$ million	2015 HK$ million
Analysed by counterparties:		
– Banks	**164,363**	165,091
– Non-bank financial institutions	**29,252**	300
	193,615	165,391
Analysed by types of collateral:		
– Discounted bills	**–**	84,495
– Securities	**193,577**	80,251
– Others	**38**	645
	193,615	165,391
Analysed by remaining maturity:		
– Within 1 month	**193,577**	161,380
– Between 1 month and 1 year	**38**	3,892
– Over 1 year	**–**	119
	193,615	165,391

25 Loans and advances to customers and other parties

(a) Loans and advances

	As at 31 December 2016 HK$ million	2015 HK$ million
Corporate loans:		
– Loans	**2,034,571**	2,093,945
– Discounted bills	**83,949**	110,721
– Finance lease receivables	**38,579**	21,340
	2,157,099	2,226,006
Personal loans:		
– Residential mortgages	**484,297**	320,999
– Business loans	**125,151**	126,251
– Credit cards	**265,745**	209,841
– Others	**194,224**	140,987
	1,069,417	798,078
	3,226,516	3,024,084
Less: Impairment allowance (Note 45)		
– Individually assessed	**(32,240)**	(21,973)
– Collectively assessed	**(56,370)**	(54,313)
	(88,610)	(76,286)
	3,137,906	2,947,798

25 Loans and advances to customers and other parties (continued)

(b) Loans and advances to customers and other parties analysed by type of security

	As at 31 December 2016 HK$ million	2015 HK$ million
Unsecured loans	**617,132**	588,325
Guaranteed loans	**567,054**	588,124
Secured loans		
– Loans secured by collateral	**1,583,998**	1,397,259
– Pledged loans	**374,383**	339,655
	3,142,567	2,913,363
Discounted bills	**83,949**	110,721
Gross loans and advances	**3,226,516**	3,024,084

(c) Assessment method of allowance for impairment losses

As at 31 December 2016

	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	**3,168,261**	**11,826**	**46,429**	**3,226,516**	**1.81%**
Less: allowance for impairment losses	**(47,308)**	**(9,062)**	**(32,240)**	**(88,610)**	
	3,120,953	**2,764**	**14,189**	**3,137,906**	

As at 31 December 2015

	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK$ million	Total HK$ million	Gross impaired loans and advances as a percentage of gross total loans and advances
Gross loans and advances	2,977,437	9,553	37,094	3,024,084	1.54%
Less: allowance for impairment losses	(47,335)	(6,978)	(21,973)	(76,286)	
	2,930,102	2,575	15,121	2,947,798	

25 Loans and advances to customers and other parties (continued)

(c) Assessment method of allowance for impairment losses (continued)

Notes:

(i) Identified impaired loans and advances to customers and other parties include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).

(ii) As at 31 December 2016, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK$46,429 million (31 December 2015: HK$37,094 million). The secured and unsecured portion of these loans and advances were as follows:

	As at 31 December 2016 HK$ million	2015 HK$ million
Secured portion	**25,254**	12,396
Unsecured portion	**21,175**	24,698
	46,429	37,094

As at 31 December 2016, the fair value of pledge and collateral held against these loans and advances amounted to HK$20,842 million (31 December 2015: HK$19,935 million).

The fair value of pledge and collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(d) Movements of allowance for impairment losses

	For the year ended 31 December 2016			
	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is individually assessed HK$ million	Total HK$ million
At 1 January	47,335	6,978	21,973	76,286
Charge for the year:				
– impairment allowance on loans charged	3,201	8,094	45,587	56,882
– Reversal of impairment for the year	(113)	(474)	(2,692)	(3,279)
Unwinding of discount on allowance	–	–	(660)	(660)
Write-offs	–	(5,449)	(30,763)	(36,212)
Recovery of loans and advances written off in previous year	–	474	195	669
Changes of exchange rate	(3,115)	(561)	(1,400)	(5,076)
At 31 December	47,308	9,062	32,240	88,610

25 Loans and advances to customers and other parties (continued)

(d) Movements of allowance for impairment losses (continued)

	For the year ended 31 December 2015			
	Loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is collectively assessed HK$ million	Impaired loans and advances for which the allowance is individually assessed HK$ million	Total HK$ million
At 1 January	46,554	4,920	17,627	69,101
Charge for the year:				
– Impairment allowance on loans charged	5,968	7,062	37,830	50,860
– Reversal of impairment for the year	(106)	(354)	(2,573)	(3,033)
Unwinding of discount on allowance	–	–	(737)	(737)
Write-offs	(2,235)	(4,707)	(29,351)	(36,293)
Recovery of loans and advances written off in previous year	–	446	302	748
Changes of exchange rate	(2,846)	(389)	(1,125)	(4,360)
At 31 December	47,335	6,978	21,973	76,286

(e) Overdue loans by overdue period

	As at 31 December 2016				
	Overdue within 3 months HK$ million	**Overdue between 3 months and 1 year HK$ million**	**Overdue between 1 year and 3 years HK$ million**	**Overdue over 3 years HK$ million**	**Total HK$ million**
Unsecured loans	**4,455**	**6,235**	**3,073**	**335**	**14,098**
Guaranteed loans	**8,693**	**13,022**	**7,978**	**128**	**29,821**
Secured loans					
– Loans secured by collateral	**25,364**	**19,297**	**9,867**	**750**	**55,278**
– Pledged loans	**1,780**	**3,091**	**1,169**	**70**	**6,110**
	40,292	**41,645**	**22,087**	**1,283**	**105,307**

	As at 31 December 2015				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	4,088	3,657	2,993	355	11,093
Guaranteed loans	10,632	6,308	6,093	275	23,308
Secured loans					
– Loans secured by collateral	25,754	14,732	7,569	458	48,513
– Pledged loans	3,685	1,903	1,194	74	6,856
	44,159	26,600	17,849	1,162	89,770

Overdue loans represent loans of which the principal or interest are overdue one day or more.

26 Available-for-sale financial assets

	As at 31 December 2016 HK$ million	2015 HK$ million
Debt securities (note (a))	**449,754**	360,040
Certificates of deposit and certificates of interbank deposit (note (b))	**129,736**	89,897
Wealth management products issued by financial institutions (note (c))	**17,555**	33,138
Equity investments (note (d))	**15,763**	10,660
Investment funds (note (e))	**30,532**	1,904
	643,340	495,639
Less: allowance for impairment losses (Note 45)	**(863)**	(853)
	642,477	494,786
Issued by:		
– Government	**202,541**	136,925
– Policy banks	**102,744**	87,008
– Banks and non-bank financial institutions	**225,284**	162,884
– Corporates	**111,908**	107,969
	642,477	494,786
Analysed by remaining maturity:		
– Within 3 months	**150,556**	77,175
– Between 3 months and 1 year	**106,324**	122,040
– Over 1 year	**370,052**	287,217
– No fixed terms	**15,545**	8,354
	642,477	494,786

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

26 Available-for-sale financial assets (continued)

(a) Debt securities

	As at 31 December 2016 HK$ million	As at 31 December 2015 HK$ million
Debt securities	**449,754**	360,040
Less: allowance for impairment losses	**(148)**	(168)
	449,606	359,872
Representing:		
– Listed in Hong Kong	**18,521**	14,874
– Listed outside Hong Kong	**398,907**	309,119
– Unlisted	**32,178**	35,879
	449,606	359,872

(b) Certificates of deposit and certificates of interbank deposit

	As at 31 December 2016 HK$ million	As at 31 December 2015 HK$ million
Certificates of deposit and certificates of interbank deposit	**129,736**	89,897
Representing:		
– Listed outside Hong Kong	**129,736**	89,897

(c) Wealth management products issued by financial institutions

	As at 31 December 2016 HK$ million	As at 31 December 2015 HK$ million
Wealth management products issued by financial institutions	**17,555**	33,138
Less: allowance for impairment losses	**(373)**	(256)
	17,182	32,882
Representing:		
– Listed outside Hong Kong	**–**	17
– Unlisted	**17,182**	32,865
	17,182	32,882

26 Available-for-sale financial assets (continued)

(d) Equity investments

	As at 31 December 2016 HK$ million	2015 HK$ million
Equity investments	**15,763**	10,660
Less: allowance for impairment losses	**(309)**	(401)
	15,454	10,259
Representing:		
– Listed in Hong Kong	**2,292**	1,370
– Listed outside Hong Kong	**1,678**	1,394
– Unlisted	**11,484**	7,495
	15,454	10,259

(e) Investment funds

	As at 31 December 2016 HK$ million	2015 HK$ million
Investment funds	**30,532**	1,904
Less: allowance for impairment losses	**(33)**	(28)
	30,499	1,876
Representing:		
– Listed in Hong Kong	**1,492**	12
– Listed outside Hong Kong	**21,894**	–
– Unlisted	**7,113**	1,864
	30,499	1,876

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

27 Held-to-maturity investments

	As at 31 December 2016 HK$ million	2015 HK$ million
Debt securities	**244,123**	216,244
Others	**30**	72
	244,153	216,316
Less: allowance for impairment losses (Note 45)	**(2)**	(49)
	244,151	216,267
Representing:		
– Listed in Hong Kong	**1,017**	462
– Listed outside Hong Kong	**238,128**	208,704
– Unlisted	**5,006**	7,101
	244,151	216,267
Issued by:		
– Government	**55,098**	59,759
– Policy banks	**78,100**	76,419
– Banks and non-bank financial institutions	**86,397**	48,658
– Public entities	**4**	5
– Corporates	**24,552**	31,426
	244,151	216,267
Analysed by remaining maturity:		
– Within 3 months	**13,663**	5,655
– Between 3 months and 1 year	**64,873**	22,222
– Over 1 year	**165,615**	188,390
	244,151	216,267
Fair value	**244,876**	222,501
Of which: listed debt securities	**240,837**	215,396

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

28 Investments classified as receivables

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Trust investment plans	**145,595**	168,036
Investment management products managed by securities companies	**509,120**	986,781
Wealth management products issued by financial institutions	**512,448**	176,186
Others	**1,296**	1,468
	1,168,459	1,332,471
Less: allowance for impairment losses (Note 45)	**(2,134)**	(1,190)
	1,166,325	1,331,281

As at 31 December 2016, certain of the Group's investments with an aggregate amount of HK$164,894 million (31 December 2015: HK$90,285 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investments classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

29 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 57.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries") and CITIC Telecom International Holdings Limited ("CITIC Telecom International"), CITIC Resources, which are listed subsidiaries of the Group, and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong and Shanghai**		**Shanghai**		**Hong Kong**		**Hong Kong**	
Non-controlling interests percentage	**34.03%**	32.87%	**32.73%**	30.27%	**39.76%**	41.23%	**40.50%**	40.50%
Total assets	**6,630,502**	6,114,125	**22,106**	24,785	**18,183**	16,982	**13,269**	14,066
Including:								
Cash and deposits	**851,828**	706,620	**4,431**	6,236	**1,459**	1,223	**1,161**	1,300
Placements with banks and non-bank financial institutions	**186,927**	141,775	**–**	–	**–**	–	**–**	–
Financial assets at fair value through profit and loss	**72,566**	31,297	**–**	–	**–**	–	**2,884**	1,839
Derivative financial assets	**52,952**	16,458	**–**	–	**–**	–	**61**	–
Financial assets held under resale agreements	**190,947**	165,391	**–**	–	**–**	–	**–**	–
Loans and advances to customers and other parties	**3,132,871**	2,946,219	**–**	–	**–**	–	**–**	–
Available-for-sale financial assets	**597,571**	446,143	**1,667**	1,498	**–**	–	**1**	1
Held-to-maturity investments	**243,148**	214,770	**–**	–	**–**	–	**–**	–
Investments classified as receivables	**1,157,872**	1,327,565	**–**	–	**–**	–	**–**	–
Total liabilities	**(6,200,662)**	(5,732,538)	**(14,037)**	(14,296)	**(10,283)**	(9,925)	**(8,573)**	(9,961)
Including:								
Borrowing from central banks	**(205,755)**	(44,761)	**–**	–	**–**	–	**–**	–
Deposits from banks and non-bank financial institutions	**(1,097,188)**	(1,275,447)	**–**	–	**–**	–	**–**	–
Placements from banks and non-bank financial institutions	**(93,596)**	(58,784)	**–**	–	**–**	–	**–**	–
Derivative financial liabilities	**(50,373)**	(13,629)	**–**	–	**–**	–	**(10)**	(910)
Financial assets sold under repurchase agreements	**(134,534)**	(84,948)	**–**	–	**–**	–	**–**	–
Deposits from customers	**(4,068,473)**	(3,799,058)	**–**	–	**–**	–	**–**	–
Bank and other loans	**–**	–	**(5,046)**	(4,860)	**(7,901)**	(7,472)	**(7,527)**	(7,806)

29 Subsidiaries (continued)

	For the year ended 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Net assets	**429,840**	381,587	**8,069**	10,489	**7,900**	7,057	**4,696**	4,105
Equity attributable to								
– Ordinary shareholders of subsidiaries	**384,869**	379,264	**7,941**	10,489	**7,871**	7,029	**4,804**	4,167
– Non-controlling interests in subsidiaries	**44,971**	2,323	**128**	–	**29**	28	**(108)**	(62)
Carrying amount of non-controlling interests	**175,942**	138,175	**2,727**	3,433	**3,158**	2,926	**1,838**	1,626
Revenue	**180,347**	181,265	**4,412**	5,007	**7,699**	8,371	**2,957**	3,713
Profit/(loss) for the year	**48,885**	51,984	**(1,831)**	77	**863**	815	**344**	(6,172)
Total comprehensive income/(loss) for the year	**43,357**	59,013	**(1,832)**	62	**852**	777	**591**	(6,778)
Profit attributable to non-controlling interests	**17,131**	17,574	**(584)**	22	**349**	343	**128**	(2,539)
Dividends paid to non-controlling interests	**183**	171	**–**	64	**11**	169	**–**	–
Net cash generated from/(used in) operating activities	**244,615**	(25,948)	**(798)**	69	**1,883**	1,776	**233**	714
Net cash (used in)/generated from investing activities	**(197,260)**	(177,540)	**(1,313)**	218	**(1,337)**	(875)	**199**	(917)
Net cash generated from/(used in) financing activities	**123,110**	192,080	**573**	909	**(332)**	(1,213)	**(554)**	(1,735)

30 Interests in associates

	As at 31 December 2016 HK$ million	2015 HK$ million
Carrying value	**86,440**	53,094
Less: allowance for impairment losses (Note 45)	**(2,315)**	(2,431)
	84,125	50,663

Notes:

(i) The particulars of the principal associates are set out in Note 57.

Summarised financial information of the material associates are disclosed below:

	As at 31 December				
	China Overseas Land & Investment Limited	CITIC Securities Co., Ltd.		MMG South America Management Co., Ltd.	
	2016	**2016**	2015	**2016**	2015
	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong**	**Hong Kong, Shanghai**		**Unlisted**	
Gross amount of the associates					
Total assets	**615,294**	**667,895**	735,406	**90,328**	83,979
Total liabilities	**(343,866)**	**(504,913)**	(566,224)	**(61,757)**	(57,013)
Net assets	**271,428**	**162,982**	169,182	**28,571**	26,966
Equity attributable to:					
– Associates' shareholders	**266,253**	**159,524**	166,079	**28,571**	26,966
– Non-controlling interests in associates	**5,175**	**3,458**	3,103	**–**	–
	271,428	**162,982**	169,182	**28,571**	26,966

30 Interests in associates (continued)

Summarised financial information of the material associates are disclosed below (continued):

	For the year ended 31 December				
	China Overseas Land & Investment Limited From the date of investment to 31 December 2016 HK$ million	CITIC Securities Co., Ltd. 2016 HK$ million	CITIC Securities Co., Ltd. 2015 HK$ million	MMG South America Management Co., Ltd. 2016 HK$ million	MMG South America Management Co., Ltd. 2015 HK$ million
Revenue	note	**58,572**	90,821	**9,893**	–
Profit/(loss) for the year	note	**12,847**	25,357	**1,444**	(433)
Other comprehensive (loss)/income for the year	note	**(958)**	2,907	**–**	–
Total comprehensive income/(loss) for the year	note	**11,889**	28,264	**1,444**	(433)
Dividends received from associates	383	**1,170**	699	**–**	–
Reconciled to the Group's interests in associates					
Gross amounts of net assets of associates attributable to the associates' shareholders	266,253	**159,524**	166,079	**28,571**	26,966
Group's effective interest	10.00%	**16.66%**	15.59%	**15.00%**	15.00%
Group's share of net assets of associates	26,625	**26,577**	25,892	**4,286**	4,045
Goodwill and others	1,397	**1,366**	1,035	**–**	–
Carrying amounts in the consolidated balance sheet	28,022	**27,943**	26,927	**4,286**	4,045

Note:

No further disclosure due to the immaterial equity pick-up impact in the period from the date of investment to 31 December 2016.

30 Interests in associates (continued)

Aggregate information of associates that are not individually material:

	As at 31 December 2016 HK$ million	2015 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**23,874**	19,691
Aggregate amount of the Group's share of those immaterial associates:		
(Loss)/profit for the year	**(604)**	738
Other comprehensive income/(loss) for the year	**543**	(830)
Total comprehensive loss for the year	**(61)**	(92)

31 Interests in joint ventures

	As at 31 December 2016 HK$ million	2015 HK$ million
Carrying value	**20,894**	24,198
Less: allowance for impairment losses (Note 45)	**(1,507)**	(1,497)
	19,387	22,701

The principals of the principal joint ventures are set out in Note 57.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		CSSC Complex Property Co., Ltd.		山東新巨龍能源有限責任公司	
	2016 HK$ million	2015 HK$ million	**2016 HK$ million**	2015 HK$ million	**2016 HK$ million**	2015 HK$ million
Gross amount of the joint ventures						
Total assets	**61,119**	57,264	**7,610**	9,782	**10,303**	10,425
Total liabilities	**(56,870)**	(53,304)	**(2,355)**	(5,909)	**(6,321)**	(7,859)
Net assets	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
Equity attributable to:						
– Joint ventures' shareholders	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
– Non-controlling interests in joint ventures	**–**	–	**–**	–	**–**	–
	4,249	3,960	**5,255**	3,873	**3,982**	2,566

31 Interests in joint ventures (continued)

Summarised financial information of the material joint ventures are disclosed below (continued):

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		CSSC Complex Property Co., Ltd.		山東新巨龍能源有限責任公司	
	2016	2015	**2016**	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue	**11,517**	10,192	**5,402**	2,382	**6,027**	5,092
Profit for the year	**819**	476	**1,698**	780	**1,452**	817
Other comprehensive (loss)/income for the year	**(254)**	32	**–**	(227)	**–**	–
Total comprehensive income for the year	**565**	508	**1,698**	553	**1,452**	817
Dividends received from joint ventures	**–**	–	**–**	–	**–**	408
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders:	**4,249**	3,960	**5,255**	3,873	**3,982**	2,566
Group's effective interest	**50.00%**	50.00%	**50.00%**	50.00%	**30.00%**	30.00%
Group's share of net assets of joint ventures	**2,125**	1,980	**2,628**	1,937	**1,195**	770
Goodwill and others	**1,257**	1,342	**42**	626	**1,160**	1,343
Carrying amount in the consolidated balance sheet	**3,382**	3,322	**2,670**	2,563	**2,355**	2,113

Note:

In December 2016, the Group disposed 1.75% of its interest in CITIC Capital Holdings Limited and the remaining interest was classified as available-for-sale financial assets.

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**10,980**	14,703
Aggregate amount of the Group's share of those joint ventures		
Profit/(loss) for the year	**1,182**	(982)
Other comprehensive loss for the year	**(20)**	(46)
Total comprehensive income/(loss) for the year	**1,162**	(1,028)

32 Fixed assets

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2016	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508
Exchange adjustments	(3,053)	(4,294)	(915)	(878)	(425)	(388)	(9,953)	(706)	(10,659)	(776)
Disposal of subsidiaries	(1,579)	(321)	(869)	(189)	(179)	(1,863)	(5,000)	(1,512)	(6,512)	(1,539)
Additions	6,357	2,432	13,077	2,178	515	209	24,768	921	25,689	6,008
Disposals	(1,270)	(1,316)	(306)	(606)	(539)	(1,047)	(5,084)	(33)	(5,117)	(1,011)
Transfers	1,562	26,607	(30,934)	378	12	2,354	(21)	(806)	(827)	(231)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	580
At 31 December 2016	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	31,539
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2016	(13,997)	(47,646)	(10,646)	(8,340)	(4,126)	(2,601)	(87,356)	(1,472)	(88,828)	–
Exchange adjustments	816	1,969	9	534	161	115	3,604	28	3,632	–
Disposal of subsidiaries	540	168	6	59	150	647	1,570	100	1,670	–
Charge for the year	(2,043)	(5,342)	–	(2,195)	(874)	(506)	(10,960)	(250)	(11,210)	–
Written back on disposals	133	447	–	425	368	709	2,082	3	2,085	–
Transfers	–	(10,543)	10,543	–	–	–	–	–	–	–
Impairment losses (Note 45)	(2,300)	(6,302)	(74)	(27)	(368)	(1,184)	(10,255)	–	(10,255)	–
At 31 December 2016	(16,851)	(67,249)	(162)	(9,544)	(4,689)	(2,820)	(101,315)	(1,591)	(102,906)	–
Net book value:										
At 31 December 2016	46,548	78,323	13,569	5,699	7,902	5,082	157,123	15,113	172,236	31,539
Represented by:										
Cost	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	–
Valuation	–	–	–	–	–	–	–	–	–	31,539
	63,399	145,572	13,731	15,243	12,591	7,902	258,438	16,704	275,142	31,539

32 Fixed assets (continued)

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 1 January 2015	54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744
Exchange adjustments	(2,835)	(3,974)	(646)	(725)	(404)	(186)	(8,770)	(1,125)	(9,895)	(871)
Business combinations	4,846	16,296	777	125	36	3,223	25,303	565	25,868	–
Additions	4,255	1,210	16,164	1,804	855	667	24,955	1,706	26,661	590
Disposals	(855)	(897)	–	(353)	(644)	(651)	(3,400)	(268)	(3,668)	–
Transfers	1,965	4,999	(8,604)	198	638	(378)	(1,182)	–	(1,182)	(616)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	661
At 31 December 2015	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2015	(10,913)	(23,777)	(6,917)	(7,241)	(2,964)	(2,475)	(54,287)	(1,194)	(55,481)	–
Exchange adjustments	761	1,724	4	435	149	163	3,236	83	3,319	–
Business combinations	(1,808)	(8,374)	–	(72)	(19)	(759)	(11,032)	(31)	(11,063)	–
Charge for the year	(2,101)	(5,056)	–	(1,699)	(1,018)	(361)	(10,235)	(362)	(10,597)	–
Written back on disposals	188	515	–	269	202	598	1,772	–	1,772	–
Transfers	130	161	–	–	–	344	635	32	667	–
Impairment losses (Note 45)	(254)	(12,839)	(3,733)	(32)	(476)	(111)	(17,445)	–	(17,445)	–
At 31 December 2015	(13,997)	(47,646)	(10,646)	(8,340)	(4,126)	(2,601)	(87,356)	(1,472)	(88,828)	–
Net book value:										
At 31 December 2015	47,385	74,818	23,032	6,020	9,081	6,036	166,372	17,368	183,740	28,508
Represented by:										
Cost	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	–
Valuation	–	–	–	–	–	–	–	–	–	28,508
	61,382	122,464	33,678	14,360	13,207	8,637	253,728	18,840	272,568	28,508

32 Fixed assets (continued)

As at 31 December 2016, the Group was in the process of applying the ownership certificates in respect of certain premises and land use rights of HK$4,854 million (31 December 2015: HK$4,804 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) The tenure of the plant and buildings, land use rights and investment properties is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
In Mainland China		
– leases of over fifty years	**4,916**	5,964
– leases of between ten to fifty years	**63,581**	58,765
– leases of less than ten years	**1,134**	1,466
	69,631	66,195
In Hong Kong		
– leases of over fifty years	**758**	688
– leases of between ten to fifty years	**16,702**	16,663
	17,460	17,351
Properties held overseas		
– freehold	**1,448**	1,932
– leases of more than fifty years	**292**	–
– leases of between ten to fifty years	**4,293**	7,710
– leases of less than ten years	**76**	73
	6,109	9,715
Total	**93,200**	93,261

32 Fixed assets (continued)

(b) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2016 and 2015 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2016
Mainland China and Hong Kong	China Appraisal Associates
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	China Enterprise Appraisals Company
	Zhong Ming International Asset Appraisal (Beijing) Co., Ltd.
	Prudential Surveyors International Limited
	Knight Frank Petty Limited
	Centaline Surveyors Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

Properties located in	Valuers in 2015
Mainland China and Hong Kong	China Enterprise Appraisals Company
	Deve China International Appraisals Company Limited
	Knight Frank Petty Limited
	Prudential Surveyors International Limited
	Yinxin Appraisal Co., Ltd.
	China Appraisal Associates
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

32 Fixed assets (continued)

(b) Fair value measurement of investment properties (continued)

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Level 3 For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**13,713**	13,955
Exchange adjustments	**(788)**	(836)
Additions	**5,366**	580
Disposal of subsidiaries	**(1,539)**	–
Disposals	**(72)**	–
Transfers	**(171)**	(294)
Change in fair value of investment properties	**431**	308
At 31 December	**16,940**	13,713
Investment properties – Hong Kong		
At 1 January	**14,285**	14,272
Exchange adjustments	**6**	–
Additions	**636**	2
Disposals	**(761)**	–
Transfers	**(60)**	(322)
Change in fair value of investment properties	**122**	333
At 31 December	**14,228**	14,285
Investment properties – Overseas		
At 1 January	**510**	517
Exchange adjustments	**6**	(35)
Additions	**6**	8
Disposals	**(178)**	–
Change in fair value of investment properties	**27**	20
At 31 December	**371**	510

32 Fixed assets (continued)

(b) Fair value measurement of properties (continued)

(ii) Fair value hierarchy (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil).

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

33 Intangible assets

	For the year ended 31 December			
	Roads operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2016	11,324	19,211	10,327	40,862
Exchange adjustments	(717)	–	(445)	(1,162)
Additions	10	84	1,853	1,947
Disposal of subsidiaries	–	–	(41)	(41)
Disposals	–	(25)	(1,338)	(1,363)
At 31 December 2016	10,617	19,270	10,356	40,243
Accumulated amortisation and impairment losses:				
At 1 January 2016	(768)	(15,870)	(3,652)	(20,290)
Exchange adjustments	57	–	130	187
Disposal of subsidiaries	–	–	22	22
Charge for the year	(203)	(65)	(1,026)	(1,294)
Written back on disposals	–	–	1,196	1,196
Impairment losses (Note 45)	–	(735)	(7)	(742)
At 31 December 2016	(914)	(16,670)	(3,337)	(20,921)
Net book value:				
At 31 December 2016	9,703	2,600	7,019	19,322

33 Intangible assets (continued)

	For the year ended 31 December			
	Roads and tunnels operating rights HK$ million	Mining assets HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2015	13,990	18,851	7,105	39,946
Exchange adjustments	(702)	(5)	(374)	(1,081)
Additions	36	365	1,265	1,666
Disposals	–	–	(37)	(37)
Transfers (note)	(2,000)	–	–	(2,000)
Business combinations	–	–	2,368	2,368
At 31 December 2015	11,324	19,211	10,327	40,862
Accumulated amortisation and impairment losses:				
At 1 January 2015	(2,447)	(13,603)	(2,872)	(18,922)
Exchange adjustments	45	2	121	168
Charge for the year	(287)	(37)	(855)	(1,179)
Written back on disposals	–	–	35	35
Transfers (note)	1,921	–	–	1,921
Impairment losses (Note 45)	–	(2,232)	(1)	(2,233)
Business combinations	–	–	(80)	(80)
At 31 December 2015	(768)	(15,870)	(3,652)	(20,290)
Net book value:				
At 31 December 2015	10,556	3,341	6,675	20,572

Amortisation charge is included in "cost of sales and services" and "other operating expenses" in the consolidated income statement.

Note:

The roads and tunnels operating rights include a franchise to operate the Eastern Harbour Crossing in Hong Kong for the period ended 7 August 2016. At the end of the franchise period, the assets of the franchise had been vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise. As at 31 December 2015, the intangible assets of roads and tunnels operating rights related to this franchise had been reclassified to trade and other receivables.

34 Goodwill

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Cost:		
At 1 January	**19,855**	14,093
Additions	**2,695**	6,397
Transfers	**–**	(7)
Exchange differences	**(245)**	(628)
At 31 December	**22,305**	19,855
Accumulated impairment losses:		
At 1 January	**(374)**	(384)
Additions (Note 45)	**(63)**	–
Exchange differences	**3**	10
At 31 December	**(434)**	(374)
Net book value:		
At 31 December	**21,871**	19,481

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December 2016 HK$ million	2015 HK$ million
Resources and energy	**1,376**	1,409
Financial services	**1,498**	1,529
Manufacturing	**1,105**	612
Real estate	**348**	359
Others	**17,544**	15,572
	21,871	19,481

Based on management's impairment assessment, impairment loss of HK$63 million was recognised for the year ended 31 December 2016 (2015: Nil).

35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December 2016 HK$ million	2015 HK$ million
Income tax payable	**9,999**	8,987
Land appreciation tax payable	**–**	427
	9,999	9,414

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets and intangible assets HK$ million	Fair value changes of financial instruments HK$ million	Fixed assets and intangible assets HK$ million	Others HK$ million	Total HK$ million
Deferred tax assets							
At 1 January 2015	6,457	2,858	11,000	777	2,202	1,876	25,170
Credited/(charged) to profit or loss	5,295	(1,070)	1,658	3	737	156	6,779
Credited/(charged) to other comprehensive income	–	7	4	(6)	–	349	354
Business combination	–	–	–	–	5	–	5
Exchange adjustments and others	44	(221)	(625)	(59)	(121)	(344)	(1,326)
At 31 December 2015	11,796	1,574	12,037	715	2,823	2,037	30,982
Credited/(charged) to profit or loss	**1,650**	**464**	**4,247**	**(20)**	**1,772**	**(467)**	**7,646**
Charged to other comprehensive income	**–**	**(1)**	**1**	**(343)**	**–**	**(281)**	**(624)**
Disposal of subsidiaries	**(244)**	**(118)**	**(41)**	**–**	**–**	**(220)**	**(623)**
Exchange adjustments and others	**87**	**(91)**	**(934)**	**(1)**	**50**	**(63)**	**(952)**
At 31 December 2016	**13,289**	**1,828**	**15,310**	**351**	**4,645**	**1,006**	**36,429**

35 Income tax in the balance sheet (continued)

(b) Deferred tax assets/(liabilities) recognised (continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK$ million	Temporary differences on fixed assets and intangible assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax liabilities					
At 1 January 2015	(1,845)	(546)	(3,276)	(2,635)	(8,302)
(Charged)/credited to profit or loss	(452)	87	296	(445)	(514)
Charged to other comprehensive income	(497)	–	(93)	(263)	(853)
Business combination	–	(168)	–	(241)	(409)
Exchange adjustments and others	44	(3)	(159)	(23)	(141)
At 31 December 2015	(2,750)	(630)	(3,232)	(3,607)	(10,219)
(Charged)/credited to profit or loss	**(593)**	**(233)**	**(527)**	**(328)**	**(1,681)**
Credited/(charged) to other comprehensive income	**2,452**	**–**	**(57)**	**39**	**2,434**
Disposal of subsidiaries	**102**	**–**	**182**	**743**	**1,027**
Exchange adjustments and others	**85**	**(88)**	**219**	**(102)**	**114**
At 31 December 2016	**(704)**	**(951)**	**(3,415)**	**(3,255)**	**(8,325)**

35 Income tax in the balance sheet (continued)

(c) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Deductible temporary differences	**2,196**	1,992
Tax losses	**11,394**	12,681
	13,590	14,673

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2016, tax losses amounting to HK$6,862 million (31 December 2015: HK$8,421 million) that can be carried forward against future taxable income are expiring within 5 years.

(d) Deferred tax liabilities not recognised

As at 31 December 2016, the Group has not recognised any temporary differences relating to the undistributed profits of certain subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future (31 December 2015: Nil).

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Banks	**502,387**	493,190
Non-bank financial institutions	**594,777**	782,231
	1,097,164	1,275,421
Analysed by remaining maturity:		
– On demand	**205,334**	269,043
– Within 3 months	**658,028**	373,031
– Between 3 months and 1 year	**233,187**	630,237
– Over 1 year	**615**	3,110
	1,097,164	1,275,421

37 Placements from banks and non-bank financial institutions

	As at 31 December 2016 HK$ million	2015 HK$ million
Banks	**71,237**	41,753
Non-bank financial institutions	**22,359**	16,388
	93,596	58,141
Analysed by remaining maturity:		
– Within 3 months	**60,304**	43,567
– Between 3 months and 1 year	**33,292**	14,174
– Over 1 year	–	400
	93,596	58,141

38 Trade and other payables

	As at 31 December 2016 HK$ million	2015 HK$ million
Trade and bills payables	**52,895**	52,920
Advances from customers	**5,547**	24,332
Interest payables	**44,214**	47,933
Other taxes payables	**4,309**	4,297
Settlement accounts	**33,575**	28,311
Other payables	**66,745**	72,843
	207,285	230,636

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December 2016 HK$ million	2015 HK$ million
Within 1 year	**36,050**	36,216
Between 1 and 2 years	**8,725**	11,556
Between 2 and 3 years	**6,732**	3,356
Over 3 years	**1,388**	1,792
	52,895	52,920

39 Financial assets sold under repurchase agreements

	As at 31 December 2016 HK$ million	2015 HK$ million
By counterparties:		
The People's Bank of China	**95,488**	10,644
Banks	**38,968**	71,954
Non-bank financial institutions	**78**	2,351
	134,534	84,949
By types of collateral:		
Debt securities	**102,053**	52,133
Discounted bills	**32,481**	32,816
	134,534	84,949

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2016, legal title of these collateral pledged has not been transferred to counterparties.

40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December 2016 HK$ million	2015 HK$ million
Demand deposits		
– Corporate customers	**1,845,451**	1,385,738
– Personal customers	**260,433**	213,561
	2,105,884	1,599,299
Time and call deposits		
– Corporate customers	**1,554,160**	1,727,112
– Personal customers	**363,387**	432,611
	1,917,547	2,159,723
Outward remittance and remittance payables	**8,091**	7,826
	4,031,522	3,766,848

40 Deposits from customers (continued)

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Bank acceptances	**238,817**	349,205
Letters of credit	**10,759**	11,031
Guarantees	**28,867**	25,992
Others	**166,345**	144,801
	444,788	531,029

41 Bank and other loans

(a) Types of loans

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Bank loans		
Unsecured loans	**80,128**	92,931
Loan pledged with assets (note (d))	**23,900**	33,996
Guaranteed loans	**643**	708
	104,671	127,635
Other loans		
Unsecured loans	**6,883**	17,962
Loan pledged with assets (note (d))	**1,143**	1,624
Guaranteed loans	**122**	–
	8,148	19,586
	112,819	147,221

41 Bank and other loans (continued)

(b) Maturity of loans

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Bank and other loans are repayable:		
– Within 1 year or on demand	**29,413**	37,645
– Between 1 and 2 years	**10,985**	22,778
– Between 2 and 5 years	**27,464**	40,806
– Over 5 years	**44,957**	45,992
	112,819	147,221

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
RMB	**33,045**	70,886
US$	**50,453**	58,633
HK$	**14,876**	8,754
Other currencies	**14,445**	8,948
	112,819	147,221

(d) As at 31 December 2016, the Group's bank and other loans of HK$25,043 million (31 December 2015 HK$35,620 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets and intangible assets with an aggregate carrying amount of HK$86,290 million (31 December 2015: HK$83,858 million).

(e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 47(b). As at 31 December 2016, none of the covenants relating to drawn down facilities have been breached (31 December 2015: Nil).

42 Debt instruments issued

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Corporate bonds issued (note (a))	**81,376**	72,762
Notes issued (note (b))	**64,916**	69,244
Subordinated bonds issued (note (c))	**85,234**	92,840
Certificates of deposit issued (note (d))	**10,612**	10,390
Certificates of interbank deposit issued (note (e))	**301,755**	204,536
	543,893	449,772
Analysed by remaining maturity:		
– Within 1 year or on demand	**320,997**	219,157
– Between 1 and 2 years	**34,395**	11,158
– Between 2 and 5 years	**55,073**	79,894
– Over 5 years	**133,428**	139,563
	543,893	449,772

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2016 (2015: Nil).

Certain debt instruments issued were purchased by certain subsidiaries of the Group during the year ended 31 December 2015. These debt instruments issued were eliminated in full on consolidation. No such situation occurred for the year ended 31 December 2016.

Notes:

(a) **Corporate bonds issued**

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
The Company (note (i))	**54,832**	36,713
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	**16,166**	20,896
CITIC Real Estate Co., Ltd. ("CITIC Real Estate") (note (iii))	–	4,391
CITIC Telecom International (note (iv))	**3,483**	3,480
CITIC Heavy Industries (note (v))	**3,460**	3,330
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note (vi))	**2,236**	2,149
CITIC Environment Investment Group Co., Limited's ("CITIC Environment") subsidiaries (note (vii))	**1,199**	1,803
	81,376	72,762

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(i) **Details of corporate bonds issued by the Company**

As at 31 December 2016

	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes 1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%

As at 31 December 2015

	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
RMB Notes 1	RMB	1,000	2011-08-03	2016-08-03	2.70%
US$ Notes 3.1	US$	750	2012-03-21	2018-01-21	6.88%
US$ Notes 3.2	US$	350	2012-04-26	2018-01-21	6.88%
HK$ Notes 1	HK$	500	2013-07-31	2018-07-31	5.90%
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(ii) **Details of corporate bonds issued by CITIC Corporation**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
15 CITIC bond-SCP001	RMB	3,000	2015-04-20	2016-01-17	4.18%
Samurai bond	JPY	10,000	1996-09-19	2016-09-18	4.95%

(iii) **Details of corporate bonds issued by CITIC Real Estate**

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity ate	Interest rate per annum
Corporate bonds	RMB	4,000	2015-12-09	2020-12-09	4.80%

(iv) **Details of corporate bonds issued by CITIC Telecom International**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(v) **Details of corporate bonds issued by CITIC Heavy Industries**

		As at 31 December 2016			
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Short Term Corporate Bonds	RMB	1,500	2016-02-26	2017-02-26	3.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%

		As at 31 December 2015			
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	1,200	2013-01-25	2016-01-25	4.85%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%

(vi) **Details of corporate bonds issued by CITIC Pacific's subsidiaries**

		As at 31 December 2016			
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
–16 Ligang SCP001	RMB	100	2016-09-01	2017-06-02	3.02%
–16 Ligang SCP002	RMB	200	2016-09-21	2017-06-20	3.04%
–16 Ligang SCP003	RMB	200	2016-10-19	2017-07-18	2.99%
–16 Ligang SCP004	RMB	300	2016-11-15	2017-08-14	3.28%

		As at 31 December 2015			
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
– RMB Notes 4	RMB	500	2013-06-05	2016-06-04	4.93%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
– Medium Term Notes	RMB	100	2013-10-28	2016-10-28	6.30%

42 Debt instruments issued (continued)

Notes (continued):

(a) **Corporate bonds issued** (continued)

(vii) **Details of corporate bonds issued by CITIC Environment's subsidiaries**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
CITIC Envirotech Co., Ltd. ("CITIC Envirotech") – Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
CITIC Envirotech					
– Medium Term Notes	SG$	100	2013-09-02	2016-09-02	7.25%
– Medium Term Notes	SG$	225	2015-04-29	2018-04-29	4.70%

(b) **Notes issued**

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
CITIC Corporation (note (i))	**29,938**	31,889
CITIC Bank (note (ii))	**34,978**	37,355
	64,916	69,244

(i) **Details of notes issued by CITIC Corporation**

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

42 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(i) Details of notes issued by CITIC Corporation (continued)

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2016				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%

	As at 31 December 2015				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%

42 Debt instruments issued (continued)

Notes (continued):

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	**4,071**	4,133
– In September 2022 (note (ii))	**2,322**	2,307
– In May 2024 (note (iii))	**2,328**	2,328
Fixed rate bonds maturing		
– In June 2021 (note (iv))	**–**	2,387
– In May 2025 (note (v))	**12,856**	13,727
– In June 2027 (note (vi))	**22,335**	23,845
– In August 2024 (note (vii))	**41,322**	44,113
	85,234	92,840

		As at 31 December 2016				
		Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(v)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

		As at 31 December 2015				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	300	2012-09-27	2022-09-28	3.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	2,000	2006-06-22	2021-06-22	4.12%
(v)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 0.46% to 3.62% per annum (31 December 2015: 0.46% to 3.73% per annum).

(e) Certificates of interbank deposit issued

As at 31 December 2016, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB269,923 million (approximately HK$301,755 million) (31 December 2015: RMB171,356 million (approximately HK$204,536 million)). The yield ranges from 2.68% to 3.75% per annum (31 December 2015: 2.75% to 4.77% per annum). The original expiry terms are between 1 month to 2 years (31 December 2015: between 1 month to 2 years).

43 Provisions

	Environmental restoration expenditures HK$ million	Others HK$ million	Total HK$ million
At 1 January 2016	2,037	1,530	3,567
Exchange differences	(2)	(89)	(91)
Charge for the year	–	593	593
Disposal of subsidiaries	–	(352)	(352)
Payments made during the year	(18)	(31)	(49)
At 31 December 2016	2,017	1,651	3,668
At 1 January 2015	1,924	1,008	2,932
Exchange differences	(32)	(44)	(76)
Charge for the year	153	580	733
Payments made during the year	(8)	(14)	(22)
At 31 December 2015	2,037	1,530	3,567

44 Share capital, perpetual capital securities and reserves

(a) Share capital

On 12 August 2015, Xin Ma Apparel International Limited (a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Youngor Group Co., Ltd.) subscribed for 859,218,000 new shares of the Company at a price of HK$13.95 per share for an aggregate amount of HK$11,986,091,100.

On 3 August 2015, the Company allotted and issued to Chia Tai Bright Investment Company Limited ("CT Bright") 3,327,721,000 fully paid convertible preferred shares of the Company ("Preferred Shares") for a total consideration of HK$45,922,549,800. On 14 August 2015, CT Bright converted all of the Preferred Shares at the conversion price of HK$13.80 per ordinary share and the Company allotted and issued 3,327,721,000 ordinary shares to CT Bright.

As at 31 December 2016, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2015: 29,090,262,630).

Details of the movements in share capital of the Group during the year are set out in the consolidated statement of changes in equity.

(b) Share based payment

Share Option Plan
During the period between the adoption of the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 and its expiry on 30 May 2010, the Company has granted six lots of share options.

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share, HK$47.32 per share, HK$22.00 per share and HK$20.59 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011, 15 October 2012, 18 November 2014 and 13 January 2015, respectively.

44 Share capital, perpetual capital securities and reserves (continued)

(b) Share based payment (continued)

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The maximum number of the Company's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2016, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2016 (2015: Nil).

(i) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016 Average exercise price in HK$ per share	**2016** Share Options	2015 Average exercise price in HK$ per share	2015 Share Options
At 1 January	–	–	20.59	400,000
Lapsed	–	–	20.59	(400,000)
At 31 December	–	–	–	–
Weighted average remaining contractual life		–		–

There were no share options granted or exercised during the year ended 31 December 2016 (2015: Nil).

(c) Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million), respectively. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 15 April 2016, the perpetual capital securities of US$750 million were redeemed by the Company. The amounts as at 31 December 2016 and 2015 included the accrued distribution payments.

44 Share capital, perpetual capital securities and reserves (continued)

(d) Nature and purpose of reserves

(i) Capital reserve

In 2014, the Company paid a total consideration of HK$286,585 million to acquire the shares of CITIC Corporation, and the amount of the consideration was debited against the capital reserve in the Group's consolidated financial statements. In addition, the potential cash payments related to put options issued in conjunction with business combination and gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2(j)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2(i)(ii) and Note 2(f) respectively.

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(h).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2016 (31 December 2015: Nil).

45 Movement of allowances for impairment losses

	For the year ended 31 December 2016						
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Disposal of subsidiaries HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	10	40	–	1	–	(2)	49
Trade and other receivables (Note 22)	5,080	8,240	(722)	(3,930)	(1,130)	(181)	7,357
Amounts due from customers for contract work	1,777	10	(805)	–	–	(77)	905
Inventories (Note 23)	2,433	1,035	(483)	(73)	(393)	(6)	2,513
Loans and advances to customers and other parties (Note 25)	76,286	56,882	(3,279)	(36,212)	–	(5,067)	88,610
Available-for-sale financial assets (Note 26)	853	810	(8)	(349)	(423)	(20)	863
Held-to-maturity investments (Note 27)	49	2	–	(48)	–	(1)	2
Investment classified as receivables (Note 28)	1,190	1,631	(564)	(1)	–	(122)	2,134
Interests in associates (Note 30)	2,431	5	–	(82)	(3)	(36)	2,315
Interests in joint ventures (Note 31)	1,497	11	–	(1)	–	–	1,507
Fixed assets (Note 32)	26,612	10,255	–	(53)	(95)	217	36,936
Intangible assets (Note 33)	15,814	742	–	(154)	(3)	4	16,403
Other assets	3,965	2,249	(82)	(339)	(1,213)	(148)	4,432
	137,997	81,912	(5,943)	(41,241)	(3,260)	(5,439)	164,026

	For the year ended 31 December 2015					
	At 1 January HK$ million	Charge for the year HK$ million	Reversal for the year HK$ million	Recovery of write-off/ (write-off) HK$ million	Exchange differences and others HK$ million	At 31 December HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	10	–	–	1	(1)	10
Trade and other receivables (Note 22)	4,292	4,756	(635)	(3,065)	(268)	5,080
Amounts due from customers for contract work	1,687	–	–	–	90	1,777
Inventories (Note 23)	2,029	831	(145)	(198)	(84)	2,433
Loans and advances to customers and other parties (Note 25)	69,101	50,860	(3,033)	(36,293)	(4,349)	76,286
Available-for-sale financial assets (Note 26)	1,845	756	(723)	(950)	(75)	853
Held-to-maturity investments (Note 27)	53	1	(5)	3	(3)	49
Investment classified as receivables (Note 28)	525	4,760	(113)	(3,921)	(61)	1,190
Interests in associates (Note 30)	3,616	476	–	(1,682)	21	2,431
Interests in joint ventures (Note 31)	1,613	–	–	–	(116)	1,497
Fixed assets (Note 32)	9,259	17,448	(3)	101	(193)	26,612
Intangible assets (Note 33)	13,597	2,233	–	(13)	(3)	15,814
Other assets	2,410	2,142	(602)	(11)	26	3,965
	110,037	84,263	(5,259)	(46,028)	(5,016)	137,997

46 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**9,292**	8,462
With an original maturity of 1 year or above	**74,332**	83,510
	83,624	91,972
Guarantees	**195,605**	168,190
Letters of credit	**96,798**	109,784
Acceptances	**598,680**	753,607
Credit card commitments	**241,299**	178,015
Others	**3**	5,040
	1,216,009	1,306,608

46 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Credit risk weighted amount on credit commitments	**376,984**	467,758

Note:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) As at 31 December 2016 and 2015, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(c) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Redemption commitment for treasury bonds	**14,223**	15,960

As at 31 December 2016, the original maturities of these bonds vary from one to five years (31 December 2015: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

46 Contingent liabilities and commitments (continued)

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Related parties (note)	**17,712**	15,469
Third parties	**2,940**	7,208
	20,652	22,677

Note:

As at 31 December 2016, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016 amounting to RMB5,300 million (approximately HK$5,900 million). The guarantees are being transferred to China Overseas which has provided counter guarantees to the Group (Note 48(b)).

The relationship of related parties is disclosed in Note 48(a).

Included in the above table, the Group's counter guarantees issued to related parties and third parties at the balance sheet date are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Related parties	**261**	146
Third parties	**11**	99
	272	245

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation

Following the Company's announcement of a foreign exchange related loss, on 22 October 2008, the SFC announced that it had commenced a formal investigation into the affairs of the Company. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

The SFC announced on 11 September 2014 that it has commenced proceedings in the Court of First Instance of the High Court of Hong Kong (the "High Court") and the Market Misconduct Tribunal (the "MMT"), respectively, against the Company and five of its former executive directors.

The SFC alleges that the Company and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about the Company's financial position in connection with losses that the Company had suffered through its investment in the leveraged foreign exchange contracts.

In the action instigated by the SFC at the MMT, the SFC is asking the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses. The SFC has not yet quantified the amount of such restoration or compensation sought in the proceedings in the High Court, which have been stayed pending the MMT results.

The MMT hearing was completed in July 2016 with the outcome pending.

On 15 October 2014, the Secretary for the Financial Services and the Treasury said that the Police's investigation into the CITIC matters on aspects outside the subject matters of the SFC's actions are still ongoing.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation (continued)

In the absence of the findings of these proceedings and investigations being made available to the Company and due to the inherent difficulties involved in attempting to predict the outcome of such proceedings and investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such proceedings and investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above proceedings and investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(ii) Mineralogy Disputes

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on magnetite ore mined (Royalty Component A) and concentrate produced (Royalty Component B). The MRSLAs also provide that, unless certain exceptions apply, a Minimum Production Royalty is payable to Mineralogy by each of Sino Iron and Korean Steel where a minimum production level was not achieved by a specified date.

Due to changes in the way in which seaborne-traded iron ore is priced, the Company considers that it is no longer possible to calculate Royalty Component B. Mineralogy and its related company, Queensland Nickel Pty Ltd., have commenced a number of proceedings against the Company, Sino Iron, Korean Steel, Sino Iron Holdings Pty Ltd. and certain officers of those companies containing or derived from claims for Royalty Component B and/or the Minimum Production Royalty. To the extent those proceedings remain on foot, they are described above in Note 3(l). Those proceedings continue to be vigorously contested by the Group. A trial in the Royalty Component B proceeding has been provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

Despite the orders made by Justice Kenneth Martin in the remitted injunction application (described above), the Group does not consider that a reliable estimate can be made of the amount of any potential liability (if such liability is found to exist) for Royalty Component B arising from the Royalty B proceeding. Therefore, no provision has been recognised in the financial statements.

There are a number of disputes with Mineralogy. Refer to Note 3(l) for details.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(iii) CITIC Resources Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (the Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT") ("Shanxi Claim A"). Shanxi Coal I/E claimed from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Shanxi Claim A.

In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the Inventories. Service of Shanxi Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings were held subsequently.

In January 2017, pursuant to a civil ruling of the Shanxi Court, the Shanxi Court has ruled Shanxi Claim A be transferred to the Public Security Bureau pursuant to Article 12. Any remedy Shanxi Coal I/E may have in respect of the aluminium ingots that are the subject of Shanxi Claim A will be determined in accordance with China's criminal legal procedures. Following its transfer to the Public Security Bureau, Shanxi Claim A has terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "ICC") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "Contracts"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("Shanxi Claim B").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no adjustment has been made in the financial statements with respect to Shanxi Claim B.

(3) In August 2014, CITIC Resources noted from an announcement issued by Qingdao Port International Co., Ltd. (the "Qingdao Port Int'l") that a legal complaint dated 14 July 2014 ("ABN Claim") had been issued by ABN AMRO Bank N.V., Singapore Branch ("ABN AMRO") against CACT. According to the announcement, among other things, ABN AMRO had issued ABN Claim alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claimed it had been granted a pledge (the "Subject Cargo") and was seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,167,000), (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of ABN Claim.

In October 2016, CITIC Resources noted from an announcement issued by Qingdao Port Int'l that ABN AMRO had withdrawn ABN Claim.

(iv) There are some issues in dispute with MCC, and their details are disclosed in Note 3(k).

46 Contingent liabilities and commitments (continued)

(f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Contracted for	**18,004**	30,888

(g) Operating lease commitments

The Group leases certain of its properties and fixed assets under operating leases. As at the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Within 1 year	**4,309**	4,469
Between 1 and 2 years	**3,362**	3,794
Between 2 and 3 years	**2,817**	3,141
Over 3 years	**8,442**	10,429
	18,930	21,833

47 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

47 Financial risk management and fair values (continued)

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. For loan business, the Group identifies and manages the credit risk through its target markets definitions, credit approval process, post-disbursement monitoring and remedial management procedures. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counterparties in fulfilling their obligations. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

(i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Deposits with central banks, banks and non-bank financial institutions	**918,392**	792,788
Placements with banks and non-bank financial institutions	**186,927**	141,775
Financial assets at fair value through profit or loss	**75,053**	33,682
Derivative financial assets	**53,281**	16,509
Trade and other receivables	**116,283**	118,008
Financial assets held under resale agreements	**193,615**	165,391
Loans and advances to customers and other parties	**3,137,906**	2,947,798
Available-for-sale financial assets	**579,342**	449,769
Held-to-maturity investments	**244,151**	216,267
Investments classified as receivables	**1,166,325**	1,331,281
	6,671,275	6,213,268
Credit commitments and guarantees provided	**1,236,661**	1,329,285
Maximum credit risk exposure	**7,907,936**	7,542,553

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows:

	As at 31 December 2016				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	46,429	36	–	68	31
Allowance for impairment losses	(32,240)	(9)	–	(35)	(16)
	14,189	27	–	33	15
Collectively assessed					
Gross balance	11,826	–	–	–	–
Allowance for impairment losses	(9,062)	–	–	–	–
	2,764	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	50,757	–	–	–	148
Within which:					
– Within 3 months	38,754	–	–	–	148
– Between 3 months and 1 year	12,003	–	–	–	–
Allowance for impairment losses	(9,393)	–	–	–	(3)
	41,364	–	–	–	145
Neither overdue nor impaired					
Gross balance	3,117,504	1,105,332	193,615	896,110	1,168,280
Allowance for impairment losses (note (2))	(37,915)	(40)	–	(115)	(2,115)
	3,079,589	1,105,292	193,615	895,995	1,166,165
Net balance	3,137,906	1,105,319	193,615	896,028	1,166,325

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows: (continued)

	As at 31 December 2015				
	Loans and advances to customers and other parties HK$ million	Due from central banks, banks and non-bank financial institutions HK$ million	Financial asset held under resale agreements HK$ million	Debt securities investments and certificates of deposit HK$ million	Investments classified as receivables HK$ million
Impaired					
Individually assessed					
Gross balance	37,094	36	–	198	33
Allowance for impairment losses	(21,973)	(10)	–	(128)	(16)
	15,121	26	–	70	17
Collectively assessed					
Gross balance	9,553	–	–	–	–
Allowance for impairment losses	(6,978)	–	–	–	–
	2,575	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	49,896	–	–	–	148
Within which:					
– Within 3 months	41,997	–	–	–	148
– Between 3 months and 1 year	7,899	–	–	–	–
Allowance for impairment losses	(6,685)	–	–	–	(44)
	43,211	–	–	–	104
Neither overdue nor impaired					
Gross balance	2,927,541	934,537	165,391	696,455	1,332,290
Allowance for impairment losses (note (2))	(40,650)	–	–	(89)	(1,130)
	2,886,891	934,537	165,391	696,366	1,331,160
Net balance	2,947,798	934,563	165,391	696,436	1,331,281

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows: (continued)

Notes:

(1) Collateral and other credit enhancements for overdue but not impaired loans and advances:

As at 31 December 2016, the corporate loans and advances of the Group which were overdue but not impaired were HK$42,556 million (31 December 2015: HK$36,693 million). As at 31 December 2016, the secured portion of these loans and advances were HK$29,775 million (31 December 2015: HK$25,286 million), and the remaining loans and advances were unsecured.

The fair value of collateral held against these loans and advances amounted to HK$28,672 million as at 31 December 2016 (31 December 2015: HK$24,554 million).

The fair value of collateral was estimated by management based on the latest available external valuations, if any, adjusted by taking into account the current realisation experience as well as market situation.

(2) The balances represent collectively assessed allowance of impairment losses.

(iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2016			2015		
	Gross balance HK$ million	**%**	**Loans and advances secured by collateral HK$ million**	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Corporate loans						
– Manufacturing	**427,307**	**14%**	**223,605**	494,368	17%	240,563
– Wholesale and retail	**266,677**	**8%**	**163,971**	311,149	10%	192,861
– Real estate	**334,116**	**10%**	**278,240**	307,585	10%	261,357
– Transportation, storage and postal services	**181,078**	**6%**	**94,720**	176,102	6%	86,347
– Water, environment and public utility management	**167,601**	**5%**	**87,097**	152,110	5%	76,776
– Rental and business services	**203,030**	**6%**	**130,565**	176,416	6%	103,917
– Construction	**101,321**	**3%**	**44,362**	122,469	4%	57,306
– Production and supply of electric power, gas and water	**67,127**	**2%**	**28,157**	65,296	2%	24,134
– Public management and social organisations	**22,187**	**1%**	**4,949**	24,869	1%	5,825
– Others	**302,706**	**9%**	**125,048**	284,921	9%	116,578
	2,073,150	**64%**	**1,180,714**	2,115,285	70%	1,165,664
Personal loans	**1,069,417**	**33%**	**777,667**	798,078	26%	571,250
Discounted bills	**83,949**	**3%**	**–**	110,721	4%	–
	3,226,516	**100%**	**1,958,381**	3,024,084	100%	1,736,914

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector:

	As at 31 December					
	2016			2015		
	Gross balance HK$ million	**%**	**Loans and advances secured by collateral HK$ million**	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Mainland China	**3,032,139**	**94%**	**1,881,768**	2,852,755	94%	1,665,593
Hong Kong and Macau	**175,682**	**5%**	**66,741**	146,504	5%	55,634
Overseas	**18,695**	**1%**	**9,872**	24,825	1%	15,687
	3,226,516	**100%**	**1,958,381**	3,024,084	100%	1,736,914

(v) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

	As at 31 December			
	2016		2015	
	Gross balance HK$ million	**% of total loans and advances**	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances overdue less than 3 months	**2,855**	**0.09%**	4,236	0.14%
Rescheduled loans and advances overdue more than 3 months	**16,411**	**0.51%**	9,378	0.31%
	19,266	**0.60%**	13,614	0.45%

(vi) Offsetting

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

As at 31 December 2016, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2015: Nil).

47 Financial risk management and fair values (continued)

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2016					
	Repayable on demand HK$ million	**Within 1 year HK$ million**	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**No maturity date HK$ million**	**Total HK$ million**
Total financial assets	**290,434**	**3,518,796**	**1,279,761**	**1,031,725**	**625,327**	**6,746,043**
Total financial liabilities	**(2,727,659)**	**(3,064,248)**	**(511,839)**	**(160,971)**	**(4,643)**	**(6,469,360)**
Financial asset-liability gap	**(2,437,225)**	**454,548**	**767,922**	**870,754**	**620,684**	**276,683**

	As at 31 December 2015					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No maturity date HK$ million	Total HK$ million
Total financial assets	313,863	3,302,808	1,384,146	702,505	570,499	6,273,821
Total financial liabilities	(1,981,905)	(3,242,186)	(623,643)	(197,096)	(1,766)	(6,046,596)
Financial asset-liability gap	(1,668,042)	60,622	760,503	505,409	568,733	227,225

47 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2016			
	Within 1 year HK$ million	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Loan commitments	**16,811**	**31,118**	**35,695**	**83,624**
Guarantees	**106,027**	**88,426**	**1,152**	**195,605**
Letters of credit	**95,121**	**1,677**	**–**	**96,798**
Acceptances	**598,680**	**–**	**–**	**598,680**
Credit card commitments	**241,299**	**–**	**–**	**241,299**
Others	**–**	**3**	**–**	**3**
Total	**1,057,938**	**121,224**	**36,847**	**1,216,009**

	As at 31 December 2015			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	41,282	28,952	21,738	91,972
Guarantees	102,315	63,774	2,101	168,190
Letters of credit	108,840	944	–	109,784
Acceptances	753,607	–	–	753,607
Credit card commitments	178,015	–	–	178,015
Others	–	5,040	–	5,040
Total	1,184,059	98,710	23,839	1,306,608

47 Financial risk management and fair values (continued)

(c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2016				
	Non-interest bearing HK$ million	**Within 1 year HK$ million**	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Total financial assets	**314,617**	**4,827,499**	**1,372,794**	**231,133**	**6,746,043**
Total financial liabilities	**(225,551)**	**(5,645,273)**	**(477,137)**	**(121,399)**	**(6,469,360)**
Financial asset-liability gap	**89,066**	**(817,774)**	**895,657**	**109,734**	**276,683**

	As at 31 December 2015				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	202,696	4,872,776	1,006,508	191,841	6,273,821
Total financial liabilities	(217,139)	(5,086,478)	(566,746)	(176,233)	(6,046,596)
Financial asset-liability gap	(14,443)	(213,702)	439,762	15,608	227,225

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	As at 31 December			
	2016		2015	
	Effective interest rate	**HK$ million**	Effective interest rate	HK$ million
Assets				
Cash and deposits	**1.40%–1.52%**	**927,259**	1.22%–1.47%	801,615
Placements with banks and non-bank financial institutions	**2.56%**	**186,927**	2.59%	141,775
Financial assets held under resale agreements	**2.30%**	**193,615**	3.90%	165,391
Loans and advances to customers and other parties	**4.82%**	**3,137,906**	5.85%	2,947,798
Investments classified as receivable	**4.01%**	**1,166,325**	5.20%	1,331,281
Investments (note (1))	**3.41%**	**1,067,959**	3.86%	824,808
Others		**558,004**		590,641
		7,237,995		6,803,309
Liabilities				
Borrowing from central banks	**3.02%**	**205,755**	3.50%	44,761
Deposits from banks and non-bank financial institutions	**2.81%**	**1,097,164**	3.80%	1,275,421
Placements from banks and non-bank financial institutions	**2.10%**	**93,596**	1.81%	58,141
Financial assets sold under repurchase agreements	**2.42%**	**134,534**	2.43%	84,949
Deposits from customers	**1.68%**	**4,031,522**	2.16%	3,766,848
Bank and other loans	**0.33%–7.8%**	**112,819**	0.63%–8.50%	147,221
Debt instruments issued	**2.80%–6.90%**	**543,893**	1.00%–7.25%	449,772
Others		**322,861**		313,027
		6,542,144		6,140,140

Note:

(1) The Group's investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. The calculation of effective interest rate is based on the interest yielding part of the financial assets.

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2016, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$9,393 million (31 December 2015: decrease or increase by HK$2,968 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project is denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) have been designated as an accounting hedge against other US$ loans.

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK$ million):

	As at 31 December 2016				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**166,422**	**403,896**	**6,135,557**	**40,168**	**6,746,043**
Total financial liabilities	**(180,068)**	**(443,208)**	**(5,781,541)**	**(64,543)**	**(6,469,360)**
Financial asset-liability gap	**(13,646)**	**(39,312)**	**354,016**	**(24,375)**	**276,683**

	As at 31 December 2015				
	HK$	US$	RMB	Others	Total
Total financial assets	142,259	358,265	5,729,973	43,324	6,273,821
Total financial liabilities	(137,807)	(437,680)	(5,403,623)	(67,486)	(6,046,596)
Financial asset-liability gap	4,452	(79,415)	326,350	(24,162)	227,225

47 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2016 would decrease or increase the Group's profit before taxation by HK$2,982 million (31 December 2015: decrease or increase by HK$2,228 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

	As at 31 December 2016			
	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
Assets				
Financial assets at fair value through profit or loss	**8,517**	**69,270**	**32**	**77,819**
Derivative financial assets	**206**	**53,073**	**2**	**53,281**
Available-for-sale financial assets	**60,874**	**553,965**	**18,057**	**632,896**
	69,597	**676,308**	**18,091**	**763,996**
Liabilities				
Derivative financial liabilities	**–**	**(52,646)**	**(2)**	**(52,648)**

	As at 31 December 2015			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Financial assets at fair value through profit or loss	4,713	35,597	81	40,391
Derivative financial assets	20	16,485	4	16,509
Available-for-sale financial assets	57,070	417,381	18,911	493,362
	61,803	469,463	18,996	550,262
Liabilities				
Derivative financial liabilities	(1)	(16,566)	(908)	(17,475)

For the year ended 31 December 2016, there were no significant transfers between instruments in different levels (2015: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2015: Nil).

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2016				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2016	81	4	18,911	18,996	(908)
Disposal of subsidiaries	–	–	(162)	(162)	–
Total (losses)/gains:	(44)	1	(292)	(335)	903
– in profit or loss	(44)	1	(122)	(165)	34
– in other comprehensive income	–	–	(170)	(170)	869
Net settlements	(5)	(3)	(400)	(408)	3
At 31 December 2016	32	2	18,057	18,091	(2)
Total (losses)/gains for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(44)	1	(122)	(165)	34

	For the year ended 31 December 2015				
	Assets				Liabilities
	Financial assets at fair value through profit or loss HK$ million	Derivatives financial assets HK$ million	Available-for-sale financial assets HK$ million	Total HK$ million	Derivatives financial liabilities HK$ million
At 1 January 2015	21	9	32,524	32,554	(765)
Business combination	–	–	28	28	–
Total gains/(losses):	19	(3)	1,348	1,364	(143)
– in profit or loss	19	(3)	–	16	(143)
– in other comprehensive income	–	–	1,348	1,348	–
Net settlements	41	(2)	(14,989)	(14,950)	–
At 31 December 2015	81	4	18,911	18,996	(908)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	19	(3)	–	16	(143)

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2016				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	244,151	244,876	1,075	243,771	30
Investments classified as receivables	1,166,325	1,164,797	–	295,917	868,880
	1,410,476	1,409,673	1,075	539,688	868,910
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	81,376	77,110	3,460	73,650	–
– Notes issued	64,916	65,357	–	65,357	–
– Subordinated bonds issued	85,234	88,226	9,082	79,144	–
– Certificates of deposit (not for trading purpose)	10,612	10,557	–	10,557	–
– Certificates of interbank deposit issued	301,755	300,347	–	300,347	–
	543,893	541,597	12,542	529,055	–

	As at 31 December 2015				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Held-to-maturity investments	216,267	222,501	1,131	221,298	72
Investments classified as receivables	1,331,281	1,345,573	–	541,782	803,791
	1,547,548	1,568,074	1,131	763,080	803,863
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	72,762	74,593	3,353	71,240	–
– Notes issued	69,244	71,174	–	71,174	–
– Subordinated bonds issued	92,840	99,288	9,090	90,198	–
– Certificates of deposit (not for trading purpose)	10,390	10,392	–	10,392	–
– Certificates of interbank deposit issued	204,536	204,709	–	204,709	–
	449,772	460,156	12,443	447,713	–

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Debt securities and equity investments

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), available-for-sale financial assets, and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

48 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties:

	For the year ended 31 December 2016			
	Parent company HK$ million	**Holding company's fellow entities HK$ million**	**Associates and joint ventures HK$ million**	**Total HK$ million**
Sales of goods	**–**	**354**	**124**	**478**
Purchase of goods	**–**	**689**	**1,721**	**2,410**
Interest income (note (2))	**12**	**177**	**92**	**281**
Interest expenses	**13**	**273**	**263**	**549**
Fee and commission income	**–**	**9**	**995**	**1,004**
Fee and commission expenses	**–**	**–**	**70**	**70**
Income from other services	**2**	**33**	**100**	**135**
Expenses for other services	**–**	**23**	**669**	**692**
Interest income from deposits and receivables	**–**	**50**	**50**	**100**
Other operating expenses	**–**	**69**	**26**	**95**

	For the year ended 31 December 2015			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	340	144	484
Purchase of goods	–	25	1,151	1,176
Interest income (note (2))	16	96	29	141
Interest expenses	177	31	320	528
Fee and commission income	–	4	173	177
Fee and commission expenses	–	–	56	56
Income from other services	–	48	54	102
Expenses for other services	–	19	638	657
Interest income from deposits and receivables	–	94	264	358
Other operating expenses	–	47	22	69

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer, wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties:

	As at 31 December 2016			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	69	3,202	1,249	4,520
Loans and advances to customers and other parties (note (2))	–	12,837	4,058	16,895
Placements with banks and non-bank financial institutions	–	27	748	775
Cash and deposits	–	–	2,549	2,549
Derivative financial instruments and other assets	–	3	736	739
Trade and other payables	3,055	21,405	2,043	26,503
Deposits from customers	1,365	8,000	9,067	18,432
Deposits from bank and non-bank financial institutions	–	1	11,737	11,738
Derivative financial instruments and other liabilities	3	233	76	312
Bank and other loans	6,643	–	171	6,814
Entrusted funds	–	–	9,145	9,145
Funds raised from investors of non-principle guaranteed wealth management products	–	7	–	7
Guarantees provided (note (3))	–	261	17,451	17,712
Guarantees received	–	2,716	5,813	8,529

48 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued):

	As at 31 December 2015			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	78	3,627	8,868	12,573
Loans and advances to customers and other parties (note (2))	–	8,814	3,187	12,001
Placements with banks and non-bank financial institutions	–	27	–	27
Cash and deposits	–	–	116	116
Derivative financial instruments and other assets	–	–	72	72
Trade and other payables	3,251	24,425	1,250	28,926
Deposits from customers	1,938	3,116	26,753	31,807
Deposits from bank and non-bank financial institutions	–	5	28,161	28,166
Derivative financial instruments and other liabilities	–	140	13	153
Bank and other loans	–	–	38	38
Entrusted funds	–	–	1,194	1,194
Funds raised from investors of non-principle guaranteed wealth management products	–	8	–	8
Guarantees provided (note (3))	–	146	15,323	15,469
Guarantees received	–	783	4,360	5,143

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

48 Material related parties (continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 48(b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- purchase, sale and leases of property and other assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and
- rendering and receiving of utilities and other services.

(d) Key management personnel remuneration

For the year ended 31 December 2016, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$8.84 million (2015: HK$19.38 million).

49 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed securities and investment funds and the Group does not consolidate these structured entities.

49 Structured entities (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 31 December 2016						
Carrying amount	Financial assets at fair value through profit or loss HK$ million	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products issued by banks	–	–	12,336	512,448	524,784	–	524,784
Investment management products managed by non-bank financial institutions	–	–	1,077	509,064	510,141	–	510,141
Trust investment plans	–	–	2,757	141,203	143,960	–	143,960
Asset-backed securities	–	1,707	10,896	–	12,603	–	12,603
Investment funds	1,118	–	28,990	1,096	31,204	–	31,204
Total	1,118	1,707	56,056	1,163,811	1,222,692	–	1,222,692

	As at 31 December 2015						
Carrying amount	Financial assets at fair value through profit or loss HK$ million	Held-to-maturity investments HK$ million	Available-for-sale financial assets HK$ million	Investments classified as receivables HK$ million	Total HK$ million	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products issued by banks	–	–	21,206	176,186	197,392	–	197,392
Investment management products managed by non-bank financial institutions	–	–	420	986,698	987,118	–	987,118
Trust investment plans	–	–	4,836	167,074	171,910	5,040	176,950
Asset-backed securities	–	6,333	6,150	–	12,483	–	12,483
Investment funds	3,227	–	2,133	–	5,360	–	5,360
Total	3,227	6,333	34,745	1,329,958	1,374,263	5,040	1,379,303

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

49 Structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (continued)

Wealth management products and trust plans
As at 31 December 2016, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$2,662,231 million (31 December 2015: HK$1,977,449 million).

As at 31 December 2016, the carrying amounts of management fee receivables being recognised in the balance sheet were HK$601 million (31 December 2015: HK$650 million).

As at 31 December 2016, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$69,312 million (31 December 2015: HK$30,158 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was HK$829,515 million (2015: HK$721,217 million).

During the year ended 31 December 2016, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$64,170 million (2015: HK$43,776 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2016, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was HK$12,711 million (2015: HK$11,355 million).

Securitisation transactions and loan transfers
For the year ended 31 December 2016, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of the financial assets sold under repurchase agreements are set forth in Note 39. Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2016 totalled HK$133,175 million are set forth below.

During the year ended 31 December 2016, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of HK$54,952 million (2015: HK$49,307 million), of which HK$49,922 million (2015: HK$46,432 million) were qualified for full de-recognition.

The balance of HK$5,030 million (2015: HK$2,874 million) was in respect of non-performing loans transferred and the Group concluded that it had continuing involvement in these assets as at 31 December 2016 based on the related criteria set forth in Note 2(i) and Note 3. As at 31 December 2016, the Group continued to recognise assets of HK$771 million (31 December 2015: HK$341 million) under loans and advances to customers together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 25).

During the year ended 31 December 2016, the Group also through other types of transactions transferred loans of book value before impairment of HK$78,223 million (2015: HK$56,200 million), of which HK$60,396 million represented non-performing loans (2015: HK$52,063 million). The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that these transferred assets qualified for full de-recognition (Note 25(d)).

50 Discontinued operations

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with China Overseas to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. Completion of the transaction took place in September 2016.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and cash flows of the above mentioned residential real estate projects have been included in the discontinued operations of the Group. Comparative figures for the year ended 31 December 2015 have been reclassified accordingly.

The aggregate results of the discontinued operations were as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Revenue	**11,639**	21,503
Expenses	**(15,294)**	(18,842)
(Loss)/profit before taxation	**(3,655)**	2,661
Income tax	**(2,246)**	(1,189)
(Loss)/profit arising from discontinued operations before disposal gain	**(5,901)**	1,472
Net gain on disposal	**16,210**	–
Profit for the year from discontinued operations	**10,309**	1,472
Attributable to:		
– Ordinary shareholders of the Company	**10,337**	1,311
– Non-controlling interests	**(28)**	161
	10,309	1,472

51 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2016	2015
	HK$ million	HK$ million
Cash	**8,867**	8,827
Bank deposits on demand	**39,478**	54,612
Surplus deposit reserve funds	**65,795**	75,983
Investments in debt securities due within three months	**57,318**	23,954
Deposits with banks and non-bank financial institutions due within three months	**252,074**	113,796
Placements with banks and non-bank financial institutions due within three months	**70,606**	76,939
Cash and cash equivalents in the consolidated cash flow statement	**494,138**	354,111

51 Supplementary information to the consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Total assets	**147,240**	10,546
Total liabilities	**(126,116)**	(6,687)
Non-controlling interests	**(908)**	(125)
Net assets disposed	**20,216**	3,734
Total consideration	**(37,270)**	(5,973)
Release of other comprehensive income relating to interests in disposed subsidiaries	**(515)**	–
Gains on disposal of subsidiaries		
– Continuing operations	**(1,359)**	(492)
– Discontinued operations	**(16,210)**	(1,747)
	(17,569)	(2,239)
Net cash (outflow)/inflow is determined as follows:		
Cash proceeds received	**773**	3,590
Less: cash and cash equivalents disposed	**(13,152)**	(664)
– Continuing operations	**754**	1,411
– Discontinued operations	**(13,133)**	1,515
	(12,379)	2,926

(C) In 2016, issuance of preference shares and other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB35 billion preference shares to qualified investors.

52 Major Transactions with non-controlling interests

Acquisition of additional interests in indirectly held subsidiaries

In January 2016, CITIC Corporation acquired an additional 11.63% interest in CITIC Real Estate for an aggregate purchase consideration of RMB3,028 million (approximately HK$3,601 million). The Group recognised a decrease in non-controlling interests of HK$1,589 million, and a decrease in equity attributable to shareholders of the Company of HK$2,012 million.

For the year ended 31 December 2016, the Company through its subsidiaries increased its shareholding in CITIC Bank by acquiring approximately 1.79% equity interests, for an aggregate purchase consideration of HK$4,176 million. The Group recognised a decrease in non-controlling interests of HK$6,900 million, and an increase in equity attributable to shareholders of the Company of HK$2,724 million.

The effect of changes in the ownership interests of CITIC Real Estate and CITIC Bank on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2016 HK$ million
Carrying amount of non-controlling interests acquired	**8,489**
Consideration paid to non-controlling interests	**(7,777)**
Purchase gains recognised within equity	**712**

53 Balance sheet and reserve movement of the Company

	As at 31 December 2016 HK$ million	2015 HK$ million
Non-current assets		
Fixed assets	**7**	6
Interests in subsidiaries	**431,098**	444,970
Interests in joint ventures	**3,886**	3,886
Available-for-sale financial assets	**3,444**	–
Derivative financial instruments	**44**	–
	438,479	448,862
Current assets		
Derivative financial instruments	**4**	–
Amounts due from subsidiaries	**47,839**	17,764
Trade and other receivables	**251**	20
Cash and deposits	**4,897**	10,869
	52,991	28,653
Total assets	**491,470**	477,515
Current liabilities		
Bank and other loans	**2,058**	2,438
Amounts due to subsidiaries and other related parties	**23,023**	23,500
Trade and other payables	**1,425**	1,417
Derivative financial instruments	**44**	117
Income tax payable	**134**	–
Debt instruments issued	**–**	1,193
	26,684	28,665
Non-current liabilities		
Long term borrowings	**11,357**	8,518
Debt instruments issued	**54,832**	35,520
Derivative financial instruments	**1,090**	1,368
	67,279	45,406
Total liabilities	**93,963**	74,071
Equity		
Share capital	**381,710**	381,710
Perpetual capital securities	**7,873**	13,836
Reserves	**7,924**	7,898
Total ordinary shareholders' funds and perpetual capital securities	**397,507**	403,444
Total liabilities and equity	**491,470**	477,515

The balance sheet of the Company was approved and authorised for issue by the board of directors on 23 March 2017.

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

53 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Investment related reserves HK$ million (Note 44(d)(iii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2016	381,710	13,836	630	(1,278)	–	8,546	403,444
Cash flow hedges:							
– Fair value loss during the year	–	–	–	(28)	–	–	(28)
– Transfer to net finance charges	–	–	–	367	–	–	367
	–	–	–	339	–	–	339
Profit attributable to shareholders of the Company	–	790	–	–	–	8,552	9,342
Redemption of perpetual capital securities	–	(5,850)	–	–	–	–	(5,850)
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(8,727)	(8,727)
Distributions to holders of perpetual capital securities	–	(903)	–	–	–	–	(903)
Available-for-sale financial assets: net movement in the fair value reserve	–	–	–	–	(138)	–	(138)
At 31 December 2016	381,710	7,873	630	(939)	(138)	8,371	397,507

	Share capital HK$ million (Note 44(a))	Convertible preferred shares HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Capital reserve HK$ million (Note 44(d)(i))	Hedging reserve HK$ million (Note 44(d)(ii))	Retained earnings HK$ million	Total HK$ million
At 1 January 2015	324,198	–	13,834	632	(1,572)	9,371	346,463
Cash flow hedges:							
– Fair value gain during the year	–	–	–	–	4	–	4
– Transfer to net finance charges	–	–	–	–	290	–	290
	–	–	–	–	294	–	294
Profit attributable to shareholders of the Company	–	–	1,135	–	–	7,063	8,198
Release upon lapse of share options	–	–	–	(2)	–	2	–
Issue of shares (Note 44(a))	11,986	45,923	–	–	–	–	57,909
Conversion of convertible preferred shares into ordinary shares (Note 44(a))	45,923	(45,923)	–	–	–	–	–
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(7,890)	(7,890)
Distributions to holders of perpetual capital securities	–	–	(1,133)	–	–	–	(1,133)
Others	(397)	–	–	–	–	–	(397)
At 31 December 2015	381,710	–	13,836	630	(1,278)	8,546	403,444

54 Post balance sheet events

(a) The Company, CITIC Capital China Partners III, L.P. ("CITIC Capital") and Carlyle Asia Partners IV, L.P. ("Carlyle") propose to acquire a controlling interest in McDonald's Mainland China and Hong Kong businesses (the "Acquisition") through Grand Foods Investment Holdings Limited (the "Purchaser", being an indirect non-wholly-owned subsidiary of the Company).

On 9 January 2017, the Purchaser entered into a sale and purchase agreement with, among others, McDonald's China Holdings Limited ("MCHL") and Golden Arches Investments Limited ("GAIL" and together with MCHL, the "Sellers", being subsidiaries of McDonald's Corporation) for the acquisition of the entire issued share capital of McDonald's China Management Limited (the "Target"), at a total consideration of up to US$2,080 million (equivalent to approximately HK$16,141 million). The consideration for the Acquisition will be settled partly by way of cash and partly by way of new shares in Grand Foods Holdings Limited, being the intermediate holding company of the Purchaser, to be issued to GAIL.

Upon closing of the Acquisition ("Closing"), the Target will be owned by Fast Food Holdings Limited (which is in turn indirectly owned as to approximately 61.54% and 38.46% by the Company and CITIC Capital respectively), Carlyle and GAIL as to 52%, 28% and 20%, respectively. The Target will become an indirect non-wholly-owned subsidiary of the Company. As Closing is subject to the fulfilment (or, if applicable, waiver) of certain conditions precedent, the Acquisition may or may not proceed.

(b) On 27 December 2016, CITIC Corporation, a wholly-owned subsidiary of the Company, Beijing Guoan Football Club Co., Ltd. ("Guoan FC"), a wholly-owned subsidiary of CITIC Corporation, and SINOBO Land Co., Ltd. ("SINOBO Land"), an independent third party, entered into a capital increase agreement; and on the same day, CITIC Corporation and SINOBO Land entered into a shareholder agreement (the "Agreements"). Pursuant to the Agreements, the registered capital of Guoan FC will be increased by RMB133,333,335, which will be fully subscribed by SINOBO Land at the consideration of RMB3,555,555,600 (the "Capital Increase"). The Capital Increase was approved by Chinese Football Association on 24 January 2017. When all the conditions in the Agreements are met, CITIC Corporation and SINOBO Land will hold 36% and 64% equity interest in Guoan FC, respectively.

(c) On 5 January 2017, CITIC Bank received approval from China Banking Regulatory Commission to establish China CITIC Baixin Bank Corporation Limited ("Baixin Bank") with Fujian Baidu Borui Network Technology Company Limited. CITIC Bank will hold 1,400 million shares, representing 70% of the total shares of Baixin Bank.

55 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

56 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2016 and which have not been early adopted in these consolidated financial statements.

HKAS 12 (Amendments)	Income taxes[(1)]
HKAS 7 (Amendments)	Statement of cash flows[(1)]
HKFRS 15	Revenue from contracts with customers [(2)]
HKFRS 9	Financial instruments [(2)]
HKFRS 16	Leases [(3)]
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [(4)]

(1) Effective for the annual periods beginning on or after 1 January 2017.
(2) Effective for the annual periods beginning on or after 1 January 2018.
(3) Effective for the annual periods beginning on or after 1 January 2019.
(4) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, Financial instruments

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group is undertaking a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The Group is undertaking a detailed assessment of the effect of HKFRS 9. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

56 Possible impact of amendments, new standards and interpretations issued but not yet adopted (continued)

HKFRS 15, Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has made an initial assessment on the impact of this new standard, and not believed it is expected to have a significant effect on the consolidated financial statements of the Group. The Group will make further detailed assessments on the impact in 2017.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments HK$18,930 million (Note 46(g)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

57 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	46,881	100%	100%	0%
Jiangsu CP Xingcheng Special Steel Co., Ltd. 江蘇泰富興澄特殊鋼有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%
Daye Special Steel Co., Ltd. 大冶特殊鋼股份有限公司	Mainland China	Manufacturing	449,408,480	58.13%	0%	58.13%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Investment holding	1,832,133,000	56.07%	0%	56.07%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,534,581,049	60.24%	0%	60.24%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	48,934,796,573	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Financial services	7,459,172,916	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%

57 Principal subsidiaries, associates and joint ventures (continued)

(a) Principal subsidiaries (continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Dicastal Co., Ltd. 中信戴卡股份有限公司	Mainland China	Manufacturing	1,377,962,404	100%	0%	100%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure	N/A	100%	0%	100%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy saving and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集团股份有限公司	Mainland China	Publishing	142,613,636	88%	0%	88%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

57 Principal subsidiaries, associates and joint ventures (continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

				Proportion of ownership interest		
Name of company	Place of incorporation	Principal activity	Shares issued	Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate	10,956,201,535	10%	0%	10%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,116,908,400	16.66%	0%	16.66%
MMG South America Management Co., Ltd.	Hong Kong	Resources and energy	1,200	15%	0%	15%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

				Proportion of ownership interest		
Name of company	Place of incorporation	Principal activity	Shares issued	Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 信誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
CSSC Complex Property Co., Ltd. 中船置業有限公司	Mainland China	Real estate	N/A	50%	50%	0%
山東新巨龍能源有限責任公司	Mainland China	Resources and energy	N/A	30%	0%	30%

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 302, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters identified in our audit are summarised as follows:

- Impairment of loans and advances to customers and other parties and investments classified as receivables of China CITIC Bank Corporation Limited ("CITIC Bank")
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Impairment of the Sino Iron Project

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank	
Loans and advances to customers and other parties	***Loans and advances to customers and other parties***
Refer to Note 2(i), Note 3 and Note 25 to the consolidated financial statements. As at 31 December 2016, loans and advances to customers and other parties of CITIC Bank amounted to RMB2,874.3 billion (approximately HK$3,213.3 billion), and the corresponding allowance for impairment losses was RMB75.5 billion (approximately HK$84.4 billion). Allowance for impairment losses represented management's best estimates of losses incurred within loans and advances to customers and other parties as at the balance sheet date. The allowance was computed individually or on a collective basis, where appropriate. Corporate loans were initially assessed for impairment individually by management. If objective evidence of impairment was identified, management regularly assesses the amount and timing of the expected future cash flows from the loans to calculate the allowance for impairment losses, which was the difference between the carrying amount of the loans and the present value of their expected future cash flows. Non-impaired corporate loans and all personal loans were included in homogeneous groups with similar credit risk characteristics for performance of impairment assessments on a collective basis. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate.	We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers and other parties, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. For impaired loans identified individually, we examined, on a sample basis, data inputs to the discounted cash flow models, including the cash flow status of the borrowers and guarantors, latest collateral valuations, applicable haircut rates and disposal plans, in supporting the estimation of future cash flows and present value. For those loans and advances to customers and other parties which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations. We discussed with management and scrutinised the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where necessary. We also applied sensitivities to underlying key assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and other parties and investments classified as receivables of CITIC Bank (Continued)	
Investments classified as receivables	***Investments classified as receivables***
Refer to Note 2(i), Note 3 and Note 28 to the consolidated financial statements. As at 31 December 2016, investments classified as receivables ("Investments") of CITIC Bank amounted to RMB1,037.5 billion (approximately HK$1,159.9 billion), and the corresponding allowance for impairment losses was RMB1.8 billion (approximately HK$2 billion). Management focused on and assessed the Investments with credit-type underlying assets individually for impairment. Underlying assets not identified as impaired from the individual assessments were included in homogenous groups with similar credit risk characteristics, considering risk factors relating to different industries and different types of underlying assets, and were assessed for impairment on a collective basis. Identification and assessment of impairment of loans and advances to customers and other parties and Investments involved complex and significant judgements by management, and, as such, we focused on this area as a key audit matter.	Loans and advances to customers and other parties and Investments relating to the same borrower were included in the integrated credit approval and management system of CITIC Bank so that management manages its credit risk exposure in a holistic manner. For Investments with credit-type underlying assets, the testing of relevant controls over impairment identification and assessments of these Investments was covered through our testing of internal controls over loans and advances to customers and other parties mentioned above. For Investments with credit-type underlying assets where the underlying assets related to borrowers who also had outstanding balances of loans and advances with CITIC Bank, we applied a consistent approach, to selection of samples and conducting credit reviews. For borrowers with no outstanding balances of loans and advances to customers and other parties with CITIC Bank, we separately selected samples and performed procedures on them to ascertain whether there was objective evidence of impairment for the underlying assets. Based on the procedures performed above, in the context of the inherent uncertainties associated with impairment assessments, the assessment approaches, methodologies and key assumptions adopted by management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank	
Refer to Note 2(e), Note 3 and Note 49 to the consolidated financial statements. As at 31 December 2016, unconsolidated structured entities included non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank. Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgement made by management involving the structures entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities; • performed independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties. Based on the procedures performed above, we found management's judgement relating to the consolidation of structured entities for non-principal guaranteed WMPs acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of financial assets of CITIC Bank	
Refer to Note 2(i), Note 3 and Note 49 to the consolidated financial statements. During the year ended 31 December 2016, CITIC Bank entered into transactions which involved transfers of financial assets including those through securitisation and loan transfers. Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where CITIC Bank neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether CITIC Bank had relinquished its control over these financial assets, and if CITIC Bank had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project	
Refer to Note 3 and Note 8 to the consolidated financial statements. Construction of the Sino Iron Project ("the Project") was completed in the second quarter, with commercial production achieved from July 2016. In light of the reduction in long term iron ore price forecasts, an impairment assessment has been undertaken as at 31 December 2016. Management has assessed the recoverable amount of the Project using the Fair Value Less Cost of Disposal ("FVLCD") method as consistent with the approach taken previously. As a result, a total impairment charge of US$1,302 million (approximately HK$10,152 million) has been recognised in the consolidated income statement. In the impairment assessment, the most significant areas of judgement applied by management relate to: • The production profile of the Project (including production rates as the Project ramps up, ore grades and operating and capital expenditures); • Iron ore prices (inclusive of base price and premium on product grade); • The discount rate adopted in the valuation; • Foreign exchange rates, particularly between Australian and United States dollars. As the impairment assessment involves significant assumptions and judgements, we regard this as a key audit matter.	In evaluating management's valuation of the Project we undertook the following procedures: • Evaluated the reasonableness of management's judgement in relation to non-current asset impairment indicators, cash flow forecasts and the adoption of the FVLCD model; • Assessed whether management had included all appropriate assets and liabilities in the cash generating unit with appropriate consideration of tax impact; • Compared assumptions adopted in cash flow forecasts on production, future capital and operating expenditure with approved Life of Mine Plans, operating budgets and, where applicable, actual performance outcomes achieved to date; • With the support of our valuation experts, benchmarked key market related assumptions included in the valuation model, being base price, foreign exchange rates and the discount rate, against external market data; assessed the forecast premium on product grade with actual premiums achieved to date; and validated the competence and objectivity of the third party experts utilised by management to develop these assumptions; and • Performed sensitivity analysis on the key assumptions. Based on the above procedures, we found the assumptions and judgements applied by management to be reasonable and consistent with the audit evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and risk management committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit and risk management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit and risk management committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit and risk management committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

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