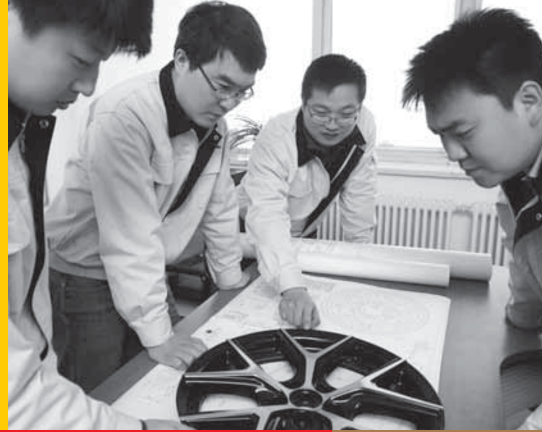
中信
CITIC



ANNUAL REPORT 2015

Our Company

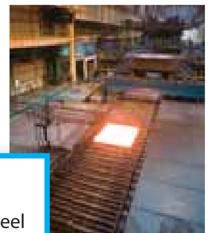
CITIC Limited (SEHK: 00267) is the largest conglomerate in China and a constituent of the Hang Seng Index. Among our diverse businesses, we focus primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate.

Tracing our roots to the beginning of China's opening and reform, we are driven today by the same values that defined our start: a pioneering spirit, a commitment to innovation and a focus on the long term. We embrace world-class technologies and aim always for international best practice. While sectors evolve and economies change, we adapt and our businesses last.

Our platform is unique, and we use its diversity and scale to capture opportunities wherever they emerge — throughout the Chinese economy and around the world. Guiding us as we grow is our fundamental commitment to create long-term value for all of our shareholders.

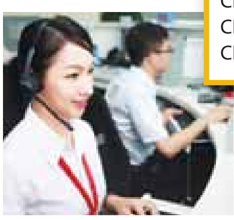
Resources & Energy

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



Manufacturing

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



Financial Services

CITIC Bank (64.29%)
CITIC Trust (100%)
CITIC-Prudential (50%)
CITIC Securities (16.50%)

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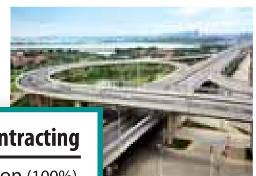
CITIC Limited
(00267.HK)



Engineering Contracting

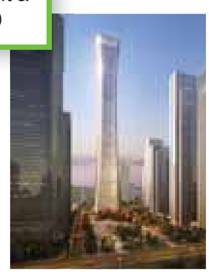
CITIC Construction (100%)
CITIC Engineering Design (100%)

Others

CITIC Telecom International (58.76%)
Dah Chong Hong (56.07%)
CITIC Industrial Investment (100%)
CITIC Environment (100%)

Real Estate

CITIC City Investment & Development (100%)



As at 29 February 2016

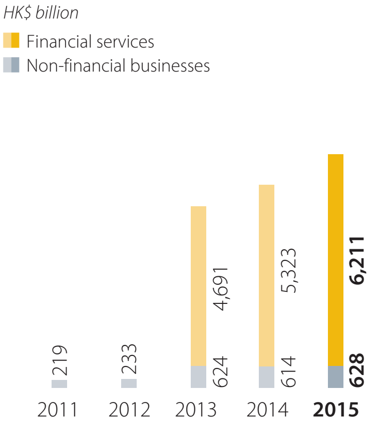
Contents

Highlights

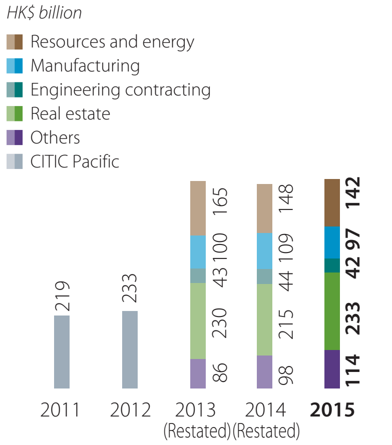
In HK$ million	**2015**	2014	Increase/ (Decrease)
Revenue	**416,813**	402,124	14,689
Profit before taxation	**81,306**	77,800	3,506
Profit attributable to ordinary shareholders	**41,812**	39,834	1,978
Earnings per share (HK$)			
Basic	**1.58**	1.60	(0.02)
Diluted	**1.57**	1.60	(0.03)
Dividend per share (HK$)	**0.30**	0.215	0.085
Net cash generated from operating activities	**309**	58,937	(58,628)
Capital expenditure	**76,174**	60,235	15,939
Total assets	**6,803,309**	5,947,831	855,478
Total liabilities	**6,140,140**	5,372,324	767,816
Total ordinary shareholders' funds and perpetual capital securities	**492,902**	431,960	60,942
Return on total assets (%)	**1%**	1%	–
Return on net assets (%)	**9%**	10%	(1%)
Staff employed	**133,526**	125,273	8,253

Our Businesses	**Business assets**		**Revenue**		**Profit/(loss) attributable to ordinary shareholders**	
In HK$ million	**2015**	Increase/ (Decrease)	**2015**	Increase/ (Decrease)	**2015**	Increase/ (Decrease)
Financial services	**6,211,176**	888,666	**205,378**	40,529	**52,753**	11,486
Resources and energy	**141,693**	(6,210)	**45,664**	(6,122)	**(17,251)**	(4,238)
Manufacturing	**97,208**	(11,293)	**60,077**	(11,768)	**2,496**	(425)
Engineering contracting	**42,245**	(1,775)	**14,676**	(2,451)	**2,601**	220
Real estate	**232,809**	17,714	**27,528**	(2,381)	**4,137**	(557)
Others	**113,738**	16,365	**63,348**	(2,868)	**2,501**	(1,195)

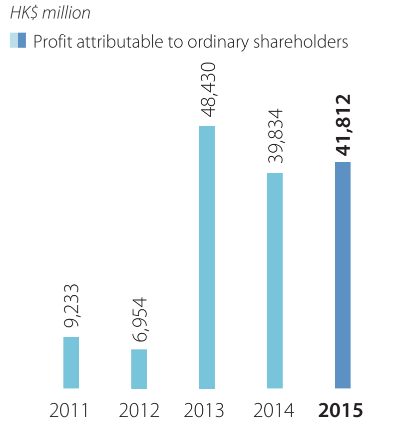
Assets by business



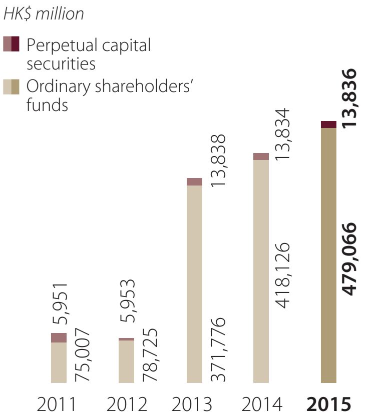
Assets of non-financial businesses



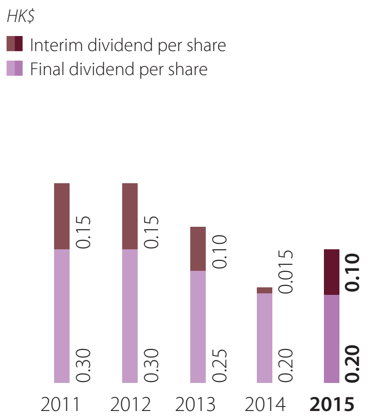
Profit attributable to ordinary shareholders



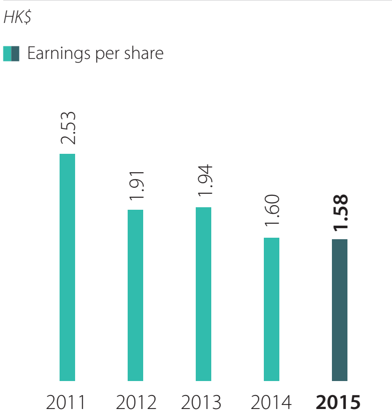
Total ordinary shareholders' funds and perpetual capital securities



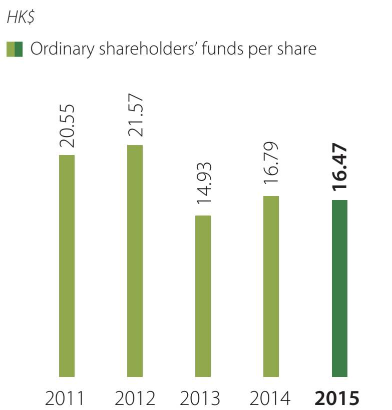
Dividend per share



Earnings per share



Ordinary shareholders' funds per share



Note: Assets by business, profit attributable to ordinary shareholders, total ordinary shareholders' funds and perpetual capital securities, earnings per share and ordinary shareholders' funds per share for the years from 2011 to 2012 are from the annual reports of the former CITIC Pacific. Those for the years from 2013 to 2015 are from the audited information of CITIC Limited.

Chairman's Letter to Shareholders

Dear Shareholders,

In 2015, the volatility in commodity, currency and capital markets, together with China's slowing growth rate, were the headline themes preoccupying investors globally. However, we see that the absolute scale and opportunity of China's economy remains massive, with China in the midst of a structural transition towards a more service-and consumption-oriented economy. China's development may have entered a "new normal," but increasingly Chinese businesses are becoming more globally competitive as they focus on sustainable growth and innovation.

The macroeconomic environment has been turbulent and, internally, 2015 was a year of change. Investors such as CP Group, Itochu Corporation and Youngor provided substantial new capital to CITIC Limited. As a result, we have a much stronger balance sheet, which provides us with the financial flexibility to seize the right opportunities. Our transformation continues in 2016, as evidenced most recently by our decision to reposition our property business.

In this letter, I want to highlight four areas. First, I would like to explain why we have decided to partner with a leading Chinese property developer. Second, I will talk about our investments outside China and our continuing journey of "going global." Third, following a serious challenge in our brand and risk management, I want to provide assurance that strengthening oversight for our affiliated companies is something we take very seriously. Finally, I will talk about how we are ensuring competitiveness across our businesses to create long-term value for you.

Our annual report, including my letter, is one of the important ways we communicate with you, our shareholders, as well as potential investors. We strive to improve our disclosure incrementally each year and offer detailed descriptions and reports on our businesses. There are a number of companies within CITIC Limited that are unlisted and as such don't report publicly. We have heard clear feedback from our shareholders that you wish to receive more information about these companies. Therefore, we've decided to spotlight one business each year. We will begin with CITIC Dicastal, the largest automobile aluminium wheel manufacturer and exporter in the world.

Financial Performance

Naturally, our results reflect the events of the past year, and they are also indicative of our efforts to retain strong market leadership in our industries and to invest in innovation.

For 2015, our profit attributable to ordinary shareholders was HK$41.8 billion, 5% more than last year. The bulk of the profit was contributed by financial services, particularly by CITIC Bank. Our results were affected by a significant loss recorded in our resources business due to historically low crude oil prices as well as the depressed price of other commodities. A HK$12.5 billion after tax non-cash impairment charge was also taken on our magnetite iron ore project in Western Australia, primarily due to a sharp decline in the price of iron ore, which was another factor that affected the bottom line.

In my letter to you last year, I said that we wanted to achieve a better balance between our financial and non-financial businesses. Unfortunately, progress in 2015 has been slower than we would have liked, and the impairment made was a key factor. Clearly, we still have a lot of work ahead to grow and improve the profitability of our non-financial businesses.

Our board recommends a final dividend of HK$0.20 per share to shareholders, giving a total dividend of HK$0.30 per share for the year 2015.

Business Restructuring

One of our priorities in the past year was the restructuring of our property business, which was under two separate entities — CITIC Real Estate and CITIC Pacific Properties.

As we evaluated how best to position CITIC in today's changing property market in mainland China, we took a deep, critical look at our assets, operating model and position in the market. Given the size and scale of our residential land bank, it would be difficult for us to achieve a leading position on our own. As I wrote in my previous letter, our management team and I strongly adhere to the principle of aiming to be the best in what we do and a leader in the fields in which we operate. We also believe in partnering with leaders, particularly in businesses where we cannot independently achieve our full potential.

After careful consideration, we decided that it made good sense to align our property business with China Overseas Land and Investment, a company with a solid track record in China's residential property market. In addition to being a leader in its space, COLI is already well known to us: their largest shareholder, China State Construction Engineering Corporation, is a long-term strategic partner of CITIC Group, our company's largest shareholder. Earlier this month, we announced a deal through which we will sell our mainland residential property assets to COLI, and in return we will hold a 10% stake in COLI and some of its commercial real estate assets.

Our rationale for this transaction is simple. We believe COLI can best unlock the value of our quality residential land bank. This partnership also ensures that we can continue to participate in the growth of China's residential market. Fundamentally, this change in our property business model is a constructive, commercially sensible way to add value to CITIC Limited.

To manage our property business going forward, we established CITIC City Development and Investment Co. CITIC Limited's vice chairman and president, Mr Wang Jiong, is personally taking charge as chairman of the new company, CITIC City. Mr Liu Yong, who previously led CITIC Pacific Properties, now serves as CEO of CITIC City and is responsible for day-to-day operations.

We recognise that a growing number of property companies in the mainland are using the "asset-light" model, whereby new pools of capital are being raised through non-traditional channels. CITIC has a unique position in that we have a strong and large financial services business as part of our company, including affiliates such as CITIC Trust and CITIC Securities. As the property market becomes increasingly competitive, we are excited by the opportunity to integrate our financial resources with our core skills and expertise in property development. We believe this will enable us to capitalise on our strengths and advantages to build a sustainable property business.

Expanding Our Global Footprint

While China continues to be a big part of the CITIC story, we've always been an outward-looking organisation, ready to follow our customers abroad and take advantage of growth opportunities in new markets. CITIC Dicastal, CITIC Construction and Special Steel, among others, have substantial global customer bases. By expanding our global footprint, our institutional skill base will grow meaningfully. Our past experiences, which include both successes and challenges, have delivered rich learnings. Our ability to understand local laws, practices and the culture of the regions in which we invest makes us a more logical and attractive global partner.

One of my personal highlights in 2015 was being in London for the Sino-British Business Summit, presided over by Chinese President Xi Jinping who was in the UK on a state visit, and British Prime Minister David Cameron. Both leaders were present on 21 October when I signed a contract for CITIC Construction to manage the construction of the Asia Business Port on the site of East London's Royal Albert Dock. Further expanding our global footprint, this project will create commercial and residential property in what is set to become London's third business district.

CITIC Dicastal invested over a year ago in an aluminium wheel plant in Michigan in the US, which began trial production early this year. CITIC Dicastal also operates a global facility in Germany, and at this point managing workers from different national backgrounds has become routine. You can read more about Dicastal in the Business Review section of our annual report.

Our largest overseas investment is the Sino Iron magnetite iron ore project in Western Australia. Although Sino Iron is now a small portion of an enlarged CITIC Limited, it is a major investment and we know its performance and future is on investors' minds.

In terms of project development, 2015 was a year in which Sino Iron made significant progress. Lines three and four entered commissioning in the last quarter, and production and export of magnetite iron ore concentrate from the first four lines continued to ramp up. I'm pleased to report that construction of the remaining two lines is nearing completion, with commissioning targeted for the first half of this year. We're on track to have all six lines running in 2016.

As we transition from construction to operation, our challenge will be to enhance the performance of the lines, lower production costs and improve efficiencies. An example is our recent decision to build a small airstrip and terminal onsite, which will reduce travel time for our workforce by 30% and deliver major cost savings, productivity gains and safety benefits over the life of the project. Our goal is to become the lowest cost magnetite producer in the world, providing long-term value for our shareholders.

As occasionally documented in the media, we continued to be in a legal dispute with tenement holder Mineralogy on a range of matters. In 2015, the Australian Federal Court rejected Mineralogy's attempt to have CITIC vacate the Cape Preston port area where the Sino Iron project is located. We continue to exercise our rights under Australian law in the interests of the project, our company and you, our shareholders.

Compliance, Risk and Brand Management

One of the companies in which we hold a 16.7% stake, CITIC Securities, has been in the news more often than we would have liked. CITIC Securities is the largest securities company in China, but it has been hurt by allegations of misconduct by a few senior managers.

Frankly, what happened at CITIC Securities was a wakeup call for us. We've had to admit that risk management and the education of employees on appropriate conduct had not kept pace with CITIC Securities' growth. As its single largest shareholder, we have a duty to stand by CITIC Securities to ensure that recent short-term challenges are overcome through appropriate internal changes to protect this valuable franchise and to ensure that the long-term prospects for the business remain positive.

Mr Zhang Youjun was elected Chairman of CITIC Securities early this year. A veteran of the securities industry in China, Youjun joined CITIC Securities in 1995, the year it was established. He also ran China Securities. Youjun is also a member of the senior management team at CITIC Group.

We have learned from CITIC Securities' recent experience and are redoubling our efforts to firmly embed CITIC Limited's strong risk management system across all of our subsidiaries and affiliates. We will work with subsidiaries on branding standards, as well as strengthening protocols and procedures associated with information management.

As our businesses expand and we pursue more partnerships, it's imperative to be disciplined about how our name is used. It's fair to say that CITIC is a well-recognised name in China, and this is increasingly true overseas. Our brand's reputation has been earned over time through the provision of quality products, services and infrastructure, as well as our overall socio-economic contributions to the regions in which we operate. It's critical that our heritage and brand are protected, and additional work is being done in this area.

Ensuring a Competitive Edge to Create Long-Term Value

CITIC gets some criticism for being in "old economy" industries, such as banking and manufacturing. Yet they are the backbone of the country. We have built market leading positions and enjoy economies of scale in these industries, and we are fortunate to have deep roots in them. It is our view that they will not cease to be important and that manufacturing will continue to be very relevant in China. Naturally, businesses thrive more easily when faster economic growth is the norm. But it is during the tougher cycles when the excellent companies more clearly differentiate themselves from the mediocre and the weak.

CITIC is a conglomerate with diversified businesses, and we continue to believe that this model serves us well. Some investors find conglomerates somewhat hard to analyse and, as a result, assign a "conglomerate discount" to them. It is incumbent on us to explain our value strategy as clearly as possible to avoid this default approach by the market. Rather, if we explain our vision and plans, our competitive landscape and rationale behind each business decision, investors are likely to reward us and the discount will narrow.

Therefore, we want to reiterate our faith in our business model. Our diversity and commitment to excellence in all fields is our strength. We are invested in businesses that are here to stay and, within our industries, we will be the leaders even when enduring uncertain periods and downturns. For example, our special steel business leads the market and is more profitable than its peers, defying sceptics and riding through cycles. CITIC Dicastal continues to lead globally in the supply of aluminium wheels. Both companies embrace agile manufacturing and intelligent automation. The success of these businesses can be attributed not only to innovation but also basic good management, including aggressive cost control. So we know it to be true that internationally-capable Chinese manufacturers such as ours, when managed skilfully, have every opportunity to thrive.

Of course, we also participate in some "new economy" industries, such as environmental protection and ecommerce. They are small today, relative to the stalwart businesses in our group. Nevertheless, we will continue to grow and build them as we see private consumption and the service sectors increasing and have noted the collective desire for improved quality of life. We believe these trends will open up new opportunities for us.

While we cannot control the external environment or commodity prices, what we can do is to ensure our businesses are well managed, especially during the tougher times, so that we are well positioned when the outlook improves. Staying ahead of the pack in terms of productivity and cost control requires constant discipline and continuous improvement.

As demonstrated by the repositioning of our real estate business, we continue to evaluate options to increase long-term value for investors. We are confident in the Chinese economy, in our business plans, and in our ability to seize the right opportunities, at the right time.

This company takes strategic planning and long-term value creation seriously. When we held our annual meeting with senior managers in January, we reflected on the fact that when we have faced economic challenges, we've come together as a team to manage through them and refocus ourselves on long-term value creation. This focus serves our company and it serves you, our shareholders. We know that investors' patience is finite, and we want to assure you that we are both managing the businesses prudently and trying to ensure you earn a fair return on capital.

Our focus on the long-term will not be diverted by short-term difficulties, which will pass and be overcome. We urge you to keep the faith in China and in the industries that matter now, and will still matter to China in decades to come, through the ups and downs.

I am proud to lead a dedicated team at CITIC, and I thank them, our board, our investors and our lenders for their unwavering support. I ask everyone to take a long-term view and accompany us on the next phase of China's exciting journey.

Chang Zhenming
Chairman
Hong Kong, 24 March 2016

OUR BUSINESSES

Financial Services

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

Major subsidiaries:

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

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

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

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

In HK$ million	**2015**	2014	Change
Revenue	**205,378**	164,849	25%
Profit attributable to ordinary shareholders	**52,753**	41,267	28%
Total assets	**6,211,176**	5,322,510	17%
Capital expenditure	**13,820**	5,046	174%

In 2015, CITIC Limited's financial services business recorded revenue of HK$205.4 billion, an increase of 25% over last year. We saw strong performance at each of our companies, with healthy revenue growth across the board. At the same time, profit attributable to ordinary shareholders was HK$52.8 billion, an increase of 28% over last year. While the impairment for non-performing loans dragged down the bottom line in our banking business, net profit remained robust in the trust, insurance and securities units. A partial divestment of our position in CITIC Securities also helped to buoy net earnings.

CITIC Bank

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

Year in review

In RMB million	**2015**	2014	Change
Revenue	**145,545**	124,839	17%
Net profit attributable to shareholders	**41,158**	40,692	1%
Total assets	**5,122,292**	4,138,815	24%

The ongoing slowdown in the Chinese economy, internationalisation of the RMB and liberalisation of interest rates continued to strain the banking sector in 2015. At the same time, competition within the industry intensified further with the increase in financial disintermediation.

Despite these macro challenges, CITIC Bank focused on unlocking opportunities in peer competition through innovation. The bank recorded revenue of RMB145.5 billion in 2015, an increase of 17% over last year. Although there was a larger increase in the impairment for non-performing loans, the net profit attributable to shareholders continued to maintain a stable growth and reached RMB41.2 billion for the year.

To position itself for capturing future opportunities, CITIC Bank launched a major new initiative in 2015 that has the potential to drive growth for years to come. Together with several other CITIC companies, it will provide more than RMB700 billion in investment and financing to infrastructure and other projects related to China's One Belt One Road initiative. The bank thus set up strategic relationships with many local governments. During the year, CITIC Bank continued to strengthen its support for the integration of Beijing, Tianjin and Hebei. The bank also established a branch in the Shanghai Pilot Free Trade Zone.

The greater rewards inherent in large opportunities such as these also bear increased risks. Over the year, CITIC Bank expanded the range and depth of its risk management protocols and started reforms to increase the independence of the audit process.

Operating income by segment

In RMB million	**Revenue 2015**	**By percentage 2015**	Revenue 2014	By percentage 2014
Corporate banking	**71,300**	**49%**	65,270	52%
Retail banking	**34,009**	**23%**	25,233	20%
Financial markets	**45,049**	**31%**	36,251	29%
Others	**(4,813)**	**(3%)**	(1,915)	(1%)

Corporate banking

A core business of CITIC Bank, corporate banking contributed almost half of all top line growth in 2015. As at the end of 2015, CITIC Bank ranked first among mid-sized commercial banks in China in terms of both overall scale and incremental corporate deposits.

New products launched in 2015 focused on innovative online and cross-border offers. The bank rolled out an enhanced suite of online cash management services for its B2B customers and also further developed its platform for cross-border cash pooling services. Cash-pooling will become increasingly important for corporate banking clients in the years to come as more and more Chinese multinationals seek to centralise their international treasury operations in RMB.

Retail banking

In 2015, the retail banking arm focused primarily on increasing distribution partnerships, expanding mobile payment services and creating a new Internet + Finance business model. New payment services in collaboration with companies as S.F. Express, JD.com and Xiaomi have already contributed to considerable growth in its base of credit card customers. Another new service, Quick Pass, enabled customers to clear payments on mobile phones linked to their CITIC Bank accounts.

In order to develop its Internet + Finance business, the bank launched a significant new initiative — Baixin Bank — in partnership with Internet giant Baidu in 2015, which is under approval of relevant authorities. Through this partnership, CITIC Bank has also secured a strategic new advantage in converting new customers as a result of its access to Baidu's extensive database of hundreds of millions of mobile and online users.

Over the last few years, CITIC Bank has been focused on developing its branch network, working in particular last year to standardise quality of service and the customer experience. In 2015, the bank built on these foundations by rolling out a new training team tasked with smoothening branch operations and ensuring alignment with its broader branding and marketing efforts. CITIC Bank expects the initiative to contribute to higher sales, as well as facilitate improvements across its branch management.

In 2015, the number of retail customers in China increased by 16%. CITIC Bank opened 123 new outlets during the year, expanding its network to a total of 1,353 branches across the country.

Financial markets

CITIC Bank's financial markets business is focused on monetary, capital and international financial markets. Principal products traded include foreign currencies, bonds, precious metals and equity derivatives. Services include bond market-making and underwriting, structured finance, international trade finance, as well as a range of other specialised investment and financing offers.

The financial markets arm of CITIC Bank was the number one firm in China's mid-sized segment in 2015 across a number of areas: total size of credit bonds issued in the interbank market, total volume of foreign exchange spot trading and cross-border RMB settlement.

CITIC Trust

CITIC Trust is the largest trust company in China with total assets under management (AUM) of over RMB1,386.2 billion at the end of 2015, a growth of 25% since 2014. For nine consecutive years, it has been the country's largest trust provider in terms of total AUM. The company also manages a proprietary trading and investing for its own funds.

The company has maintained its leading position because of the comprehensive range of integrated solutions it offers across investment, financing and wealth management services. Clients are primarily institutional investors and wealthy individuals.

CITIC Trust has pioneered a number of unique financial products and services, and it continues to innovate 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.

Year in review

In RMB million	**2015**	2014	Change
Revenue	**10,263**	5,660	81%
Net profit attributable to shareholders	**3,145**	2,812	12%
Total assets	**23,799**	20,880	14%

With competition becoming increasingly fierce in the trust sector, CITIC Trust continued to position itself for long-term growth and stability in 2015. Over the year, the company launched several new specialised products and services. Continuing to pioneer the development of the trust sector, it rolled out a new product specifically targeting the growing range of public-private partnership (PPP) opportunities and formed strategic partnerships with large corporations such as Evergrande Group and Wanda Group. The company will work closely with these clients to develop a full range of tailored financial solutions, and in the future CITIC Trust aims to expand upon this model and build similar relationships with corporate clients.

Organic growth in business remained strong all year, contributing to revenue of RMB10.3 billion in 2015. Net profit attributable to shareholders amounted to RMB3.1 billion, while the attributable trust profit paid to beneficiaries was over RMB54.3 billion.

The company's net capital adequacy ratio remained stable at 231% at the end of 2015. Net capital of the company was RMB12.9 billion, while the balance of risk capital was RMB5.6 billion.

Item	**Balance** (in RMB billion)	**Regulatory requirement**
Net capital	12.9	≥0.2 billion
Total risk capital	5.6	–
Net capital/Total risk capital	231%	≥100%
Net capital/Net asset	72%	≥40%

Given the growing breadth of financial products and services and diverse assets to which trust vehicles are exposed, CITIC Trust put a priority on improving its risk management system during the year. With an expanded array of risk assessment tools and internal audit processes, CITIC Trust now has a larger integrated range of internal compliance measures in place with controls over capital allocation.

Products

For trust companies in China, the ability to stay ahead of industry trends and roll out new products is the most critical factor for continued growth. In 2015, CITIC Trust developed several industry-leading products and services:

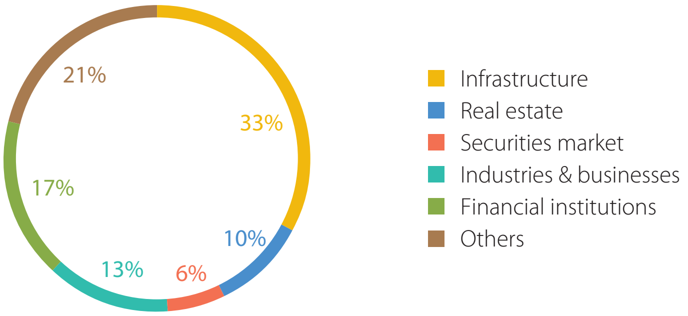
- PPP Trust Schemes: the Chinese government has increasingly promoted the PPP model to raise capital for the growing number of new infrastructure projects across the country. Targeting this emerging investment opportunity, CITIC Trust has established PPP trust schemes with local government in Tangshan. The PPP trust is built to leverage CITIC Trust's extensive financial network as a platform to source capital. The RMB600 million trust in Tangshan became the country's first.

- Asset Securitisation: leveraging the growing list of asset classes approved by the Chinese government for securitisation in 2015, CITIC Trust successfully completed the country's first corporate asset securitisation backed by commercial property rental income as the underlying asset.

- Consumer Trust Products: providing financing for a diverse range of projects, these products make use of customised online platforms to connect investors and manufacturers as well as raise capital from ordinary consumers who, depending upon the project, participate in group buying or crowdfunding schemes. With significantly lower barriers to subscription than conventional trust products, consumption trusts open investment opportunities to a greater variety of investors. The flexible structure also allows these investors to divest their stakes in return for consumption rights on the relevant goods. CITIC Trust has set up eight consumption trust products by the end of 2015 across pensions, the diamond trade and tourism services.

- Family Trust Services: launched in 2014, family trust services continued to grow steadily throughout the year. Expanding the product line beyond family office trust plans, the company delivered increasingly specialised investment, insurance trust services and other wealth management services to its clients. This business promises to become one of the company's most sustainable long-term sources of revenue.

Trust asset allocation



CITIC-Prudential

CITIC-Prudential is a fifty-fifty joint venture between CITIC Limited and Prudential plc, offering life, health and accident insurance, as well as reinsurance for these insurance businesses. By the end of 2015, CITIC-Prudential had a total of 158 sales offices in 64 cities across China.

Year in review

In RMB million	**2015**	2014	Change
Revenue	**8,183**	6,476	26%
Net profit attributable to shareholders	**382**	321	19%
Total assets	**47,975**	38,165	26%

New opportunities for the commercial insurance industry have arisen along with the deepening of the economic transformation in China, the launch of the *Ten New Rules*, i.e., new state policies for the insurance industry, the publication of *Opinions on Accelerating the Development of Commercial Health Insurance*, and the introduction of taxation and pension system reforms. In the new era of asset management, the widening of investment channels has made the insurance industry more competitive and attractive. Internet Plus, China's proposed information super highway, has also triggered the rapid development of the industry. In 2015, premium income and industry profits grew significantly despite the economic downturn.

CITIC-Prudential has achieved a strong competitive advantage through the introduction of innovative new products developed after the insurance product pricing reforms. During the year, the number of agents reached a historical high thanks to the changes of agent licensing exam requirements. With the development of the Internet Plus action plan, Internet technology is being used increasingly for wealth management and business support functions. In addition, the company has strengthened its investment function by building up its investment team, improving investment management, streamlining the investment process, enhancing investment performance, developing more investment channels and improving capital usage. In 2015, CITIC-Prudential's total assets, revenue and net profit achieved double-digit growth.

In compliance with China's new C-ROSS solvency system, CITIC-Prudential set up a new enterprise risk management system during the year, based on efficient corporate governance and guided by risk appetite to target a balance between risk and efficiency. The company also undertook a comprehensive review of its risk management policies and processes, structure and risk appetite formation.

Products

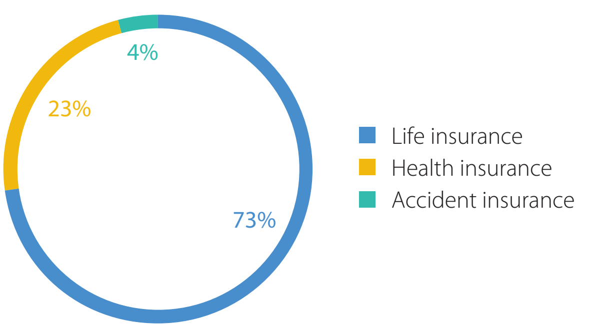
In 2015, CITIC-Prudential continued to focus on life insurance and health insurance as its core businesses, along with asset management and accident insurance, and pursued a business structure transformation and value upgrade. Premium income in 2015 was RMB6.2 billion, representing an increase of 22% from 2014. Premium income from life insurance was RMB4.5 billion, representing an increase of 14% from last year. Premium income from health insurance was RMB1.4 billion, representing an increase of 54% from last year.

During the year, CITIC-Prudential focused on high-value businesses and expansion as well as enhancements of the product mix in order to achieve growth. By strengthening the sales of key long-term protection products in the agency channel, CITIC-Prudential enjoyed sales growth in terms of quantity and quality. With the restructuring of the bancassurance channel to deal with volatility in the economic and investment environment, the company was able to reduce high cash value, short-term universal life insurance products and increase the proportion of regular premium products. Meanwhile, it decreased its new business strain, improved capital utilization and strengthened the management of business value. To address the needs of high net worth customers who wish to pass on their wealth to the next generation, CITIC-Prudential along with CITIC Trust continued to lead the industry with new trust services.

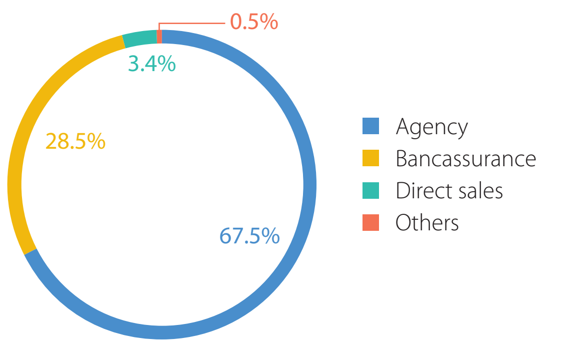
Insurance sales channels

Individual insurance agents and bancassurance are the two major sales channels of CITIC-Prudential. In 2015, CITIC-Prudential began reforming its sales agent system and substantially increased the number of its sales staff to 21,957. Insurance premium income generated via individual insurance agents accounted for 68% of total insurance premium income, a 1.5 percent increase compared with last year. In addition, the Bancassurance department strengthened its cooperation with banks and developed an e-bank business as well as other value-added services. The management of e-commerce channels was also upgraded to comply with regulatory requirements and an online/internet sales management team was formed. Following these developments, an electronic service mechanism comprising E-CITIC-PRU and phase I of the new i-CITIC-PRU online platform was launched.

Premium income by insurance type



Premium income by channel



CITIC Securities

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

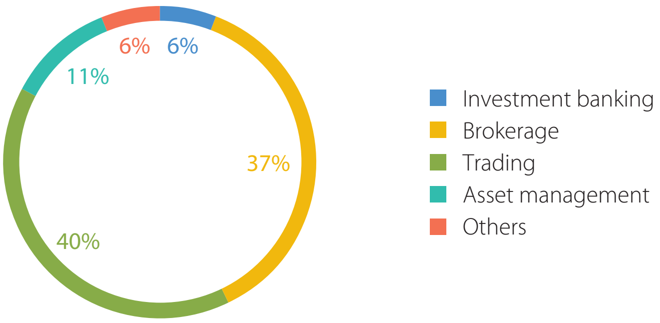
Year in review

In RMB million	**2015**	2014	Change
Revenue	**72,924**	39,525	85%
Net Profit attributable to shareholders	**19,800**	11,337	75%
Assets	**616,108**	479,626	28%

Trading volume in China's A-share market saw dramatic growth and consistent volatility throughout 2015. Riding on this trend and leveraging its leading position in the industry, CITIC Securities' brokerage services, asset management and investment banking businesses all posted significant growth as a result. For the year 2015, CITIC Securities recorded a net profit attributable to shareholders of RMB19.8 billion, a 75% increase over 2014.

The company also replenished capital through a non-public issuance of 1.1 billion new H shares.

Revenue distribution



Investment banking

CITIC Securities' equity financing business continued to post significant growth in 2015, cementing the firm's leadership over the A-share market. As the lead underwriter on transactions with an aggregate value of RMB177.3 billion, the business closed the year with a market share of 11%. Globally, CITIC Securities International also completed 15 IPOs, 24 re-financing projects, 19 offshore RMB bond and US dollar bond projects.

The company's fixed income business, also the market leader in China, completed 321 projects with an aggregate value of RMB385.7 billion, in lead underwriting bonds, medium term notes, commercial papers and asset-backed securities, representing a market share of 3%, ranking first in the industry.

In mergers and acquisitions, CITIC Securities completed transactions with an aggregate value of US$70 billion, ranking it the top three global financial advisors for merger and acquisition transactions participated by Chinese companies.

CITIC Securities also established a new advisory service in 2015 for growth stage companies seeking to list on China's over-the-counter market, the National Equities Exchange and Quotation (New Third Board) exchange. CITIC Securities underwrote the listing of 75 companies and provided market-making service for 104 companies.

Brokerage Services

The brokerage business continues to generate considerable profit for CITIC Securities, and high trading volume throughout the year contributed to strong revenue growth. CITIC Securities recorded a total trading turnover of RMB33.8 trillion in stocks and funds on the Shanghai Stock Exchange and Shenzhen Stock Exchange, with a market share of 6%.

Asset management

The asset management business continued to grow strongly in 2015: Total assets under management (AUM) amounted to RMB1.1 trillion at the end of the year, representing a market share of 10%. Among securities firms in China, CITIC Securities' asset management business maintained the first ranking in terms of total AUM.

CITIC Securities is also the largest shareholder of China AMC, a leading asset management company with RMB864.4 billion under management as at the end of 2015, an increase of 89% over the previous year.

Trading

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

For flow-based business, CITIC Securities provides its clients financial services such as equity flow-based business, fixed income, commodities and prime services. The balance of the margin financing and securities lending reached RMB74 billion, with a market share of 6%, making it the top in the market.

The company makes both proprietary trading and alternative investment. The Company strengthened its risk management protocols in 2015 by taking risk-to-revenue ratio as a mandatory criterion in investment decisions.

Resources and Energy

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

Major subsidiaries

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

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

CITIC Metal invests in minerals projects and trades industrial metals.

CITIC United Asia holds a stake in China Platinum, China's largest plaintinum importer.

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

In HK$ million	2015	2014	Change
Revenue	**45,664**	51,786	(12%)
Profit attributable to ordinary shareholders	**(17,251)**	(13,013)	(33%)
Total assets	**141,693**	147,903	(4%)
Capital expenditure	**12,059**	12,257	(2%)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Year in review

Global demand for commodities remained soft throughout 2015 and is expected to continue in the near term. A sharp decline in the price of commodities, especially for crude oil, iron ore and coal, significantly depressed the performance of our resources and energy business. The lower price of coal, however, positively impacted our coal-fired power generation business in China.

For the year 2015, the resources and energy business recorded revenue of HK$45.7 billion, a 12% decrease from 2014. It incurred a loss of HK$17.3 billion, mainly due to a substantial loss and asset impairments for CITIC Resources, resulting from the low oil prices and softening in both demand for and selling prices of commodities. The business also recorded a HK$12.5 billion after tax non-cash impairment charge on the Sino Iron Project, our magnetite iron ore project in Western Australia.

Nevertheless, the Sino Iron Project achieved steady progress in 2015, with the completion of our third and fourth lines and start of production. The final two lines will be completed and enter trial production in the first half of 2016.

Energy products

Crude oil

CITIC Resources' three oilfields produced an average daily yield of 49,700 barrels (100% basis), a 3% increase compared with 2014. However, primarily due to low oil prices and impairment provisions made in respect of its three oilfields, the business recorded a substantial year-on-year loss.

JSC Karazhanbasmunai (KBM), a 50% joint venture between CITIC Resources and JSC KazMunaiGas Exploration Production, produced a daily average of 39,100 barrels (100% basis), which was comparable to 2014. During the year, KBM also obtained approval from the government of Kazakhstan to extend its existing right to explore, develop, produce and sell oil until 2035.

The Yuedong oilfield in Liaoning Province, China resumed production at the end of 2013. Average daily production increased by 15% from 2014 to 7,250 barrels (100% basis) following the commencement of production at Platform C (the third artificial island) in 4Q 2014 and employment of thermal recovery.

Seram Island Non-Bula Block in Indonesia, in which CITIC Resources holds a 51% interest, ended the year with an 18% increase in average daily production to 3,350 barrels (100% basis) following the successful drilling of two new development wells. During the year, material gas discovery was confirmed in the Lofin area, which based on estimates* by an independent petroleum consulting firm contains, as of 31 August 2015, 2,020.1 billion cubic feet and 18.25 million barrels respectively of recoverable gas and condensate (2P plus 2CR; and 100% basis), and in aggregate equivalent to a total of 354.9 million barrels of oil equivalent.

* : in accordance with the classifications and definitions promulgated by the Upstream Oil and Gas Executive Agency of Indonesia
2P : proved contingent reserves plus probable contingent reserves
2CR : low estimate contingent resources plus best estimate contingent resources

Oilfields (100% basis)	Proved oil reserves estimates as of 31 Dec 2015 (million barrels)	2015 average daily production (barrels)	Change from 2014 average daily production (%)
Karazhanbas oilfield	233.4	39,100	–
Yuedong oilfield	22.2	7,250	15%
Seram Island Non-Bula Block	4.9	3,350	18%

Coal

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

In China, CITIC Limited has a 30% interest in Xin Julong coal mine in Shandong Province with a production capacity of 7.8 million tonnes. It achieved full production in 2015.

Power generation

Sunburst Energy Development manages a number of coal-fired power stations in China, with a total installed capacity of over 6,000 MW. In 2015, these stations yielded total electricity generation of 30.1 billion kWh, contributed in large part by the Ligang Power Plant in Jiangsu Province, one of the largest coal-fired power stations in the country with installed capacity of 3,900 MW. Despite a 6.6% drop year-on-year in total power generated, caused primarily by the economic slowdown in China, we ended the year with a higher net profit than in 2014 because of the lower cost of coal.

In 2015, we also proactively explored opportunities in renewable energies, including investing in a solar power project in Hebei Province, China. Upon completion, its two units will each generate 50MW of installed capacity.

Metals and minerals

Magnetite iron ore

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

In 2015, Sino Iron continued to make good progress. Production lines 3 and 4 completed construction on schedule and commenced production towards the end of the year. As at the end of February 2016, more than 7 million wet metric tonnes (wmt) of premium magnetite concentrate had been shipped to CITIC Limited's own special steel plants, as well as other steel producers in China.

In early 2015, CITIC Limited's purpose-built mini-cape vessels joined the operation, adding the final element in an integrated project, from mining and processing to power and water supply and port operation.

Looking ahead, the construction of the remaining two lines is targeted to be completed in the first half of 2016, which will mark the completion of the construction phase. The processing team faces the challenge of increasing the production of the first two lines, while completing load commissioning of the remaining lines and ramping up production.

Copper

The Las Bambas copper mine project in Peru, in which CITIC Metal holds a 15% interest, is currently close to completion of construction. First copper concentrate was produced at Las Bambas in late December as part of commissioning activities. The project is estimated to begin commercial production during the second half of 2016.

Through this partnership, CITIC Metal has also secured distribution rights on 26.25% of the copper concentrates extracted from the site. The Las Bambas project will allow CITIC Metal to achieve synergies with its existing trading operation in copper cathodes.

Ferroniobium

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

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

Manganese

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

Trading

We trade commodities primarily through CITIC Metal, CITIC Resources and CITIC United Asia. Major products include iron ore, ferroniobium, copper, aluminium, coal, platinum and steel.

Manufacturing

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

Major subsidiaries

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

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

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

In HK$ million	**2015**	2014	Change
Revenue	**60,077**	71,845	(16%)
Profit attributable to ordinary shareholders	**2,496**	2,921	(15%)
Total assets	**97,208**	108,501	(10%)
Capital expenditure	**4,937**	4,619	7%

In 2015, revenue from the manufacturing business amounted to HK$60.1 billion, representing a year-on-year decrease of 16%, while net profit attributable to ordinary shareholders dropped to HK$2.5 billion, a decrease of 15% from 2014.

While slowing growth across emerging markets led to a downturn throughout the global manufacturing sector, lower prices for raw materials and cost discipline allowed CITIC Pacific Special Steel, CITIC Heavy Industries and CITIC Dicastal to remain profitable. During the year, CITIC Pacific Special Steel was the most profitable among all steel producers in China, and CITIC Dicastal maintained its market leadership.

CITIC Pacific Special Steel

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

Year in review

In HK$ million	**2015**	2014	Change
Revenue	**35,211**	45,839	(23%)
Net profit attributable to shareholders	**1,220**	1,661	(27%)
Total assets	**53,221**	60,565	(12%)

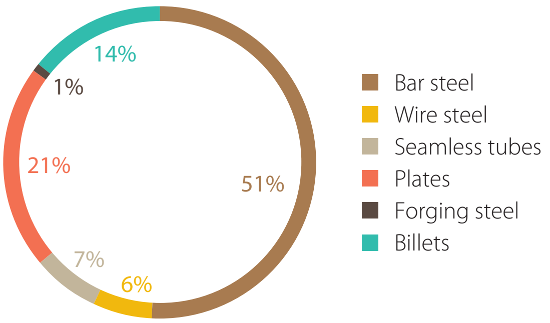
Global demand for steel remained weak in 2015, while in China steelmakers continued to suffer from excess capacity. Against this operating background, CITIC Pacific Special Steel sold a total of seven million tonnes of special steel products in 2015, a 5% decrease year on year.

More than half of all products manufactured by CITIC Pacific Special Steel in 2015 supplied the auto components and machinery manufacturing sectors, consistent with their contribution last year. Bar steel, plates and seamless steel tubes — the major products of the company — together contributed over three quarters of total sales volume. Over 80% of products were sold in China, and the company maintained the same proportion of export sales as last year. Key export markets are South Korea, Southeast Asia, Europe and North America.

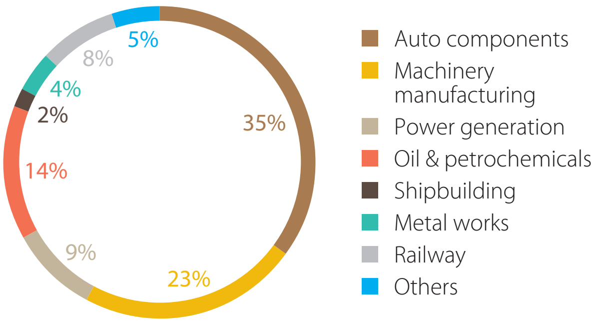
For the year 2015, CITIC Pacific Special Steel recorded revenue of HK$35.2 billion, 23% less than last year due to fewer products sold and lower product prices. In addition, an impairment charge led to a 27% decrease in net profit attributable to shareholders.

Over the year, CITIC Pacific Special Steel continued to invest in optimising its product mix and, at the end of 2015, introduced a sophisticated new production line for alloy bar steel. With an annual designed capacity of 900,000 tonnes, the line will greatly increase total production capacity of higher quality bar steel products. The company also continued to develop new products, which comprised 16% of total production in 2015, up 7% over last year.

Sales by product



Sales by industry



Key customers

Customer	Profile	Sales volume to the customer
Anyo Automotive Material Co., Ltd.	One stop procurement platform of SAIC Motor, the largest passenger car maker in China	Over 130,000 tonnes
Shaeffler Group	One of the world's most renowned bearings manufacturers	120,000 tonnes
Wanxiang Group	The largest auto component manufacturer in China	100,000 tonnes
SKF Group	A leading global bearings manufacturer and a global strategic partner of CITIC Pacific Special Steel	100,000 tonnes
Xuzhou Rothe Erde Ring Mill Co., Ltd.	A leading global manufacturer of seamless rolled rings and a wholly-owned subsidiary of Thyssenkrupp AG	80,000 tonnes

CITIC Heavy Industries

CITIC Heavy Industries is one of the world's leading manufacturers of heavy mining and cement equipment and one of the largest heavy machinery manufacturers in China. The company engages in the design and development of large sets of technical equipment, large castings and forgings, as well as the provision of related services to customers in the mining, construction materials, coal, metallurgical, non-ferrous, power electronics and environmental protection industries. The company's main facilities are located in Luoyang in Henan Province and Lianyungang in Jiangsu Province. It also operates a production facility in Vigo, Spain.

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

Year in review

In RMB million	**2015**	2014	Change
Revenue	**4,021**	5,286	(24%)
Net profit attributable to shareholders	**62**	370	(83%)
Total assets	**20,765**	19,914	4%

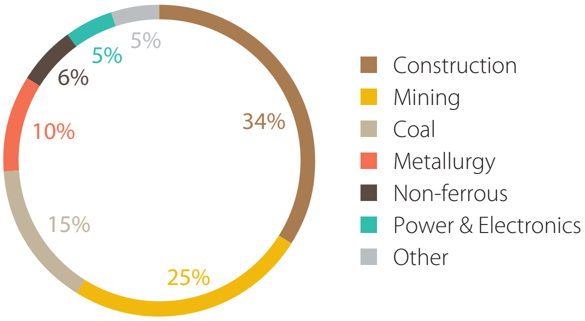
For the year 2015, CITIC Heavy Industries recorded revenue of RMB4 billion, a 24% decline from last year. This was mainly due to the slowing economy in China as well as the slowdown of fixed asset investment across the country, which led to weak demand for heavy machinery and equipment from downstream industries. The company recorded a net profit attributable to shareholders of RMB62 million for the year, representing an 83% decrease from that of 2014. The main reason for this significant decline was limited investment among downstream industries and fierce market competition, resulting in lower order quantities and prices.

The construction, mining and coal sectors continued to be the main profit contributors in 2015, representing 34%, 25% and 15% of total revenue respectively. During the year, CITIC Heavy Industries ventured into new business areas, with the addition of EPC projects, energy conservation and environmental protection, power and electronics, spare parts and related services, greatly diversifying the company's sources of revenue. Annual revenue from these new businesses accounted for 36%, 47%, 5% and 20% respectively in 2015.

The weak demand that impacted all heavy machinery manufacturers in 2015 is expected to continue in the year ahead. Within this operating context, CITIC Heavy Industries continued to prioritise three key strategies in 2015: focusing product development on intelligent manufacturing, becoming a total engineering solutions provider, and deepening its presence in international markets.

In intelligent manufacturing, CITIC Heavy Industries is achieving steady progress on its high-end electro-hydraulic intelligent control equipment manufacturing project, whose first two production plants were built and put into operation in 2015. This project is expected to be completed by the end of 2016. Following this, the project will provide support for the development of intelligent control equipment and the robotics industry.

Revenue by sector



CITIC Heavy Industries purchased 80% of the equity of Tangshan Kaicheng. After the acquisition, Tangshan Kaicheng was renamed CITIC Heavy Industries Kaicheng Intelligence Equipment Co., Ltd. ("Kaicheng Intelligence"). This new company is now the sole enterprise in China with the license to manufacture robot products in coal mining and rescue efforts, as well as provide complete integrated mining automation solutions. With the assistance of Kaicheng Intelligence, CITIC Heavy Industries will be able to offer anti-explosion, hoisting, control, rescue and other related equipment, as part of a complete system. This will provide the company with the capability to develop an unmanned and intelligent mining sector. CITIC Heavy Industries is also developing a special robotics business for use under special working conditions and in high-risk environments. The special robots developed by Kaicheng Intelligence have already received an enthusiastic response in the market.

In 2015, CITIC Heavy Industries continued developing the overseas and domestic market for EPC projects. One example is the launch of the Cambodia Kampot Cement Plant Project. Another is the key and core equipment provided to the Erdenet Copper Expansion Project, the largest copper mine in Mongolia, which successfully went into full operation during the year. In 2015, orders for EPC projects took up 27% of all new orders, among which were the Cambodia CMIC 5,000tpd Cement Line EPC Project (total contract value: US$154 million). These projects will help to advance the internationalisation of the company further. In 2015, income from overseas markets accounted for 42% of the total income of CITIC Heavy Industries, an increase of 8% on a year-on-year basis.

Examples of CITIC Heavy Industries products


Large size grinding mill
(Mining industry)


New dry cement production line
(Construction material industry)


Large size metallurgical mill
(Metallurgical industry)


Large size hoist
(Coal mining)


High voltage convertor
(Power electronics)


Coke dry quenching waste heat power generation
(Energy saving and environmental protection)


Slag vertical mill
(Energy saving and environmental protection)

Research and development

One of CITIC Heavy Industries' core competitive advantages is its strength in product development. Its technical centre in China has the most comprehensive research facilities in the country for mining equipment, and its R&D centre in Australia works closely with international customers to develop new products across the region. During the year, the company established its Beijing Design Institute as well as a joint laboratory on intelligent control systems with the Institute of Automation of the Chinese Academy of Sciences. By the end of 2015, CITIC Heavy Industries owned 19 registered trademarks and 438 patents in China.

CITIC Dicastal

CITIC Dicastal is the world's largest producer and exporter of automotive aluminium wheels. It also produces automotive lightweight aluminium castings, including chassis parts, power train parts and body parts.

The company currently has 21 manufacturing bases, of which seven are outside China. Total annual production capacity is 43 million aluminium wheels and approximately 70,000 tonnes of aluminium castings.

Year in review

In RMB million	**2015**	2014	Change
Revenue	**16,198**	15,190	7%
Net profit attributable to shareholders	**725**	638	14%
Total assets	**14,150**	12,719	11%

The automotive sector experienced varying growth throughout the year. Conditions became soft in China, with the volume of automotive production in China estimated at approximately 24.5 million vehicles, representing an increase of approximately 3.3% as compared to 2014. On the other hand, demand increased significantly in markets such as the United States and Europe.

CITIC Dicastal sold 37.54 million aluminium wheels in 2015, representing a 9% increase over last year. Sales of aluminium castings, however, decreased 5% from 2014 to 69,000 tonnes due to a key customer suffering significantly lower sales.

For the year 2015, the company recorded revenue of RMB16.2 billion, growing 7% over the previous year. The increase was driven primarily by the increase in aluminium wheel sales. Aluminium wheels accounted for the majority of revenue at 71% of this year's total. International revenue contributed 51% of total revenue in 2015.

With improved manufacturing technology, production cost was reduced. As a result, net profit attributable to shareholders in 2014 increased to RMB725 million, up by 14% over 2014.

CITIC Dicastal continued to improve distribution and grow production capacity throughout the year. Construction of its aluminium wheel plant in Michigan, USA progressed on schedule. Built to enhance CITIC Dicastal service to customers in North America, it is expected to enter operation in 2016. The plant will have an annual production capacity of 3 million wheels.

Construction also began on a new integrated facility to make moulds for both aluminium castings and wheels, designed to enhance production quality across both product lines, it will become operational in early 2017.

Engineering Contracting

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

Major subsidiaries:

CITIC Construction is an integrated engineering services company providing management and engineering, procurement and construction (EPC) services on large industrial and civil infrastructure projects.

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

In HK$ million	**2015**	2014	Change
Revenue	**14,676**	17,127	(14%)
Profit attributable to ordinary shareholders	**2,601**	2,381	9%
Total assets	**42,245**	44,020	(4%)
Capital expenditure	**508**	541	(6%)

In 2015, revenue from the engineering contracting business amounted to HK$14.7 billion, representing a year on year decrease of 14% while net profit attributable to ordinary shareholders dropped to HK$2.6 billion, an increase of 9% from 2014. Several existing projects of CITIC Construction neared completion in 2015, while new projects have not yet begun contributing significantly to revenue growth. The profit delivered from the current construction projects is higher than the previous years, resulting in an increase of the profit in the engineering contracting business.

CITIC Construction

CITIC Construction is an integrated engineering services company providing management and engineering, procurement and construction (EPC) services on large industrial and civil infrastructure projects. Its key markets include Africa, Latin America and Central Asia, and the company is currently expanding its operations in European markets and within China. With an established foothold in infrastructure, housing and industrial construction, the company is also developing businesses in the areas of resources, energy, agriculture and environmental protection.

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

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

Year in review

In RMB million	**2015**	2014	Change
Revenue	**10,174**	12,251	(17%)
Net Profit attributable to shareholders	**1,809**	1,705	6%
Total assets	**32,976**	34,352	(4%)

In 2015, sluggish growth worldwide continued to impact the entire sector. Due to persistently low prices for oil, the project pipeline of Engineering Contracting companies also slowed in oil-producing countries such as Venezuela, Angola, Nigeria and Russia.

For the year 2015, the company recorded revenue of RMB10,174 million and net profit attributable to shareholders of RMB1,809 million. While new projects such as a US$756 million office tower project in Caracas commenced in 2015, they have not yet begun to contribute significantly to revenue growth. The Social Housing KK Project in Angola, a seven year contract, entered its final stage.

The profit delivered from the current construction projects is higher than the previous year, driven primarily by strict cost disciplines. Therefore, net profit recorded a 6% increase despite the revenue decrease in 2015.

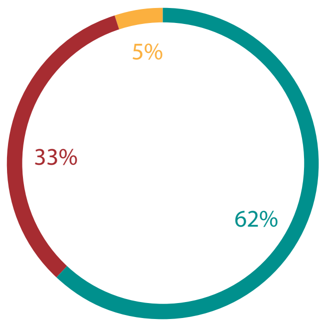
In 2015, CITIC Construction expanded its foothold into new markets so as to diversify its project portfolio. Securing its first contract in a Western country, the company entered into an EPC framework agreement with ABP Investment (London) Ltd. to redevelop London's Royal Albert Dock into the "Asian Business Port", a new business district. The project represents a total value of £1.7 billion.

Riding on the increasing opportunities created by China's One Belt One Road initiative, CITIC Construction also expanded business development in key markets targeted by the initiative. During the year, the company began projects in Belarus, including the construction of an auto assembly line for Chinese automaker Geely and the redevelopment of a linen manufacturing plant. In Kazakhstan and Thailand, CITIC Construction began exploring large-scale private public partnership (PPP) projects.

Significantly enhancing its ability to compete for large projects in China, CITIC Construction obtained a premium-class building and engineering certification at the beginning of 2015.

By the end of the year, the total value of signed contracts reached RMB212.8 billion, of which RMB8.3 billion was contributed by new contracts signed during the year.

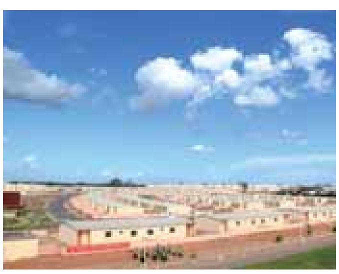
Revenue by geographical distribution



Major projects

Tiuna social housing project, Venezuela

Located in Caracas, this social housing project is developing 116 apartment blocks and 29 public buildings that will create more than 13,000 new homes. Upon completion, the project will contribute significantly to raising the standard of living and environment of the local community. The total contract value is US$1.69 billion. By the end of 2015, over 57% of the project was completed. All 34 blocks in Phase I have been delivered to the employer, and the main structure of all 26 blocks in Phase II have been completed.



Zango real estate development (RED) project, Angola

CITIC Construction signed a framework agreement with the Angola National Petroleum Company for the RED social housing project in 2010. As the EPC contractor on the RED social housing project, CITIC Construction is responsible for the design, procurement, construction and associated infrastructure for social housing in 20 locations across 14 Angolan provinces and cities. Located in the southern part of Luanda with a total construction area of 910,000m^2, this project has a contract value of US$1.47 billion. Upon completion, the project will provide 8,000 apartments, along with associated infrastructure and urban facilities. By the end of 2015, more than 94% of the project had been completed, including the completion of delivery and inspection of all housing parts.

Malanje agricultural project, Angola

Located in Malanje province in the east of Luanda, this project involves the reclamation of 8,000 hectares of corn and soya bean fields and the construction of a 22,400-tonne corn powder processing plant with storage and drying facilities. The total contract value of this project is US$118 million. It is CITIC Construction's first agricultural project. By the end of 2015, the full production value of the project was completed, and plantation, harvesting and processing are now underway.

Geological study project, Angola

Signed in October 2013, this project involves carrying out airborne geophysical surveys, 1:250000 geochemical surveys, 1:250000 regional geological mapping, 1:50000 professional geotechnical engineering exploration research, 1:50000 metal mineral exploration and 1:50000 building materials mineral exploration in the northwest quarter of the Angolan homeland. The total contract value of this project is approximately US$77 million and the contract period is 48 months. It started construction in August 2014 and 8.3% was completed by the end of 2015, wherein the airborne geophysical work has been completed nearly 75%.

Geely automobile production line project, Belarus

This project is to build an automobile production line with an annual output of 60,000 passenger cars, including the welding shop, the paint shop (including the small piece paint shop) and the assembly shop. As the EPC contractor, CITIC Construction is responsible for the design, procurement, civil construction, equipment installation, commissioning, performance tests and training of operational staff of the employer. Signed in March 2015, the total contract value of this project is US$300 million, and the contract period is 21 months. It started construction in August 2015. By the end of 2015, the preliminary design had been completed, the supply contracts of three shops(including welding shop, the paint shop and the assembly shop) signed, and the main frame of steel structure of assembly shop installed.

Air force and navy command headquarters building project, Venezuela

Located on both sides of Street Bolivar in the Fuerte Tiuna area of Caracas, this project has a total land area of about 7.18 hectares and a total construction area of about 210,000 square meters. It consists of two buildings, each of which has nine separate four-floor annexes, which reach the connection with a central corridor. This project was signed in August 2014, and the total contract value is approximately US$760 million. It started construction in March 2015 and 25% was completed by the end of 2015, the concrete underground structure of which has been substantially completed.

CITIC Engineering Design

CITIC Engineering Design is a municipal and architectural engineering design and management company. It owns a number of patents and has helped set national standards and specifications.

A top three player in China for municipal engineering design, the company's wholly owned subsidiary, Central and Southern China Municipal Engineering Design & Research Institute CO. Ltd., was granted a premium-class engineering design certification in 2015, further enhancing its competitive position.

CITIC Engineering Design achieved major breakthroughs in its business scale in 2015, with revenue of RMB1,690 million, a 9% increase from last year. Net profit attributable to shareholders was RMB280 million, a 6% decrease from last year.

Real Estate

In HK$ million	**2015**	2014	Change
Revenue	**27,528**	29,909	(8%)
Profit attributable to ordinary shareholders	**4,137**	4,694	(12%)
Total assets	**232,809**	215,095	8%
Capital expenditure	**3,013**	642	370%

Repositioning mainland China property business

In March 2016, CITIC Limited announced the sale of a 100% equity interest in CITIC Real Estate, as well as the mainland residential property assets of CITIC Pacific, to China Overseas Land & Investment Limited ("COLI").

The transaction value is estimated to be approximately RMB31 billion. Upon the completion of this transaction, CITIC will hold an approximately 10% equity stake in COLI and shall also receive additional assets whose value is estimated to be approximately RMB6 billion.

CITIC City Investment & Development Limited was set up to manage the property business going forward.

Year in review

In 2015, CITIC's real estate business recorded revenue of HK$27.5 billion, a 8% decrease from 2014, attributable profit for ordinary shareholder also declined by 12% to HK$4.1 billion, caused primarily by the relative lack of new units available for delivery.

In residential property, sales have stayed flat amidst persistent overcapacity and weak demand. While the government implemented several significant policy changes in 2015 to stimulate housing demand and promote more sustainable development throughout the sector, these measures have had little immediate impact. Nevertheless, the continually loosening home purchase rules and easier access to credit are likely to improve residential property sales in the future.

In commercial property, competition continued to intensify. While we saw slight drops over the year in retail occupancy rates but slight rise in average rent in our Grade A office buildings such as Shanghai CITIC Square, we remain optimistic for the year ahead. All of our major commercial properties are in prime locations in first-tier cities. While occupants may change from year to year, we believe demand will remain stable over the long term.

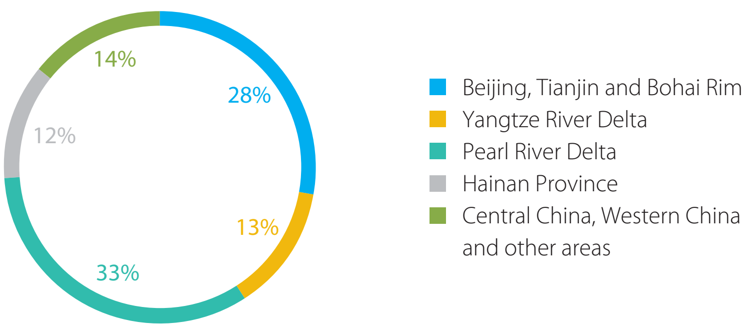
In 2015, CITIC Limited's real estate business sold a total of 2.15 million m^2 of residential properties, mainly in projects in Beijing CITIC New Town, Tianjin City Plaza, Changchun CITIC Town, Nanhai CITIC Mountainside Lake, Qingpu Zhujiajiao New Town and Zhuhai Mangrove Bay.

In Hong Kong, the luxury residential project on Kadoorie Hill was topped out in mid-2015 and named KADOORIA. This project offers 77 high quality apartments and is scheduled for completion and for sale in 2016. Besides, CITIC acquired a residential site in Lok Wo Sha, with a gross floor area of approximately 21,000 m^2, by way of a government tender in 2015. This project is scheduled for completion in 2019. For our Discovery Bay development project, which is 50% owned by CITIC, sales of Phase 15, Positano, continued in 2015. Construction of Phase 16, a high-rise development, is scheduled for completion in 2017.

Our Hong Kong investment property portfolio provided stable rental income in 2015, with an overall average occupancy of approximately 97%.

Land bank by geographical area

Total land bank: 19.28 million m^2



Key projects

Zhongguo Zun, Beijing

(100% owned)

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

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

CITIC Pacific Technology and Fortune Plaza, Shanghai

(50% owned)

Site area:	60,335 m^2
Gross floor area:	229,372 m^2
Usage:	Office and retail

Located in the western part of Shanghai, this mixed-use office and retail development will integrate high rises and community and commercial centres at street level. Directly connected to the city's subway system at North Meiling Road, the project has recently begun construction.

Chengdu Tianfu New Area Project, Chengdu

(100% owned)

Site area:	537,000 m^2
Gross floor area:	570,000 m^2
Usage:	Exhibition

Located in Chengdu's Central Business District, this project will become a permanent venue for hosting the Western China International Fair and, in the future, a platform for MICE (meetings, incentives, conferences and exhibitions) events. The project began construction on 18 June 2014, and is expected to be completed in the second half of 2016.

KADOORIA, Hong Kong

(100% owned)

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

Located at No. 111-133 Kadoorie Avenue in Kadoorie Hill, Hong Kong, KADOORIA is a low-rise residential development offering 77 luxury apartments. The project was topped out and is scheduled for completion and for sale in 2016.

CITIC Coast New Town, Shantou

(51% owned)

Site area:	168 km^2
Gross floor area:	Approximately 12,400,000 m^2 in initial phase area
Usage:	Residential, retail, office and public space

Located in Haojiang District of Shantou in Guangdong Province, this project will become the largest urban complex in the province. It is an important exploratory project based on the new urbanisation on Private-Partnership model. The project will cover an area of 168 km^2 in Haojiang District for the overall plan and industry control, with a total estimated investment of RMB50 billion in total.

Nanhai Mountainside Lake, Foshan

(50% owned)

Site area:	1,630,000 m^2
Gross floor area:	2,304,000 m^2
Usage:	Residential, office

Located in Foshan of Guangdong Province, this mixed-use residential and office property will become a landmark complex in the city with features that promotes eco-friendly living for residents and workers alike. The first phase of the project began construction in 2008 with Zone B8 and B9 are currently under construction.

Major development properties

Projects	Usage	Ownership	Area under construction and area to be developed (m²)
Beijing, Tianjin and Bohai Rim			
Zhongguo Zun, Beijing	Office	100%	437,000
CITIC Villas	Residential	100%	209,800
City Plaza, Tianjin	Residential, commercial, office and hotel	51%	850,000
CITIC Harbour City, Dalian	Residential, commercial and office	80%	1,613,100
Qingdao CITIC City (Bo Lai)	Residential and commercial	100%	374,500
Qingdao CITIC City (Bo Fu)	Commercial	81.5%	312,600
Yantai Project	Residential, commercial and office	100%	66,500
Yangtze River Delta			
Jiading Nanxiang Project	Residential, commercial and office	30%	264,700
Lake Forest (Suzhou)	Residential	100%	45,600
Suzhou HSR New Town	Residential, commercial	33%	638,000
Suzhou Mudu	Residential, commercial	40%	157,000
Lujiazui Harbour City, Shanghai	Office, residential and retail	50%	574,811
The Centre, Shanghai	Residential, office and retail	100%	294,850
Zhujiajiao New Town, Shanghai	Residential and retail	100%	129,930
Shanghai World Expo Project	Office and retail	100%	57,666
CITIC Pacific Technology and Fortune Square, Shanghai	Office and retail	50%	229,372
Pearl River Delta			
Jigutian Project, Shenzhen	Residential and commercial	80%	344,500
Bankside Village	Residential and commercial	100%	585,400
CITIC Triumph Town, Huizhou	Residential and commercial	100%	538,600
Huizhou Hot Springs Resort	Residential and hotel	100%	206,100
CITIC Square	Commercial and office	100%	221,800
CITIC Jinshan Bay, Nanhai	Residential	100%	356,800
CITIC Mountainside Lake, Nanhai	Residential, commercial and hotel	50%	1,334,300
Huangjiang Mangrove Mountain	Residential and commercial	32.5%	224,500
CITIC Terrace	Residential	51%	248,800
Shantou Binjiang Bay	Residential	45%	202,400
CITIC Mangrove Bay, Zhuhai	Residential	100%	435,700

Projects	Usage	Ownership	Area under construction and area to be developed (m^2)
Central China, Western China and others			
CITIC Town, Chengdu	Residential and commercial	98%	603,700
Dujiang Weir Valley	Residential and commercial	70%	71,000
CITIC Azure City, Changsha	Residential and commercial	99%	243,400
Ocean West, Lushan, Jiujiang	Residential, hotel and commercial	100%	645,200
Tranquil Garden	Residential	55%	163,200
Hainan			
Boao Delta	Commercial, hotel and residential	35%	36,500
Shanqin Bay, Hainan	Residential and hotel	100%	176,700
Taida Project, Hainan	Residential	35%	400,900
Shenzhou Peninsula, Wanning Hainan	Hotel, retail and residential	80-100%	1,334,700

Major investment properties

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

Others

Information Services

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

CITIC Telecom International's services cover 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 ("CPC"), has established numerous 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. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region.

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

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

General Trading

Dah Chong Hong is engaged in the trading, distribution and logistics business. The company is involved in the sales of motor vehicles and associated services, food and consumer products, as well as provision of logistics services. The company has well-established networks in Hong Kong, Macau and mainland China, as well as operations in Taiwan, Japan, Singapore and Myanmar.

Infrastructure

CITIC Limited's infrastructure business is involved in the investment and management of expressways and port terminals in China through CITIC Industrial Investment. It also has an interest in The Eastern Harbour Tunnel and The Western Harbour Tunnel in Hong Kong through CITIC Pacific of which the Eastern Harbour Tunnel will be passed to the Hong Kong government in August 2016 upon termination of the franchise.

Expressway projects, in which CITIC Industrial Investment has three interests — the Chengdu-Chongqing Expressway, Chongqing-Guizhou Expressway and Shanghai-Chongqing Expressway — have a combined cumulative mileage of 283km. With extensive operational experiences in the sector, CITIC Industrial Investment has set up an investment, construction management and operation team with rich experience and strong execution capabilities. The port terminals business mainly consists of investment in and the proprietary operation of liquefied oil terminals and storage, as well as the operation of other types of berths such as container berths. CITIC Industrial Investment's objective in this business is to become a major investor in and operator of port terminals and storage in the domestic port terminal industry.

Project	Ownership	Franchise till year
Expressways		
Chongqing-Guizhou Expressway	60%	2037
Shanghai-Chongqing Expressway (downtown Chongqing-Fuling segment of the Chongqing Riverside Expressway)	60%	2043
Chengdu-Chongqing Expressway	49%	2024
Tunnels		
The Eastern Harbour Tunnel, Hong Kong	71%	2016
The Western Harbour Tunnel, Hong Kong	35%	2023

Environmental Services

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

In 2015, CITIC Environment successfully acquired Singapore's leading water treatment company United Envirotech Ltd ("UEL") and became the controlling shareholder of UEL. This latter company was 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 supply and wastewater treatment solutions provider with a business model covering the whole industrial chain, including the investment in and operation of the engineering, procurement and construction ("EPC") division, membrane technology division and water division. In addition, CITIC Envirotech is a leading global environmental protection and water company, focusing on research and the production of membranes and technology for integrated production techniques. Its business focus is on the industrial water and wastewater segment, mainly in local municipalities, and petrochemical and industrial parks.

CITIC sees huge potential for the environmental protection market. CITIC Envirotech will timely seize opportunities for development due to favourable government policies, and achieve leaping development by overcoming challenges.

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 technology, financing and agricultural materials.

In 2015, CITIC Limited acquired shares in Yuan Long Ping High-Tech Agriculture Co., Ltd. ("Longping High-Tech"), a company listed on the Shenzhen Stock Exchange. This transaction was approved by the China Securities Regulatory Commission at the end of 2015. With the completion of the share transfer process, CITIC Limited became the largest and controlling shareholder of Longping High-Tech. CITIC Limited will accelerate the consolidation of domestic farming industry and the strategic development of international market, further enhancing its global competitiveness.

Publishing

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

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

CITIC Press had 71 airport bookstores in China. In addition, CITIC Press operated 5 urban 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 Offshore Helicopter's ("COHC") main businesses include offshore oil helicopter operation services, general aviation services such as aerial photography, maritime patrol, polar survey operations, HPS, forest fire prevention and powerline operations, as well as general aviation maintenance services. COHC's offshore oil helicopter operation services have maintained the top position in the industry in terms of market share. It is the only general aviation enterprise engaged in helicopter pilotage.

COHC's main operation is based in Shenzhen, with branches in the South China Sea, East China Sea, Bohai Sea, Yangtze River Delta and Pearl River Delta. COHC also operates Airbus Helicopters, the only authorised helicopter repair centre in China.

Special Feature: **CITIC Dicastal**

"There are a number of companies within CITIC Limited that are unlisted and as such don't report publicly. We have heard clear feedback from our shareholders that you wish for more information. Therefore, we've decided to spotlight one business each year. We begin with CITIC Dicastal, the largest automobile aluminium wheel manufacturer and exporter in the world."

Chang Zhenming, Chairman's Letter to Shareholders 2015

Revenue
16,198 / ↑7%
RMB million

Net profit
725 / ↑14%
RMB million

Assets
14,150 / ↑11%
RMB million

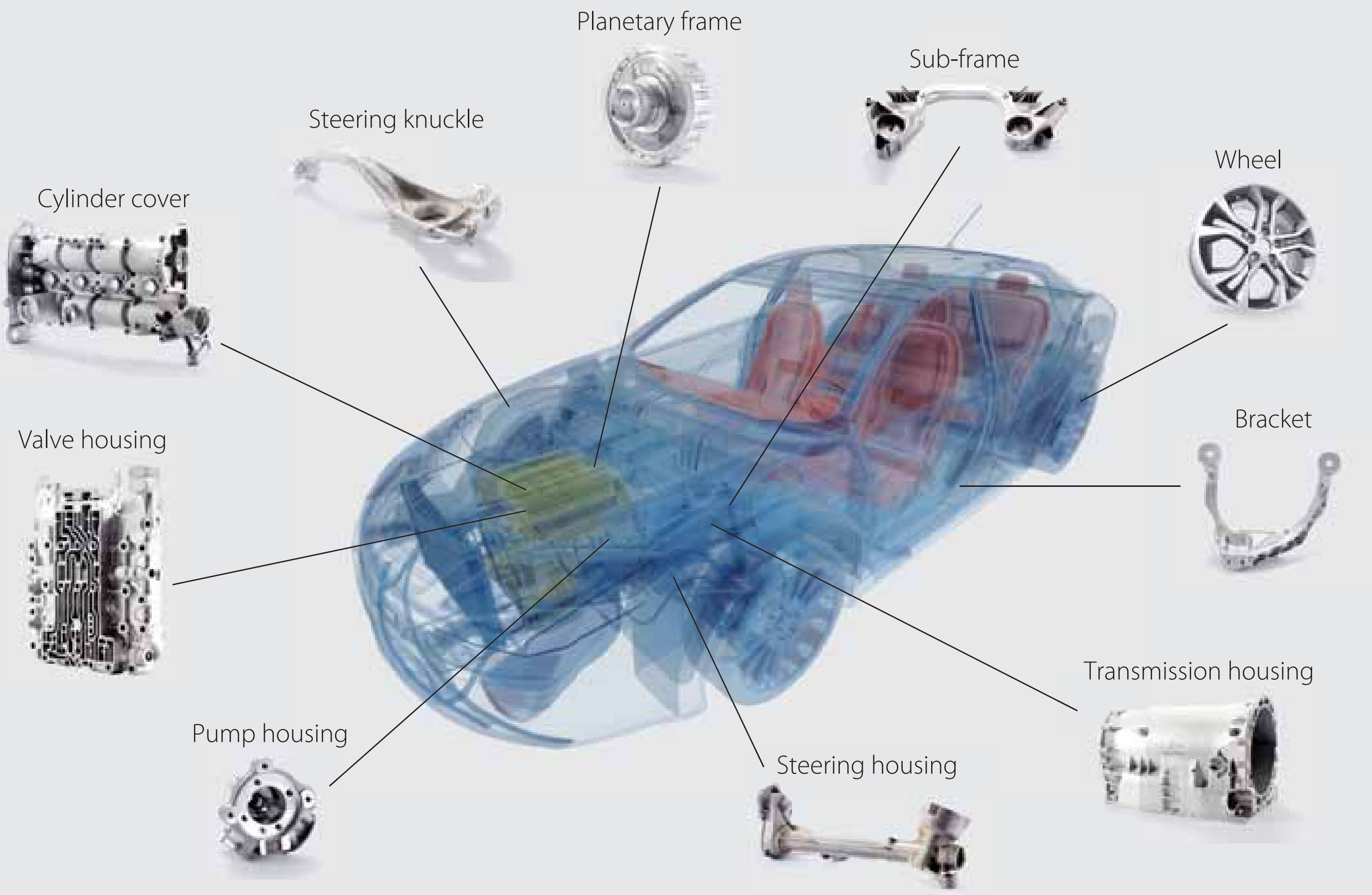
Wheels (sold)
37,540,000 / ↑9%
units

Castings (sold)
69,000 / ↓5%
tonnes

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

Dicastal has 21 manufacturing bases across China, North America and Europe, and employs more than 6,000 staff around the world. A wholly-owned subsidiary of CITIC Limited, Dicastal is headquartered in Qinhuangdao, Hebei Province in Northern China.

Products



As a supplier of lightweight aluminium wheels and cast components, Dicastal manufactures products designed specifically for automakers' individual models. Products are tailored to customer orders from Europe, the US, Japan, Korea and China. As a result, Dicastal today has over 1,000 product designs.

During product development, Dicastal works directly alongside automakers in the design process for new vehicles. From initial concept development all the way through to production, this process (called "synchronous design") allows automakers' wheels and other components to become optimally integrated into the overall design of new cars. Dicastal is among only a small number of suppliers certified by automakers to deliver this service in China.

Because most Dicastal products are manufactured through synchronous design orders, the company is able to begin product development three to five years ahead of production, allowing it to optimise its production planning and margins with sales orders locked in well before launching in the market.

In the final step of quality testing, Dicastal's large range of products has also equipped it to evaluate parts for all major automakers. The company has even introduced a range of new tests in the China market. Dicastal is in fact the only supplier in China authorised to certify wheel quality for GM, Ford, BMW, Mercedes-Benz, Volkswagen, Toyota, Nissan and Mazda.

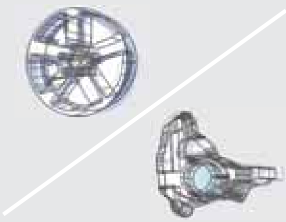
After years of designing in sync with its customers, Dicastal has built a distinct competitive advantage over its peers. Today, it enjoys long-term strategic relationships with leading automakers in China, across Asia and around the world.

Synchronous design certification: General standards

1. Meet automaker-specific standards for manufacturing process, quality and scale. Each automaker individually certifies suppliers according to its own standards and works alongside Dicastal in synchronous design
2. Maintain advanced research and design capabilities
3. Global capacity for mass production
4. Efficient platform for global distribution and after sales support

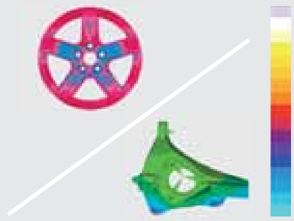
Product development

Concept Design



Three-dimensional Space

Structural Analysis



Process Simulation

Mould Development

Sampling and Testing

Series Production

Our Journey

Mr Xu Zuo, President
a member of the founding team

Thirty years ago, anywhere you went, chances are your wheels would have been made of steel. Aluminium alloy was still uncommon for car wheels — the kind of feature found on sports cars or luxury sedans but not on your average passenger vehicle. Only a handful of manufacturers worldwide were even making them and, in China, a market didn't even exist.

We recognised aluminium for the game changer it would become. So as China continued to open up over the late eighties, we decided to go all in. Our dream: we would make this market in China and, one day, our wheels would run around the world.

Back then, the automotive sector was just beginning to develop in China, and the demand was tiny for a premium like aluminium wheels. So as a new supplier in a developing economy, setting up a plant for steel wheels was the obvious path, the easy conclusion. But we took a long view, and we bid on the potential that aluminium promised.

Any way you cut it, aluminium is superior to steel as a material for a car wheel. It's one third the mass, stronger, and more anti-corrosive. It also retains less heat and is far more formable, allowing almost unlimited freedom in stylisation. Unlike steel, it can also be better polished or otherwise finished to such a high degree that it can give wheels that mirror-like sheen so popular today in the premium segment. Perhaps best of all, the lower mass also makes it more fuel-efficient than steel. When we got started, all of these reasons were what drove us and, at the same time, more and more automakers, to favour the aluminium wheel. And now, three decades on, aluminium wheels have become ubiquitous worldwide.

Looking back, it's easy to see our success today and forget how hard we worked, to think we saw a trend and just rode it out. But when we began, we had no blueprint, no map to follow. While the average aluminium wheel weighs about eight kilograms today, the first wheel we successfully produced was the result of thousands of tonnes worth of attempts and countless hours of research. That wheel wasn't just aluminium — it was blood, sweat and tears.

This early experience imbued in us a fundamental commitment to always keep growing — not just



commercially but technologically too. For the next decade, we worked relentlessly to build our domestic business, growing the company from a single plant into a national network and staying always at the forefront of the industry in China. Then, in 2001, we reached a turning point. China had just entered the WTO, and overnight our export opportunity had changed. Suddenly, we could compete on the global market. And true to our entrepreneurial roots, we immediately accepted the challenge and seized this new opportunity.

Our first step was to ramp up production capacity as much as possible, as quickly as possible. So we began partnering with quality manufacturers, and our ability to scale production for export around the world began to rocket year after year. Then we invested in building capacity for state-of-the-art production, along with world-class R&D. And in 2008, seven short years later, we had become the world's largest manufacturer of aluminium wheels.

In just two decades, our dream was becoming a reality. But we didn't stop there. In 2011, we diversified our product line to add a full range of lightweight cast components by acquiring a leading German auto components manufacturer, KSM Castings Group. For us, this was a milestone because we added a whole shelf of new products to our line-up and enhanced our global position, particularly among European automakers. But for KSM too, it brought them onto the world stage. And today, we research and manufacture side by side in China and around the world.

When we were starting out, I remember looking out our building and seeing just one car parked on the dusty road. Today, I look out, and I see a gleaming lot the size of two football fields filled to the brim with hundreds of cars by all variety of automakers. I see not just the success of our own company there. But really, the growth of the auto industry in China and across the economy, the booming prosperity we've all enjoyed and helped to create.

We've come a long way, but our journey is far from over. When I keep looking out that window, look past that parking lot and train my eye on the horizon beyond, I can just about see the makings of our future. Dicastal has grown beyond automotive; we're advancing all types of transportation, and innovating mobility for tomorrow.

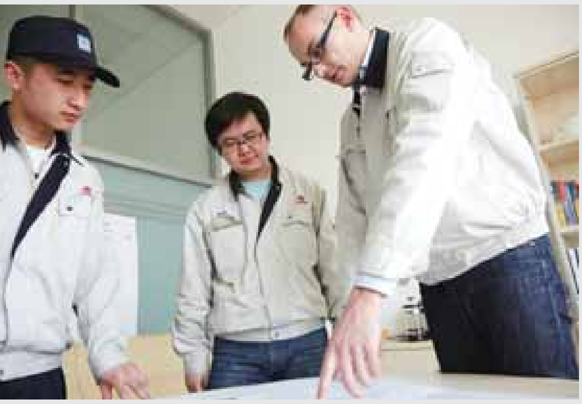
Key facts on Dicastal manufacturing

Aluminium wheels

- Manufacturing bases: 13 sites, both wholly-owned and through joint ventures, primarily in China, North America and Europe
- Total annual production capacity: 43 million units
- Average capacity utilisation: 94% annually over the past three years

Lightweight cast components

- Manufacturing bases: Eight plants spread across Europe China and North America
- Total annual production capacity: Approx. 70,000 tonnes



Business Model

Manufacturing is a capital-intensive business that traditionally has required companies to invest heavily in new production facilities in order to expand. When Dicastal decided to export its products following China's entry into the WTO in the early 2000s, the company knew its success hinged on two critical factors: the ability to scale up rapidly and globally, and the flexibility to allocate limited resources to new plants and equipment. Too much, the company could be weighed down without a budget to support other developments. Too little, and it would only be able to achieve incremental growth. Facing an unprecedented opportunity, Dicastal tried a different approach.

In 2003, through equity investments Dicastal began partnering with other manufacturers. These companies, vetted extensively by Dicastal, agreed to share their production capacity to produce Dicastal wheels. Dicastal therefore was able to leverage this network of partners to amplify its own capacity quickly, across geographies and without fixed investment. As it progressively signed on new partners and successfully built up its capacity over the years, Dicastal has confirmed that this is the optimal model for its business.

Quality control

Central to the success of this business model is the guarantee that all products are able to meet the same quality standards. Dicastal achieves this by centralising all core operations: product development, brand management, quality control, production planning, sales, logistics and after sales. The company's satellite facilities only manufacture designs developed at headquarters, based on strict allocations and in adherence with strict quality controls. Each of these manufacturing facilities has ISO/TS16949 quality certifications in addition to meeting the individual standards set by both Dicastal and major customers, such as the Volkswagen Group Formel-Q, Ford Motors Q1 and Honda Motors QAV.

Dicastal's experience has proven that centralised production augmented by a global network of support facilities provides economies of scale, frees up capital for more strategic investments and ensures consistent process and product quality wherever products are made. This has been a pivotal factor supporting Dicastal's development over the past decade. The evidence for the success of this model is the Company's continually growing sales and high customer satisfaction, shown by the increasing number of orders it receives.

Production Capacity

Currently, Dicastal's total annual production capacity of aluminium wheels is 43 million units. Over the past three years, its average capacity utilisation rate has remained above 94%.

Automobile aluminium castings are produced by Dicastal's subsidiary KSM Castings Group, which it acquired in 2011. Founded in Germany, KSM Castings is one of the largest aluminium chassis segment suppliers in the world and a leading powertrain segment supplier in Europe.

Raw Material

Aluminium alloy, a blend of aluminium ingot and a variety of other metals, is the principal raw material used in Dicastal's products. To reduce transportation costs and ensure a consistent and stable supply, Dicastal maintains strategic partnerships with selected domestic aluminium suppliers who sell exclusively to Dicastal, thereby ensuring quality as well as efficient pricing. Supply volumes and prices are set in annual purchase agreements.

Inventory

Dicastal receives orders from automakers to produce wheels and parts. The company manufactures and delivers based on customers' just-in-time (JIT) requirements and does not usually stock finished goods longer than 60 days.

Product Pricing

After automakers approve a Dicastal design proposal for a new product, the automaker then signs a framework agreement with Dicastal, including a budget for product development. At this stage, Dicastal also offers a quotation for production costs.

The pricing of a substantial portion of the company's products is pegged to the price of raw aluminium, which is generally determined based on the average trading prices on global metals exchanges during a given period in the client's region. The price is duly adjusted according to the price of raw aluminium after mass production commences (typically three to six months). Fluctuations in the aluminium price are settled during series production.

Key projects

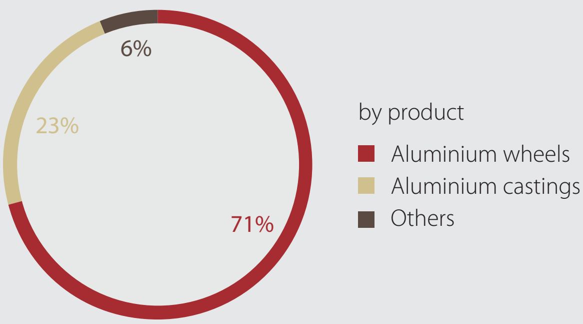
Aluminium Wheels	
Michigan manufacturing facility	A US$150 million investment, this facility will improve Dicastal's service to customers in North America. Construction began in 2014, and the facility is scheduled to become operational by the end of 2016, when it will have a designed annual capacity of three million wheels.
Lightweight Cast Components	
KSM (China) Phase II	An aluminium casting plant, KSM Phase II, will increase domestic production capacity. Construction began in March 2015, and this facility is targeted to become operational in 2016.
KSM (Chengdu) Manufacturing Base	Representing a total investment of RMB1 billion, this facility will increase production capacity for aluminium castings. Construction is scheduled to begin in the first half of 2016, and the facility is targeted to become operational by 2018.
Integrated Manufacturing	
Qinhuangdao Mould Centre	An integrated facility built to enhance production quality of both wheels and castings, it will have a designed annual capacity of 2,700 sets. Construction began in 2015, and the new plant will become operational in early 2017.

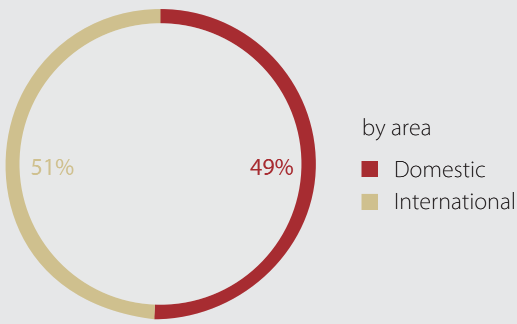
Sales & Customers

Dicastal maintains a comprehensive database that not only includes specifications for a range of automakers but also modifications for all major automotive markets. This unique pool of knowledge means that Dicastal's engineers can efficiently customise new designs for its customers anywhere.

Customer service, as well as all operations, sales, and logistics are managed at a 24/7 control centre at Dicastal's headquarters. The Company's global distribution network also fulfils orders from manufacturing sites around the world and the JIT needs of customers by keeping warehouses near their own sites of assembly. After-sales service also includes local on-site technical support and coverage for spare parts for customers.

Sales revenue of 2015



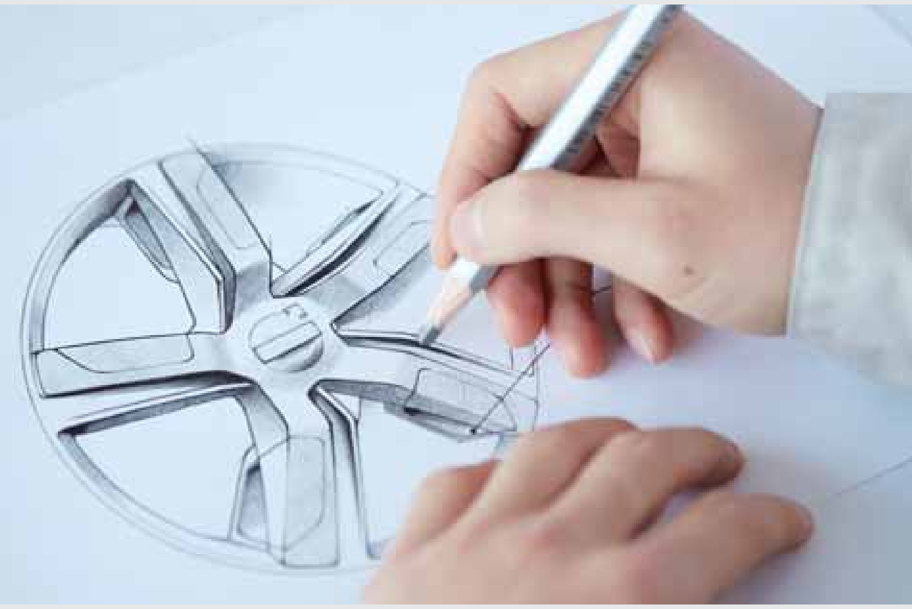


Dicastal's major customers for aluminium wheels include the 12 leading global automakers, as well as 6 Chinese automakers. Dicastal is also a global strategic partner of General Motors and Ford.

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

Major customers for aluminium wheels

GM	Toyota
Ford	Honda
Fca	Hyundai-Kia
Mercedes Benz	FAW
BMW	SAIC Motor
Audi	Dongfeng Motor
Volkswagen	Guangzhou Automobile
Renault-Nissan	Beijing Automotive
Peugeot	Changan Automobile



Research and Development

Working around the clock and across the globe, Dicastal's research division comprises more than 400 automotive engineers based at our headquarters and across Japan, Europe and North America.

As a leading supplier of both aluminium wheels and other automotive components, Dicastal has contributed significantly to raising production standards across the industry. It has developed a number of proprietary lightweight solutions in advanced aluminium casting, forging and casting-spinning techniques. Dicastal is also the world's only auto components supplier that integrates light-weight solutions and all-around surface engineering throughout the manufacturing process.

Currently, Dicastal's research priority is the development of advanced lightweight materials and integrated production processes that will unlock higher efficiencies in both product durability and manufacturing. In lightweight technology, for example, the company is exploring a range of new applications for magnesium alloys and carbon hybrids that decrease mass while increasing strength. It is also developing smart production systems in partnership with GE and Siemens to optimise production efficiency.

Recently, Dicastal has also begun to roll out proprietary technology that will help achieve one of its longstanding research objectives: the end-to-end integration of automated real-time data collection throughout the manufacturing process. Already featured at new manufacturing sites such as the wheel production plant in Michigan, USA, this innovative technology, which is unique to Dicastal, is expected to define a new industry standard in how aluminium wheels and components are manufactured now and developed in the future.

Beyond proprietary research, Dicastal also collaborates with several academic and industry institutions on primary studies of metallurgical and other material advancements.

Unlocking Dicastal Intelligence: The Breakthrough Moment

Mr Huang Xiaobing, Chief Information Officer

Dicastal Intelligence is a research platform that applies laser bonding, data-matrix (DM) coding and Internet of Things (IoT) to enable large-scale data collection and analytics.

Immediately after a component is moulded, we assign it a unique ID and laser it with a DM code before it continues to production. Each ID marks the entire life and journey of Dicastal products — from their formation and distribution to final assembly in all types of cars around the world.

During the production stage, sensors integrated directly into our manufacturing lines collect real-time data on every minute variance of each component. This data is then tagged to their QR code and routed to a centralised digital management system (DMS).

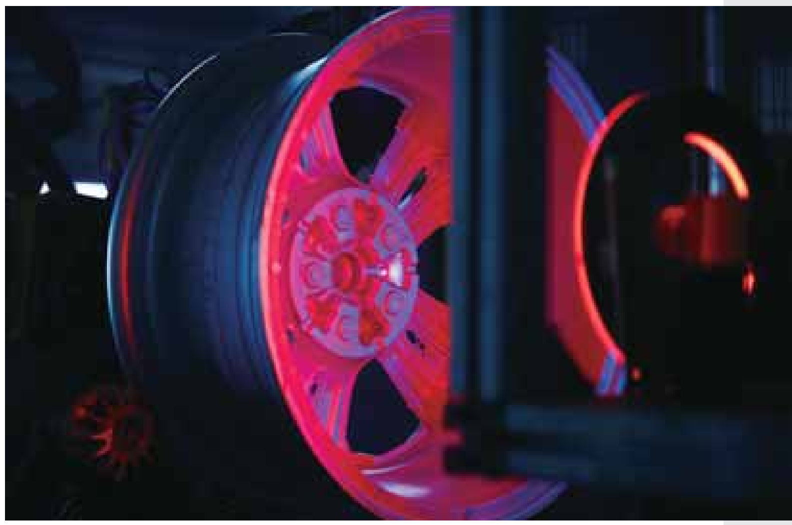
By now you must be thinking: 'How is this a big deal?'

With an ID, we can quickly access targeted data on each component. This unlocks two major new channels of information. Operationally, our customers benefit from access to full traceability of each component. It also enables fast analysis and error identification during assembly and, if needed, automatic filtering and removal of the faulty parts.

Dicastal, on the other hand, is leveraging big data analytics to mine all this data so we can develop smarter production methods that eliminate more inefficiencies, improve product quality and better automate troubleshooting.

So why is no one else doing this?

For starters, you can't just stamp things onto aluminium. If you tried that, the extreme changes in temperature, pressure and all variety of finishing techniques would simply render the stamp useless. Laser bonding gets you around the heat and pressure changes.



But finishing presents other challenges, so we had to find just the right spot for each code. We've spent years developing the models we now use to precisely place codes in unique locations on each product design. We have also derived a specific way to collect data in real time without compromising efficiency on our existing production lines. Already, Dicastal Intelligence is integrated into a third of our global production capacity for aluminium wheels.

Breakthroughs like Dicastal Intelligence are helping to advance the broader revolution in smart production taking place today all around the world. This is a story we share, and at Dicastal, our commitment is always to keep bringing that future closer, one wheel at a time.

Financial Review

Overview

Profit Attributable to Ordinary Shareholders

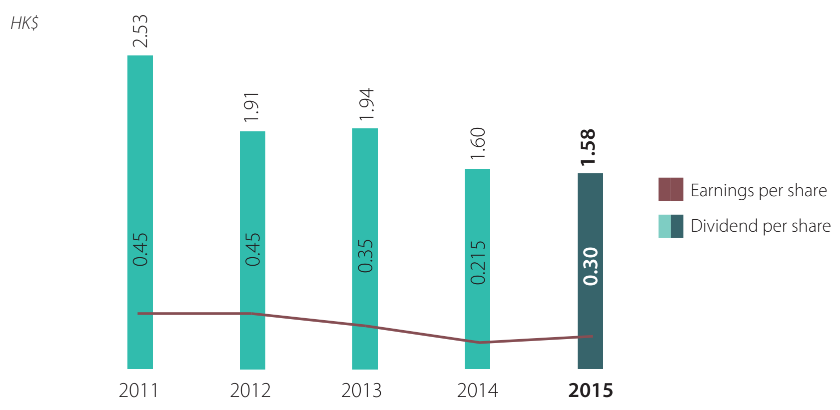
During 2015, the group achieved profit attributable to ordinary shareholders of HK$41,812 million, an increase of HK$1,978 million, or 5% year-on-year. The financial services segment recorded profit attributable to ordinary shareholders of HK$52,753 million, an increase of HK$11,486 million, or 28% above 2014. Excluding gains on the disposal of 3.16% equity interest and placing of new shares of CITIC Securities, profit from banking business grew slightly due to an increase in the impairment provisions on loans. Attributable profit from trust, insurance and securities business achieved growth.

For the non-financial segment, real estate business recorded profit attributable to ordinary shareholders of HK$4,137 million, a decrease of HK$557 million, or 12%, mainly due to a decrease in revaluation gain of investment properties and booking of completed properties. Attributable profit from engineering contracting business was HK$2,601 million. As a result of weaker market demand, the manufacturing business profit attributable to ordinary shareholders of the manufacturing business decreased by 15% to HK$2,496 million. The attributable loss of resources and energy business expanded HK$4,238 million , or 33% compared with 2014, reflecting impairment loss provision on CITIC Resources' assets due to persistent depressed oil and commodities prices.

Earnings per Share and Dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.58, a decrease of 1.3% from HK$1.60 in 2014. As at 31 December 2015, the number of ordinary shares outstanding was 29,090,262,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK$0.20 per share to ordinary shareholders. Together with the interim dividend of HK$0.10 per share paid in October 2015, the total ordinary dividend will be HK$0.30 per share (2014: HK$0.215 per share). This equates to an aggregate cash distribution of HK$8,727 million.

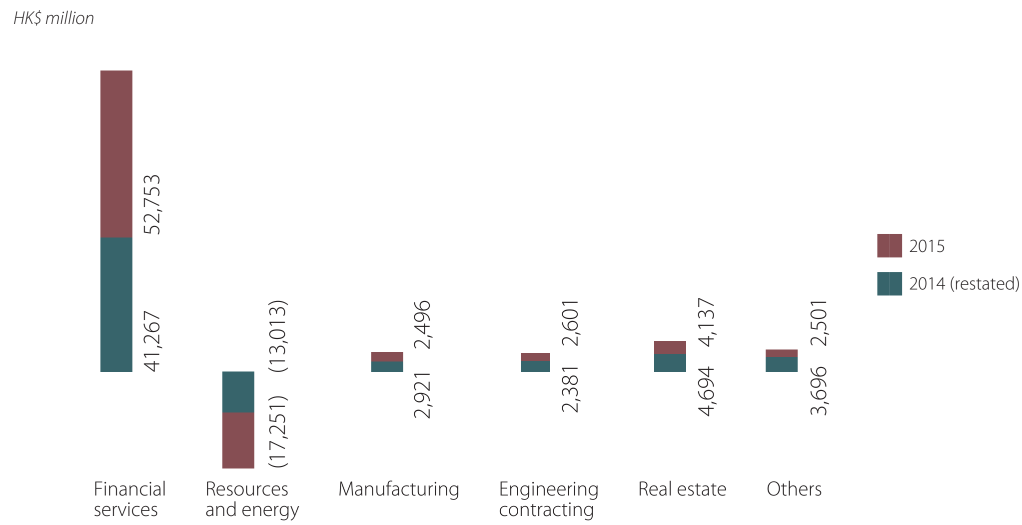


Profit/(loss) and assets by business

In HK$ million	Profit/(loss) 2015	Profit/(loss) 2014 (Restated)	Assets as at 31 December 2015	Assets as at 31 December 2014 (Restated)	Return on assets (note) 2015	Return on assets (note) 2014 (Restated)
Financial services	**70,183**	59,016	**6,211,176**	5,322,510	**1%**	1%
Resources and energy	**(18,318)**	(13,613)	**141,693**	147,903	**(13%)**	(9%)
Manufacturing	**2,624**	3,354	**97,208**	108,501	**3%**	3%
Engineering contracting	**2,601**	2,384	**42,245**	44,020	**6%**	5%
Real estate	**4,292**	5,107	**232,809**	215,095	**2%**	2%
Others	**3,600**	4,534	**113,738**	97,373	**3%**	5%
Underlying business operations	**64,982**	60,782	**6,838,869**	5,935,402		
Operation management	**(5,072)**	(2,504)				
Elimination	**783**	1,522				
Profit attributable to non-controlling interests and holders of perpetual capital securities	**18,881**	19,966				
Profit attributable to ordinary shareholders	**41,812**	39,834				

Note: Total earnings of the business divided by average total assets of the business.

Profit/(loss) Attributable to Ordinary Shareholders by Business



Financial services

This segment remains a major contributor to the Group's profit and achieved attributable profit of HK$52,753 million in 2015. Excluding the gains from the disposal of 3.16% equity interest and placing of new shares of CITIC Securities, the financial services business performed steadily, largely due to the growth of trust and securities businesses, as well as the continuous growth in banking business. The net interest income increased for interest-earning assets growth and net non-interest income increased 36.6% owning to the growth of bank handling charges from credit card, agency and wealth management services. But this was partly offset by an increase in the impairment provision on loans in the banking business. Profit from the trust business grew steadily owing to the income from equity investment. Securities maintained the lead of the market, and achieved significant growth in both revenue and profit.

Resources and energy

The resources and energy segment experienced an extremely difficult operating environment and recorded an attributable loss of HK$17,251 million, which was HK$4,238 million more than the loss in 2014, reflecting a HK$12,480 million (after tax) impairment provision on the Sino Iron Project, primarily as a result of a decrease in the forecast iron ore price.

The Group's other resources and energy interests were also affected to varying degrees by weaker overall demand for commodities and commodity prices, including manganese, aluminium and coal, as well as oversupply of crude oil, which was primarily reflected by the prevailing low level of Brent crude oil prices during 2015 since the drop in the second half of 2014. In addition, a number of substantial impairments across its assets was recorded, which result in the sharp drop of CITIC Resources performance.

Against this backdrop, processing lines three and four of Sino Iron began producing in the last quarter of 2015. Construction of the final two lines is expected to be completed on schedule with lines five and six targeted to begin commissioning in the first half of 2016, which will mark the end of the main construction task of Sino Iron. The Group also successfully obtained government approval to extend its existing right to explore, develop, produce and sell oil at the Karazhanbas oil field. In addition, the group improved the oil production of 3 oilfields and discovered material gas at Seram Block in Indonesia.

Manufacturing

This business recorded a decrease in attributable profit to HK$2,496 million. The continuing growth in sales volume of aluminium wheels has driven a steady growth in net revenue. Profit from special steel business decreased in 2015 due to a decline in price of steel weak market demand and an asset impairment loss, but the profitability of us was still leading the market. Heavy machinery business experienced a significant drop in profit due to the weaker demand for machinery from traditional industries, such as mining, construction materials and coal.

Engineering contracting

In 2015, attributable profit of the engineering contracting segment increased to HK$2,601 million. It was due primarily to the contribution margin rate increase for Angola RED project. This was partially offset as Angola KK project has entered its final stage, while new projects have not yet begun contributing significantly to profit growth.

Real estate

Profit attributable to ordinary shareholders decreased HK$557 million from the previous year, to HK$4,137 million. The reduction was primarily due to a decrease in revaluation gain on investment properties and a decrease in the bookings of completed properties. The average occupancy rate for investment properties was approximately 95% on 31 December 2015, which was comparable with preceding years.

Others

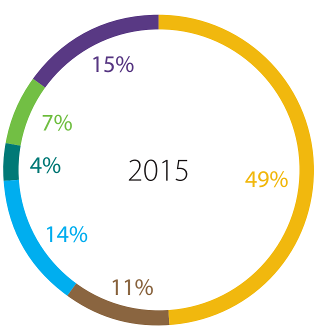
Profit attributable to ordinary shareholders of other businesses was HK$2,501 million in 2015. The major profit contributors were infrastructure business, such as tunnels and expressways, international telecommunication services, and Dah Chong Hong. The Group gained control over CITIC Envirotech, a company listed the Mainboard of the Singapore Exchange Securities Trading Limited, on 24 April 2015. Attributable profit of expressways maintained stable, while tunnels and international telecommunication business kept growth, but contribution from Dah Chong Hong dropped due to a decline in selling price of new car and sales volume of commercial vehicles in the PRC.

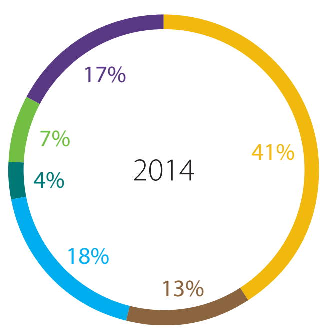
Group Financial Results

Revenue

In 2015, CITIC Limited recorded revenue of HK$416,813 million, an increase of HK$14,689 million or 4%, as compared with 2014. Revenue from the financial services increased by HK$40,529 million, largely due to the gains from the disposal of a 3.16% equity interest and placing of new shares of CITIC Securities, amounting to HK$10,205 million and HK$2,004 million, respectively. Along with an increase in net interest income from banking business driven by an increase in scale of interest-bearing assets, net non-interest revenue was growth as well, which was driven by rapid growth of bank handling charges from credit card, agency and wealth management services. The manufacturing business of the Group recorded a decrease in revenue of HK$11,768 million, or 16% as a result of the fall in revenue from the special steel and heavy industries businesses owning to weaker market demand. This was partially compensated by the greater volume of aluminium wheels sold. Revenue from engineering contracting segment was HK$2,451 million, or 14% less than the previous year, mainly due to the decrease in the number of projects undertaken. The Group's revenue was also impacted by a HK$6,122 million fall in revenue in the resources and energy business, down by 12% year-on-year, a reflection of the declining demand for commodities such as crude oil. As a result of a decrease in bookings of completed properties, revenue from the real estate segment decreased by HK$2,381 million or 8%.

In HK$ million	**2015**	2014 (restated)	**Increase/(decrease)** Amount	%
Financial services	**205,378**	164,849	40,529	25%
Resources and energy	**45,664**	51,786	(6,122)	(12%)
Manufacturing	**60,077**	71,845	(11,768)	(16%)
Engineering contracting	**14,676**	17,127	(2,451)	(14%)
Real estate	**27,528**	29,909	(2,381)	(8%)
Others	**63,348**	66,216	(2,868)	(4%)

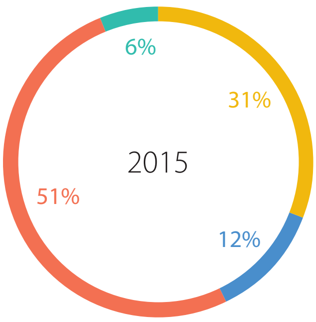


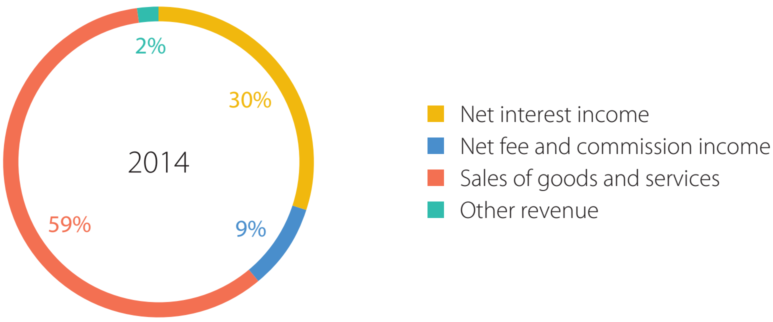


Financial services
Resources and energy
Manufacturing
Engineering contracting
Real estate
Others

By nature

In HK$ million	**2015**	2014	**Increase/(decrease)** Amount	%
Net interest income	**131,883**	121,078	10,805	9%
Net fee and commission income	**48,899**	37,620	11,279	30%
Sales of goods and services	**211,383**	237,189	(25,806)	(11%)
– Sales of goods	**171,247**	196,652	(25,405)	(13%)
– Services rendered to customers	**27,254**	25,796	1,458	6%
– Revenue from construction contracts	**12,882**	14,741	(1,859)	(13%)
Other revenue	**24,648**	6,237	18,411	295%





Impairment losses

In 2015, the Group recorded an asset impairment of HK$79,004 million, an increase of HK$23,984 million, 44% from 2014. Of the total impairment, CITIC Bank accounted for HK$49,863 million, an increase of HK$19,986 million, or 67% from 2014, which mainly includes HK$43,739 million impairment on its loans and advances to customers. The other major impairment loss of HK$17,807 million, was related to the Sino Iron Project in Australia, primarily as a result of a decrease in the forecast iron ore price.

Net finance charges

Finance costs in 2015 was almost equal to the previous year, which amounted to HK$11,024 million, as a result of an decrease in borrowings both at operation management and subsidiaries in the non-financial segments, as well as a lower average cost of debt during the year.

Finance income from operation management and subsidiaries in the non-financial segments amounted to HK$2,794 million, an increase of 24% from 2014. This increase mainly came from interest income on bank deposits.

Interest expense capitalised

In 2015, interest expense capitalised was mainly attributable to the Sino Iron Project and real estate projects. Capitalised interest expense decreased from HK$5,874 million in 2014 to HK$5,597 million in 2015.

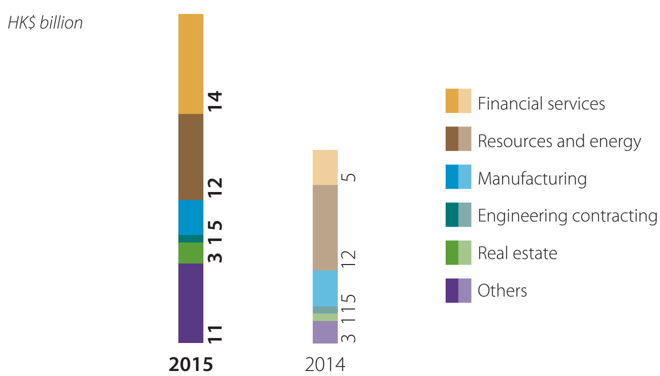
Income tax

Income tax of the Group in 2015 was HK$20,613 million, a increase of HK$2,613 million compared with 2014. This was in line with the increase in profit before taxation.

Group Cash Flows

In HK$ million	CITIC Limited 2015	2014	Increase/ (Decrease)	%	CITIC Bank 2015	2014	Increase/ (Decrease)	%
Net cash generated from/(used in) operating activities	**309**	58,937	(58,628)	(99%)	**(25,948)**	43,100	(69,048)	(160%)
Net cash used in investing activities	**(143,528)**	(107,591)	35,937	33%	**(177,540)**	(60,939)	116,601	191%
Including: Proceeds from disposal and redemption of financial investments	**887,424**	564,404	323,020	57%	**795,726**	516,738	278,988	54%
Payments for purchase of financial investments	**(1,021,956)**	(653,689)	368,267	56%	**(965,341)**	(563,452)	401,889	71%
Net cash generated from financing activities	**162,486**	59,518	102,968	173%	**192,080**	56,028	136,052	243%
Including: Proceeds from new bank and other loans and new debt instruments issued	**506,183**	264,747	241,436	91%	**387,284**	123,463	263,821	214%
Repayment of bank and other loans and debt instruments issued	**(372,928)**	(180,174)	192,754	107%	**(190,918)**	(50,161)	140,757	281%
Interest paid on bank and other loans and debt instruments issued	**(26,874)**	(19,286)	7,588	39%	**(10,486)**	(4,637)	5,849	126%
Dividends paid to ordinary shareholders	**(7,890)**	(22,741)	(14,851)	(65%)	**–**	(9,962)	(9,962)	(100%)
Dividends/distribution paid to non-controlling interests/holders of perpetual capital securities	**(3,206)**	(7,121)	(3,915)	(55%)	**(171)**	(5,002)	(4,831)	(97%)
Net increase/(decrease) in cash and cash equivalents	**19,267**	10,864	8,403	77%	**(11,408)**	38,189	(49,597)	(130%)
Cash and cash equivalents at 1 January	**347,891**	337,894	9,997	3%	**289,496**	253,924	35,572	14%
Effect of exchange rate changes	**(13,047)**	(867)	(12,180)	(1,405%)	**(7,893)**	(2,617)	(5,276)	(202%)
Cash and cash equivalents at 31 December	**354,111**	347,891	6,220	2%	**270,195**	289,496	(19,301)	(7%)

Capital Expenditures



In HK$ million	2015	2014 (Restated)	Increase/(Decrease) Amount	%
Financial services	13,820	5,046	8,774	174%
Resources and energy	12,059	12,257	(198)	(2%)
Manufacturing	4,937	4,619	318	7%
Engineering contracting	508	541	(33)	(6%)
Real estate	3,013	642	2,371	370%
Others	11,367	3,540	7,827	221%
Subtotal	45,704	26,645	19,059	72%
Real estate development	30,470	33,590	(3,120)	(9%)
Total	76,174	60,235	15,939	26%

Capital Commitments

As at 31 December 2015, the contracted capital commitments of the Group amounted to approximately HK$30,888 million. Details are disclosed in note 46 to the financial statements.

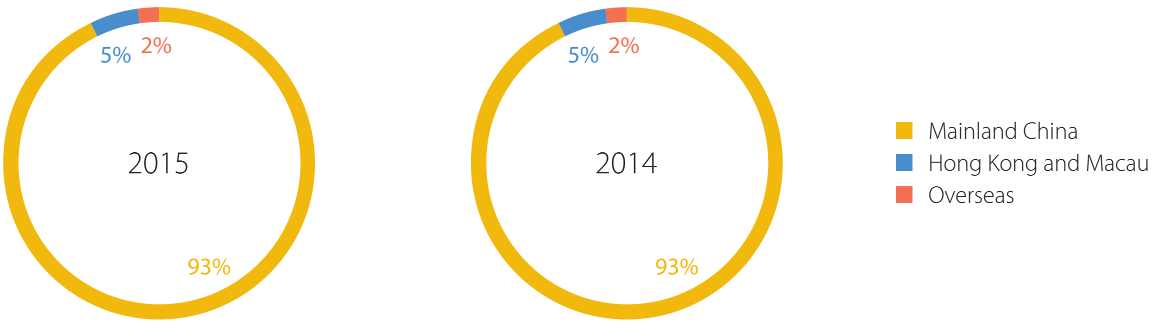
Group Financial Position

In HK$ million	As at 31 December 2015	As at 31 December 2014	Increase/(Decrease) Amount	%	Note to the Financial Statements
Total assets	6,803,309	5,947,831	855,478	14%	
Loans and advances to customers and other parties	2,947,798	2,711,851	235,947	9%	25
Investments classified as receivables	1,331,281	834,652	496,629	60%	28
Fixed assets	183,740	179,303	4,437	2%	32
Financial assets held under resale agreements	165,391	172,100	(6,709)	(4%)	24
Inventories	130,447	133,258	(2,811)	(2%)	23
Total liabilities	6,140,140	5,372,324	767,816	14%	
Deposits from customers	3,766,848	3,586,508	180,340	5%	40
Deposits from banks and non-bank financial institutions	1,275,421	871,213	404,208	46%	36
Debt instruments issued	449,772	273,126	176,646	65%	42
Bank and other loans	147,221	218,993	(71,772)	(33%)	41
Total ordinary shareholders' funds and perpetual capital securities	492,902	431,960	60,942	14%	

Total assets

Total assets increased from HK$5,947,831 million as at 31 December 2014 to HK$6,803,309 million as at 31 December 2015, mainly attributable to an increase in Investments classified as receivables and Loans and advances to customers and other parties by CITIC Bank.

By geography



Loans and advances to customers and other parties

As at 31 December 2015, the loans and advances to customers and other parties of the Group was HK$2,947,798 million, an increase of HK$235,947 million, 9% from 2014. The proportion of loans and advances to customers and other parties to total assets was 43%, a decrease of 3% compared to 31 December 2014.

In HK$ million	**As at 31 December 2015**	As at 31 December 2014	**Increase/(Decrease)** Amount	%
Corporate loans	**2,115,285**	1,991,735	123,550	6%
Discounted bills	**110,721**	86,254	24,467	28%
Personal loans	**798,078**	702,963	95,115	14%
Total loans and advances to customers and other parties	**3,024,084**	2,780,952	243,132	9%
Impairment allowances	**(76,286)**	(69,101)	7,185	10%
Net loans and advances to customers and other parties	**2,947,798**	2,711,851	235,947	9%

Deposits from customers

As at 31 December 2015, deposits from customers of the financial institutions under the Group were HK$3,766,848 million, an increase of HK$180,340 million, 5% compared to 31 December 2014. The proportion of deposits from customers to total liabilities was 61%, a decrease of 6% compared to 31 December 2014.

In HK$ million	**As at 31 December 2015**	As at 31 December 2014	**Increase/(Decrease)** Amount	%
Corporate deposits				
Time deposits	**1,727,112**	1,729,747	(2,635)	(0.2%)
Demand deposits	**1,393,564**	1,205,007	188,557	16%
Subtotal	**3,120,676**	2,934,754	185,922	6%
Personal deposits				
Time deposits	**432,611**	464,578	(31,967)	(7%)
Demand deposits	**213,561**	187,176	26,385	14%
Subtotal	**646,172**	651,754	(5,582)	(1%)
Total	**3,766,848**	3,586,508	180,340	5%

Bank and other loans

In HK$ million	**As at 31 December 2015**	As at 31 December 2014 (Restated)	**Increase/(Decrease)** Amount	%
Financial services	**1,339**	–	1,339	100%
Resources and energy	**42,562**	42,798	(236)	(1%)
Manufacturing	**16,521**	19,130	(2,609)	(14%)
Engineering contracting	**1,282**	2,142	(860)	(40%)
Real estate	**85,618**	75,875	9,743	13%
Others	**37,672**	32,493	5,179	16%
Operation management	**12,586**	85,754	(73,168)	(85%)
Elimination	**(50,359)**	(39,199)	(11,160)	28%
Total	**147,221**	218,993	(71,772)	(33%)

Debt instruments issued

In HK$ million	As at 31 December 2015	As at 31 December 2014 (Restated)	Increase/(Decrease) Amount	%
Financial services	345,120	169,215	175,905	104%
Resources and energy	446	–	446	100%
Manufacturing	5,033	5,054	(21)	(0.4%)
Engineering contracting	–	–	–	–
Real estate	4,750	–	4,750	100%
Others	5,283	3,477	1,806	52%
Operation management	89,804	95,660	(5,856)	(6%)
Elimination	(664)	(280)	(384)	137%
Total	449,772	273,126	176,646	65%

Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$431,960 million as at 31 December 2014 to HK$492,902 million as at 31 December 2015, mainly attributable to an increase in profit, issue of shares and other comprehensive income for the year.

Risk Management

In accordance with the Group's development strategy, CITIC Limited has established a risk management system covering all business segments to identify, assess and manage various risks in the Group's business activities.

The risk management system of CITIC Limited is established along the core concepts of risk management and internal control released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the Basic Standard for Enterprise Internal Control jointly issued by five ministries and commissions (Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC) in 2008, as well as relevant guidelines and governmental policies.

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

Financial Risk

Governance structure

As a sub-committee of the Executive Committee, the Asset and Liability Management Committee ("ALCO") has been established to monitor financial risks of the Group in accordance with the relevant treasury and financial risk management policies ("management policies"). Relevant departments of CITIC Limited are responsible for communicating and implementing the decisions of ALCO, monitoring the adherence of the management policies and preparing relevant reports. All member companies have the responsibility for identifying and effectively managing their financial risk positions and reporting to the corresponding departments of CITIC Limited on a timely basis, in accordance with the overall risk framework under the management policies and within the scope of authorisation.

Based on the annual budget, ALCO shall review CITIC Limited's financing plan and instruments, oversee fund management and cash flow positions, and manage risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities, and is responsible for formulating hedging policy and approving the use of new risk management tools.

Asset and liability management

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

1. Debt

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

As at 31 December 2015, consolidated debt of CITIC Limited[(1)] was HK$596,993 million, including loans of HK$147,221 million and debt instruments issued[(2)] of HK$449,772 million. Debt of the head office of CITIC Limited[(3)] accounted for HK$47,669 million and debt of CITIC Bank[(4)] HK$345,121 million. In addition, the head office of CITIC Limited had cash and deposits of HK$10,869 million and available committed facilities from banks and subsidiaries of HK$21,255 million.

The details of debt are as follows:

As at 31 December 2015		*HK$ million*
Consolidated debt of CITIC Limited		596,993
Among which:	Debt of the head office of CITIC Limited	47,669
	Debt of CITIC Bank	345,121

Note:

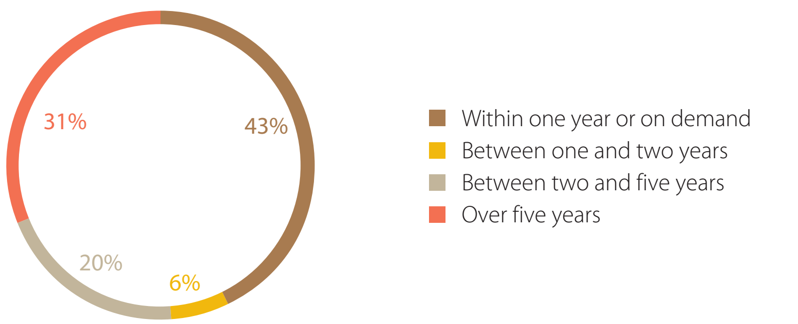
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

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

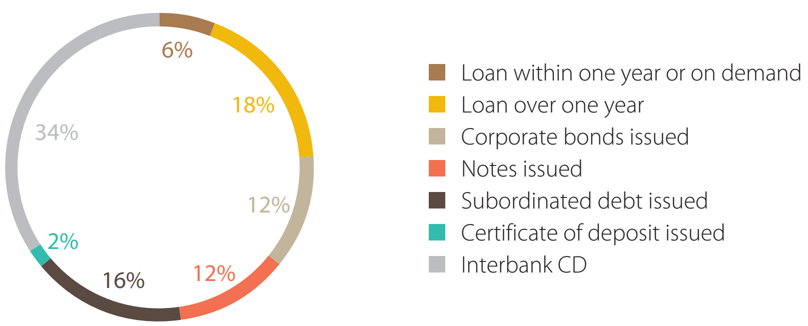
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

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

Consolidated debt by maturity as at 31 December 2015



Consolidated debt by type as at 31 December 2015



The debt to equity ratio of CITIC Limited as at 31 December 2015 is as follows:

In HK$ million	**Consolidated**	**Head office**
Debt	596,993	47,669
Total equity[5]	663,169	403,444
Debt to equity ratio	90%	12%

Note:

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

2. Liquidity risk management

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

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

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

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

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC limited as at 31 December 2015 are set out in Note 46 to the consolidated financial statements.

4. Pledged loan

Details of cash and bank deposits, inventories and fixed assets pledged as security for CITIC Limited's loan as at 31 December 2015 are set out in 41(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	**Moody's**
31 Dec 2015	A–/Stable	A3/Stable

On 2 March 2016, Moody's changed CITIC Limited's rating outlook from stable to negative following its decision to change China's sovereign rating outlook to negative.

Treasury risk management

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

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

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

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

1. Interest rate risk

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

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

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

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

2. Currency risk

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

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

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

3. Counterparty risk for financial products

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

4. Commodity risk

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

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

5. Market price risk

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

Economic Environment

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

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

The entire Group is committed to constantly improving its risk monitoring and management mechanism in order to promote risk identification and assessment at all levels; strengthen risk assessment and monitoring of major projects and key businesses; and manage counterparty credit risks. CITIC Limited stays 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. Through risk reports on weaknesses and potential risks, CITIC Limited supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

Corporate Governance

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. We attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. This report describes how the Company has applied its corporate governance practices to its everyday activities.

Save as disclosed below, the Company has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2015. In respect of code provision A.6.7 of the CG Code, Dr Xu Jinwu (independent non-executive director) was not able to attend the extraordinary general meeting of the Company held on 16 March 2015 ("2015 EGM") due to other engagements. Details of attendance records of all directors at the general meetings of the Company during the year are set out in the section below headed "Board meetings and attendance".

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

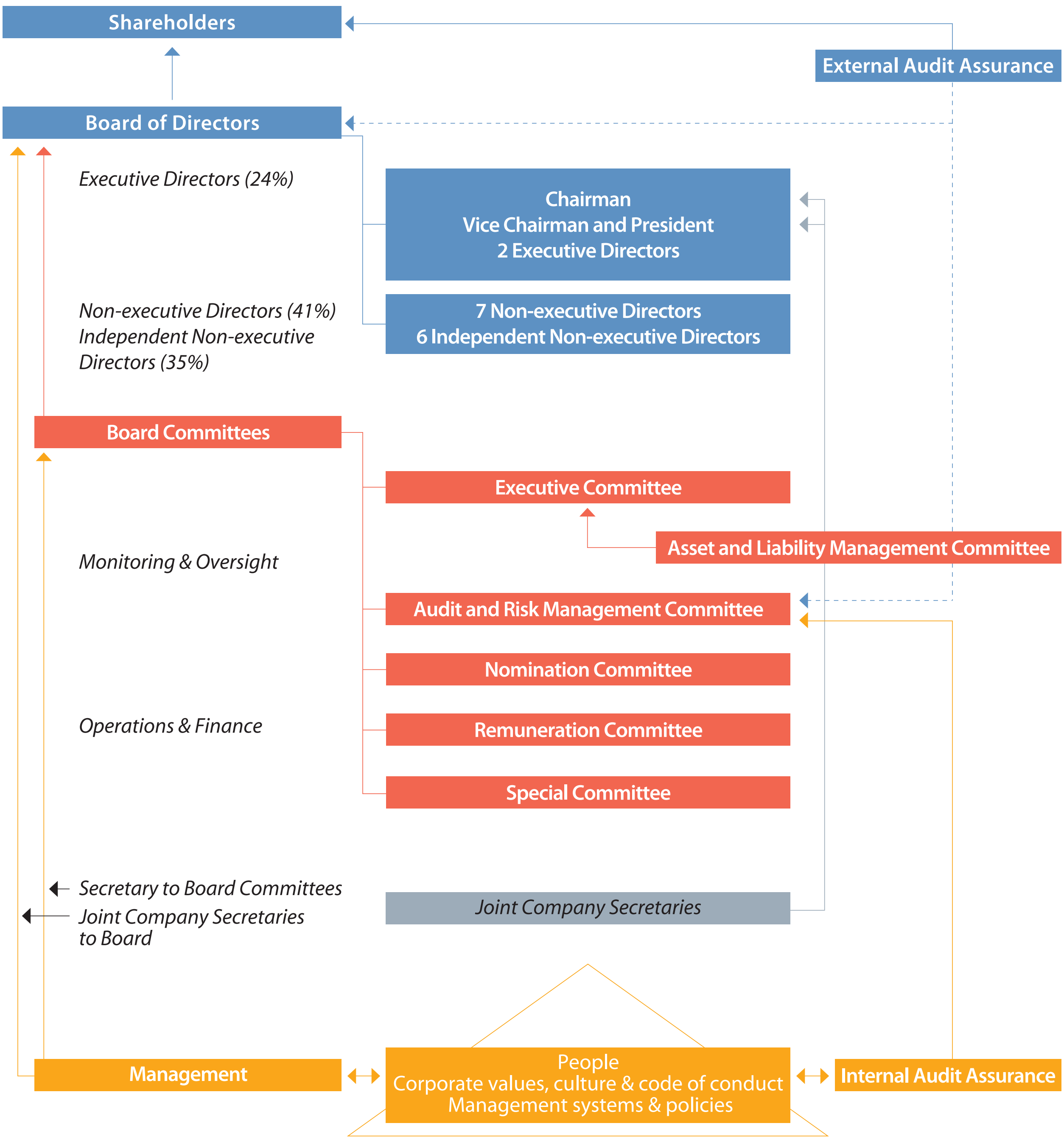
Preservation of Value and Strategy

The Company is China's largest conglomerate. Our businesses extend globally covering sectors such as financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and overseas. When we analyse a business, we look at its market position, competitiveness, future prospects and our desire to influence its management.

With a strategy that is aligned with the ongoing reform in China and opening up of the economy, the Company has achieved a strong financial track record over the years. Many of our businesses enjoy leading market positions in their respective fields in China.

Going forward, the Group will continue to take a prudent and strategic approach in developing our businesses, riding on our professional management team, strong capital base, diverse business interests and synergies with our assets. Our expectation is that our businesses will generate a return on capital invested above the cost of our capital and generate cash flow to the benefit of the Company and its shareholders. By pursuing this strategy, the Company expects to generate and preserve value for all its shareholders.

Corporate Governance Structure



Board of Directors

Overall accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders, and in discharging their corporate accountability, directors of the Company are required to pursue excellence in the interests of the shareholders and fulfil their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his/her responsibilities. The board is of the view that all directors have given sufficient time and attention to the Company's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in the Company and other public companies held by the directors.

Board composition and changes

The Company announced the following changes in board composition.

On 14 May 2015, Mr Dou Jianzhong retired as an executive director, vice president and a member of the executive committee of the Company.

At the annual general meeting held on 2 June 2015 ("2015 AGM"), Mr Alexander Reid Hamilton retired as an independent non-executive director of the Company by rotation and did not seek re-election. He also resigned as a member of each of the audit and risk management committee, nomination committee and remuneration committee of the Company with effect from the conclusion of the 2015 AGM.

On 3 August 2015, Mr Yang Xiaoping and Mr Noriharu Fujita were appointed as non-executive director and independent non-executive director of the Company respectively.

On 24 December 2015, Mr Zhang Jijing retired from the board as an executive director and the chairman of the asset and liability management committee which is established under the executive committee. Ms Li Qingping and Mr Pu Jian were appointed as executive directors of the Company on the same date.

On 18 March 2016, Ms Cao Pu retired from the board as a non-executive director and a member of the audit and risk management committee of the Company. On the same date, Mr Song Kangle and Mr Li Rucheng were appointed as non-executive directors of the Company and Mr Paul Chow Man Yiu was appointed as an independent non-executive director of the Company.

The expertise and experience of the new members to the board would complement the existing board and bring significant benefit to the development of the Company's businesses both in China and overseas.

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

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

The Company has received from each independent non-executive director a confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 110 to 114.

All directors, including the non-executive directors, have a specific term of appointment, which is not more than three years since his/her re-election by shareholders at the general meeting. Each director has entered into an appointment letter with the Company and pursuant to Article 104(A) of the Company's articles of association, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

Pursuant to Article 95 of articles of association of the Company, Ms Li Qingping, Mr Pu Jian, Mr Yang Xiaoping and Mr Noriharu Fujita who were appointed as directors of the Company during the year 2015, and Mr Song Kangle, Mr Li Rucheng and Mr Paul Chow Man Yiu who were appointed as directors of the Company on 18 March 2016 shall hold office only until the forthcoming annual general meeting of the Company to be held on 8 June 2016 ("2016 AGM") and are eligible for re-election at such meeting. Thereafter, they will be subject to retirement by rotation and re-election in accordance with the Company's articles of association. Induction materials were provided to the above directors upon their appointment.

Board responsibilities and delegation

The board collectively determines the overall strategies of the Company, and monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive director or officer in charge of the Company's businesses and functions, who reports back to the board. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of the Company, including reports and recommendations on significant matters. All board members are provided with monthly updates on the latest development of the Company's businesses. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

The Company has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$1 billion.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 90 to 100.

Continuous professional development programme

The Company has a continuous professional development programme ("CPD Programme") for directors with an aim to improve their general understanding of the Company's businesses, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. Directors may also choose to attend external courses, conferences and luncheons organised by various local organisations.

In addition, every newly appointed director is provided with a package comprising the induction materials such as the duties and responsibilities of directors under the Listing Rules and the Companies Ordinance, guidelines for directors issued by the Companies Registry of Hong Kong, legal and other regulatory requirements and the governance policies of the Company. In 2015 and in March 2016, seven directors were appointed. The Company has arranged briefings given by external legal counsel to the new directors.

Under the Company's CPD Programme, directors attended briefings/seminars and reviewed the monthly business updates and other reading materials provided to them concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the CPD Programme is kept at the company secretariat office.

A summary of directors' participation in the Company's CPD Programme and other external training for the period from 1 January 2015 to 31 December 2015 is as follows:

	Reading materials/ regulatory updates/ management monthly updates	Briefings/ seminars
Executive Directors		
Mr Chang Zhenming	✓	
Mr Wang Jiong	✓	
Ms Li Qingping (2)	✓	
Mr Pu Jian (2)	✓	
Non-executive Directors		
Mr Yu Zhensheng	✓	✓
Mr Yang Jinming	✓	✓
Mr Liu Yeqiao	✓	✓
Mr Song Kangle (3)		
Mr Liu Zhongyuan	✓	
Mr Yang Xiaoping (1)	✓	
Mr Li Rucheng (3)		
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	✓	
Dr Xu Jinwu	✓	
Mr Anthony Francis Neoh	✓	
Ms Lee Boo Jin	✓	
Mr Noriharu Fujita (1)	✓	
Mr Paul Chow Man Yiu (3)		

Note:

(1) appointed with effect from 3 August 2015 and induction materials and briefing by external legal counsel were provided in respect of their appointment.
(2) appointed with effect from 24 December 2015 and induction materials and briefing by external legal counsel were provided in respect of their appointment.
(3) appointed with effect from 18 March 2016 and induction materials and briefing by external legal counsel were provided in respect of their appointment.

Mr Dou Jianzhong retired as an executive director with effect from 14 May 2015, Mr Alexander Reid Hamilton retired as an independent non-executive director and did not seek re-election at the 2015 AGM, Mr Zhang Jijing retired from the board as an executive director with effect from 24 December 2015, and Ms Cao Pu retired from the board as a non-executive director with effect from 18 March 2016. Reading materials, regulatory updates and management monthly updates were provided to the above directors during the period of their appointment.

Board meetings and attendance

The board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2015. At the board meetings, the board reviewed significant matters including the Company's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and notifiable transactions and connected transactions. At each of the regular board meetings, the board received a written report from the president on the Company's major businesses, investments and projects, and corporate activities. A special board meeting was held in January 2015 to approve a subscription agreement for the subscription by Chia Tai Bright Investment Company Limited of 3,327,721,000 fully paid convertible preferred shares of the Company and other matters related thereto in which detailed information of the transactions were presented to the board. Details of the aforesaid subscription are set out in the Company's announcement dated 20 January 2015.

A schedule of board meeting dates is fixed for each year in advance. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept at the company secretariat office. Copies are provided to directors and the original minutes are available to all directors for inspection. In addition to the board meetings, the chairman also meets with the non-executive directors (including independent non-executive directors) without the presence of executive directors on an annual basis.

The attendance record of each director at board meetings and general meetings in 2015 is set out below:

	Board Meeting	Extraordinary General Meeting on 16 March 2015	Annual General Meeting on 2 June 2015
Number of Meetings	5	1	1
Current Directors			
Executive Directors			
Mr Chang Zhenming (Chairman)	5/5	✓	✓
Mr Wang Jiong (Vice Chairman and President)	5/5	✓	✓
Ms Li Qingping (2)	N/A	N/A	N/A
Mr Pu Jian (2)	N/A	N/A	N/A
Non-executive Directors			
Mr Yu Zhensheng	5/5	✓	✓
Mr Yang Jinming	5/5	✓	✓
Mr Liu Yeqiao	5/5	✓	✓
Mr Song Kangle (3)	N/A	N/A	N/A
Mr Liu Zhongyuan	5/5	✓	✓
Mr Yang Xiaoping (1)	2/2	N/A	N/A
Mr Li Rucheng (3)	N/A	N/A	N/A
Independent Non-executive Directors			
Mr Francis Siu Wai Keung	4/5	✓	✓
Dr Xu Jinwu	5/5	–	✓
Mr Anthony Francis Neoh	4/5	✓	✓
Ms Lee Boo Jin	5/5	✓	✓
Mr Noriharu Fujita (1)	2/2	N/A	N/A
Mr Paul Chow Man Yiu (3)	N/A	N/A	N/A
Directors who retired during the year and up to the date of this report			
Executive Directors			
Mr Dou Jianzhong (4)	2/2	–	N/A
Mr Zhang Jijing (6)	5/5	✓	✓
Non-executive Director			
Ms Cao Pu (7)	5/5	✓	✓
Independent Non-executive Director			
Mr Alexander Reid Hamilton (5)	3/3	✓	✓

Note:

(1) appointed with effect from 3 August 2015
(2) appointed with effect from 24 December 2015
(3) appointed with effect from 18 March 2016
(4) retired with effect from 14 May 2015
(5) retired with effect from the conclusion of the 2015 AGM
(6) retired with effect from 24 December 2015
(7) retired with effect from 18 March 2016

Chairman and the president

Mr Chang Zhenming serves as the chairman of the Company. Mr Wang Jiong is the president of the Company. The president plays the same role and has the same responsibilities as that of the managing director. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for the Company. The president is responsible for the day-to-day management of the Company and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Board Committees

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive committee

The board has established an executive committee to assist the board in the business operations and management of the Company. The principal role of the executive committee is to select suitable candidates for senior management, to review/provide advice to the board on material investment plans and feasibility studies and proposed disposals/divestments, mergers, acquisitions and other significant transactions of the Company, strategy and planning of the Group.

The functions and powers of the executive committee are

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

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

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

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

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

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

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

(viii) to review and approve proposals to establish and adjust the Company's management and organisational structure; and

(ix) to discharge other powers and functions conferred on it by the board.

Items (i), (ii) and (iii) and other matters within the authority of the board should be submitted for approval by the board, and thereafter implemented by the executive committee. The asset and liability management committee is established as a sub-committee under the executive committee. During the year, authority was granted by the board to the executive committee in terms of financing.

The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members are Mr Wang Jiong (being executive director, vice chairman and president of the Company and also serves as vice chairman of the committee), Mr Zhu Xiaohuang (who serves as vice chairman of the committee), Mr Feng Guang, Ms Li Qingping (being executive director and vice president of the Company), Mr Pu Jian (being executive director and vice president of the Company) and Mr Zhu Gaoming (being vice president of the Company). The committee met eight times in 2015. Full minutes of the meetings are kept at the executive office, which are sent to the committee members after each meeting.

Audit and risk management committee

The audit and risk management committee oversees the relationship with the external auditor, and to review the Company's financial reporting, annual audit and interim report. The committee acts on behalf of the board in providing oversight of the Company's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews the Company's policies and practices on corporate governance. The committee currently consists of three independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee), Dr Xu Jinwu and Mr Anthony Francis Neoh (appointed on 18 March 2016). Mr Francis Siu Wai Keung has the relevant professional qualification and expertise in financial reporting matters. The audit and risk management committee holds at least four regular meetings each year (at least two of which are with the Company's external auditor). At invitation of the audit and risk management committee, other directors, senior management and other relevant persons, as well as experts or consultants with relevant experience or expertise may also attend the meetings. The audit and risk management committee members also meet in separate private sessions with the external and internal auditors without the presence of executive directors and management at least once a year.

Duties of the audit and risk management committee

The authority, role and responsibilities of the audit and risk management committee are set out in written terms of reference. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the board for approval. The full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-arc-terms-of-reference-2014.pdf) and the Stock Exchange's website.

Under its terms of reference, the audit and risk management committee shall

- review and monitor the integrity of the Company's financial information and provide oversight of the financial reporting system;
- monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of the Company's external auditor, as well as its independence;
- oversee the Company's internal audit, risk management and internal control systems, including the resources for the Company's internal audit, risk management, accounting and financial reporting functions, staff qualifications and experience, as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters ("whistle-blowing");
- undertake corporate governance functions delegated from the board, including
    - (a) reviewing the Company's policies and practices on corporate governance and making recommendations to the board as well as the Company's compliance with the CG Code and disclosure in the corporate governance report;
    - (b) reviewing and monitoring
        - (i) the training and continuous professional development of directors and senior management;
        - (ii) the Company's policies and practices on compliance with legal and regulatory requirements;
        - (iii) the code of conduct and compliance manual (if any) applicable to employees and directors; and
        - (iv) the Company's whistle-blowing policy and system.
- undertake other authorities delegated by the board.

Committee composition and meeting attendance

The composition of the audit and risk management committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
Independent Non-executive Directors		
Mr Francis Siu Wai Keung (chairman)	4/4	
Dr Xu Jinwu	2/2	Appointed with effect from 2 June 2015
Mr Anthony Francis Neoh	N/A	Appointed with effect from 18 March 2016
Mr Alexander Reid Hamilton	2/2	Resigned with effect from 2 June 2015
Non-executive Director		
Ms Cao Pu	4/4	Resigned with effect from 18 March 2016
Other Attendees		
Representatives of Audit and Compliance Department	4/4	
Representatives of Financial Control Department	4/4	
Representatives of Office of the Board of Directors	4/4	
External Auditor	4/4	

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

The chairman of the committee summarises the activities of the committee and issues arising and reports to the board after each audit and risk management committee meeting.

Work done in 2015

The audit and risk management committee performed the following in 2015:

Financial reporting	Reviewed the 2014 annual financial statements, annual report and results announcement
	Reviewed the 2015 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2014 annual report and 2015 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed Audit Committee Report provided by the external auditor on their statutory audit of the 2014 annual financial statements and their independent review of the 2015 half-year financial statements
	Discussed financial reporting and control matters set out in the Audit Committee Report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of the Company's 2015 half-year financial statements and their statutory audit of the 2015 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of the Company
Engagement of external auditor	Recommended to the board the appointment of PricewaterhouseCoopers ("PwC") as new external auditor
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the risk management and internal control of the Group, including adequacy of the staff resources, qualifications and experience of the Company's internal audit, risk management, accounting and financial reporting functions
	Reviewed and approved the revised internal audit charter, whistle blowing policy and code of conduct; and approved group internal audit's annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed group internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters
	Noted any significant changes in financial or other risks faced by the Company and reviewed management's response to them
Corporate governance and code requirements	Reviewed reports submitted by the management on the Company's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work
	Reviewed the training and continuous professional development of directors
	Reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report

In the meeting held on 21 March 2016, the audit and risk management committee reviewed and approved the Company's annual financial statements and annual report for the year ended 31 December 2015, and considered reports from the external and internal auditors. The audit and risk management committee recommended that the board approves the 2015 annual report.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-nc-termsofreference-20130814.pdf) and the Stock Exchange's website.

The nomination committee reports directly to the board and its primary functions are

- to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, which shall take into consideration the principle of diversity;
- to review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- to assess the independence of independent non-executive directors;
- to make recommendations to the board on the appointment or re-appointment of directors; and
- to review the board diversity policy and make recommendations on any required changes to the board.

The board diversity policy sets out the approach to achieving diversity on the board, which includes and makes good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective function of the board as a whole. The Company believes that diversity can strengthen the performance of the board, promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendations to the board for approval. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The nomination committee comprises two executive directors and three independent non-executive directors, and is chaired by the chairman of the board. The committee meets at least annually and at such other times as it shall require. The joint company secretary, Mr Choy Wing Kay, Ricky acts as the secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at the Company's expense if necessary.

During the year, one nomination committee meeting was held and three sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the nomination committee meeting and the draft minutes were sent to all committee members within a reasonable time after the meeting.

The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
Executive Directors		
Mr Chang Zhenming (chairman)	1/1	
Mr Wang Jiong	1/1	
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Anthony Francis Neoh	1/1	Appointed with effect from 2 June 2015
Mr Alexander Reid Hamilton	N/A	Resigned with effect from 2 June 2015

Work done in 2015

The nomination committee completed the following work in 2015:

1. reviewed the structure, size, composition and diversity of the board;

2. reviewed the board diversity policy and discussed the measurable objectives;

3. recommended the appointment of two executive directors, a non-executive director and an independent non-executive director to the board for approval; and

4. made recommendations to the board on the re-election of directors retiring at the 2015 EGM and 2015 AGM respectively.

In March 2016, the nomination committee by means of written resolutions resolved to recommend to the board (1) the appointment of two non-executive directors and an independent non-executive director and (2) the re-election of directors at the 2016 AGM.

Remuneration committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives, salaries paid by comparable companies, regulations promulgated by national regulatory authorities on the remuneration of directors and senior management, time commitment and responsibilities and employment conditions elsewhere at the Group, so as to align management incentives with shareholder interests.

The committee currently comprises two independent non-executive directors and a non-executive director. The chairman of the committee is Mr Francis Siu Wai Keung, an independent non-executive director. The committee meets at least once a year. The joint company secretary, Mr Tang Zhenyi serves as the secretary of the committee. The full terms of reference are available on the Company's website (http://www.citic.com/Managed/Resources/docs/CG/e-rc-terms%20of%20reference-20130228.pdf) and the Stock Exchange's website.

During the year, one remuneration committee meeting was held and two sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the remuneration committee meeting and the draft minutes were sent to all committee members within a reasonable time after the meeting.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
Independent Non-executive Directors		
Mr Francis Siu Wai Keung (chairman)	1/1	
Dr Xu Jinwu	1/1	Appointed with effect from 2 June 2015
Mr Alexander Reid Hamilton	N/A	Resigned with effect from 2 June 2015
Non-executive Director		
Mr Yang Jinming	1/1	

Work done in 2015

The remuneration committee completed the following work in 2015:

1. recommended to the board (i) the increase in directors' fees for non-executive directors (including independent non-executive directors); and (ii) additional remuneration for non-executive directors serving on the audit and risk management committee;

2. reviewed and approved the 2015 remuneration plan for the senior management (including executive directors) of the Company in May 2015; and

3. reviewed and approved the 2014 pay level for the senior management (including executive directors) of the Company in December 2015.

Details of the Company's remuneration policies are set out in the Environmental, Social and Governance Report on page 151 and directors' remuneration and retirement benefits are disclosed on pages 212 to 215. Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 125 to 126.

The remuneration paid to the directors, by name, for the year ended 31 December 2015 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2015 is set out below.

Remuneration of senior management other than directors for the full year 2015

Total Remuneration Bands	Number of Executives
Below HK$500,000	0
HK$500,001 – HK$1,000,000	5
	5

Note:

(1) Although the discretionary bonuses have yet to be confirmed by the relevant regulatory authority, it is expected that the unsealed remuneration will have no material impact on the financial statements of the Company for 2015.

(2) The data set out above have been converted from RMB based on the average exchange rate for 2015 (HKD1=RMB0.80294).

Special committee to deal with matters relating to investigations of the Company

A special committee has been established to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, the Company and its directors, arising from the 2008 forex incident, including but not limited to by the Market Misconduct Tribunal ("MMT"), the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force (the "Investigation"). The Special Committee is authorised by the board and empowered to

- approve communications between the Company and any relevant authorities or third parties in relation to the Investigation;

- consider the issue of legal professional privilege and to make decisions on behalf of the Company in connection therewith; and

- seek legal and professional advice on behalf of the Company as well as approve their fees.

The committee currently comprises two members, namely, Mr Zhang Jijing and Mr Francis Siu Wai Keung. No physical committee meetings were held during the year, and the committee members dealt with certain administrative matters concerning the MMT proceedings and the protection of legal professional privilege by way of circulation.

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

In respect of the proceedings brought by the Hong Kong Securities and Futures Commission at the MMT against the Company and five of its former executive directors (further particulars of which are set out in note 46 to the Notes to the consolidated financial statements), the hearing was part heard in November and December 2015. It is expected that the hearing will resume in April 2016.

Other management committee

The Company has established the Asset and Liability Management Committee ("ALCO") as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of the Company. The principal responsibilities of the ALCO are to

- monitor and control the asset and liability financial position of the Company on a regular basis;

- monitor and control the following issues of the Company:
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commodities
  - commitments and contingent liabilities

- review financing plans of the Company and manage the cash flow of the Company on the basis of the annual budget; and

- establish hedging policies and approve the use of new financial instruments for hedging.

Mr Zhang Jijing, an executive director of the Company until 23 December 2015, was the chairman of the ALCO and chaired 9 meetings in 2015. Mr Zhu Gaoming (being vice president of the Company and a member of the executive committee) became the chairman of the ALCO on 24 December 2015. Other members include responsible persons of the Financial Control Department, Treasury Department, Strategic Development Department and the Office of the Board of Directors. Full minutes of the meetings are kept by the ALCO Secretariat Office and sent to the committee members after each meeting.

Accountability and Audit

Financial reporting

The board recognises the importance of the integrity of its financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs, its results and cash flows in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Limited's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purposes are prudent and reasonable.

New or revised accounting standards became effective during the year, and those most significant and relevant to the Group are disclosed in Note 2 to the consolidated financial statements on pages 171 to 172.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2015 are set out in the Independent Auditor's Report on pages 315 to 316.

External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. PwC was engaged as the Company's external auditor since 1989 and retired at the close of the annual general meeting held on 16 May 2013. KPMG was engaged in place of PwC as the Company's external auditor and subsequently retired at the close of the 2015 AGM. The Company initiated the process of engaging new external auditor for the year 2015 as its largest listed subsidiary, China CITIC Bank Corporation Limited was required to change its external auditor. PwC was appointed as the Company's external auditor with effect from the close of the 2015 AGM. For 2015, PwC's fees were approximately as follows:

Statutory audit fee: HK$73 million (2014: HK$113 million (KPMG)).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK$7 million (2014: HK$6 million (KPMG)).

Other audit firms provided statutory audit services at a fee of approximately HK$90 million (2014: HK$45 million) as well as other services for fees of HK$16 million (2014: HK$2 million).

Internal control

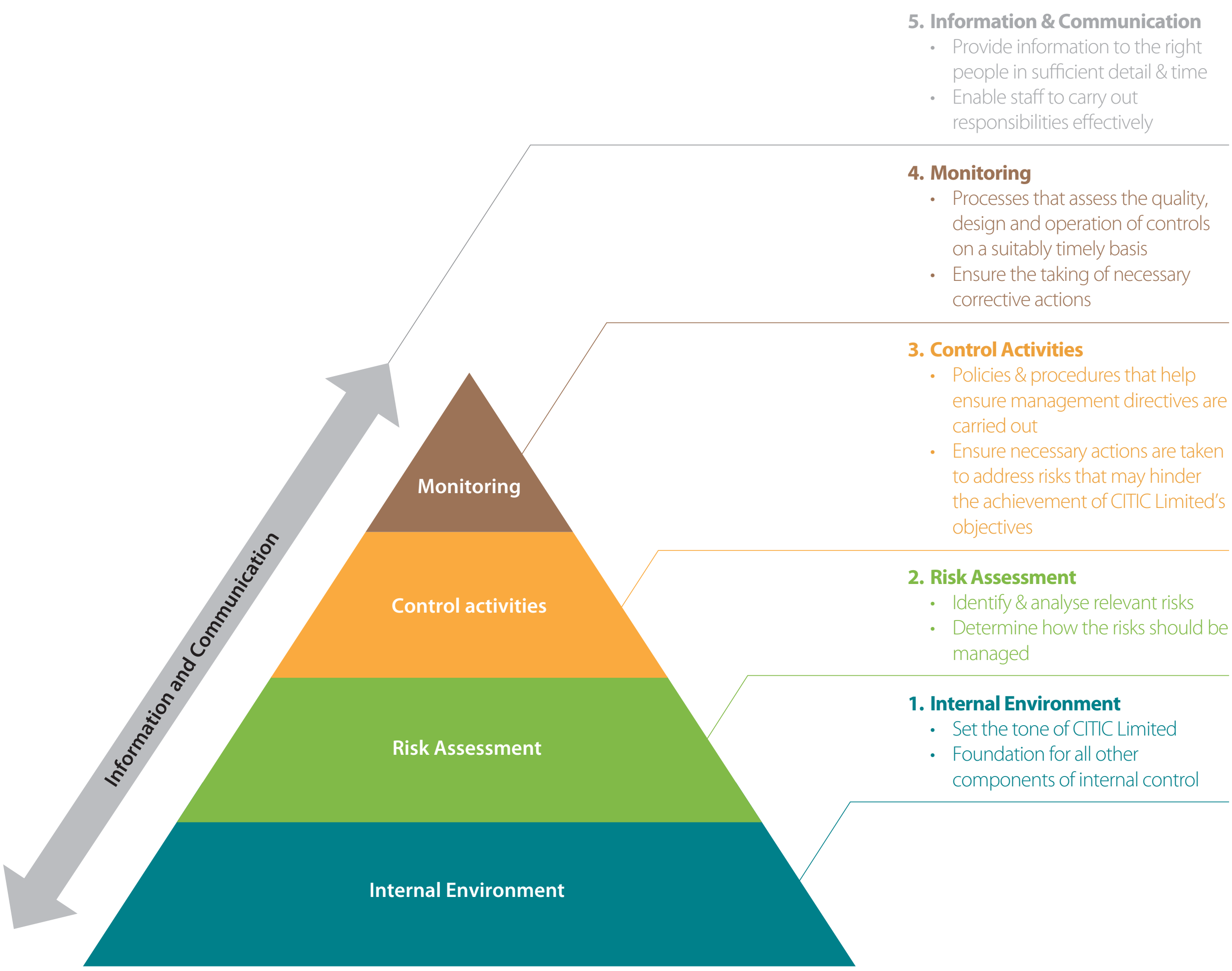
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Limited in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by business units and functions.

CITIC Limited's internal control framework

CITIC Limited is committed to constantly improving its internal control framework for providing assurance of the achievement of its business objectives, which is consistent with the core content 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 implemented in mainland China.

The internal control framework adopted by CITIC Limited is illustrated below:



Key control policies and measures

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

Key control policies and measures implemented by CITIC Limited	
Internal Environment	• The Group has a corporate governance policy, human resources policy and code of conduct for its business operation and governance, as well as periodic reviews and refresher training sessions on important ethical practices. • A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice. • An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.
Risk Assessment	• In addition to the risk management function, relevant functions of CITIC Limited will also identify and assess financial and other risks in terms of investment review, strategic planning, financial management and compliance with laws. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management Section of this annual report. • The executive committee of CITIC Limited constantly monitors the business, operational and other risks of the business units. • The risk management function identifies and assesses the systematic risks that CITIC Limited is facing through regular risk assessments. It also controls the risks of subsidiaries through regular risk management reporting and risk assessment as well as the monitoring of major projects and businesses. • Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately.
Control Activities	• Major control system and processes include budgetary and cost controls, financial reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.
Monitoring	• Constant monitoring of compliance and review of risk management and internal control are conducted under the supervision of the audit and risk management committee. (Please refer to the section on "Monitoring of Internal Control Effectiveness"). • The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements. • The internal audit function reports directly to the audit and risk management committee, and is responsible for independent review of risk management and internal control.

Key control policies and measures implemented by CITIC Limited	
Information and Communication	• Implementation, maintenance and constant development of business and management information systems support CITIC Limited's businesses and operations, including finance, information disclosure and collaborative supervision. • Corporate information is disseminated in a timely manner through the intranet, collaborative office system and corporate email system of CITIC Limited. • A corporate website and shareholders communication policy ensure that shareholders receive complete and clear information about CITIC Limited and are encouraged to participate in general meetings of CITIC Limited.

The Group has established an audit, risk and internal control team, which constantly reviews policies and work related to audit supervision, risk management and internal control (including but not limited to investment authorisation, the code of conduct, fund management, guarantees and payments by subsidiaries), in order to enhance its management and control over these areas.

Monitoring of internal control effectiveness

During the year, the audit and risk management committee assessed the effectiveness of the risk management and internal control systems on behalf of the board, and considered the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and related budgets.

The main internal control reviews during the year were as follows:

Internal control monitoring	Particulars of major tasks completed	Observations
Internal Audit	• Reviewed the internal audit report. • Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.	• Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.
Compliance Assessment	• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, provisions under industry regulation, internal policies and rules; reported on an annual basis any matters subject to criminal convictions, administrative punishments, investigation by competent authorities and other punitive measures as a result of non-compliance; rectified non-compliance and ongoing supervision to ensure completion of such rectification.	• No non-compliance cases were noted during the year.

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

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

Internal Audit

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

Authority

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

Responsibility

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

Internal audit staffing and tasks completed in 2015

At 31 December 2015, CITIC Limited had approximately 500 internal audit staff members in the internal audit departments of the head office and major subsidiaries, providing audit services to various business units and functions of the Company.

During the year, the internal audit department prepared an annual internal audit plan in accordance with risk-based principles. Pursuant to the approved annual plan, detailed audit planning for each audit was devised, followed by field audits and discussions with management. Audit reports addressed to the management were prepared after completion of the audits. Work reports were also tabled for review at each meeting of the audit and risk management committee, which included audit findings and follow-up results, work progress and staffing of internal audit.

In 2015, the internal audit department issued audit reports together with reviews on various business segments and subsidiaries of the Company, including financial services, property and infrastructure, project contracting, resources and energy, manufacturing and other businesses.

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

- Special training sessions on the revised corporate governance code of the Stock Exchange were held to introduce revised provisions and requirements on internal audit, risk management and internal control to various functional departments and business units of the Company, with the aim of promoting knowledge of the laws and regulations of Hong Kong on the part of relevant staff members and ensuring compliance in the operations.

- Continuous training and development programme, including online training, regular sharing sessions and seminars, for internal audit staff to enhance their audit skills and knowledge.

Business Ethics

Code of Conduct

At CITIC, we are committed to upholding "The CITIC Spirit 中信風格" which is the cornerstone of our corporate culture, and also the fundamental code of the Company for guiding the business practice and conduct of our people:

Compliance	遵紀守法
Integrity	作風正派
Earnest	實事求是
Innovation	開拓創新
Modesty	謙虛謹慎
Cooperation	團結互助
Diligence	勤勉奮發
Effectiveness	雷厲風行

Under the CITIC Spirit, we consider an ethical corporate culture and employees' honesty and integrity to be important assets. We endeavour to comply with the laws and regulations of the countries and regions in which we operate, and all directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of our daily business activities, the Company has adopted a code of conduct which has defined a set of ethical standards for our employees. All employees are required to strictly comply with all applicable laws and regulations and the aforementioned code of conduct, to protect the goodwill and reputation of the Company and to ensure that the interest of the Company is not compromised. In 2015, we have conducted training sessions regarding to the code of conduct and anti-corruption for the purpose of ensuring all new and existing employees fully understand the code of conduct and major applicable laws and regulations. Management and responsible person of our Group members are required to periodically report any breach of the code of conduct. Non-compliance would result in disciplinary action, which ranges from a reprimand, payment of a fine, demotion or dismissal. No breaches of the code of conduct were material to the Group's financial statements or overall operation. The Company would continue to develop our internal control system and provide appropriate training to our staff to foster a culture consistent with our CITIC Spirit.

Whistle-blowing policy

CITIC Limited considers the whistle-blowing channel a useful means of identifying possible misconduct or fraud risks of the operation or function by encouraging employees to raise concerns in good faith. The audit and risk management committee is responsible for ensuring that proper arrangements are in place to facilitate employees reporting on whistle-blowing matters, and that proper follow-up actions are taken. Meanwhile, the Company has established the whistle-blowing policy in order to further enhance the governance processes of the Company and its business units, and to prevent inappropriate conduct from harming the interest of the Company and its shareholders. For year 2015, there was a total of 67 cases of whistle-blowing. All cases were considered and internal investigations were made where appropriate. Appropriate remedial actions were also taken if required, after internal investigation. The Company strives to act responsively on any reported misconduct, malpractices or irregularities, in particular where the complaints relate to corruption or bribery.

Inside information/price sensitive information disclosure policy

The Company has adopted an inside information/price sensitive information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information/price sensitive information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information/price sensitive information until proper dissemination of the inside information/price sensitive information via the electronic publication system operated by the Stock Exchange.

Good employment practices

In Hong Kong, the Company has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and relevant employees' securities transactions

The Company has adopted the model code for securities transactions by directors of listed companies ("Model Code") contained in Appendix 10 to the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2015. The interests held by individual directors in the Company's securities as at 31 December 2015 are set out in the Report of the Directors on page 138.

In addition to the requirements set out in the Company's code of conduct, the joint company secretaries regularly write to executive management and other relevant employees who are privy to unpublished inside information/price sensitive information, as reminders of their responsibility to comply with the provisions of the Model Code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

Joint Company Secretaries

Mr Tang Zhenyi and Mr Choy Wing Kay, Ricky are the joint company secretaries of the Company. The joint company secretaries report to the chairman and/or the vice chairman/president of the Company. During the year, both Mr Tang and Mr Choy took no less than 15 hours of relevant professional training respectively.

Constitutional Documents

At the extraordinary general meeting held on 16 March 2015, a special resolution was passed to amend the articles of association of the Company to incorporate the terms of the preferred shares with effect immediately upon the issue of the preferred shares in accordance with the subscription agreement, details of which are set out in the Company's circular dated 16 February 2015. The amendments to the articles of association took effect from 3 August 2015, being the date on which completion of the aforesaid preferred shares subscription took place. The amended articles of association is available on the websites of the Company and the Stock Exchange.

Communication With Shareholders

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as to ensure the board of directors is accountable. Major means of communication with shareholders of the Company are as follows:

Information disclosure at corporate website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and in as timely a manner as possible. The Company maintains a corporate website at http://www.citic.com, where important information about the Company's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

During 2015, the Company issued announcements in respect of a number of notifiable transactions, connected transactions and overseas regulatory announcements, which can be viewed on the Company's website (http://www.citic.com/InvestorRelations/Announcements).

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantial issue at the general meeting.

Voting by poll

Resolutions put to vote at the general meetings of the Company (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Investor relations

The Company aims to generate sustainable shareholder value. We recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that our objectives and shareholder objectives should be aligned for long-term value creation and hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

The Company acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we respond promptly to questions received from the media and individual shareholders. We endeavour to share financial and non-financial information that is relevant and material, and clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of the Company in writing through the joint company secretaries whose contact details are as follows:

The Joint Company Secretaries
CITIC Limited
32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Email: contact@citic.com
Tel No.: +852 2820 2184
Fax No.: +852 2918 4838

The joint company secretaries will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) the Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of the Company's articles of association, no person, other than a retiring director, shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless notice in writing by a shareholder of his intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

Board of Directors

CHANG Zhenming *(Executive Director and Chairman)*
Age 59: Mr Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for the Company. From 2000 to 2005, he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of the Company. Mr Chang is the chairman of both the executive committee and the nomination committee. He is also the chairman of CITIC Group Corporation, CITIC Corporation Limited and CITIC Hong Kong (Holdings) Limited, the chairman and a non-executive director of China CITIC Bank Corporation Limited and the vice chairman of CITIC International Financial Holdings Limited. He was 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 56: an executive director, vice chairman and president of the Company since 2014. Mr Wang is vice chairman of the executive committee and a member of the nomination committee. Mr Wang is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy general manager of CITIC Shanghai Co., Ltd; general manager and chairman of CITIC Shanghai (Group) Co., Ltd; chairman and general manager of CITIC East China (Group) Co., Ltd; assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Wang has a background of more than 20 years in finance and industry, with extensive knowledge and experience particularly in corporate strategy planning, operating management, investment financing, mergers, acquisitions and restructuring. He graduated from Shanghai University of Finance & Economics with a master's degree in economics.

LI Qingping *(Executive Director)*
Age 53: an executive director of the Company with effect from 24 December 2015. Ms Li is the vice president and a member of the executive committee of the Company. Ms Li is currently executive director of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited, and executive director and president of CITIC Bank. She was formerly general manager of the International Department of Agricultural Bank of China, general manager of Guangxi Branch, and director of the Retail Business Department. Ms Li is a senior economist who has 30 years' experience in the banking industry, with particular emphasis on international business and retail business. She graduated from the International Finance Programme at Nankai University with a master's degree in economics.

PU Jian *(Executive Director)*
Age 57: an executive director of the Company with effect from 24 December 2015. Mr Pu is the vice president and a member of the executive committee of the Company. Mr Pu is currently executive director of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited. He was formerly vice president of CITIC Securities Co., Ltd; vice chairman of China Offshore Helicopter Co., Ltd; president of CITIC Offshore Helicopter Co., Ltd; director of CITIC Group; president and chairman of CITIC Trust Co., Ltd. He has held management positions in the financial industry and the general aviation industry for many years, and has over 20 years' experience in financial institutions, particularly in the securities and trust fields. Mr Pu is a researcher and a graduate of Fordham University with a master's degree in business administration.

YU Zhensheng *(Non-executive Director)*
Age 59: a non-executive director of the Company since 2014. Mr Yu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly an officer of the Loan Office, State Import & Export Regulatory Commission; officer of the Foreign Capital Bureau and Loan Bureau, Ministry of Foreign Trade and Economic Cooperation; deputy chief of the Foreign Trade Division, Department of Foreign Trade and Economic Cooperation, Tibet Autonomous Region; deputy chief, chief and assistant inspector of Division V, Department of Foreign Loans Management, Ministry of Foreign Trade and Economic Cooperation; assistant inspector of the Government Bond Department, Ministry of Finance; and deputy director and inspector (director-general level) of the Department of Finance, Ministry of Finance. Mr Yu graduated from Beijing International Studies University with a bachelor's degree in Japanese language and literature. He also studied at the Nomura Research Institute from October 1983 to February 1985. With effect from 12 April 2016, Mr Yu resigned as a non-executive director of the Company due to his other work commitments.

YANG Jinming *(Non-executive Director)*
Age 58: a non-executive director of the Company since 2014. Mr Yang is a member of the remuneration committee. Mr Yang is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy director of the General Office, China National Salt Industry Corporation Beijing Branch; deputy chief of the Payroll Division of the General Planning Department, Ministry of Finance; chief of the Extra-budgetary Fund Management Division of the Policy and Reform Department, Ministry of Finance; chief of the Government Procurement Division, the Treasury Department, Ministry of Finance; and inspector (deputy director-general level) of the Treasury Department, Ministry of Finance. Mr Yang graduated from the Correspondence Institute of the Central Party School with a bachelor's degree in international economics.

LIU Yeqiao *(Non-executive Director)*
Age 54: a non-executive director of the Company since 2014. Mr Liu has been a non-executive director of CITIC Group Corporation and CITIC Corporation Limited since September 2014. He was an employee of Trucking Company and the Transportation Bureau of Jurong County in Jiangsu Province. He joined the Ministry of Finance ("MOF") in July 1991, and until October 2007 served successively as officer, senior staff, deputy director of the Policy Division of the Industrial Transport Department; officer, associate researcher and deputy director and researcher of the General Division of the Finance Department; deputy director-general of the Department of Finance of Yunnan Province from October 2007 to October 2009; and a non-executive director of The People's Insurance Company (Group) of China Limited from September 2009 to March 2014. Mr Liu is a senior accountant. He graduated from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1991 with a master's degree in accounting. He also obtained a master's degree in accounting from The George Washington University in May 2000 and a doctoral degree in economics from the Research Institute for Fiscal Science, MOF in August 2003.

SONG Kangle *(Non-executive Director)*
Age 52: a non-executive director of the Company with effect from 18 March 2016. Mr Song is currently serving as Counsel at director general level in Department of Asset Management of Ministry of Finance. He worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as Department of Human Resource Development, Department of External Financing, Department of External Affairs and Department of Enterprise. He graduated from School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a postgraduate degree holder.

LIU Zhongyuan *(Non-executive Director)*
Age 46: a non-executive director of the Company since 2014. Mr Liu was formerly an officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for Social Security Fund; and director-general of the Overseas Investment Department of the National Council for Social Security Fund. Mr Liu has a doctorate degree in economics from the School of Economics at Renmin University of China.

YANG Xiaoping *(Non-executive Director)*
Age 52: a non-executive director of the Company with effect from 3 August 2015. Mr Yang is currently the 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. He 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, a director of China NGO Network for International Exchanges, the vice president of Beijing Association of Enterprises with Foreign Investment and an adviser of Foreign Investment to Beijing Municipal Government. Mr Yang obtained a bachelor degree from Jiangxi Institute of Technology and has experience in overseas studies in Japan.

LI Rucheng *(Non-executive Director)*
Age 64: a non-executive director of the Company with effect from 18 March 2016. Mr Li is currently vice chairman of China Association for Public Companies, chairman of The Listed Company Association of Ningbo. He serves as the chairman of the Eighth Board of Directors of Youngor Group Co., Ltd., executive director of Ningbo Shengda Development Co., Ltd. and chairman of Ningbo Youngor Holdings Co., Ltd.. He was the representative to the Ninth, Tenth, and Eleventh National People's Congress. He served as managing director of Youth Development Company, chairman and general manager of Ningbo Youngor Garment Co., Ltd, as well as chairman and general manager of Youngor Group. Mr Li is a senior economist.

Francis SIU Wai Keung *(Independent Non-executive Director)*
Age 61: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of both the audit and risk management committee and the remuneration committee, and a member of 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 (became a listed company on the Hong Kong Stock Exchange on 9 November 2015), and Beijing Gao Hua Securities Company Limited. He is also appointed as chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd. (a company incorporated in Singapore and act as manager of BHG Retail REIT which has been listed on the Singapore Stock Exchange since 11 December 2015) with effect from 12 November 2015. He was an independent non-executive director of Hua Xia Bank Co., Limited, Beijing Hualian Hypermarket Co., Ltd, Hop Hing Group Holdings Limited, Shunfeng International Clean Energy Limited, and China Huishan Dairy Holdings Company Limited. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China.

XU Jinwu *(Dr.– Ing.) (Independent Non-executive Director)*
Age 66: an independent non-executive director of the Company since 2012. Dr Xu is a member of the audit and risk management committee, the remuneration committee and the nomination committee. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

Anthony Francis NEOH *(Independent Non-executive Director)*
Age 69: an independent non-executive director of the Company since 2014. Mr Neoh is a member of the audit and risk management committee and the nomination committee. He currently serves as a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). 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. Mr Neoh is an independent non-executive director of China Life Insurance Company Limited and Industrial and Commercial Bank of China Limited. 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 45: an independent non-executive director of the Company since 2014. Ms Lee is currently the president and chief executive officer of Hotel Shilla Co., Ltd., the president of Corporate Strategy for Cheil Industries and an advisor of Samsung C&T Corporation. All three companies hereinbefore 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 65: an independent non-executive director of the Company with effect from 3 August 2015. Mr Fujita has established Fujita Noriharu Accounting Firm since July 2013. From April 1973 to May 1978, he performed audit engagements in Japanese accounting firms. From July 1980 to December 1988, he worked in Imperial Chemical Industries PLC and stationed in London and Tokyo office. From January 1989 to June 2007, Mr Fujita was a partner of Ernst & Young, LLP Chicago and New York office. From July 2007 to June 2013, he was an executive partner of Ernst & Young ShinNihon, LLC and served as the JBS Global Services Leader. He retired in June 2013. He is a licensed Certified Public Accountant in both Japan and the United States. As an accounting professional, Mr Fujita has extensive experience in accounting. Mr Fujita graduated from Keio University with a Bachelor degree in Economics in March 1973. He also obtained a Master of Business Administration from the College of Business, University of Illinois at Urbana-Champaign in May 1980.

Paul CHOW Man Yiu *(Independent Non-executive Director)*
Age 69: an independent non-executive director of the Company with effect from 18 March 2016. Mr Chow currently serves as the chairman of Hong Kong Cyberport Management Company Limited, an independent non-executive director of Bank of China Limited, China Mobile Limited, Julius Baer Group Ltd. and Bank Julius Baer Co. Ltd. Mr Chow also serves as a member of Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and a member of Asian Advisory Committee of AustralianSuper Pty. Ltd. 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. Mr Chow was awarded the title of Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the HKSAR Government in 2003, 2005 and 2010 respectively.

New Director to the Board

On 11 April 2016, the board announced the appointment of Ms Yan Shuqin as a non-executive director of the Company with effect from 12 April 2016.

YAN Shuqin *(Non-executive Director)*
Age 55: a non-executive director of the Company with effect from 12 April 2016. Ms Yan is currently serving as chief inspector of Ningbo Supervision & Inspection Office of Ministry of Finance. She worked with several posts in Ministry of Finance as staff member, senior staff member, principal staff member, deputy director, director, assistant inspector, deputy inspector and chief inspector in Jiangxi Supervision & Inspection Office and Ningbo Supervision & Inspection Office. She graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics. She is a certified public accountant.

Senior Management

ZHU Xiaohuang

Age 59: a vice chairman of the executive committee of the Company since 2014. Mr Zhu is currently chairman of the supervisory board of CITIC Group Corporation and non-executive director of China CITIC Bank Corporation Limited. He was formerly deputy director of the General Office, deputy director of Credit Division I, and deputy director-general of the Credit Management Department of China Construction Bank; deputy general manager of China Construction Bank Liaoning Branch; director-general of the Business Department of China Construction Bank; general manager of China Construction Bank Guangdong Branch; director-general of the Corporate Business Department, chief risk officer, vice president and executive director of China Construction Bank; vice president of CITIC Corporation Limited, and chief executive officer and president of China CITIC Bank. Mr Zhu has been in the banking industry for 32 years and has extensive theoretical knowledge and practical experience in banking management and risk management. Mr Zhu is a senior economist. He graduated from the Lingnan College of Sun Yat-Sen University with a graduate diploma in world economics and a PhD in economics.

FENG Guang

Age 58: a member of the executive committee of the Company since 2014. Mr Feng is currently secretary of the Party Discipline Inspection Commission of CITIC Group Corporation. He was formerly deputy division chief, division chief and deputy director of the Second Department of Case Investigation, and deputy director of the Seventh Department of Case Investigation of the Ministry of Supervision of the People's Republic of China. Mr Feng has worked in discipline supervision for many years and has extensive practical experience in clean government practices and anti-corruption, human resources management, compliance governance, and corporate culture establishment. Mr Feng graduated from the Graduate School of the Central Party School with a master's degree in jurisprudence.

ZHU Gaoming

Age 51: vice president and a member of the executive committee of the Company since 2015. Mr Zhu formerly served as secretary to the Board of Directors, general manager of Credit Approval Department, general manager of Corporate Banking Department, general manager of Small Enterprise Finance Department and concurrently that of Investment Banking Department of Head Office of Agricultural Bank of China ("ABC"). He also served as president and vice president of ABC Jiangsu Branch, and vice president of ABC Shanghai Branch. Mr Zhu is a senior economist who has extensive experience in banking industry. He graduated from Fudan University and from the University of Sheffield with Master's degree in economics and in business administration respectively.

Report of the Directors

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2015.

Principal Activities

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

Dividends

The directors declared an interim dividend of HK$0.10 per share (2014: HK$0.015 per share) for the year ended 31 December 2015 which was paid on 2 October 2015. The directors recommended, subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 8 June 2016 (the "2016 AGM"), the payment of a final dividend of HK$0.20 per share (2014: HK$0.20 per share) in respect of the year ended 31 December 2015, payable on Wednesday, 29 June 2016 to shareholders on the Company's register of members at the close of business on 17 June 2016. This represents a total distribution for the year of HK$8,727 million.

Business Review

The business review of the Group for the year ended 31 December 2015 and the material factors underlying its results and financial position are set out in the sections headed "Chairman's Letter to Shareholders", "Our Businesses" and "Financial Review" respectively from pages 4 to 7, pages 8 to 65, and pages 66 to 75 of this annual report.

Description of the principal risks and uncertainties facing the Group can be found in the "Risk Management" section from pages 76 to 82 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015 (if any) and the likely future development in the Company's business can also be found in this annual report.

In addition, an account of the Company's performance by reference to environmental and social-related policies is provided in the "Environmental, Social and Governance Report" from pages 142 to 159 of this annual report.

Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares

On 20 January 2015, the Company entered into a subscription agreement and agreed to allot and issue to Chia Tai Bright Investment Company Limited ("CT Bright") 3,327,721,000 fully paid convertible preferred shares of the Company for a total consideration of HK$45,922,549,800 (the "Preferred Shares Subscription"). The preferred shares may be converted into the ordinary shares of the Company at the conversion price initially being HK$13.80 per ordinary share, subject to adjustment in accordance with the terms of the amendments to the Company's Articles of Association in light of the issue of the preferred shares. The proceeds will be used to further develop the Company's businesses and to invest in emerging opportunities in sectors well matched to the Company and China's development and as additional working capital for the daily operations of the Group. The introduction of CT Bright as a strategic investor shall benefit the Company in such aspects: (1) globalisation and diversification of shareholding structure and improvement of corporate governance practices; (2) raising of capital to further develop the Company's businesses and invest in emerging opportunities; (3) further access to business opportunities in the Asia Pacific region and the global market; and (4) strengthen the capital base of the Company and enhance its capabilities and flexibility in financing.

On the same day, CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group Corporation ("CITIC Group") and one of the controlling shareholders of the Company, entered into a share purchase agreement and agreed to sell 2,490,332,363 fully paid ordinary shares of the Company to CT Bright for a total consideration of HK$34,366,586,609 (the "Sale of Shares"). Completion of the Preferred Shares Subscription is conditional upon the completion of the Sale of Shares. Details of the Preferred Shares Subscription and the Sale of Shares are set out in the Company's announcement dated 20 January 2015 and the Company's circular dated 16 February 2015.

At the extraordinary general meeting of the Company held on 16 March 2015, the proposed Preferred Shares Subscription and the proposed amendments to the Company's Articles of Association with effect immediately upon the issue of the preferred shares were approved by the Company's shareholders.

Completion of the Sale of Shares and the Preferred Shares Subscription took place on 30 April 2015 and 3 August 2015 respectively. Further details are set out in the Company's announcements dated 30 April 2015, 15 July 2015 and 3 August 2015.

On 17 July 2015, the Company and Xin Ma Apparel International Limited ("Youngor"), a wholly-owned subsidiary of Youngor Group Co., Ltd, entered into a subscription agreement pursuant to which Youngor had conditionally agreed to subscribe for 859,218,000 new ordinary shares (the "Subscription Shares") of the Company at the subscription price of HK$13.95 per share (the "Subscription"). The Subscription Shares were issued under the general mandate granted to the directors by a resolution of the shareholders passed at the Company's annual general meeting held on 2 June 2015. The Subscription is to increase the public float percentage to a level which enables the full conversion of the preferred shares. The net proceeds of HK$11,986,091,100 from the Subscription will be used for general corporate purposes. Details of the Subscription are set out in the Company's announcement dated 17 July 2015.

Completion of the Subscription took place on 12 August 2015 and further details of which are set out in the Company's announcement dated 12 August 2015.

On 13 August 2015, the Company received a conversion notice from CT Bright for the conversion of the preferred shares in the amount of HK$45,922,549,800 in full. As a result of the conversion of the preferred shares at the conversion price of HK$13.80 per ordinary share, the Company allotted and issued a total of 3,327,721,000 ordinary shares to CT Bright on 14 August 2015. Details of the conversion of the preferred shares are set out in the Company's announcement dated 14 August 2015.

Share Capital and Reserves

Movements in the share capital and reserves of the Company and the Group during the year are set out in Note 44 to the consolidated financial statements.

Donations

Donations made by the Company and its subsidiary companies during the year are set out in the "Environmental, Social and Governance Report" of this annual report.

Fixed Assets

Movements in fixed assets during the year are set out in Note 32 to the consolidated financial statements.

Major Customers and Suppliers

During the year, both the aggregate percentage of purchases from the Company and its subsidiary companies' five largest suppliers and the aggregate percentage of sales to the Company and its subsidiary companies' five largest customers were less than 30%.

None of the directors, their associates nor any shareholders (which to the best knowledge and belief of the directors own more than 5% of the Company's issued shares) had interest during the year in the above suppliers or customers.

Subsidiary Companies

The name of the principal subsidiaries, the place of incorporation and shares issued are set out in Note 57 to the consolidated financial statements.

Borrowings, Debt Instruments Issued and Perpetual Capital Securities

Particulars of borrowings, debt instruments issued and perpetual capital securities of the Company and its subsidiary companies as at 31 December 2015 are set out in Notes 41, 42 and 44 to the consolidated financial statements.

Equity-linked Agreements

The equity-linked agreements entered into by the Company during the year are disclosed in the preceding section headed "Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares".

Save as disclosed above and the Share Option Plan adopted by the Company as described below, no other equity-linked agreements were entered into during the year or subsisted at the end of the year.

Directors

The directors of the Company as at the date of this report are:

Executive Directors
Mr Chang Zhenming *(Chairman)*
Mr Wang Jiong *(Vice Chairman and President)*
Ms Li Qingping *(appointed on 24 December 2015)*
Mr Pu Jian *(appointed on 24 December 2015)*

Non-executive Directors
Mr Yu Zhensheng
Mr Yang Jinming
Mr Liu Yeqiao
Mr Song Kangle *(appointed on 18 March 2016)*
Mr Liu Zhongyuan
Mr Yang Xiaoping *(appointed on 3 August 2015)*
Mr Li Rucheng *(appointed on 18 March 2016)*

Independent Non-executive Directors
Mr Francis Siu Wai Keung
Dr Xu Jinwu
Mr Anthony Francis Neoh
Ms Lee Boo Jin
Mr Noriharu Fujita *(appointed on 3 August 2015)*
Mr Paul Chow Man Yiu *(appointed on 18 March 2016)*

Mr Dou Jianzhong and Mr Zhang Jijing retired as executive directors of the Company with effect from 14 May 2015 and 24 December 2015 respectively. Ms Cao Pu retired as non-executive director of the Company with effect from 18 March 2016. Mr Alexander Reid Hamilton retired as an independent non-executive director of the Company by rotation and did not seek re-election at the annual general meeting held on 2 June 2015. Mr Dou, Mr Zhang, Ms Cao and Mr Hamilton have confirmed that they have no disagreement with the board and nothing relating to the affairs of the Company needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 95 of the Company's articles of association, Ms Li Qingping, Mr Pu Jian, Mr Yang Xiaoping and Mr Noriharu Fujita who were appointed as directors of the Company during the year 2015, and Mr Song Kangle, Mr Li Rucheng and Mr Paul Chow Man Yiu who were appointed as directors of the Company on 18 March 2016 shall hold office only until the 2016 AGM and all, being eligible, offer themselves for re-election. In addition, pursuant to Article 104(A) of the Company's articles of association, Mr Wang Jiong, Mr Yang Jinming and Mr Anthony Francis Neoh shall retire by rotation and all, being eligible, offer themselves for re-election at the 2016 AGM.

The biographical details of directors and senior management as at the date of this report are set out in the "Board of Directors" and "Senior Management" sections on pages 110 to 115 of this annual report.

Directors of Subsidiaries

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

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the sections headed "Connected Transactions" and "Non-exempt Continuing Connected Transactions" below and "Material Related Party" in Note 48 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company's subsidiaries, fellow subsidiaries or its holding company was a party or were parties and in which a director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity

Pursuant to the Company's Articles of Association and subject to the provisions of the Companies Ordinance (Cap 622 of the Laws of Hong Kong), every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. As disclosed in the "Corporate Governance" section of this annual report, the Company has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$1 billion.

Related Party Transactions

The Company and its subsidiaries entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Material Related Party Transactions", the details of which are set out in Note 48 to the consolidated financial statements of the Company. Some of these transactions also constitute "Connected Transactions" and "Continuing Connected Transactions" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in this annual report and the consolidated financial statements of the Company. The full text of each announcement can be found on http://www.citic.com/InvestorRelations/Announcements.

1. As disclosed in the preceding section headed "Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares", the Company, CITIC Group Corporation ("CITIC Group", the controlling shareholder of the Company), Chia Tai Bright Investment Company Limited ("CT Bright"), CPG Overseas Company Limited ("CPG Overseas") and ITOCHU Corporation ("ITOCHU") entered into a subscription agreement (the "Preferred Shares Subscription Agreement") on 20 January 2015, pursuant to which, the Company agreed to allot and issue, and CT Bright agreed to subscribe for 3,327,721,000 fully paid convertible preferred shares of the Company for a total consideration of HK$45,922,549,800 (the "Preferred Shares Subscription"). On the same date, CITIC Polaris Limited (a wholly-owned subsidiary of CITIC Group), CITIC Group, CT Bright, CPG Overseas and ITOCHU entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which, CITIC Polaris Limited agreed to sell and CT Bright agreed to purchase 2,490,332,363 shares of the Company, representing 10% of the total issued shares of the Company as at the date of signing the Share Purchase Agreement, for a total consideration of HK$34,366,586,609 (the "Sale of Shares"). Whilst CT Bright was not a connected person of the Company when it entered into the Preferred Shares Subscription Agreement, completion of the Preferred Shares Subscription is, amongst other things, conditional upon the completion of the Sale of Shares. Accordingly, the proposed transaction contemplated under the Preferred Shares Subscription Agreement was treated as a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

   Completion of the Sale of Shares and the Preferred Shares Subscription took place on 30 April 2015 and 3 August 2015 respectively. On 13 August 2015, the Company received a conversion notice from CT Bright for the conversion of the preferred shares in the amount of HK$45,922,549,800 in full. On 14 August 2015, the Company allotted and issued a total of 3,327,721,000 ordinary shares to CT Bright at the conversion price of HK$13.80 per ordinary share.

2. On 24 August 2015, CITIC Group and CITIC Telecom International Holdings Limited ("CITIC Telecom", a subsidiary of the Company) agreed to implement the acquisition arrangement (the "Acquisition Arrangement"), whereby CITIC Group has proposed to sell, and CITIC Telecom has 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% equity interest (the "Sale Interest") in CITIC Networks Co., Ltd. (中信網絡有限公司) ("CITIC Networks", a wholly-owned subsidiary of CITIC Group) from CITIC Group (the "Acquisition").

   Under the Acquisition Arrangement, assuming the Sale Interest equals to the maximum 39% equity interest in CITIC Networks, the corresponding intended consideration for the Sale Interest is set at RMB1,170 million (the "Proposed Consideration") which, the parties acknowledged, will be subject to adjustment with reference to an independent appraisal of the Sale Interest as filed with and approved by the Ministry of Finance of the PRC (the "Appraised Consideration"). At present, CITIC Telecom intends to only proceed with the bidding and the Acquisition if the Appraised Consideration does not exceed RMB1,287 million, being 110% of the Proposed Consideration. If CITIC Telecom (or its subsidiary) is successful in the open tender process, the purchase price in winning the bid (the "Final Consideration") shall be payable in cash by CITIC Telecom (or its subsidiary).

The obligation of CITIC Telecom (or its subsidiary) to submit the bidding application to China Beijing Equity Exchange is subject to certain conditions precedent, including inter alia, the obtaining of requisite consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere being fulfilled or waived by CITIC Telecom on or before 30 June 2017, or such later date as CITIC Group and CITIC Telecom may agree in writing.

Under the Acquisition Arrangement, CITIC Group agreed to procure CITIC Networks to implement certain reorganisation, such that all assets and business not related to the nation-wide optical fibre backbone network of the PRC (the "China Express Network") shall be hived off from CITIC Networks (the "Reorganisation"). It is expected that upon completion of the Reorganisation, CITIC Networks shall then hold China Express Network together with the telecoms licenses as its main asset and engage mainly in the operation of the China Express Network.

Subject to CITIC Telecom (or its subsidiary) having been confirmed and determined by China Beijing Equity Exchange as the successful transferee in the open tender process, CITIC Group and CITIC Telecom (or its subsidiary) will enter into a share transfer agreement and obtain the necessary consents and approvals of the relevant PRC governmental authorities to effect the Acquisition.

In connection with the Acquisition, on 24 August 2015, CITIC Group and CITIC Telecom entered into a share subscription agreement (the "Share Subscription Agreement") 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 (the "Subscription Shares") at the subscription price of HK$3.00 per Subscription Share (the "Share Subscription"), subject to the terms and conditions of the Share Subscription Agreement.

The total consideration of the Share Subscription (the "Subscription Consideration") would be the Hong Kong dollar equivalent for the amount of the Final Consideration (to be converted at the central parity exchange rate between RMB and Hong Kong dollar as published by the People's Bank of China as of the date of the payment of the Subscription Consideration), but in any event not exceeding HK$1,562,139,658.

CITIC Group is the controlling shareholder of the Company which in turn is the indirect holding company of CITIC Telecom. Therefore, CITIC Group is a connected person of the Company and CITIC Telecom. The Company is not a party to the Acquisition and the Share Subscription (collectively, the "Transactions") but because CITIC Telecom is its subsidiary, the Transactions constitute connected transactions of the Company.

3. On 16 October 2015, CITIC Holdings Co., Ltd., ("CITIC Holdings", an indirect wholly-owned subsidiary of the Company) entered into a shareholders agreement ("Joint Venture Agreement") with CPG Overseas, SII International Holding Ltd. ("SII International"), ITOCHU, China Mobile International Holdings Limited ("China Mobile") and Wealth Partner Global Limited ("Wealth Partner"), pursuant to which, all parties agreed to set up a joint venture company F2F Cayman Islands Holdings Limited (the "Joint Venture") in order to operate cross-border e-commerce business in the People's Republic of China. According to the Joint Venture Agreement, CITIC Holdings, CPG Overseas, SII International, ITOCHU, China Mobile and Wealth Partner agreed to make the capital contribution in cash in the proportion of 16%, 16%, 16%, 16%, 16% and 20% respectively through the subscription for ordinary shares of the Joint Venture at a price of US$1 per share with a total aggregate investment amount of US$483,880,000.

   CPG Overseas and ITOCHU each holds 50% equity interests in but do not individually have control over CT Bright, which in turn holds 20% equity interests in the Company. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has confirmed to the Company that as the transaction was conducted with both beneficial shareholders of CT Bright, the transaction contemplated under the Joint Venture Agreement would constitute a connected transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

Non-Exempt Continuing Connected Transactions

Set out below is information in relation to certain non-exempt continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in this annual report and the consolidated financial statements of the Company. The full text of each announcement can be found on http://www.citic.com/InvestorRelations/Announcements.

1. On 30 September 2014, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CITIC Group setting out the basis upon which members of the Group continue to carry out the transactions contemplated under the Framework Agreements with CITIC Group and/or its associates (the "Connected Persons") upon completion of the acquisition of 100% of the total issued share capital of CITIC Corporation Limited on 25 August 2014. CITIC Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore the entering into of the Framework Agreements by the Company with CITIC Group and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

(a) Sales Framework Agreement ("Sales FA") — sale of manganese ore by the Group to the Connected Persons

Period: commencing from 25 August 2014 and ending on 31 December 2016

Annual Caps:	*for year ended 31/12/2015*	*for year ending 31/12/2016*
	RMB660,000,000	RMB720,000,000

The transaction amount under the Sales FA for the year ended 31 December 2015 was approximately RMB272,560,694.88.

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

The term of the above agreement expired on 31 December 2014. As both parties intended to continue to carry out the relevant transactions, the Company and CITIC Group entered into a new advertising and promotion framework agreement ("Advertising and Promotion FA") on 30 March 2015.

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

Annual Caps:	*for year ended 31/12/2015*	*for year ending 31/12/2016*	*for year ending 31/12/2017*
	RMB400,000,000	RMB450,000,000	RMB550,000,000

There were no transactions under the Advertising and Promotion FA for the year ended 31 December 2015.

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

The maximum daily balance of the financial assistance was adjusted under the Supplemental Agreement dated 30 March 2015 (the "Supplemental Agreement"), details of which are set out in the Company's announcement dated 30 March 2015.

Period:	commencing from 25 August 2014 and ending on 31 December 2016	
Revised Maximum Daily Balance:	*for year ended 31/12/2015* RMB6,830,000,000	*for year ending 31/12/2016* RMB8,830,000,000

The maximum daily balance of the financial assistance under the Supplemental Agreement to the Financial Assistance FA for the year ended 31 December 2015 was approximately RMB1,465,614,192.

2. Reference is made to the announcement dated 8 December 2014 and the circular dated 2 January 2015 issued by China CITIC Bank Corporation Limited ("CITIC Bank", a non wholly-owned subsidiary of the Company), with respect to, among other things, the asset transfer framework agreement (the "Asset Transfer FA") entered into on 8 December 2014 between CITIC Bank and CITIC Group in relation to the transfer of loan and other related assets between CITIC Bank and the Connected Persons.

   Under the Asset Transfer FA, the asset transfer transactions with the Connected Persons, including but not limited to CITIC Factoring Corporation Ltd. and CITIC Futong Financial Leasing Co., Ltd., constitute continuing connected transactions of the Company. Details of the above are set out in the Company's announcement dated 30 March 2015.

Annual Caps:	*for year ended 31/12/2015* RMB10,000,000,000	*for year ending 31/12/2016* RMB11,000,000,000	*for year ending 31/12/2017* RMB12,600,000,000

   The transaction amount for the asset transfer transactions under the Asset Transfer FA for the year ended 31 December 2015 was approximately RMB4,074,923,100.

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2015 (the "Transactions") and confirm that:

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 123 to 124 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Share Option Plan Adopted by the Company

(i) CITIC Pacific Share Incentive Plan 2000

The Company adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 which expired on 30 May 2010. The major terms of the Plan 2000 are as follows:

1. The purpose of the Plan 2000 is to promote the interests of the Company and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of the Company, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Company.

2. The participants of the Plan 2000 are any director, executive or employee of the Company or its subsidiaries as invited by the board.

3. The maximum number of shares over which options may be granted under the Plan 2000 shall not exceed 10% of (i) the Company's shares in issue from time to time or (ii) the Company's shares in issue as at the date of adopting the Plan 2000, whichever is the lower.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue.

5. The exercise period of any option granted under the Plan 2000 must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The exercise price determined by the board will be at least the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

8. The life of the Plan 2000 is ten years.

The Plan 2000 ended on 30 May 2010.

During the period between the adoption of the Plan 2000 and its expiry, the Company granted six lots of share options:

Date of grant	Number of share options	Exercise price per share HK$
28.05.2002	11,550,000	18.20
01.11.2004	12,780,000	19.90
20.06.2006	15,930,000	22.10
16.10.2007	18,500,000	47.32
19.11.2009	13,890,000	22.00
14.01.2010	880,000	20.59

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.

All 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.

None of the share options granted under the Plan 2000 were exercised or cancelled, but options for 400,000 shares have lapsed during the year ended 31 December 2015. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2015 is as follows:

Employees of the Company under continuous contracts (as defined in the Employment Ordinance), other than the directors

		Number of share options			
Date of grant	Exercise Price HK$	Balance as at 01.01.2015	Exercised/ cancelled during the year ended 31.12.2015	Lapsed during the year ended ended 31.12.2015	Balance as at 31.12.2015
14.01.2010	20.59	400,000	–	400,000	–

(ii) CITIC Pacific Share Incentive Plan 2011

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. The major terms of the Plan 2011 are as follows:

1. The purpose of the Plan 2011 is to promote the interests of the Company and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of Group.

2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Company as the board may in its discretion select.

3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 24 March 2016, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Company's shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.

5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The subscription price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.

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

No share options were granted under the Plan 2011 during the year ended 31 December 2015.

Share Option Plan Adopted by Subsidiaries of the Company

CITIC Telecom International Holdings Limited ("CITIC Telecom")

CITIC Telecom adopted a share option plan (the "CITIC Telecom Share Option Plan") on 17 May 2007. The major terms of the CITIC Telecom Share Option Plan are as follows:

1. The purpose of the CITIC Telecom Share Option Plan is to attract and retain the best quality personnel for the development of CITIC Telecom's businesses; to provide additional incentives to CITIC Telecom Directors, Officers and Employees (as defined here below); and to promote the long term financial success of CITIC Telecom by aligning the interests of grantees to shareholders of CITIC Telecom.

2. The grantees of the CITIC Telecom Share Option Plan are any person employed by CITIC Telecom or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries (collectively the "CITIC Telecom Directors, Officers and Employees") as the board of CITIC Telecom may, in its absolute discretion, select.

3. The total number of shares of CITIC Telecom (the "CITIC Telecom Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC Telecom Shares in issue. Where any further grant of options to a grantee would result in the CITIC Telecom Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the CITIC Telecom Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Telecom in general meeting.

4. The exercise period of any option granted under the CITIC Telecom Share Option Plan must not be more than ten years commencing on the date of grant.

5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

6. The subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of CITIC Telecom's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

7. The CITIC Telecom Share Option Plan shall be valid and effective till 16 May 2017.

As approved at the annual general meeting of CITIC Telecom held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the CITIC Telecom Share Option Plan, the total number of the CITIC Telecom Shares which may be issued upon the exercise of all options to be granted under the CITIC Telecom Share Option Plan, together with all outstanding options granted and yet to be exercised under the CITIC Telecom Share Option Plan, shall not exceed 333,505,276 CITIC Telecom Shares, being 10% of the number of the CITIC Telecom Shares in issue as at the date of approval of the refreshment of the mandate limit. As at 24 March 2016, the maximum number of CITIC Telecom Shares available for issue under the CITIC Telecom Share Option Plan is 132,430,919, representing approximately 3.91% of the CITIC Telecom Shares in issue.

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

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
23.05.2007	18,720,000	23.05.2007–22.05.2012	3.26
17.09.2009	17,912,500	17.09.2010–16.09.2015	2.10
17.09.2009	17,912,500	17.09.2011–16.09.2016	2.10
19.08.2011	24,227,500	19.08.2012–18.08.2017	1.54
19.08.2011	24,227,500	19.08.2013–18.08.2018	1.54
26.06.2013	81,347,000	26.06.2013–25.06.2018	2.25
24.03.2015	43,756,250	24.03.2016–23.03.2021	2.612
24.03.2015	43,756,250	24.03.2017–23.03.2022	2.612

Upon completion of the rights issue of CITIC Telecom on 7 June 2013, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of CITIC Telecom as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

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

The closing price of CITIC Telecom Shares immediately before the grant on 24 March 2015 was HK$2.59. All options granted on 24 March 2015 were accepted except for options for 398,000 CITIC Telecom Shares.

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

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012 and the first 50% of the share options granted on 17 September 2009 have expired at the close of business on 16 September 2015. The remaining options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

As at 1 January 2015, options for 94,478,688 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2015, options for 26,667,686 CITIC Telecom Shares were exercised and options for 1,807,245 CITIC Telecom Shares have lapsed and options for 398,000 CITIC Telecom Shares were cancelled. As at 31 December 2015, options for 67,388,757 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

A summary of the movements of the share options during the year ended 31 December 2015 is as follows:

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

	Number of share options					
Date of grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015[1]	Cancelled during the year ended 31.12.2015[2]	Lapsed during the year ended 31.12.2015[3]	Balance as at 31.12.2015
17.09.2009	12,711,695	–	7,292,435	–	47,187	5,372,073
19.08.2011	22,619,176	–	5,885,251	–	60,058	16,673,867
26.06.2013	58,747,817	–	13,490,000	–	315,000	44,942,817
24.03.2015	–	86,312,500	–	398,000	1,385,000	84,529,500

B. Others [4]

	Number of share options		
Date of grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Balance as at 31.12.2015
26.06.2013	400,000	–	400,000
24.03.2015	–	1,200,000	1,200,000

Notes:

(1) The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.19.

(2) These are in respect of options granted to employees under continuous contracts who had not accepted the options. These options were cancelled during the year ended 31 December 2015.

(3) These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2015.

(4) These are in respect of options granted to independent non-executive directors of CITIC Telecom who are not employees under continuous contracts. None of these options were exercised, cancelled or lapsed during the year ended 31 December 2015.

The average fair value of an option of the lot granted on 24 March 2015 on one ordinary share of CITIC Telecom measured at the date of grant of 24 March 2015 was HK$0.673 based on the following assumptions using the binomial option pricing model:

– Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.1 years respectively;

– Expected volatility of CITIC Telecom's share price at 40% per annum (based on historical movements of CITIC Telecom's share prices);

– Expected annual dividend yield of 4.0%;

– Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;

– Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and

– Risk-free interest rate of 1.18% and 1.30% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

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

The total expense recognised in CITIC Telecom Group's consolidated income statement for the year ended 31 December 2015 in respect of the above grant of options was HK$28,120,000.

Dah Chong Hong Holdings Limited ("DCH Holdings")

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

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

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

3. The maximum number of shares over which share options may be granted under the DCHH Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 24 March 2016, the maximum number of shares available for issue under the DCHH Scheme is 114,400,000, representing approximately 6.24% of the issued shares of DCH Holdings. Share options lapsed in accordance with the terms of the DCHH Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

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

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

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

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

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

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

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

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 7 July 2010 was HK$4.69 per share. The share options had expired by the close of business on 6 July 2015.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 8 June 2012 was HK$7.49 per share. The remaining contractual life of the share options is 1.4 years.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 30 April 2014 was HK$4.91 per share. The remaining contractual life of the share options is 3.3 years.

The grantees were certain directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of the Company.

(a) Employees of the DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance)

	Number of share options					
Date of Grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015
07.07.2010	5,140,000	–	–	5,100,000	40,000[(2)]	–
08.06.2012	19,750,000	–	–	1,000,000	–	18,750,000
30.04.2014	26,350,000	–	–	1,950,000	–	24,400,000

b) Others [(1)]

	Number of share options					
Date of Grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015
07.07.2010	900,000	–	–	800,000	100,000[(2)]	–
08.06.2012	3,450,000	–	–	–	–	3,450,000
30.04.2014	1,500,000	–	–	–	–	1,500,000

Notes:

(1) These are in respect of share options granted to former employees of DCH Holdings group whose employment was terminated other than for cause or misconduct.

(2) The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$5.06.

As at 1 January 2015, options for 57,090,000 DCH Holdings' shares were outstanding under the DCHH Scheme. During the year ended 31 December 2015, options for 140,000 shares in DCH Holdings were exercised, options for 8,850,000 DCH Holdings' shares were lapsed and none of the options were cancelled. As at 31 December 2015, options for 48,100,000 DCH Holdings' shares under the DCHH Scheme were exercisable.

CITIC Resources Holdings Limited ("CITIC Resources")

CITIC Resources adopted a share option scheme on 30 June 2004 (the "Old Scheme") for a term of 10 years, which expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiry of the Old Scheme remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

A summary of the movements of the share options of CITIC Resources under the Old Scheme during the year ended 31 December 2015 is as follows:

			Number of share options		
Date of grant	**Exercise Price*** HK$	**Exercise Period**	**Balance as at 01.01.2015**	**Exercised/ Lapsed/ Cancelled during the year ended 31.12.2015**	**Balance as at 31.12.2015**
06.11.2013	1.770	06.11.2014–05.11.2018	200,000,000	–	200,000,000
06.11.2013	1.770	06.11.2015–05.11.2018	200,000,000	–	200,000,000

* The exercise price of the share options is subject to adjustment in case of a rights issue or bonus issue, or other similar changes in the share capital of CITIC Resources.

Notes: The share options are subject to the following vesting conditions:

(i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and
(ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

The grantee was a director of CITIC Resources.

As at 31 December 2015, CITIC Resources had 400,000,000 share options outstanding under the Old Scheme.

To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the "New Scheme").

Pursuant to the New Scheme, CITIC Resources may grant options to eligible persons to subscribe for shares of CITIC Resources subject to the terms and conditions stipulated therein. A summary of some of the principal terms of the New Scheme is as follows:

(a) To allow CITIC Resources (i) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the CITIC Resources group attain its strategic objectives by offering share options to enhance general remuneration packages; (ii) to align the interests of the directors and employees of the CITIC Resources group with the performance of CITIC Resources and the value of the shares; and (iii) to align the commercial interests of business associates, customers and suppliers of the CITIC Resources group with the interests and success of the CITIC Resources group.

(b) The eligible persons include employees and directors of CITIC Resources and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the CITIC Resources group.

(c) The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of CITIC Resources shall not exceed 10% of the total number of shares of CITIC Resources in issue as at the date of adoption of the New Scheme.

(d) The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of CITIC Resources in issue at the date of grant.

(e) The period during which an option may be exercised is determined by the board of directors of CITIC Resources at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.

(f) The minimum period for which an option must be held before it can be exercised is one year.

(g) The exercise price payable in respect of each share of CITIC Resources shall be not less than the greater of (i) the closing price of the shares of CITIC Resources on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the shares of CITIC Resources on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of CITIC Resources.

(h) The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted under the New Scheme during the year ended 31 December 2015.

CITIC Envirotech Ltd. (formerly United Envirotech Ltd) ("CITIC Envirotech")

CITIC Envirotech is a company incorporated in Singapore and whose shares are listed on the main board of the Singapore Exchange. It became a subsidiary of the Company since April 2015 and changed its name from United Envirotech Ltd to CITIC Envirotech Ltd. on 30 July 2015.

CITIC Envirotech adopted the Employee Share Option Scheme (the "Scheme") on 2 February 2010. A summary of the Scheme is as follows:

1. The Scheme is primarily a share incentive scheme. It provides CITIC Envirotech with the means to use share options as part of a compensation scheme for attracting as well as promoting long-term staff retention. The objectives of the Scheme are to (a) to motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the CITIC Envirotech group; (b) to make employee remuneration sufficiently competitive to recruit and retain participants whose contributions are important to the long-term growth and profitability of the CITIC Envirotech group; (c) to instil loyalty to, and a stronger identification by the participants with the long-term development and growth of, CITIC Envirotech; (d) to attract potential employees with relevant skills to contribute to the CITIC Envirotech group and to create value for the shareholders; (e) to align the interests of the participants with the interests of the shareholders; and (f) to give recognition to the contributions made or to be made by the CITIC Envirotech group non-executive directors (including independent directors) to the success of the CITIC Envirotech group.

2. The participants of the Scheme are group employees (including group executive directors) and group non-executive directors (including independent directors) of CITIC Envirotech.

3. The aggregate number of shares in respect of which options may be granted on any date under the Scheme, when added to the amount of shares issued and issuable and/or transferred and transferable in respect of:

   (a) all shares available under the Scheme; and

   (b) all shares, options or awards granted under any other share option or share scheme of CITIC Envirotech then in force,

   shall not exceed 15% of the number of issued shares (excluding treasury shares) of CITIC Envirotech on the day immediately preceding the relevant date of grant (or such other limit as the Singapore Exchange may determine from time to time). The options which have already been granted shall not be invalidated in the event that a reduction of CITIC Envirotech's capital or a buy back of its shares (if applicable) results in the shares issuable and/or transferable under outstanding options exceeding 15% of CITIC Envirotech's issued share capital (excluding treasury shares).

   The aggregate number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to all controlling shareholders and their associates of CITIC Envirotech shall not exceed 25% of the shares available under the Scheme.

   The number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to each controlling shareholder or each of his associates of CITIC Envirotech shall not exceed 10% of the shares available under the Scheme.

4. The aggregate number of shares in respect of which options may be offered to a grantee for subscription in accordance with the Scheme shall be determined at the discretion of the remuneration committee of CITIC Envirotech who shall take into account criteria such as rank, past performance, years of service and potential for future development of the participant.

5. If the options remain unexercised after a period of 10 years (executive directors and employees) and 5 years (non-executive directors) from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

6. The vesting period is 1 year for non-discount options and 2 years for discounted options.

7. The consideration for the grant of an option is S$1.00.

8. The exercise price is based on the price that is equivalent to the Market Price*; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of shareholders shall have been obtained in a separate resolution.

   * Market Price: a price equal to the average of the last dealt prices for the shares on the Singapore Exchange over the five consecutive trading days, immediately preceding the date of grant of that option, as determined by the remuneration committee of CITIC Envirotech by reference to the daily official list or any other publication published by the Singapore Exchange.

9. The Scheme shall continue to be in force at the discretion of the remuneration committee of CITIC Envirotech, subject to a maximum period of 10 years, commencing on February 2010. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required. The Scheme may be terminated at any time by the remuneration committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated, no further options shall be offered by CITIC Envirotech hereunder.

Since the adoption of the Scheme, CITIC Envirotech has granted the following share options:

Date of grant	Number of share options	Exercise price per share S$	Exercise period	Number of share options exercised during the year ended 31.12.2015	Closing price per share S$
01.03.2010	4,375,000	0.2780	01.03.2011–01.03.2020	200,000	1.675*
01.03.2010	4,375,000	0.2224	01.03.2012–01.03.2020	200,000	1.675*
20.07.2010	1,500,000	0.3830	20.07.2011–20.07.2020	–	–
20.07.2010	1,500,000	0.3064	20.07.2012–20.07.2020	–	–
15.02.2013	49,950,000	0.552	15.02.2015–15.02.2023	14,724,500	1.675*
15.02.2013	49,950,000	0.552	15.02.2015–15.02.2023	1,050,000	1.59*
28.03.2013	12,000,000	0.584	28.03.2015–28.03.2023	–	–
25.07.2014	6,000,000	1.135	25.07.2016–25.07.2024	–	–

* This represented the weighted average closing price of the ordinary shares of CITIC Envirotech immediately before the date on which the share options were exercised.

Under the Scheme, the ordinary shares of CITIC Envirotech under option may be exercised in full or a multiple thereof, on the payment of the exercise price.

The grantees were certain directors and employees of CITIC Envirotech. None were granted to the directors, chief executives or substantial shareholders of the Company. As at 1 January 2015, 70,950,000 ordinary shares of CITIC Envirotech under option were outstanding. During the year ended 31 December 2015, 16,174,500 ordinary shares of CITIC Envirotech under option were exercised, and 900,000 ordinary shares of CITIC Envirotech under option were cancelled. As at 31 December 2015, 53,875,500 ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of share options under the Scheme during the year ended 31 December 2015 is as follows:

(a) Directors of CITIC Envirotech

	Number of share options						
Date of grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	Weighted average closing price per share S$
01.03.2010	1,500,000	–	–	–	–	1,500,000	–
01.03.2010	1,500,000	–	–	–	–	1,500,000	–
15.02.2013	1,050,000	–	–	–	1,050,000	–	1.59
28.03.2013	12,000,000	–	–	–	–	12,000,000	–

(b) Employees of CITIC Envirotech

	Number of share options						
Date of grant	Balance as at 01.01.2015	Granted during the year ended 31.12.2015	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	Weighted average closing price per share S$
01.03.2010	200,000	–	–	–	200,000	–	1.675
01.03.2010	200,000	–	–	–	200,000	–	1.675
15.02.2013	48,500,000	–	–	–	14,724,500	33,775,500	1.675
25.07.2014	6,000,000	–	900,000	–	–	5,100,000	–

No options were granted during the financial year.

Directors' Interests in Securities

As at 31 December 2015, none of the directors of the Company had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Listing Rules.

Arrangement to Acquire Shares or Debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 31 December 2015, substantial shareholders of the Company (other than directors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which were notified to the Company, were as follows:

Name	Nature of interest/capacity	Number of shares of the Company	Approximate percentage to the number of 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.

Shareholding Statistics

Based on the share register records of the Company, set out below is a shareholding statistics chart of the registered shareholders of the Company as at 31 December 2015:

Number of shares held	**Number of shareholders**	**Percentage**
1 to 1,000	4,117	52.45
1,001 to 10,000	2,926	37.27
10,001 to 100,000	733	9.34
100,001 to 1,000,000	61	0.78
1,000,001 to 100,000,000	6	0.08
100,000,001 to 500,000,000	1	0.01
500,000,001 to 2,000,000,000	2	0.02
2,000,000,001 above	4	0.05
Total:	7,850	100

As at 31 December 2015, the total number of ordinary shares in issue of the Company was 29,090,262,630 and based on the share register records of the Company, HKSCC Nominees Limited held 8,086,104,350 ordinary shares in entities ranging from 1,000 to 100,000,000 ordinary shares and representing 27.7966% of the total number of ordinary shares in issue of the Company.

Shares Issued

During the year, the Company issued shares as follows:

(i) allotment and issue of 3,327,721,000 fully paid convertible preferred shares to CT Bright on 3 August 2015 for a total consideration of HK$45,922,549,800;

(ii) allotment and issue of 859,218,000 ordinary shares to Xin Ma Apparel International Limited on 12 August 2015 for a total consideration of HK$11,986,091,100; and

(iii) allotment and issue of 3,327,721,000 ordinary shares to CT Bright upon full conversion of the preferred shares on 14 August 2015.

Details of the above shares issued are disclosed in the preceding section headed "Subscription of Preferred Shares, Sale of Shares, Subscription of New Shares and Conversion of Preferred Shares" and shown in Note 44 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiary companies has purchased or sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Sufficiency of Public Float

The Stock Exchange has granted a waiver (the "Waiver") to the Company from strict compliance with the minimum public float of 25% upon completion of the acquisition of CITIC Corporation Limited (the "Acquisition") on 25 August 2014. Pursuant to the Waiver, the Company has complied with the public float requirement which is at the higher of such a percentage (being 21.87%) of shares held by the public immediately after completion of the Acquisition. Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Waiver.

Auditor

At the close of the 2015 AGM, Messrs KPMG, Certified Public Accountants, retired as auditor of the Company upon expiration of its term of office and Messrs PricewaterhouseCoopers, Certified Public Accountants, was appointed as new auditor of the Company to hold office until the conclusion of the 2016 AGM.

The accounts for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who shall retire and, being eligible, offer themselves for re-appointment.

By Order of the Board,
Chang Zhenming
Chairman
Hong Kong, 24 March 2016

Environmental, Social and Governance Report

Overview

At CITIC Limited, we have incorporated the idea of sustainability into our corporate development strategies and day-to-day management and strive to honor our corporate citizenship by

- following green development initiatives to seek new growth points in energy-saving and environmental industries;

  CITIC Environment has carried out several key projects and has fostered three major strategic business segments: water treatment, solid waste disposal and energy conservation services. The company creates values for shareholders while stays committed to environment protection. In April, 2015, it acquired Singapore-listed United Envirotech Ltd., a global leader in water treatment, making CITIC Environment flagship for CITIC Limited in water supply and water treatment.

- offering employment for local communities, totaling 133,526, up by 8,253 from 2014, among which women staff have increased by 4,647; improving human-resource management mechanism to enhance the sense of belonging and cohesion among our employees;

  CITIC Heavy Industries Links remuneration with employees' skills to galvanise front-line staff to learn and improve their skills and to innovate through implementing initiatives, including "Master Craftsmanship", workshop and makers group.

  CITIC Construction, CITIC Mining International and other subsidiaries with overseas projects attended to their employees' psychological well-being and conducted psychological counseling and survey programmes, including Sunshine Campaign Training Camps and Glamorous November campaign.

- adhering consistently to the CITIC ethos of conducting ourselves in compliance with laws, rules and regulations and fostering a sound and corruption-free business environment in strict accordance with proper business ethics and our code of conduct and publishing *CITIC Limited Measures for Dealing with Whistleblowing* and the *CITIC Limited Staff Code of Conduct*;

- caring for the well-being of the communities in which we operate, donating approximately RMB75 million and HK$6 million for disaster-relief, education, the underprivileged, public health and cultural and sports activities.

Environmental Protection

CITIC Limited is committed to environmental protection and the efficient use of resources. We have adopted effective measures in the course of our business to minimise the impact of our operations on the environment. We have also made a commitment to improve our environmental practices and performance in order to meet changing needs in social development.

Our Green Initiatives

In response to China's initiative to promote cooperation in the public service sector and the government, we have organised social capital (PPP) joint entities among our subsidiaries, such as CITIC Bank, CITIC Trust, CITIC Securities, CITIC Engineering Design and CITIC Environment. Through the provision of integrated service solutions, including consulting, designing and management, direct investment and financing, we are constructing and operating social and public products and services related to environmental protection that contribute to a "Beautiful China" and protection of the environment, regarding river control and sewage treatment.

CITIC Engineering Design CITIC Bank	CITIC Bank CITIC PE	CITIC Environment CITIC Bank
Wuhan Clean Water into the River Project	Sewage Interception Project Around Erhai Lake in Dali	Waste Water Treatment of 4 Water Plants in Liaoyang and Their Ancillary Pipe Networks

Green Finance

Our subsidiaries in the financial sector continued to offer their green credit programme to resource-saving companies and environmentally-friendly industries in response to China's green finance policy.

CITIC Bank

In the CITIC Bank Strategic Planning 2015-2017 initiative, CITIC Bank has specified that it will persist in supporting selected key sectors, including new economy industries and strategic new industries such as energy conservation and environmental protection, alternative energy, next-generation information technology, green materials, alternative-energy vehicles, biology and high-end equipment manufacturing.

Launch of a carbon-related financial business

In 2015, CITIC Bank studied national policies on climate change and supported research carried out by tertiary institutions and other research institutes in areas such as carbon exchange, the "sponge city" concept and sustainable development. The result was the *Analysis on the Development of Carbon Exchange in China* report, which discussed national policies concerning climate change and the market demand for related financial product solutions.

Exploring the green credit sector

Formulating a new credit policy. In 2015, CITIC Bank has set out green credit principles and requirements for the equipment manufacturing, petrochemical, cement production. CITIC Bank implemented new credit approval process. During the pre-loan due diligence stage, CITIC Bank will focus on compliance, land use, environmental impacts related to project loan applications. During the examination and approval stage, an environmental veto system will check the environmental compliance of the potential corporate borrower as a pre-condition for granting credit. In support of this process are two new policies — the Four Reasons for Rejecting Loan Applications [Note 1] and Six Requisite Conditions for Project Financing [Note 2]. As at the end of 2015, green loans by CITIC Bank were mainly granted to projects in green transportation, recyclable energy and clean energy, energy conservation and environment protection service, waste treatment and pollution prevention.

CITIC Trust

CITIC Trust provided financial support of over RMB100 million as well as other integrated financial services to environmental technology companies, such as Beijing Bairui Shengtian, Beijing Chinsuny Environment Protection Tech Company and Qinghai Huaheng New Energy. CITIC Trust has also taken steps to minimise its own carbon footprint and carbon emissions by promoting a green office, energy conservation and emissions reductions among its staff.

Notes:

(1) Rejected projects include those failing to obtain the approval of competent environmental authorities; new construction projects under the restricted category of national industrial policies and projects under the elimination category; high-pollution projects subject to "regional approval restrictions" and "river region approval restrictions" under the classification of the Ministry of Environmental Protection; and companies and projects subject to non-compliance with environmental regulations.

(2) Credit will not be granted to companies that fail to comply with industry policies and market entry thresholds; project approval, vetting or filing procedures; land use pre-approval; environmental impact assessments; energy conservation assessment vetting and credit; and safety and urban planning requirements.

Resources and Energy

CITIC Resources

As an integrated supplier of strategic natural resources and major commodities, CITIC Resources applies the latest technologies in an effort to protect the natural environment of its operating areas and the local communities.

Karazhanbas Oilfield turns scrap metal into cash

The Karazhanbas Oilfield in Kazakhstan has been in operation since 1974. Over the years, it has amassed a large quantity of abandoned facilities, vehicles and pipe materials in the plant zone with the retirement of obsolete production equipment and the introduction of technology and process upgrades. This dumping has resulted in considerable contamination and damage of the surrounding ecology. In October 2014, Karazhanbas Oilfield established a work group to clean up scrap metals, which have been classified into more than ten categories. Independent contractors hired by the Oilfield have since sold off the scrap metals, including 15,600 tonnes of scrap metals from November 2014 to December 2015. In the meantime, Karazhanbas Oilfield has built a new scrap metals stockpile in compliance with the environmental authorities of Kazakhstan. From May 2015 when this new stockpile began operating to December 2015, over 2,000 tonnes of scrap metal has been stored.

Photo 1: The plant zone before the clean-up

Photo 2: The plant zone after the clean-up

Photo 3: The new scrap metals stockpile

CITIC Mining International

In 2015, CITIC Mining International reported positive results from its environmental management system and full compliance with government regulations. CITIC Mining International is now upgrading its environmental management system (EMS) on an ongoing basis to ensure Sino-iron project to fully comply with the latest ISO14001 environmental management system standards published in 2015.

As the first company in the resource sector joining the Pilbara Mesquite Management Committee (PMMC) in 2009, CITIC Mining International has been actively involved in the formulation, examination and implementation of a strategic prosopis treatment. Thereafter, seven companies engaged in the resource business and cattle rearers in CITIC Mining International's Mardie Station have also joined the collective effort to fight prosopis. PMMC was awarded the Golden Gecko Award 2015 for its work in wiping out prosopis, in which CITIC Mining International played a key role.

Sunburst Energy

In 2015, subsidiaries of Sunburst Energy, including Jiangsu Lidian Group and Shandong Xin Julong Company, adopted the following measures in environmental protection, energy conservation and emissions reduction:

Description	Initiatives	Achievements
Emission control	Conversion work for de-nitration, de-dusting, de-sulphuring and ultra-low emission at generator units #8, #1, #2 and #5 of Lidian Group.	Upon completion of the conversion, the concentration of atmospheric pollutants nitric and nitrogen oxides, sulphur dioxide and dust discharged from the generator units will fall below the respective designated limits of 50, 35 and 10mg/m^3.
Solid waste disposal	Lidian Group conducted sales of all processed slag reclaimed from thermal coal combustion and gypsum from de-sulphuring and completed denigration catalyst regeneration for 6 generator units in association with Xi'an Thermal Power Research Institute.	Effective utilisation of solid waste.
Utilisation of water resources	Xin Julong Company erected three-dimensional structures above and below the wells to address serious coal silting in the magnetic separation water purification processing system below the well and the water treatment system above the well, thoroughly eliminating the problem through the application of advanced production processes.	Effective improvement of mine water treatment system.

Photo 1: Lidian Group processes slag and gypsum for sale

Photo 2: De-sulphuring and catalyst regeneration workshop of Lidian Group

Manufacturing

CITIC Heavy Industries

CITIC Heavy Industries fully complies with national laws and regulations pertaining to environmental protection and environmental standards. The handling of waste water, polluted air, noise and solid wastes and the related facilities have been operating normally.

Description	Initiatives	Achievements
Waste water treatment	A new water reclamation system has been built on the basis of the existing industrial waste water treatment station and is currently in the testing process.	Volume of waste water discharge will be effectively reduced upon completion of testing.
Solid waste disposal	Daily garbage and construction trash are sent separately for burial at relevant landfills. Waste sand generated from the casting process is mostly reclaimed after processing at the waste sand processing unit. The minority of non-recoverable waste sand is buried at the waste sand landfill. A warehouse has been built exclusively for the temporary storage of hazardous waste and qualified parties are engaged on a regular basis to dispose of the waste.	Effective handling of solid waste classification.
Noise treatment	A range of sound insulation devices, sound arresters and mufflers has been installed corresponding to different sources of noise. Trees are planted in large numbers in the factory zone to reduce noise pollution.	Noise emission in compliance with national standards on noise control.

CITIC Dicastal

CITIC Dicastal commenced the following projects in environmental protection and energy conservation/discharge reduction in 2015:

Description	Initiative	Achievement
Utilisation of water resources	Construction of the reclaimed water treatment system for the processing of waste water discharged from the waste water treatment station, water discharged from the cooling system, and concentrated water generated from the preparation of de-ionised water.	Processed waste water has been partially recovered for use, at a recovery rate of 150-200t/d.
Dust treatment	Two-tier de-dusting is adopted at the cast spinning workshop through the use of a ceramic multi-tube cyclone dust collector plus an anti-static pulse-jet dust removal bag.	The result of dust discharge tests has improved from 301.2mg/m^3 before treatment to 18.72mg/m^3 after treatment.
Energy utilisation	Optimisation and upgrade of the energy system to utilise the residual heat steam engine unit to make up the shortfall in steam supply for the coal-fired boiler.	Saving of steam by 7.09 tonnes per hour.

CITIC Pacific Special Steel

CITIC Pacific Special Steel puts a strong emphasis on the processing of gas, waste water and particles, and the recovery of solid waste. Energy consumption in the production process is lowered through the recycling of gas, steam and thermal air. Major environmental initiatives in 2015 included the following:

Description	Initiative	Achievement
Emissions control	Investment of RMB15.5 million for the upgrade of the sintering system of Xinyegang Steel for energy conservation and environmental protection and for the reduction of energy consumption and sulphur dioxide emissions during the sintering process.	Following commissioning of the project in late 2015, energy consumption of the sintering system has been in compliance with national standards, and sulphur dioxide emissions during the sintering process will be reduced by 860 tonnes each year.
Utilisation of water resources	Investment of RMB11 million for general treatment of the water system of Xinyegang Steel to comply with water conservation standards and improve the discharge outlet, in order to facilitate recovery of waste water from production and meet discharge standards.	The project was set for testing and commissioning at the end of 2015. Upon completion, fresh water consumption is expected to be reduced by over 1.6 million tonnes each year.
Energy utilisation	Investment of RMB37 million to build a new 15MW power generator unit at Tongling Pacific for the utilisation of surplus medium-temperature/medium-pressure steam for power generation.	The project went on grid at the end of June 2015 with estimated annual output of 120 million kwh and power supply of 110 million kwh.

CITIC Environment: an energy conservation and environment specialist with a mission

As a specialised platform of CITIC Limited for energy conservation and environmental protection, CITIC Environment is dedicated to the advancement of energy-conservation and environmental-protection technologies and related industrial upgrades. CITIC Environment has a strong focus on waste water treatment, solid waste processing, energy conservation and discharge reduction, and recovery of resources. It has implemented several key projects with investment modes including BOT (Build-Operation-Transfer), EPC (Engineering, Procurement and Contracting) and PPP (Public-Private-Partnership). Today, the company has three major strategic business segments: water treatment, solid waste disposal and energy conservation services. The company creates values for shareholders.

In April 2015. CITIC Environment completed the transaction of equity acquisition in Singapore-listed United Envirotech Ltd., and renamed it as CITIC Envirotech Ltd., making CITIC Environment a flagship platform for CITIC Limited in water supply and sewage treatment.

Water treatment	**3.6 million tones capacity of daily waste-water treatment** After the acquisition of an equity interest in United Envirotech Ltd. of Singapore, CITIC Environment successfully applies world-advanced membrane bio-reactor (MBR), continuous membrane filtration (CMF) and reverse osmosis (RO) technologies in various water treatment projects. The results of the treatment of industrial waste water, large-volume municipal waste water and drinking water were significantly better than those obtained from traditional treatments. In 2015, CITIC Environment owned 50 water treatment plants across China with an average daily processing capacity of 3.6 million tonnes. CITIC Changyang Water Treatment Co., Ltd. and Ningbo Daxie Development Zone Ecology Sewage Treatment Co., Ltd. processed approximately 13 million tonnes of waste water during the year.
Solid waste disposal	**300 million kwh of electricity generated from solid waste** In May 2014 and August 2015, CITIC Environment made joint investments in the Xinghua City Pilot Park for Environment-friendly Technologies in the Recycling Economy and the Project for Power Generation Through Incineration of Daily Waste in Yinzhou District, Ningbo City with BMEI Co., Ltd and CITIC PE, respectively. Currently under construction, these projects are expected to process 1.07 million tonnes of daily waste in Xinghua City and generate approximately 300 million kwh of electricity through waste incineration in Yinzhou District each year.

Energy conservation services	**Saving 15.33 million kwh for projects' owners** CITIC Environment has invested in a number of energy conservation projects, such as the LED energy conservation conversion project for municipal roads in Daxie Development Zone, energy conservation conversion of the compressed air station of Jiangyin CP Xingcheng Industry Gas Co., Ltd., and LED road lighting in Meishan and lighting along Chongqing Expressway. Power savings for owners in 2015 amounted to approximately 15.33 million kwh.

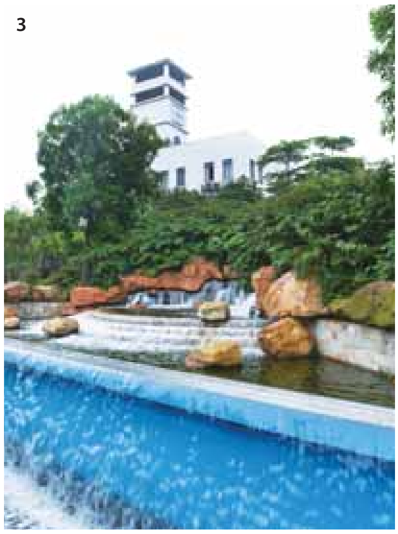


Photo 1: Guangzhou Jingxi Underground Sewage Treatment Plant

Photo 2: Liao Yang Zhongxin District Sewage Treatment Plant

Photo 3: Treated Water in Guangzhou Jingxi Underground Sewage Treatment Plant

Photo 4: MBR Filtration in Liao Yang Zhongxin District Sewage Treatment Plant

Photo 5: Membrane Water Production at Liao Yang Zhongxin District Sewage Treatment Plant

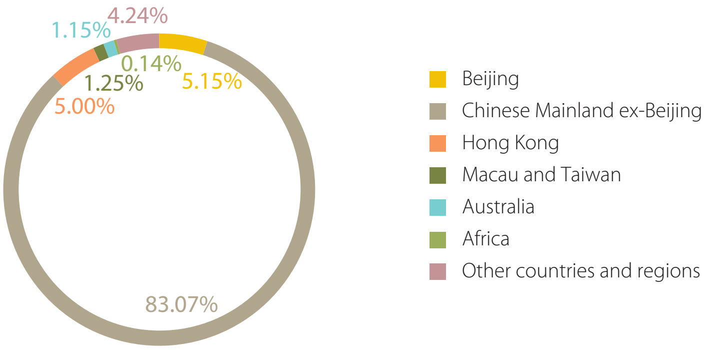
Growing together with our employees

As a global conglomerate, CITIC Limited regards the building of a platform for employees to showcase their capabilities as its mission. We do not just emphasise what employees can do for us, we are concerned with what can be done for employees.

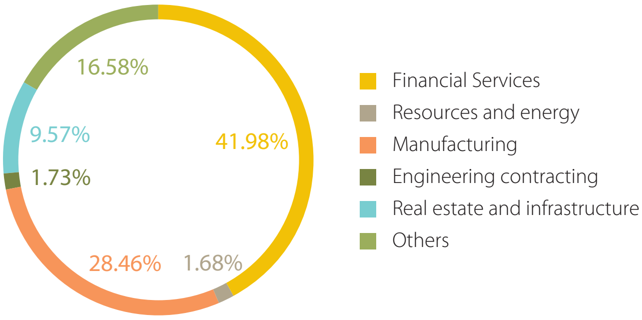
We ensure our labour contracts are in strict compliance with the laws and regulations of the jurisdictions in which we operate and protect the rights of all employees, with a special emphasis on women. We also offer opportunities for career advancement and career planning, while making continuous improvements to our staff remuneration and benefits scheme. In addition, we provide a market-based incentive and appraisal system that links staff remuneration with their performance and continuously optimise our performance appraisal system so that employees can share in the rewards of the Company's business achievements.

Staff Overview

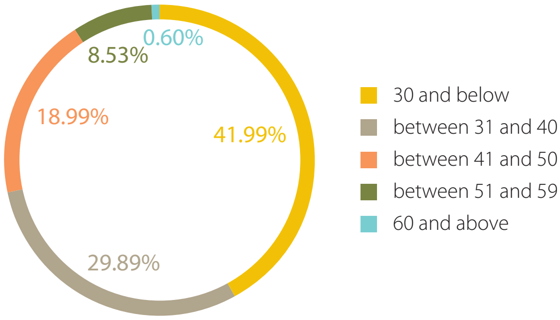
At the end of 2015, CITIC Limited had a total of 133,526 employees, up 8,253 from 2014, among which, women employees increased by 4,647.



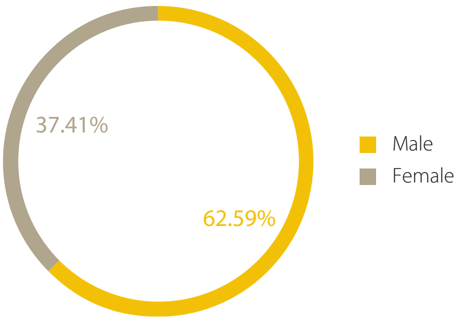
Percentage of employees by region



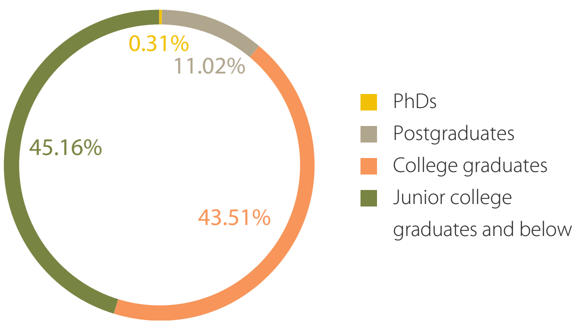
Percentage of employees by business segment



Percentage of employees by age group



Percentage of employees by gender



Percentage of employees by educational background

Equality – the foundation of growth

As part of our people-oriented principles, we offer equal opportunities in employment, career advancement, remuneration and benefits, as well as training and development, regardless of ethnicity, nationality, religion, physical disability or gender, and are committed to the prevention of child or forced labour.

Incentives to consolidate growth

Our remuneration policy places equal emphasis on the market-competitiveness of our remuneration and fairness among employees. In 2015, we improved the performance appraisal system of our subsidiaries and our remuneration mechanism as measured against market benchmarks. Meanwhile, the proportion of deferred performance-lined remuneration was increased for the senior management of subsidiaries with higher risk profiles.

We are in compliance with the requirements of local governments in relation to staff insurance, benefit plans, work hours and annual leave provisions, and provide social insurance with full-coverage. Most subsidiaries also offer additional benefits and insurance coverage for staff, such as corporate annuities (supplementary pension insurance) and supplementary medical insurance. To build core competitiveness and motivate staff, our subsidiaries have launched a variety of recognition programmes. CITIC Heavy Industries links remuneration with employees' skills to galvanise front-line staff to learn and improve their skills and to innovate by implementing initiatives, including "Master Craftsmanship", workshop and by setting up workers makers group, global makers group and freelancing makers group. CITIC Securities set up Innovative Award, Teamwork Award and Loyalty Award to maintain the stability of their talent pool.

Training for future growth

Staff training is a top priority for CITIC. All business segments and subsidiaries provide training so that employees can develop their professional capabilities. Through our annual education and training plan, we organise training programmes for intermediary and senior management personnel as well as professional technical personnel, with a special focus on operational and management staff. We also encourage subsidiaries to share training resources and to conduct education and training programmes of their own.

In addition to regular training programmes, CITIC Construction conducts overseas personal safety protection training. When CITIC Dicastal began organising staff training for the US employees, it became the first Chinese manufacturing enterprise to conduct large-scale training of foreign employees.

Training Programmes in 2015

No.	Item	Subject	Participants	Enrolment	Duration
1	Seminar on Innovative Business Ventures (two sessions)	Strategic rethinking; corporate transformation and reform	Senior management	80 persons	10 days
2	CITIC Trust: Special Training Programme: Swiss Financial Institution Asset Management and Wealth Management	Asset management and wealth management	Personnel at deputy general manager level or above of frontline/ intermediary/back office departments of the Company	22 persons	15 days
3	CITIC Securities: Tsinghua PBCSF Back-up Officer Training Session	Financial reform and macro-economic landscape	Back-up officers	40 persons	3 days
4	Daiwa Securities Research Subject	Business learning	Key business personnel	11 persons	10 days

Photo 1: Live lecture in the training session for Young Leadership Programme of CITIC Limited.

Photo 2: Personal development training in the Group's induction programme for new employees.

Photo 3: Personal development programme for old and new employees at CITIC Construction.

Photo 4: CITIC Bank hosts the first International Talent Training Programme in association with the University of International Business and Economics and signs a strategic cooperation agreement.

Photo 5: High-frequency trading and risk management training at CITIC Securities.

Safeguarding our employees

As part of our commitment to providing a safe and healthy work environment, we are constantly improving our two-tier safety management regime and ensuring that our employees receive the care they require for physical health and psychological well-being. In 2015, our headquarters and financial services subsidiaries organised a Healthy Walk and health lectures to help employees cope with work pressures. Subsidiaries engaged in industrial manufacturing and investment made ongoing improvements to relevant systems and regimes, carried out production safety inspections and organised safety training. For employees working overseas, we held programmes that attend to their psychological well-being. For example, CITIC Construction has organised Sunshine Campaign Training Camps at its project sites in Angola and Venezuela for the past two years, while CITIC Mining International engaged *beyondblue*, a psychological health specialist, to assist foreign-based employees in dealing with psychological issues in work and life.

Operational Practices

As an international business conglomerate, CITIC Limited operates in a wide range of business sectors. Over the years, we have provided innovative products and services to fulfil our customers' needs as part of our customer-oriented principle. During this period, we also enhanced our cooperation with outstanding suppliers and made continuous improvements in our supply-chain management. We firmly oppose any acts of corruption or bribery and make every effort to promote co-development among communities, enterprises and customers.

Building a Regional Platform for Cooperation

In 2015, CITIC Limited further extended its cooperation with third parties by building a regional cooperation platform led by CITIC Bank in 36 regions of China. We also encouraged our subsidiaries to strengthen their ties with local governments and industry leaders through reciprocal visits at senior levels and to match areas for cooperation for the mutual benefit of all parties.

Cooperation with governments	CITIC Bank, CITIC Trust, CITIC Securities, CITIC Heavy Industries, CITIC Dicastal and CITIC Environment engaged in multi-level and multi-sector cooperation with local governments. These included the provincial governments of Hebei, Guangdong and Hubei as well as the municipal governments of Shenzhen, Zhuhai, Chengdu and Suzhou. Areas for cooperation covered integrated financial services, city operations, infrastructure, high-end equipment manufacturing, energy conservation and environmental protection, medical care and culture and tourism.
Cooperation with other enterprises	CITIC Bank, CITIC Securities, CITIC Construction, CITIC Heavy Industries, CITIC Dicastal, CITIC Press, CITIC Pacific Special Steel and CITIC Agriculture Investment discussed cooperation in financial services with leading enterprises, such as CRRC, CIMC and Youngor, and strategic investors including Chia Tai Group and Itochu Group. Topics covered included joint venture opportunities in China and elsewhere, in areas such as agriculture, energy conservation and environmental protection, medical care and elderly care.

Innovation in Products and Services

To fulfil customers' needs, we deliver quality products and services through our subsidiaries engaged in the financial, energy and resources, manufacturing, engineering contracting, real estate as well as many other service sectors. These subsidiaries also offer value-added services under the CITIC brand to customers in an ongoing bid to increase customer satisfaction.

Finance	**CITIC Trust: Innovative Trust Products** CITIC Trust serves the real economy by integrating three major market resources, namely, currency, capital and industries. The company has also participated in the reform of State-owned enterprises with a special focus on agriculture, infrastructure construction, environmental protection, energy conservation, and medical care and pensions. In 2015, the company launched China's first PPP trust product, first SPV asset securitisation product, first Internet cinema crowdfunding trust and first insurance premium life trust. Family trust services such as family offices were another ongoing focus of the company. In 2015, CITIC Trust won the Most Innovative Trust Company Award presented by *Securities Times* and was named The Most Influential Trust Company of the Year by the *Financial Times*.
Engineering contracts	**CITIC Construction Signature Projects** In recent years, CITIC Construction has successfully delivered a series of major projects, such as the KK Project in Angola, Venezuela social housing project and cement plant in Belarus. These have become signature projects of the respective countries where they are located and have helped to enhance the CITIC brand. In 2015, CITIC Construction obtained special-grade qualifications for general contractors of housing construction in China and Grade A qualifications for architectural design, putting it among the first-tier enterprises in China's civil engineering sector with EPC qualifications and full licenses. Internationally, it became the first Chinese enterprise to obtain Class One qualifications in Kazakhstan for construction and installation – the highest qualification for the construction sector in Kazakhstan.
Manufacturing	**CITIC Heavy Industries' Comprehensive Customer Service Platform** In 2015, CITIC Heavy Industries completed its comprehensive customer service platform, which makes use of the Internet and multi-media. The platform showcases the services of CITIC Heavy Industries before, during and after sales in three categories: digital heavy industry, smart production and information services. To fulfil the national strategies of Quality Development Outline (2011–2020) and Made in China 2025, as well as customer requirements, the company sent a number of quality promotion teams on customer site visits. The purpose of the visits was to promote the company's products and services, upgrade the quality of its engineering work and promote the company's brand. These initiatives have enabled the company to gain a better understanding of customers' requirements and technological innovations.
Cultural	**CITIC Press launches Library On Cloud** The Library On Cloud is a free book lending service provided by CITIC Press and CITIC Bank through the airport bookstore chain of CITIC Press and the branch outlets of CITIC Bank, and supported by CITIC Bank credit card. In 2015, CITIC Press continued to deepen its close cooperation with the CITIC Bank Credit Card Centre and signed cooperation agreement with CITIC Bank. Over 300 network outlets have been established in more than 20 cities in China, serving hundreds of thousands of customers.

Anti-corruption

To ensure integrity and fair competition in our operations, we published *CITIC Limited Measures for Dealing with Whistleblowing* and the *CITIC Limited Staff Code of Conduct* in August 2015. *CITIC Limited Measures for Dealing with Whistleblowing* outlines procedures for handling and investigating whistleblowing reports. Channels for whistleblowing have been set up in Hong Kong and the Mainland to encourage employees to contribute to the Company's internal control management by reporting potential fraud and other ethical issues. The *CITIC Limited Staff Code of Conduct* is a mandatory guide of behaviour for all employees, with specific punishments for violations. We conduct semi-annual reviews of staff compliance with the Code. Violations at all levels, including suppliers of outsourced services and partners, will be investigated, reported and corrected in order to prevent unethical acts that could affect the reputation of the Company.

Community Investment

As a responsible corporate citizen, CITIC Limited understands that community involvement is essential for harmonious relations. We encourage our employees to serve and give back to the community through participation in various community activities. We also contribute to a number of community projects by leveraging our advantages as a conglomerate as well as through the active participation of our employees.

Community Donations

In 2015, CITIC Limited and its subsidiaries raised funds for community welfare causes, such as natural disaster relief, education, caring for the underprivileged, and cultural and sporting events. These activities contributed to the development of local communities, winning wide recognition among residents.

	Major Donations		
Type of Donation	**Donating Unit**	**Project**	**Amount (in ten thousands)**
Disaster Relief	CITIC Pacific	Support for emergency relief organised by Oxfam Hong Kong for disaster-stricken areas after the 7.9 magnitude earthquake in Nepal.	HK$30
Community Involvement	CITIC Pacific	Support for the Corporate and Employee Contribution Programme of the Hong Kong Community Chest with an award of recognition.	HK$100
	CITIC Pacific Special Steel	Support for Hubei Province (Huangshi) Gardening Fair	RMB100
Education and Technology	CITIC Trust	Ongoing operation of the CITIC Aerospace Development Fund granting awards to 10 accomplished/young experts in industrial aerospace technology.	RMB206
	CITIC United Asia	Donations to Banpo Primary School in Yunnan Province	RMB50
Aid for the underprivileged	Jiangsu Lidian Group	Establishment of the Wuxi Charity Association Ligang Power Charity Foundation, with accrued annual interest going to the Association for charitable causes.	RMB70

Co-development with the Community

In the course of our business, we assist in the economic development of the places where we operate and attach great importance to fulfilling our social responsibilities. We show respect for and actively embrace the local cultures of these communities.

Hong Kong, Macao and the Chinese Mainland

CITIC Pacific Participation in campaigns organised by The Community Chest

A total of 241 staff members of the headquarters of CITIC Pacific participated in Skip Lunch Day, Dress Casual Day and Love Teeth Day organised by The Community Chest, raising HK$24,651 in donations.

To support Oxfam Hong Kong for its community services for the left-behind children and poverty in Chinese Mainland, CITIC Pacific donated HK$40,000 to sponsor the "Oxfam Rice Sale" organized by the Oxfam Hong Kong. CITIC Pacific employees and dependants of our "Caring People Team", the volunteer team of CITIC Pacific participated in the Oxfam Rice Sale for fund raising.

Participation in the Coastal Cleanup Campaign of the Green Council

A team of 26 volunteers from CITIC Pacific participated in the coastal clean-up at Sandy Bay, Hong Kong Island, on 10 October to raise funds for environmental education in Hong Kong, collecting 53.3 kg of garbage in the 2-hour programme.

CITIC Pacific headquarters volunteers at the Coastal Cleanup Campaign

CTM Teenage Growth Programme 2015

The Teenage Growth Programme 2015, jointly organised by CTM (a subsidiary of CITIC Telecom International) and Bosco Youth Service Network for a second year, enjoyed strong support from the Macanese community. The programme encourages teenagers to upgrade themselves during the summer holidays and helps them identify their potential and develop a positive outlook.

Hong Kong, Macao and the Chinese Mainland

CITIC Heavy Industries Care for Resident Children in Mountain Areas

Launched in 2013, the volunteer work initiative raises funds to build dormitories, libraries and e-classrooms for resident children in mountain areas. A Warm Learning Schooling Aid Programme providing assistance to underprivileged students has also been developed. In March 2015, the construction of the e-classroom for Ruyang County Wangpingxiang Centre Primary School was completed. Three facilities were built at the school using donations by the CITIC Heavy Industries Volunteers' Association. The Association also plans to do the same for Ruyang County Liushucun Primary School.

CITIC Heavy Industries: donations for the construction of Charity e-Classrooms and voluntary services at the school campus

CITIC Dicastal Charity foundation

Following the establishment of the Charity Foundation by the No. 2 Aluminium Wheel Production Line in 2014, the No. 1 Aluminium Wheel Production Line established the Charitable Dream Fulfilment Schooling Aid Foundation in March 2015. By the end of November, a total of 256 persons had participated in the project and raised RMB18,908.

Members of the foundation visited impoverished areas and helped to create school aid plans during the holidays

CITIC Publishing and 2015 Reading Year: Nurturing Interest in Reading

To mark the 20th World Reading Day, CITIC Publishing organised activities at Parkview Green in Beijing under the theme 2015 Reading Year: Nurturing Interest in Reading, during which the company donated 65,000 books. Guests, famous book critics and avid readers attended an event promoting reading across all walks of life.

Overseas

Australia: CITIC Mining International Fundraising for beyondblue, a community psychological health group

The company raised over AUD110,000 for *beyondblue* by purchasing customised personal protective equipment (PPE) and polo shirts for employees and organising lottery draws and silent auctions.

Staff wearing the Glamorous November Campaign outfit

Indonesia: CITIC Resources supports Seram Block Wayhul Clinic

The Seram Block continued to operate the 24/7 Wayhul Clinic to provide reliable medical treatment and services as well as comprehensive health support to the workers of the Oilfield and other members of the local community. More than 800 cases were treated by the Seram Block medical team in 2015.

The medical team at Seram Block providing health check services for the local residents

Community Welfare Soccer Games

In 2015, the Seram Block sponsored two U15 soccer teams set up by the Bula Chapter (East Seram Regency) of the Indonesian Football Association. The squads were formed by 36 primary and junior high school students, aged 12 to 15.

The AQUADNC Cup Soccer Tournament organised by the Seram Block in February was enthusiastically followed by local residents and helped to develop closer ties between the block and the local community.

Players of two junior soccer football teams doing regular training in a team jersey with the CITIC Seram logo

Overseas

Singapore: CITIC Envirotech participates in the Lien Aid Safe Water Project for Impoverished Villages

Lien Aid is a branch organisation of the Environmental Business Project jointly founded by Lien Foundation and Nanyang Technological University of Singapore dedicated to the provision of affordable and safe drinking water and hygiene facilities to underprivileged communities in Asia. CITIC Envirotech has participated in Lien Aid Projects for many consecutive years. In 2015, CITIC Envirotech participated in 5 of the water supply projects conducted by Lien Aid in 60 impoverished villages in China.

CITIC Envirotech's personnel receiving training for the "Lien Aid Safe Water Project for Impoverished Villages

Angola: CITIC Construction CITIC (Angola) BN Vocational School

In early 2015, all students in the first graduation class of the BN Vocation School passed relevant examinations and secured employment. Another 67 students were enrolled in the second class, including girls from impoverished families who took part in hotel services training. As of September 2015, graduates of the school reported 100% employment, with more than 100 graduates securing jobs in mechanical operation, engineering construction and administration.

Graduates expressing gratitude to their teachers at the graduation ceremony of the first mechanical operation class of the BN Vocation School

The Confucius Institute, The Agostinho Neto University

In February 2015, the foundation-laying and unveiling ceremony for The Confucius Institute of The Agostinho Neto University, the first Confucian academy in the world built under the sponsorship of a Chinese enterprise, was held in Luanda, the capital of Angola. The Academy will serve as a platform for Chinese language and cultural exchange for the faculty and students of The Agostinho Neto University.

The foundation-laying and unveiling ceremony of the Confucius Institute of the Agostinho Neto University

Past Performance and Forward Looking Statements

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

Contents of Financial Statements and Notes

Consolidated Income Statement

For the year ended 31 December 2015

	Note	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Interest income		**270,151**	260,450
Interest expenses		**(138,268)**	(139,372)
Net interest income	5(a)	**131,883**	121,078
Fee and commission income		**51,405**	39,714
Fee and commission expenses		**(2,506)**	(2,094)
Net fee and commission income	5(b)	**48,899**	37,620
Sales of goods and services	5(c)	**211,383**	237,189
Other revenue	5(d)	**24,648**	6,237
		236,031	243,426
Total revenue		**416,813**	402,124
Cost of sales and services	6	**(174,923)**	(198,457)
Other net income	7	**9,877**	10,572
Impairment losses on	8		
– Loans and advances to customers		**(47,827)**	(28,149)
– Others		**(31,177)**	(26,871)
Other operating expenses	10	**(88,555)**	(82,661)
Net valuation gain on investment properties	32	**661**	2,332
Share of profits of associates, net of tax		**4,799**	4,389
Share of (loss)/profits of joint ventures, net of tax		**(132)**	3,325
Profit before net finance charges and taxation		**89,536**	86,604
Finance income		**2,794**	2,250
Finance costs		**(11,024)**	(11,054)
Net finance charges	9	**(8,230)**	(8,804)
Profit before taxation	10	**81,306**	77,800
Income tax	11	**(20,613)**	(18,000)
Profit for the year		**60,693**	59,800

Consolidated Income Statement

For the year ended 31 December 2015

	Note	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Profit for the year		**60,693**	59,800
Attributable to:			
Ordinary shareholders of the Company		**41,812**	39,834
Holders of perpetual capital securities		**1,135**	1,130
Non-controlling interests		**17,746**	18,836
Profit for the year		**60,693**	59,800
Earnings per share (HK$)	15		
Basic		**1.58**	1.60
Diluted		**1.57**	1.60

The notes on pages 171 to 314 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Profit for the year		**60,693**	59,800
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		**2,972**	11,241
Cash flow hedge: net movement in the hedging reserve		**139**	(1,178)
Share of other comprehensive (loss)/income of associates and joint ventures		**(958)**	168
Exchange differences on translation of financial statements and others		**(34,978)**	(1,980)
Items that have not been reclassified or may not be reclassified subsequently to profit or loss:			
Transfer of owner-occupied property to investment property: revaluation gain		**279**	–
Other comprehensive (loss)/income for the year, net of tax		**(32,546)**	8,251
Total comprehensive income for the year		**28,147**	68,051
Attributable to:			
Ordinary shareholders of the Company		**15,836**	46,421
Holders of perpetual capital securities		**1,135**	1,130
Non-controlling interests		**11,176**	20,500
Total comprehensive income for the year		**28,147**	68,051

The notes on pages 171 to 314 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December 2015 HK$ million	2014 HK$ million
ASSETS			
Cash and deposits	18	**801,615**	897,161
Placements with banks and non-bank financial institutions	19	**141,775**	86,428
Financial assets at fair value through profit or loss	20	**40,391**	37,248
Derivative financial instruments	21	**16,509**	10,594
Trade and other receivables	22	**141,347**	130,747
Amounts due from customers for contract work		**2,234**	1,447
Inventories	23	**130,447**	133,258
Financial assets held under resale agreements	24	**165,391**	172,100
Loans and advances to customers and other parties	25	**2,947,798**	2,711,851
Available-for-sale financial assets	26	**494,786**	328,062
Held-to-maturity investments	27	**216,267**	225,700
Investments classified as receivables	28	**1,331,281**	834,652
Interests in associates	30	**50,663**	51,616
Interests in joint ventures	31	**22,701**	31,016
Fixed assets	32	**183,740**	179,303
Investment properties	32	**28,508**	28,744
Intangible assets	33	**20,572**	21,024
Goodwill	34	**19,481**	13,709
Deferred tax assets	35	**27,761**	24,277
Other assets		**20,042**	28,894
Total assets		**6,803,309**	5,947,831
Liabilities			
Borrowing from central banks		**44,761**	63,445
Deposits from banks and non-bank financial institutions	36	**1,275,421**	871,213
Placements from banks and non-bank financial institutions	37	**58,141**	24,257
Financial liabilities at fair value through profit or loss		**–**	726
Derivative financial instruments	21	**17,475**	13,474
Trade and other payables	38	**230,636**	193,957
Amounts due to customers for contract work		**7,224**	10,646
Financial assets sold under repurchase agreements	39	**84,949**	52,745
Deposits from customers	40	**3,766,848**	3,586,508
Employee benefits payables		**18,156**	20,845
Income tax payable	35	**9,414**	10,890
Bank and other loans	41	**147,221**	218,993
Debt instruments issued	42	**449,772**	273,126
Provisions	43	**3,567**	2,932
Deferred tax liabilities	35	**6,998**	7,409
Other liabilities		**19,557**	21,158
Total liabilities		**6,140,140**	5,372,324

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December 2015 HK$ million	2014 HK$ million
Equity	44		
Share capital		**381,710**	324,198
Perpetual capital securities		**13,836**	13,834
Reserves		**97,356**	93,928
Total ordinary shareholders' funds and perpetual capital securities		**492,902**	431,960
Non-controlling interests		**170,267**	143,547
Total equity		**663,169**	575,507
Total liabilities and equity		**6,803,309**	5,947,831

Approved and authorised for issue by the board of directors on 24 March 2016.

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

The notes on pages 171 to 314 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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	50	–	–	–	–	–	–	–	–	–	–	3,041	3,041
Disposal of subsidiaries	51(b)	–	–	–	–	–	–	–	–	–	–	(125)	(125)
Put options issued in business combinations	50(a)	–	–	–	(3,034)	–	–	–	–	–	(3,034)	–	(3,034)
Transaction with non-controlling interests	52	–	–	–	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital HK$ million (Note 44(a))	Share premium HK$ million (Note 44(a))	Capital redemption reserve 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 revaluation 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 2014		1,460	36,533	29	13,838	202,637	1,031	(4,324)	19,249	97,881	17,280	385,614	130,938	516,552
Profit for the year	10	–	–	–	1,130	–	–	–	–	39,834	–	40,964	18,836	59,800
Other comprehensive income/(loss) for the year	16	–	–	–	–	–	(939)	9,209	–	–	(1,683)	6,587	1,664	8,251
Total comprehensive income/(loss) for the year		–	–	–	1,130	–	(939)	9,209	–	39,834	(1,683)	47,551	20,500	68,051
Issue of shares		286,502	–	–	–	–	–	–	–	–	–	286,502	–	286,502
Consideration paid to acquire a subsidiary under common control		–	–	–	–	(286,585)	–	–	–	–	–	(286,585)	–	(286,585)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	760	760
Issue of other equity instruments by a subsidiary		–	–	–	–	–	–	–	–	–	–	–	2,303	2,303
Transfer of profits to general reserve		–	–	–	–	–	–	–	5,587	(5,587)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	14	–	–	–	–	–	–	–	–	(1,286)	–	(1,286)	–	(1,286)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(6,292)	(6,292)
Distribution to holders of perpetual capital securities		–	–	–	(1,134)	–	–	–	–	–	–	(1,134)	–	(1,134)
Transaction with non-controlling interests	52	–	–	–	–	(67)	–	–	–	–	–	(67)	(2,750)	(2,817)
Dilution of non-controlling interests through common control transactions		–	–	–	–	1,045	–	–	–	–	–	1,045	(1,045)	–
Prior to business combination under common control:														
– capital injection by the ultimate controlling shareholder		–	–	–	–	21,455	–	–	–	–	–	21,455	–	21,455
– dividends paid to the ultimate controlling shareholder		–	–	–	–	–	–	–	–	(21,455)	–	(21,455)	–	(21,455)
Transition to no-par value regime on 3 March 2014	44(a)	36,562	(36,533)	(29)	–	–	–	–	–	–	–	–	–	–
Others		(326)	–	–	–	646	–	–	–	–	–	320	(867)	(547)
Other changes in equity		322,738	(36,533)	(29)	(1,134)	(263,506)	–	–	5,587	(28,328)	–	(1,205)	(7,891)	(9,096)
Balance at 31 December 2014		324,198	–	–	13,834	(60,869)	92	4,885	24,836	109,387	15,597	431,960	143,547	575,507

The notes on pages 171 to 314 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2015

	Note	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Cash flows from operating activities			
Profit before taxation		**81,306**	77,800
Adjustments for:			
– Depreciation and amortisation	10(b)	**12,038**	9,977
– Impairment losses	8	**79,004**	55,020
– Net valuation gain on investment properties	32	**(661)**	(2,332)
– Net valuation gain on investments		**(668)**	(535)
– Share of profits of associates and joint ventures, net of tax		**(4,667)**	(7,714)
– Interest expenses on debts instruments issued	5(a)	**10,439**	5,825
– Finance income	9	**(2,794)**	(2,250)
– Finance costs	9	**11,024**	11,054
– Net (gain)/loss on available-for-sale financial assets		**(11,884)**	57
– Net gain on disposal of subsidiaries, associates and joint ventures		**(13,795)**	(2,556)
		159,342	144,346
Changes in working capital			
Decrease/(increase) in deposits with central banks, banks and non-bank financial institutions		**4,676**	(5,196)
(Increase)/decrease in placements with banks and non-bank financial institutions		**(42,833)**	90,962
Increase in financial assets at fair value through profit or loss and derivative financial assets		**(9,058)**	(27,791)
Decrease in trade and other receivables		**(11,015)**	(32,627)
(Increase)/decrease in amounts due from customers for contract work		**(787)**	296
Decrease in inventories		**2,407**	2,068
(Increase)/decrease in financial assets held under resale agreements		**(3,433)**	191,182
Increase in loans and advances to customers and other parties		**(446,580)**	(300,177)
Increase in investments classified as receivables		**(575,313)**	(452,794)
Increase in other assets		**(10,846)**	(38,802)
Increase in deposits from banks and non-bank financial institutions		**472,768**	168,642
Increase/(decrease) in placements from banks and non-bank financial institutions		**36,554**	(28,047)
(Decrease)/increase in financial liabilities at fair value through profit or loss and derivative financial liabilities		**(714)**	724
Increase/(decrease) in trade and other payables		**33,582**	(8,397)
(Decrease)/increase in amounts due to customers for contract work		**(3,422)**	2,641
Increase in financial assets sold under repurchase agreements		**36,802**	42,477
Increase in deposits from customers		**388,622**	249,318
(Decrease)/increase in borrowing from central banks		**(15,630)**	63,167
Increase in other liabilities		**9,254**	9,923
(Decrease)/increase in employee benefits payables		**(2,689)**	2,525
Increase in provisions		**711**	270
Cash generated from operations		**22,398**	74,710
Income tax paid		**(22,089)**	(15,773)
Net cash generated from operating activities		**309**	58,937

Consolidated Cash Flow Statement

For the Year Ended 31 December 2015

	Note	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		**887,424**	564,404
Proceeds from disposal of fixed assets, intangible assets and other assets		**197**	665
Proceeds from disposal of associates and joint ventures		**14,312**	1,031
Net cash received from disposal of subsidiaries	51(b)	**2,926**	3,744
Dividends received from equity investments, associates and joint ventures		**6,158**	5,715
Payments for purchase of financial investments		**(1,021,956)**	(653,689)
Payments for additions of fixed assets, intangible assets and other assets		**(24,388)**	(24,217)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		**(8,201)**	(2,702)
Acquisition of non-controlling interests		**–**	(2,542)
Net cash used in investing activities		**(143,528)**	(107,591)
Cash flows from financing activities			
Capital injection received from the controlling shareholder		**–**	21,455
Capital injection received from non-controlling interests		**566**	418
Transaction with non-controlling interests	52	**7,363**	–
Capital injection received from the shareholders of the Company		**57,909**	53,274
Net cash payment for acquisition of subsidiaries, associates, and joint ventures		**–**	(53,357)
Proceeds from new bank and other loans		**107,991**	134,981
Repayment of bank and other loans and debt instruments issued		**(372,928)**	(180,174)
Proceeds from new debt instruments issued		**398,192**	129,766
Proceeds from other equity instruments issued		**1,363**	2,303
Interest paid on bank and other loans and debt instruments issued		**(26,874)**	(19,286)
Dividends paid to non-controlling interests		**(2,073)**	(5,987)
Dividends paid to ordinary shareholders of the Company	14	**(7,890)**	(22,741)
Distribution paid to holders of perpetual capital securities		**(1,133)**	(1,134)
Net cash generated from financing activities		**162,486**	59,518
Net increase in cash and cash equivalents		**19,267**	10,864
Cash and cash equivalents at 1 January		**347,891**	337,894
Effect of exchange changes		**(13,047)**	(867)
Cash and cash equivalents at 31 December	51(a)	**354,111**	347,891

The notes on pages 171 to 314 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 General Information

CITIC Limited (the "Company") was incorporated in Hong Kong and formerly known as CITIC Pacific Limited ("Former CITIC Pacific"), 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. Before 8 May 2014, the former CITIC Limited ("Former CITIC Limited") held 57.51% equity interests in Former CITIC Pacific through its overseas wholly-owned subsidiaries, and the shareholders of Former CITIC Limited were CITIC Group Corporation ("CITIC Group") and Beijing CITIC Enterprise Management Co., Ltd. ("CITIC Enterprise Management"), a wholly-owned subsidiary of CITIC Group.

In March 2014, a framework agreement to transfer the shares of Former CITIC Pacific was entered into between several parties. Pursuant to the framework agreement, the subsidiaries of Former CITIC Limited which held the shares of Former CITIC Pacific transferred these shares to certain overseas wholly-owned subsidiaries of CITIC Group ("the Transfer"). The Transfer was approved by the regulatory authorities and completed on 8 May 2014.

On 16 April 2014, CITIC Group, CITIC Enterprise Management and Former CITIC Pacific entered into a share transfer agreement, pursuant to which Former CITIC Pacific acquired 100% equity interests in Former CITIC Limited from CITIC Group and CITIC Enterprise Management ("the Acquisition").

The Acquisition was completed on 25 August 2014. The name of Former CITIC Limited was changed from CITIC Limited to CITIC Corporation Limited ("CITIC Corporation") and the name of Former CITIC Pacific was changed from CITIC Pacific Limited to CITIC Limited. Upon the completion of the Acquisition, CITIC Group held 77.9% equity interests in the Company through its overseas wholly-owned subsidiaries.

In 2015, CITIC Group disposed certain equity interests in the Company through its overseas wholly-owned subsidiaries, and the Company issued some new ordinary shares (Note 44(a)). As at 31 December 2015, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries decreased from 77.9% to 58.13%.

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.

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 19, Defined benefit plans: Employee contributions

This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Annual improvements to HKFRS 2010-2012 cycle

- **Amendments to HKFRS 8, Operating segments**
  The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- **Amendments to HKAS 16, Property, plant and equipment and HKAS 38, Intangible assets**
  Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- **Amendments to HKAS 24, Related party disclosures**
  The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

(iii) Annual improvements to HKFRS 2011-2013 cycle

- **Amendments to HKFRS 3, Business combinations**
  It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

- **Amendments to HKFRS 13, Fair value measurement**
  It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

- **Amendments to HKAS 40, Investment property**
  Preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the year. The Group has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in consolidated financial statements.

(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$.

(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));

2 Significant accounting policies (continued)

(c) Basis of measurement (continued)

– 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.

(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.

2 Significant accounting policies (continued)

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

(ii) Business combinations not involving entities under common control (continued)

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.

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

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

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

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

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

2 Significant accounting policies (continued)

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

(iii) Consolidated financial statements (continued)

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. If the credit balance of reserve (capital reserve) is insufficient, any excess is adjusted to retained earnings.

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

(iv) Investment in subsidiaries

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

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

2 Significant accounting policies (continued)

(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.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Initial recognition (continued)

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

(ii) Categorisation

Financial assets at fair value through profit or loss

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Loans and receivables (continued)

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.

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

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

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Categorisation (continued)

Financial liabilities at fair value through profit or loss

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.

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

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

Other financial liabilities

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

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

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iii) Fair value measurement principles (continued)

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) Derecognition

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 derecognition 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 derecognition of transfer of cash flows 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 derecognition, 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 of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) Derecognition (continued)

As part of its operational activities, 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 derecognition of financial assets are set out above. When the securitisation of financial assets that do qualify for derecognition, 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 derecognition, 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 derecognition, 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 derecognition 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.

2 Significant accounting policies (continued)

(i) Financial instruments (continued)

(vii) Embedded derivatives

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

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

(j) Hedging

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

(i) Fair value hedge

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

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

(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).

2 Significant accounting policies (continued)

(j) Hedging (continued)

(ii) Cash flow hedge (continued)

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

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

(iii) Hedge effectiveness testing

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

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

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 sale and repurchase consideration, and that between the purchase and resale 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.

2 Significant accounting policies (continued)

(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.

(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	3–26 years
– Office and other equipment, vehicles and vessels and others	3–10 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.

2 Significant accounting policies (continued)

(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).

(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;

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

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.

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 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.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(i) Financial assets (continued)

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.

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.

2 Significant accounting policies (continued)

(t) Impairment of assets (continued)

(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.

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 reversible.

2 Significant accounting policies (continued)

(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 PRC subsidiaries are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's PRC subsidiaries 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 subjected to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

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

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

2 Significant accounting policies (continued)

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

(i) Financial guarantees issued (continued)

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.

(w) Revenue recognition

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

(i) Interest income

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

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(i) Interest income (continued)

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

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

(ii) Fee and commission income

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

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

(iii) Sales of goods and services

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

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

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

(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.

2 Significant accounting policies (continued)

(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.

(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.

(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:

– engage 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.

3 Critical accounting estimates and judgement

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

The Group reviews its financial asset portfolio, which includes loans and advances and investment classified as receivables, 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 judgments 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 significant loans and advances and investment classified as receivables or pools of loans and advances and investment classified as receivables with similar risk characteristics, as described in Note 2(t)(i) impairment of financial assets carried at amortised cost.

Significant judgments are made in the determination of whether objective evidence of impairment exists in individually significant loans and advances and investment classified as receivables or pools of smaller-balance loans and advances and investment classified as receivables 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, 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 and investment classified as receivables defaults. These judgments are made both during management's regular assessments of loans and advances and investment classified as receivables quality and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Where it is determined that objective evidence of impairment exists, significant judgments and estimates are made in estimating the adverse impact on future cash flows related to individually significant impaired loans and advances and investment classified as receivables. 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 and issuers, and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loans and advances and investment classified as receivables defaults of related borrowers.

3 Critical accounting estimates and judgement (continued)

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

When the decrease may not have been identified individually or the individual loans and advances and investment classified as receivables is not significant, management uses estimates based on historical loss experience on a collective basis on loans and advances and investment classified as receivables with similar credit risk characteristics to assess the impairment loss. Significant judgments are also applied to the calculation of collectively assessed impairment. Critical factors affecting these judgments include modelling assumptions (e.g., loss given default) and levels of correlation between qualitative factors and loans and advances and investment classified as receivables 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; and (iii) 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 methodology and assumptions used for loss estimation, as well as management's capability in managing loans and advances and investment classified as receivables portfolio, and makes adjustments where appropriate.

(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, and financial information regarding the investee.

(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.

3 Critical accounting estimates and judgement (continued)

(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) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale financial assets.

(g) 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.

(h) 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.

(i) 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.

3 Critical accounting estimates and judgement (continued)

(j) Metallurgical Corporation of China ("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 2015.

(k) Sino Iron and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, are parties to Mining Rights and Site Lease Agreements ("MRSLAs") with Mineralogy Pty Ltd ("Mineralogy"). Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to construct 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. The Company maintains that the first option has been validly exercised and will take such steps as are necessary to complete the acquisition of the further company.

3 Critical accounting estimates and judgement (continued)

(k) Sino Iron and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, are parties to Mining Rights and Site Lease Agreements ("MRSLAs") with Mineralogy Pty Ltd ("Mineralogy"). Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to construct the Sino Iron Project and take two billion tonnes of magnetite ore. (continued)

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.

Mineralogy is currently seeking leave to amend its Statement of Claim to seek, among other things, to raise certain of the issues addressed in other proceedings it commenced in the Supreme Court of Western Australia that were permanently stayed in late 2015, to withdraw certain claims contained in its current Statement of Claim and to raise new issues. Mineralogy's application for leave to amend was heard in March 2016 but the Court has not yet ruled on the application.

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, 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.

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 has appealed the decision. The appeal is expected to be heard in May 2016.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2015 is 16.5% (2014: 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 2015 is 25% (2014: 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 (See 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 (See 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	
	2015	2014
	HK$ million	HK$ million
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**11,323**	16,012
Placements with banks and non-bank financial institutions	**3,561**	6,147
Financial assets held under resale agreements	**4,979**	15,397
Investments classified as receivables	**57,400**	39,464
Loans and advances to customers and other parties	**170,211**	165,767
Investments in debt securities	**22,654**	17,658
Others	**23**	5
	270,151	260,450
Interest expenses arising from:		
Borrowing from central banks	**(1,238)**	(442)
Deposits from banks and non-bank financial institutions	**(44,613)**	(46,223)
Placements from banks and non-bank financial institutions	**(928)**	(1,508)
Financial assets sold under repurchase agreements	**(699)**	(1,058)
Deposits from customers	**(80,259)**	(84,307)
Debt instruments issued	**(10,439)**	(5,825)
Others	**(92)**	(9)
	(138,268)	(139,372)
Net interest income	**131,883**	121,078

5 Revenue (continued)

(b) Net fee and commission income

	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Consultancy and advisory fees	**8,685**	7,132
Bank card fees	**16,708**	10,548
Settlement and clearing fees	**2,174**	2,793
Commission for wealth management services	**7,287**	4,995
Agency fees and commission	**4,634**	2,271
Guarantee fees	**3,940**	4,010
Trustee commission and fees	**7,131**	7,573
Others	**846**	392
	51,405	39,714
Fee and commission expenses	**(2,506)**	(2,094)
Net fee and commission income	**48,899**	37,620

(c) Sales of goods and services

	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Sales of goods	**171,247**	196,652
Services rendered to customers	**27,254**	25,796
Revenue from construction contracts	**12,882**	14,741
	211,383	237,189

5 Revenue (continued)

(d) Other revenue

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Net trading gain (note (i))	**4,622**	4,343
Net gain on investment assets under financial services segment	**19,557**	1,643
Others	**469**	251
	24,648	6,237

(i) Net trading gain

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Trading profit/(loss):		
– debt securities	**2,300**	1,214
– foreign currencies	**1,604**	1,041
– derivatives	**718**	2,088
	4,622	4,343

6 Costs of sales and services

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Costs of goods sold (Note 23)	**146,594**	169,371
Costs of services rendered	**18,046**	16,358
Costs of construction contracts	**10,283**	12,728
	174,923	198,457

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For the year ended 31 December 2015

7 Other net income

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Net gain on disposal of subsidiaries, associates and joint ventures	**2,347**	2,544
Net gain on financial assets under non-financial services segment	**6,545**	3,270
Commissions income, net foreign exchange gain and others	**985**	4,758
	9,877	10,572

8 Impairment losses

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Impairment losses charged on/(reversed from) (Note 45):		
– deposits and placements with banks and non-bank financial institutions	**–**	(34)
– trade and other receivables	**4,121**	2,803
– amounts due from customers for contract work	**–**	47
– inventories	**686**	1,051
– loans and advances to customers and other parties	**47,827**	28,149
– available-for-sale financial assets	**33**	501
– held-to-maturity investments	**(4)**	(8)
– investments classified as receivables	**4,647**	523
– interests in associates	**476**	1,693
– interests in joint ventures	**–**	26
– fixed assets	**17,445**	6,524
– intangible assets	**2,233**	13,367
– others	**1,540**	378
	79,004	55,020

8 Impairment losses (continued)

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 2015, 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 8.5% 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 2016 to 2018 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 2015 resulted in a total impairment charge of US$2,213 million (approximately HK$17,261 million) (2014: US$2,500 million (approximately HK$19,500 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$1,979 million (approximately HK$15,436 million) (2014: US$794 million (approximately HK$6,193 million))

- Intangible assets US$234 million (approximately HK$1,825 million) (2014: US$1,706 million (approximately HK$13,307 million))

8 Impairment losses (continued)

Iron Ore Project (continued)

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	
	2015	2014
	HK$ million	HK$ million
Finance costs		
– Interest on bank loans and other loans	**12,042**	12,757
– Interest on debt instruments issued and other interest expenses	**3,266**	3,746
	15,308	16,503
Less: interest expense capitalised*	**(5,597)**	(5,874)
	9,711	10,629
Other finance charges	**1,313**	418
Other financial instruments	**–**	7
	11,024	11,054
Finance income	**(2,794)**	(2,250)
	8,230	8,804

* Capitalisation rates applied to funds borrowed are 2.8% – 6.86% per annum for the year ended 31 December 2015 (2014: capitalisation rate of 3.3% – 8.03%).

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	
	2015	2014
	HK$ million	HK$ million
Salaries and bonuses	**33,147**	32,016
Contributions to defined contribution retirement schemes	**4,272**	2,759
Others	**8,023**	7,727
	45,442	42,502

(b) Other items

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Amortisation	**2,492**	2,406
Depreciation	**9,546**	7,571
Operating lease charges: minimum lease payments	**1,429**	1,345
Business tax and surcharges	**15,671**	13,686
Property management fees	**5,528**	5,050
Non-operating expenses	**1,256**	768
Professional fees (other than auditors' remuneration)	**965**	902
Auditors' remuneration		
– Audit services	**163**	158
– Non-audit services	**23**	8
	37,073	31,894

11 Income tax expense

(a) Income tax expense in the income statement:

	For the year ended 31 December 2015 HK$ million	2014 HK$ million
Current tax – Mainland China		
Provision for enterprise income tax	**24,475**	24,491
Land appreciation tax	**653**	1,059
	25,128	25,550
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**959**	1,011
Current tax – Overseas		
Provision for the year	**791**	837
	26,878	27,398
Deferred tax		
Origination and reversal of temporary differences (Note 35(b))	**(6,265)**	(9,398)
	20,613	18,000

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 2015 HK$ million	2014 HK$ million
Profit before taxation	**81,306**	77,800
Less: Share of (profits)/loss of		
– associates	**(4,799)**	(4,389)
– joint ventures	**132**	(3,325)
	76,639	70,086
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**12,645**	11,564
Effect of different tax rates in other jurisdictions	**5,789**	4,668
Tax effect of unused tax losses not recognised	**536**	696
Tax effect of non-deductible expenses	**2,619**	3,718
Tax effect of non-taxable income	**(1,970)**	(3,210)
Others	**994**	564
Actual tax expense	**20,613**	18,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 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								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
	Fees 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	HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.32	0.24	–	0.03	0.12	0.11	–	–	0.82
Wang Jiong [i]	–	0.32	0.24	–	–	0.12	0.10	–	–	0.78
Li Qingping [i,iii,iv]	–	0.01	–	–	–	–	–	–	–	0.01
Pu Jian [i,iii,iv]	–	0.01	–	–	–	–	–	–	–	0.01
Non-executive Directors:										
Yu Zhensheng	–	–	–	–	–	–	–	–	–	–
Yang Jinming	–	–	–	–	–	–	–	–	–	–
Cao Pu	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping [iii,iv]	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 [iii,iv]	0.16	–	–	–	–	–	–	–	–	0.16
Name of Former Directors										
Dou Jianzhong [ii,iii,iv]	–	–	–	–	–	–	–	–	5.00	5.00
Alexander Reid Hamilton [iii,iv]	0.16	–	–	–	–	–	–	0.10	–	0.26
Zhang Jijing [iii,iv]	–	–	–	–	–	–	–	–	6.53	6.53
	2.00	0.66	0.48	–	0.03	0.24	0.21	0.68	11.53	15.83

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 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) Mr. Dou Jianzhong's emoluments for the year ended 31 December 2015 has not been finalised, and further disclosure of which will be made as and when the amount is confirmed.

(iii) 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.

(iv) Emoluments of newly appointed and former directors were paid by the Company for the period in which they served as directors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Certain of the comparative information of directors' remuneration for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622) and are set out as follows:

	For the year ended 31 December 2014 (Restated)									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Social securities in China mainland	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as committee member		Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [ii,iii]	–	0.66	1.38	–	–	0.34	0.08	–	–	2.46
Wang Jiong [ii,iii,v]	–	0.60	1.24	–	–	0.30	0.07	–	–	2.21
Dou Jianzhong [iii,v]	–	–	–	–	–	–	–	–	7.41	7.41
Zhang Jijing [iii]	–	–	–	–	–	–	–	–	6.85	6.85
Non-executive Directors:										
Yu Zhensheng [v]	–	–	–	–	–	–	–	–	–	–
Yang Jinming [v]	–	–	–	–	–	–	–	–	–	–
Cao Pu [v]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan [v]	–	–	–	–	–	–	–	–	–	–
Liu Yeqiao [v]	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors:										
Alexander Reid Hamilton	0.26	–	–	–	–	–	–	0.32	–	0.58
Francis Siu Wai Keung	0.35	–	–	–	–	–	–	0.32	–	0.67
Xu Jinwu	0.35	–	–	–	–	–	–	0.01	–	0.36
Anthony Francis Neoh [v]	0.01	–	–	–	–	–	–	–	–	0.01
Lee Boo Jin [v]	0.01	–	–	–	–	–	–	–	–	0.01
Name of Former Directors [iv]										
Vernon Francis Moore [v]	–	–	–	–	–	–	–	–	4.20	4.20
Liu Jifu [v]	–	–	–	–	–	–	–	–	1.41	1.41
André Desmarais [v]	0.13	–	–	–	–	–	–	–	–	0.13
Ju Weimin [v]	0.26	–	–	–	–	–	–	–	–	0.26
Yin Ke [v]	0.26	–	–	–	–	–	–	0.09	–	0.35
Carl Yung Ming Jie [v]	0.26	–	–	–	–	–	–	–	–	0.26
Gregory Lynn Curl [v]	0.26	–	–	–	–	–	–	0.07	–	0.33
Zeng Chen [v]	–	–	–	–	–	–	–	–	2.79	2.79
	2.15	1.26	2.62	–	–	0.64	0.15	0.81	22.66	30.29

12 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) Directors' emoluments for the year ended 31 December 2014 have been restated in accordance with the latest category.

(ii) The emoluments for the year ended 31 December 2014 in respect of Mr. Chang Zhenming and Mr. Wang Jiong are finalised in accordance with the regulations of the relevant local authorities. Fifty percent of the discretionary bonus are deferred for payments from 2015 to 2017.

(iii) Emoluments for the year ended 31 December 2014 are all paid by the Company (before and after renamed) and Former CITIC Limited, and its subsidiaries to incumbent directors, Mr. Chang Zhenming, Mr. Wang Jiong, Mr Dou Jianzhong and Mr. Zhang Jijing.

(iv) Emoluments of former directors, Mr. Vernon Francis Moore, Mr. Liu Jifu, Mr. André Desmarais, Mr. Ju Weimin, Mr. Yin Ke, Mr. Carl Yung Ming Jie, Mr. Gregory Lynn Curl and Mr. Zeng Chen were paid by the Company for the period in which they served as directors.

(v) Changes in directors during the year ended 31 December 2014:

(1) Mr. Zeng Chen was appointed as a non-executive director in May 2014.

(2) Mr. Gregory Lynn Curl relocated its position from independent non-executive director to non-executive director in August 2014.

(3) Mr. André Desmarais retired from the position as non-executive director in May 2014.

(4) Mr. Vernon Francis Moore, Mr. Liu Jifu, and Mr. Zeng Chen, resigned from the position as executive directors, and Mr. Ju Weimin, Mr. Yin Ke, Mr. Carl Yung Ming Jie and Mr. Gregory Lynn Curl resigned from the position as non-executive directors in September 2014.

(5) Mr. Wang Jiong and Mr. Dou Jianzhong were appointed as executive directors, and Mr. Yu Zhensheng, Mr. Yang Jinming, Ms. Cao Pu, and Mr. Liu Zhongyuan were appointed as non-executive directors in September 2014.

(6) Mr. Liu Yeqiao was appointed as a non-executive director, and Mr. Anthony Francis Neoh and Ms. Lee Boo Jin were appointed as independent non-executive directors in December 2014.

(b) Other benefits and interests

For the year ended 31 December 2015, 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 (2014: None). No consideration was provided to or receivable by third parties for making available directors' services (2014: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: 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 2015 (2014: None).

13 Individuals with highest emoluments

For the year ended 31 December 2015, none of the five highest paid individuals are directors (2014: none) whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of these five individuals (2014: five) are as follows:

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Salaries and other emoluments	**27.07**	21.80
Discretionary bonuses	**29.99**	38.38
Equity settled share based payment expenses	**3.40**	3.29
Retirement scheme contributions	**2.09**	1.35
	62.55	64.82

The emoluments of the five individuals (2014: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2015	2014
	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	**–**	2
HK$12,000,001 to HK$13,000,000	**2**	2
HK$13,000,001 to HK$14,000,000	**2**	–
HK$16,000,001 to HK$17,000,000	**–**	1
	5	5

14 Dividends

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
2014 Final dividend paid: HK$0.20 (2013: HK$0.25) per share	**4,981**	912
2015 Interim dividend paid: HK$0.10 (2014: HK$0.015) per share	**2,909**	374
2015 Final dividend proposed: HK$0.20 (2014: HK$0.20) per share	**5,818**	4,981

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$41,812 million for the year ended 31 December 2015 (2014: HK$39,834 million), calculated as follows:

Weighted average number of ordinary shares (in million):

	For the year ended 31 December	
	2015	2014
Issued ordinary shares as at 1 January	**24,903**	3,649
Effect of shares issued as a consideration for business combination under common control	**–**	21,254
Weighted average number of newly issued ordinary shares (Note 44(a))	**1,611**	–
Weighted average number of ordinary shares as at 31 December (basic)	**26,514**	24,903
Impact of issued convertible preferred shares (Note 44(a))	**100**	–
Weighted average number of ordinary shares as at 31 December (diluted)	**26,614**	24,903
Basic earnings per share (HK$)	**1.58**	1.60
Diluted earnings per share (HK$)	**1.57**	1.60

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. For the year ended 31 December 2015, the Company's dilutive potential ordinary shares include convertible preferred shares issued at 3 August 2015 (Note 44(a)), assuming conversion of convertible preferred shares into ordinary shares at 3 August 2015. For the year 31 December 2014, it was deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of share options because the exercise price was above the average market price of the Company's shares for that period.

16 Other comprehensive (loss)/income

(a) Tax effects relating to each component of other comprehensive (loss)/income

	For the year ended 31 December					
	2015			2014		
	Before tax amount HK$ million	Tax (expense) /benefit 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	**3,478**	**(506)**	**2,972**	14,831	(3,590)	11,241
Cash flow hedge: net movement in the hedging reserve	**136**	**3**	**139**	(1,526)	348	(1,178)
Share of other comprehensive (loss)/ income of associates and joint ventures	**(958)**	**–**	**(958)**	168	–	168
Exchange differences on translation of financial statements and others	**(34,978)**	**–**	**(34,978)**	(1,980)	–	(1,980)
Transfer of owner-occupied property to investment property: revaluation gain	**372**	**(93)**	**279**	–	–	–
	(31,950)	**(596)**	**(32,546)**	11,493	(3,242)	8,251

(b) Components of other comprehensive (loss)/income, including reclassification adjustments

	For the year ended 31 December	
	2015 HK$ million	2014 HK$ million
Fair value gains of available-for-sale financial assets	**9,875**	13,856
Less: Net amounts previously recognised in other comprehensive (income)/loss transferred to profit or loss in the current year	**(6,397)**	975
Tax effect	**(506)**	(3,590)
	2,972	11,241
Gains/(losses) arising from cash flow hedge	**15**	(2,097)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**121**	571
Tax effect	**3**	348
	139	(1,178)
Share of other comprehensive (loss)/income of associates and joint ventures	**(958)**	168
Exchange differences on translation of financial statements and others	**(34,978)**	(1,980)
Transfer of owner-occupied property to investment property: revaluation gain	**372**	–
Less: Tax effect	**(93)**	–
	279	–
	(32,546)	8,251

17 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities 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.

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For the year ended 31 December 2015

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

	For the year ended 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
Revenue from external customers	205,378	45,664	60,077	14,676	27,528	63,348	142	–	416,813
Inter-segment revenue	649	2,287	284	100	90	866	–	(4,276)	–
Reportable segment revenue	206,027	47,951	60,361	14,776	27,618	64,214	142	(4,276)	416,813
Share of profits/(losses) of associates, net of tax	4,350	(430)	92	37	290	441	19	–	4,799
Share of profits/(losses) of joint ventures, net of tax	357	(1,585)	(69)	–	338	827	–	–	(132)
Finance income (Note 9)	–	435	369	431	759	58	3,668	(2,926)	2,794
Finance costs (Note 9)	–	(1,837)	(861)	(135)	(2,363)	(1,649)	(8,000)	3,821	(11,024)
Depreciation and amortisation (Note 10(b))	(3,087)	(1,821)	(3,868)	(135)	(429)	(2,667)	(31)	–	(12,038)
Impairment losses (Note 8)	(55,784)	(21,764)	(560)	(7)	157	(946)	(105)	5	(79,004)
Profit/(loss) before taxation	89,912	(22,997)	3,582	3,488	6,109	4,937	(4,064)	339	81,306
Income tax	(19,729)	4,679	(958)	(887)	(1,817)	(1,337)	(1,008)	444	(20,613)
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
– Non-controlling interests and holders of perpetual capital securities	17,430	(1,067)	128	–	155	1,099	1,136	–	18,881
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

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For the year ended 31 December 2015

17 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	For the year ended 31 December 2014 (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
Revenue from external customers	164,849	51,786	71,845	17,127	29,909	66,216	392	–	402,124
Inter-segment revenue	(177)	1,176	58	611	258	429	(216)	(2,139)	–
Reportable segment revenue	164,672	52,962	71,903	17,738	30,167	66,645	176	(2,139)	402,124
Share of profits of associates, net of tax	3,072	6	355	59	432	457	8	–	4,389
Share of profits/(losses) of joint ventures, net of tax	460	1,988	(60)	–	(54)	820	171	–	3,325
Finance income (Note 9)	–	406	323	531	682	84	4,395	(4,171)	2,250
Finance costs (Note 9)	–	(2,439)	(1,279)	(116)	(2,116)	(1,349)	(7,798)	4,043	(11,054)
Depreciation and amortisation (Note 10(b))	(2,802)	(794)	(3,350)	(139)	(386)	(2,488)	(18)	–	(9,977)
Impairment losses (Note 8)	(31,245)	(21,729)	(559)	(48)	(589)	(1,097)	(8)	255	(55,020)
Profit/(loss) before taxation	76,641	(19,182)	4,047	3,281	8,006	5,798	(2,391)	1,600	77,800
Income tax	(17,625)	5,569	(693)	(897)	(2,899)	(1,264)	(113)	(78)	(18,000)
Profit/(loss) for the year	59,016	(13,613)	3,354	2,384	5,107	4,534	(2,504)	1,522	59,800
Attributable to:									
– Ordinary shareholders of the company	41,267	(13,013)	2,921	2,381	4,694	3,696	(3,634)	1,522	39,834
– Non-controlling interests and holders of perpetual capital securities	17,749	(600)	433	3	413	838	1,130	–	19,966
Reportable segment assets	5,322,510	147,903	108,501	44,020	215,095	97,373	138,921	(126,492)	5,947,831
Including:									
Interests in associates	28,608	11,882	3,557	167	3,833	3,460	109	–	51,616
Interests in joint ventures	3,596	9,621	247	–	9,425	8,127	–	–	31,016
Reportable segment liabilities	4,927,978	136,503	59,406	35,820	151,574	51,083	207,573	(197,613)	5,372,324
Including:									
Bank and other loans	–	42,798	19,130	2,142	75,875	32,493	85,754	(39,199)	218,993
Debt instruments issued	169,215	–	5,054	–	–	3,477	95,660	(280)	273,126

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For the year ended 31 December 2015

17 Segment reporting (continued)

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
Mainland China	**361,851**	339,733	**6,312,332**	5,508,334
Hong Kong and Macau	**26,365**	26,858	**380,549**	322,547
Overseas	**28,597**	35,533	**110,428**	116,950
	416,813	402,124	**6,803,309**	5,947,831

18 Cash and deposits

	As at 31 December	
	2015 HK$ million	2014 HK$ million
Cash	**8,827**	9,214
Bank deposits	**63,166**	82,083
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**519,487**	581,678
– Surplus deposit reserve funds (note (iii))	**75,983**	88,945
– Fiscal deposits (note (iv))	**4,532**	4,886
– Foreign exchange reserves (note (v))	**4,078**	–
Deposits with banks and non-bank financial institutions	**125,542**	130,355
	801,615	897,161

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 2015, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2014: 18%) of eligible RMB deposits for domestic branches of CITIC Bank. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2014: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2015.

As at 31 December 2015, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9.5% (31 December 2014: 14%).

18 Cash and deposits (continued)

Notes (Continued):

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions. The foreign currency reserve deposits placed with the People's Bank of China are non-interest bearing.

As at 31 December 2015, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 7.5% (31 December 2014: 14.5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2015, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2014: 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 that 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% 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$7,416 million (31 December 2014: HK$9,937 million) included in cash and deposits as at 31 December 2015 were restricted in use. They mainly include guaranteed deposits and cash received from sale of properties before completion which is under the supervision by the Housing Administration Bureau of the PRC.

19 Placements with banks and non-bank financial institutions

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Banks	**49,563**	45,112
Non-bank financial institutions	**92,222**	41,326
	141,785	86,438
Less: allowance for impairment losses (Note 45)	**(10)**	(10)
	141,775	86,428
Analysed by remaining maturity:		
– Within 1 month	**68,561**	50,029
– Between 1 month and 1 year	**73,168**	36,372
– Over 1 year	**46**	27
	141,775	86,428

20 Financial assets at fair value through profit or loss

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Held for trading purpose:		
– Debt trading financial asset (note (a))	**10,189**	16,164
– Certificates of interbank deposit(note (b))	**18,175**	17,649
– Investment funds(note (c))	**6,371**	2,313
– Trading equity investments (note (d))	**338**	41
Financial assets designated at fair value through profit or loss (note (e)):		
– Debt securities	**2,108**	1,062
– Others	**3,210**	19
	40,391	37,248
Issued by:		
– Government	**507**	1,282
– Policy banks	**3,080**	1,731
– Banks and non-bank financial institutions	**32,390**	24,784
– Corporates	**4,414**	9,451
	40,391	37,248
Analysed by remaining maturity:		
– Within 3 months	**15,378**	6,843
– Between 3 months and 1 year	**15,236**	22,995
– Over 1 year	**9,757**	7,338
– No fixed terms	**20**	72
	40,391	37,248

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	
	2015	2014
	HK$ million	HK$ million
Listed in Hong Kong	**832**	1,054
Listed outside Hong Kong	**9,235**	14,328
Unlisted	**122**	782
	10,189	16,164

20 Financial assets at fair value through profit or loss (continued)

(b) Certificates of interbank deposit

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Listed outside Hong Kong	**18,175**	17,649

(c) Investment funds

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Unlisted	**6,371**	2,313

(d) Trading equity investments

	As at 31 /December	
	2015	2014
	HK$ million	HK$ million
Listed in Hong Kong	**202**	38
Listed outside Hong Kong	**133**	–
Unlisted	**3**	3
	338	41

(e) Financial assets designated at fair value through profit or loss

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Listed in Hong Kong	**1,733**	–
Unlisted	**3,585**	1,081
	5,318	1,081

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 interest rate and currency forwards and swap 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 2015			Reportable segment assets 2014		
	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	**13,302**	**283**	**46**	10,304	302	38
– Currency derivatives	**3,939**	**48**	**–**	–	–	–
Cash flow hedge (note (c)(ii)):						
– Interest rate derivatives	**14,246**	**–**	**2,608**	22,490	–	3,062
– Currency derivatives	**113**	**–**	**2**	2,931	113	223
– Other derivatives	**24**	**–**	**908**	160	10	727
Non-hedging instruments						
– Interest rate derivatives	**716,684**	**1,258**	**1,467**	372,944	961	1,061
– Currency derivatives	**1,911,069**	**13,717**	**12,082**	1,242,393	8,139	7,875
– Precious metals derivatives	**22,396**	**1,203**	**362**	37,728	1,069	488
– Other derivatives	**6,234**	**–**	**–**	26,630	–	–
	2,688,007	**16,509**	**17,475**	1,715,580	10,594	13,474

21 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Within 3 months	**974,188**	683,165
Between 3 months and 1 year	**1,560,625**	755,520
Between 1 year and 5 years	**144,900**	261,636
Over 5 years	**8,294**	15,259
	2,688,007	1,715,580

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Counter-party default risk:		
– Interest rate derivatives	**815**	927
– Currency derivatives	**9,502**	14,264
– Precious metals derivatives	**1,088**	761
– Other derivatives	**5,661**	11,662
Credit valuation adjustment	**5,266**	14,026
	22,332	41,640

Notes:

(i) The credit risk weighted amounts stated above are solely in connection with the derivatives held by CITIC Bank.

(ii) The credit risk weighted amount has 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.

(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	
	2015	2014
	HK$ million	HK$ million
Trade and bills receivables (note (a))	**27,333**	24,759
Interest receivables (note (b))	**36,750**	34,114
Prepayments, deposits and other receivables (note (c))	**77,264**	71,874
	141,347	130,747

As at 31 December 2015, 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$16,502 million (31 December 2014: HK$20,060 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Trade and bills receivables

(i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Within 1 year	**23,522**	22,182
Over 1 year	**4,947**	3,920
	28,469	26,102
Less: allowance for impairment losses (Note 45)	**(1,136)**	(1,343)
	27,333	24,759

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 2015 and 2014 are disclosed in Note 45.

As at 31 December 2015, the Group's trade and bills receivables of HK$411 million (31 December 2014: HK$491 million) were individually determined to be impaired. These receivables mainly relate to customers which were in financial difficulties. It is assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses is recognised.

22 Trade and other receivables (continued)

(a) Trade and bills receivables (continued)

(iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Less than 1 year past due	**1,365**	3,573
Over 1 year past due	**407**	290
	1,772	3,863

Receivables that are past due but not impaired are related to a number of third-party customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

(b) Interest receivables

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Interest receivables	**39,297**	35,876
Less: allowance for impairment losses (Note 45)	**(2,547)**	(1,762)
	36,750	34,114

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Prepayments, deposits and other receivables	**78,661**	73,061
Less: allowance for impairment losses (Note 45)	**(1,397)**	(1,187)
	77,264	71,874

23 Inventories

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Raw materials	**3,104**	3,642
Work-in-progress	**4,622**	4,867
Finished goods	**13,318**	16,332
Properties:		
– Properties under development	**86,927**	89,892
– Properties held-for-sale	**18,460**	13,243
– Others	**2,190**	3,098
Others	**1,826**	2,184
	130,447	133,258

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	
	2015	2014
	HK$ million	HK$ million
Carrying amount of inventories sold (Note 6)	**146,594**	169,371
Write-down of inventories (Note 45)	**831**	1,191
Reversal of write-down of inventories (Note 45)	**(145)**	(140)
	147,280	170,422

As at 31 December 2015, the Group's inventories included an amount of HK$89,589 million expected to be recovered after more than one year (31 December 2014: HK$92,076 million).

As at 31 December 2015, the carrying amount of restricted inventories of CITIC Resources Holdings Limited ("CITIC Resources"), a subsidiary of the Group, was HK$270 million (31 December 2014: HK$979 million).

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24 Financial assets held under resale agreements

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Analysed by counterparties:		
– Banks	**165,091**	166,889
– Non-bank financial institutions	**300**	5,211
	165,391	172,100
Analysed by types of collateral:		
– Discounted bills	**84,495**	106,926
– Securities	**80,251**	61,456
– Others	**645**	3,718
	165,391	172,100
Analysed by remaining maturity:		
– Within 1 month	**161,380**	157,271
– Between 1 month and 1 year	**3,892**	13,576
– Over 1 year	**119**	1,253
	165,391	172,100

25 Loans and advances to customers and other parties

(a) Loans and advances

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Corporate loans:		
– Loans	**2,093,945**	1,991,035
– Discounted bills	**110,721**	86,254
– Finance lease receivables	**21,340**	700
	2,226,006	2,077,989
Personal loans:		
– Residential mortgages	**320,999**	294,240
– Business loans	**126,251**	138,080
– Credit cards	**209,841**	159,891
– Others	**140,987**	110,752
	798,078	702,963
	3,024,084	2,780,952
Less: Impairment allowance (Note 45)		
– Individually assessed	**(21,973)**	(17,627)
– Collectively assessed	**(54,313)**	(51,474)
	(76,286)	(69,101)
	2,947,798	2,711,851

25 Loans and advances to customers and other parties (continued)

(b) Types of collateral

	As at 31 December 2015 HK$ million	2014 HK$ million
Unsecured loans	**588,325**	506,983
Guaranteed loans	**588,124**	651,130
Secured loans		
– Loans secured by collateral	**1,397,259**	1,209,922
– Pledged loans	**339,655**	326,663
	2,913,363	2,694,698
Discounted bills	**110,721**	86,254
Gross loans and advances	**3,024,084**	2,780,952

(c) Assessment method of allowance for impairment losses

	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)

	As at 31 December 2014				
	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	2,738,723	7,109	35,120	2,780,952	1.52%
Less: allowance for impairment losses	(46,554)	(4,920)	(17,627)	(69,101)	
	2,692,169	2,189	17,493	2,711,851	

Notes:

(i) Impaired loans and advances 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 2015, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK$37,094 million (31 December 2014: HK$35,120 million). The secured and unsecured portion of these loans and advances were as follows:

	As at 31 December	
	2015 HK$ million	2014 HK$ million
Secured portion	**12,396**	13,669
Unsecured portion	**24,698**	21,451
	37,094	35,120

As at 31 December 2015, the fair value of collateral held against these loans and advances amounted to HK$19,935 million (31 December 2014: HK$21,545 million).

The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

25 Loans and advances to customers and other parties (continued)

(d) Movements of allowance for impairment losses

	For the year ended 31 December 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**

	For the year ended 31 December 2014			
	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	37,688	3,409	14,810	55,907
Charge for the year:				
– Impairment allowance on loans charged	8,939	3,356	20,383	32,678
– Reversal of impairment for the period	(73)	(13)	(4,443)	(4,529)
Unwinding of discount on allowance	–	–	(583)	(583)
Write-offs	–	(1,763)	(12,859)	(14,622)
Recovery of loans and advances written off in previous year	–	14	395	409
Changes of exchange rate	–	(83)	(76)	(159)
At 31 December	46,554	4,920	17,627	69,101

25 Loans and advances to customers and other parties (continued)

(e) Overdue loans by overdue period

	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**

	As at 31 December 2014				
	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	4,384	4,315	1,822	487	11,008
Guaranteed loans	16,170	9,037	4,048	413	29,668
Secured loans					
– Loans secured by collateral	27,681	13,110	7,441	942	49,174
– Pledged loans	6,316	1,619	1,071	47	9,053
	54,551	28,081	14,382	1,889	98,903

Overdue loans represent loans of which the principal or interest are overdue one day or more.

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26 Available-for-sale financial assets

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Debt securities (note (a))	**360,040**	233,881
Certificates of deposit and certificates of interbank deposit (note (b))	**89,897**	30,281
Wealth management products issued by financial institutions (note (c))	**33,138**	48,607
Equity investments (note (d))	**10,660**	15,405
Investment funds (note (e))	**1,904**	1,733
	495,639	329,907
Less: allowance for impairment losses (Note 45)	**(853)**	(1,845)
	494,786	328,062
Issued by:		
– Government	**136,925**	49,675
– Policy banks	**39,002**	32,656
– Banks and non-bank financial institutions	**210,890**	158,586
– Corporates	**107,969**	87,145
	494,786	328,062
Analysed by remaining maturity:		
– Within 3 months	**77,175**	61,220
– Between 3 months and 1 year	**122,040**	66,526
– Over 1 year	**287,217**	185,878
– No fixed terms	**8,354**	14,438
	494,786	328,062

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

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26 Available-for-sale financial assets (continued)

(a) Debt securities

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Debt securities	**360,040**	233,881
Less: allowance for impairment losses	**(168)**	(103)
	359,872	233,778
Representing:		
– Listed in Hong Kong	**14,874**	7,341
– Listed outside Hong Kong	**309,119**	198,732
– Unlisted	**35,879**	27,705
	359,872	233,778

(b) Certificates of deposit and certificates of interbank deposit

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Certificates of deposit and certificates of interbank deposit	**89,897**	30,281
Representing:		
– Listed outside Hong Kong	**89,897**	30,281

(c) Wealth management products issued by financial institutions

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Wealth management products issued by financial institutions	**33,138**	48,607
Less: allowance for impairment losses	**(256)**	(1,413)
	32,882	47,194
Representing:		
– Listed outside Hong Kong	**17**	–
– Unlisted	**32,865**	47,194
	32,882	47,194

26 Available-for-sale financial assets (continued)

(d) Equity investments

	As at 31 December 2015 HK$ million	2014 HK$ million
Equity investments	**10,660**	15,405
Less: allowance for impairment losses	**(401)**	(310)
	10,259	15,095
Representing:		
– Listed in Hong Kong	**1,370**	493
– Listed outside Hong Kong	**1,394**	5,464
– Unlisted	**7,495**	9,138
	10,259	15,095

(e) Investment funds

	As at 31 December 2015 HK$ million	2014 HK$ million
Investment funds	**1,904**	1,733
Less: allowance for impairment losses	**(28)**	(19)
	1,876	1,714
Representing:		
– Listed in Hong Kong	**12**	–
– Unlisted	**1,864**	1,714
	1,876	1,714

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	
	2015	2014
	HK$ million	HK$ million
Debt securities	**216,244**	225,590
Others	**72**	163
	216,316	225,753
Less: allowance for impairment losses (Note 45)	**(49)**	(53)
	216,267	225,700
Representing:		
– Listed in Hong Kong	**462**	490
– Listed outside Hong Kong	**208,704**	215,038
– Unlisted	**7,101**	10,172
	216,267	225,700
Issued by:		
– Government	**59,759**	57,118
– Policy banks	**18,785**	21,777
– Banks and non-bank financial institutions	**106,292**	107,161
– Public entities	**5**	–
– Corporates	**31,426**	39,644
	216,267	225,700
Analysed by remaining maturity:		
– Within 3 months	**5,655**	9,059
– Between 3 months and 1 year	**22,222**	24,080
– Over 1 year	**188,390**	192,561
	216,267	225,700
Fair value	**222,501**	225,944
Of which: listed debt securities	**215,396**	215,473

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	
	2015	2014
	HK$ million	HK$ million
Trust investment plans	**168,036**	137,582
Investment management products managed by securities companies	**986,781**	575,841
Wealth management products issued by financial institutions	**176,186**	99,964
Corporate bonds	**–**	16,732
Others	**1,468**	5,058
	1,332,471	835,177
Less: allowance for impairment losses (Note 45)	**(1,190)**	(525)
	1,331,281	834,652

As at 31 December 2015, certain of the Group's investments with an aggregate amount of HK$90,285 million (31 December 2014: HK$49,800 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investment classified as receivables primarily include investment in rediscounted bills, corporate loans, certificates of interbank deposit and wealth management products issued by other financial institutions.

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 Resources, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries") and CITIC Telecom International Holdings Limited ("CITIC Telecom International"), which are listed subsidiaries of the Group, and have m aterial non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	As at 31 December							
	CITIC Bank		CITIC Resources		CITIC Heavy Industries		CITIC Telecom International	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong and Shanghai**		**Hong Kong**		**Shanghai**		**Hong Kong**	
Non-controlling interests percentage	**32.87%**	32.87%	**40.50%**	40.59%	**30.27%**	28.96%	**41.23%**	40.77%
Total assets	**6,114,125**	5,246,511	**14,066**	22,780	**24,785**	25,140	**16,982**	17,341
Including:								
Cash and deposits	**706,620**	801,751	**1,300**	3,246	**6,236**	5,461	**1,223**	1,397
Placements with banks and non-bank financial institutions	**141,775**	86,427	**–**	–	**–**	–	**–**	–
Financial assets at fair value through profit and loss	**31,297**	34,871	**1,839**	2,758	**–**	–	**–**	–
Derivative financial assets	**16,458**	10,428	**–**	24	**–**	–	**–**	–
Financial assets held under resale agreements	**165,391**	172,101	**–**	–	**–**	–	**–**	–
Loans and advances to customers and other parties	**2,946,219**	2,708,091	**–**	–	**–**	–	**–**	–
Available-for-sale financial assets	**446,143**	265,448	**1**	2	**1,498**	1,893	**–**	–
Held-to-maturity investments	**214,770**	225,585	**–**	–	**–**	–	**–**	–
Investments classified as receivables	**1,327,565**	828,091	**–**	–	**–**	–	**–**	–
Total liabilities	**(5,732,538)**	(4,907,613)	**(9,961)**	(11,886)	**(14,296)**	(15,186)	**(9,925)**	(10,747)
Including:								
Borrowing from central banks	**(44,761)**	(63,445)	**–**	–	**–**	–	**–**	–
Deposits from banks and non-bank financial institutions	**(1,275,447)**	(872,504)	**–**	–	**–**	–	**–**	–
Placements from banks and non-bank financial institutions	**(58,784)**	(24,907)	**–**	–	**–**	–	**–**	–
Derivative financial liabilities	**(13,629)**	(9,313)	**(910)**	(752)	**–**	–	**–**	–
Financial assets sold under repurchase agreements	**(84,948)**	(52,745)	**–**	–	**–**	–	**–**	–
Deposits from customers	**(3,799,058)**	(3,612,223)	**–**	–	**–**	–	**–**	–
Bank and other loans	**–**	–	**(7,806)**	(9,173)	**(4,860)**	(4,181)	**(7,472)**	(7,968)

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29 Subsidiaries (continued)

	As at 31 December							
	CITIC Bank		CITIC Resources		CITIC Heavy Industries		CITIC Telecom International	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Net assets	**381,587**	338,898	**4,105**	10,894	**10,489**	9,954	**7,057**	6,594
Equity attributable to								
– Ordinary shareholders of subsidiaries	**379,264**	329,176	**4,167**	10,867	**10,489**	9,954	**7,029**	6,568
– Non-controlling interests in subsidiaries	**2,323**	9,722	**(62)**	27	**–**	–	**28**	26
Carrying amount of non-controlling interests	**138,175**	117,922	**1,626**	4,438	**3,433**	2,883	**2,926**	2,704
Revenue	**181,265**	157,555	**3,713**	17,805	**5,007**	6,672	**8,371**	8,197
Profit/(loss) for the year	**51,984**	52,318	**(6,172)**	270	**77**	515	**815**	735
Total comprehensive income/(loss) for the year	**59,013**	58,855	**(6,778)**	(774)	**62**	427	**777**	695
Profit attributable to non-controlling interests	**17,574**	17,843	**(2,539)**	138	**22**	149	**343**	306
Dividends paid to non-controlling interests	**171**	5,002	**–**	–	**64**	58	**169**	148
Net cash (used in)/generated from operating activities	**(25,948)**	43,100	**714**	1,820	**69**	(332)	**1,776**	1,628
Net cash (used in)/generated from investing activities	**(177,540)**	(60,939)	**(917)**	1,039	**218**	(1,189)	**(875)**	(717)
Net cash generated from/(used in) financing activities	**192,080**	56,028	**(1,735)**	(5,018)	**909**	1,045	**(1,213)**	(368)

30 Interests in associates

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Carrying value	**53,094**	55,232
Less: allowance for impairment losses (Note 45)	**(2,431)**	(3,616)
	50,663	51,616

Note:

(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					
	CITIC Securities Co., Ltd.		**CITIC Dameng Holdings Limited**		**Hong Kong Resort Company Limited**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Listed in:	**Hong Kong, Shanghai**		**Hong Kong**		**Unlisted**	
Gross amount of the associates						
Total assets	**735,406**	607,992	**9,337**	9,781	**6,309**	6,021
Total liabilities	**(566,224)**	(479,794)	**(6,338)**	(6,188)	**(1,846)**	(1,854)
Net assets	**169,182**	128,198	**2,999**	3,593	**4,463**	4,167
Equity attributable to:						
– Associates' shareholders	**166,079**	125,621	**2,890**	3,464	**4,463**	4,167
– Non-controlling interests in associates	**3,103**	2,577	**109**	129	**–**	–
	169,182	128,198	**2,999**	3,593	**4,463**	4,167

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30 Interests in associates (continued)

Summarised financial information of the material associates are disclosed below (continued):

	For the year ended 31 December					
	CITIC Securities Co., Ltd.		CITIC Dameng Holdings Limited		Hong Kong Resort Company Limited	
	2015	2014	**2015**	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue	**90,821**	49,884	**2,517**	3,195	**1,680**	2,839
Profit/(loss) for the year	**25,357**	14,970	**(976)**	(83)	**579**	843
Other comprehensive income/(loss) for the year	**2,907**	2,557	**(139)**	(12)	**17**	–
Total comprehensive income/(loss) for the year	**28,264**	17,527	**(1,115)**	(95)	**596**	843
Dividends received from associates	**699**	423	**–**	–	**150**	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	**166,079**	125,621	**2,890**	3,464	**4,463**	4,167
Group's effective interest	**15.59%**	20.30%	**29.53%**	33.44%	**50.00%**	50.00%
Group's share of net assets of associates	**25,892**	25,501	**853**	1,158	**2,232**	2,084
Non-controlling interests' share of net assets of associates	**–**	–	**403**	548	**–**	–
Goodwill and others	**1,035**	1,321	**2,342**	2,444	**876**	914
Impairment losses	**–**	–	**(2,342)**	(1,905)	**–**	–
Carrying amounts in the consolidated balance sheet	**26,927**	26,822	**1,256**	2,245	**3,108**	2,998

30 Interests in associates (continued)

Aggregate information of associates that are not individually material:

	As at 31 December 2015 HK$ million	2014 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**19,372**	19,551
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	**921**	1,056
Other comprehensive loss for the year	**(944)**	(433)
Total comprehensive (loss)/income for the year	**(23)**	623

31 Interests in joint ventures

	As at 31 December 2015 HK$ million	2014 HK$ million
Carrying value	**24,198**	32,629
Less: allowance for impairment losses (Note 45)	**(1,497)**	(1,613)
	22,701	31,016

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.		CITIC Capital Holdings Limited		CSSC Complex Property Co., Ltd.	
	2015 HK$ million	2014 HK$ million	2015 HK$ million	2014 HK$ million	2015 HK$ million	2014 HK$ million
Gross amount of the joint ventures						
Total assets	**57,264**	48,294	**15,828**	15,032	**9,782**	6,382
Total liabilities	**(53,304)**	(44,512)	**(7,512)**	(6,746)	**(5,909)**	(3,062)
Net assets	**3,960**	3,782	**8,316**	8,286	**3,873**	3,320
Equity attributable to:						
– Joint ventures' shareholders	**3,960**	3,782	**8,189**	8,133	**3,873**	3,320
– Non-controlling interests in joint ventures	**–**	–	**127**	153	**–**	–
	3,960	3,782	**8,316**	8,286	**3,873**	3,320

31 Interests in joint ventures (continued)

	As at 31 December					
	CITIC-Prudential Life Insurance Co., Ltd.		CITIC Capital Holdings Limited		CSSC Complex Property Co., Ltd	
	2015	2014	**2015**	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue	**10,192**	8,173	**716**	646	**2,382**	1
Profit for the year	**476**	405	**565**	808	**780**	23
Other comprehensive income/(loss) for the year	**32**	226	**(188)**	(126)	**(227)**	–
Total comprehensive income for the year	**508**	631	**377**	682	**553**	23
Dividends received from joint ventures	**–**	–	**83**	85	**–**	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders:	**3,960**	3,782	**8,189**	8,133	**3,873**	3,320
Group's effective interest	**50.00%**	50.00%	**24.06%**	24.06%	**50.00%**	50.00%
Group's share of net assets of joint ventures	**1,980**	1,891	**1,970**	1,957	**1,937**	1,660
Goodwill and others	**1,342**	1,425	**163**	185	**626**	990
Carrying amount in the consolidated balance sheet	**3,322**	3,316	**2,133**	2,142	**2,563**	2,650

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**14,683**	22,908
Aggregate amount of the Group's share of those joint ventures		
(Loss)/profit for the year	**(767)**	2,917
Other comprehensive income for the year	**8**	–
Total comprehensive (loss)/income for the year	**(759)**	2,917

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 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 (Note 50)	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 (Note 50)	(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)

	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 2014	48,476	58,046	62,856	11,576	14,240	6,384	201,578	17,007	218,585	28,968
Exchange adjustments	(217)	(398)	(71)	(75)	9	(43)	(795)	(58)	(853)	(120)
Additions	3,059	2,964	17,276	2,007	569	623	26,498	2,140	28,638	2
Disposals	(2,326)	(2,844)	(1,391)	(516)	(2,150)	(470)	(9,697)	(1,151)	(10,848)	(778)
Transfers	5,014	47,062	(52,683)	319	58	(532)	(762)	24	(738)	(1,660)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	2,332
At 31 December 2014	54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2014	(10,031)	(20,082)	(725)	(6,132)	(3,738)	(2,377)	(43,085)	(966)	(44,051)	–
Exchange adjustments	(22)	(635)	–	51	603	70	67	2	69	–
Charge for the year	(1,642)	(4,274)	–	(1,536)	(717)	(343)	(8,512)	(331)	(8,843)	–
Written back on disposals	964	1,445	422	377	889	421	4,518	101	4,619	–
Transfers	(46)	(174)	(296)	(1)	1	(235)	(751)	–	(751)	–
Impairment losses (Note 45)	(136)	(57)	(6,318)	–	(2)	(11)	(6,524)	–	(6,524)	–
At 31 December 2014	(10,913)	(23,777)	(6,917)	(7,241)	(2,964)	(2,475)	(54,287)	(1,194)	(55,481)	–
Net book value:										
At 31 December 2014	43,093	81,053	19,070	6,070	9,762	3,487	162,535	16,768	179,303	28,744
Represented by:										
Cost	54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	–
Valuation	–	–	–	–	–	–	–	–	–	28,744
	54,006	104,830	25,987	13,311	12,726	5,962	216,822	17,962	234,784	28,744

32 Fixed assets (continued)

As at 31 December 2015, the Group was in the process of applying the ownership certificates in respect of certain premises and land use rights of HK$4,804 million (31 December 2014: HK$4,290 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	
	2015	2014
	HK$ million	HK$ Million
In Mainland China		
- leases of over fifty years	**5,964**	3,884
- leases of between ten to fifty years	**58,765**	56,548
- leases of less than ten years	**1,466**	865
	66,195	61,297
In Hong Kong		
- leases of over fifty years	**688**	826
- leases of between ten to fifty years	**16,663**	17,095
	17,351	17,921
Properties held overseas		
- freehold	**1,932**	2,089
- leases of between ten to fifty years	**7,710**	7,281
- leases of less than ten years	**73**	17
	9,715	9,387
Total	**93,261**	88,605

32 Fixed assets (continued)

(b) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2015 and 2014 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 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.

Properties located in	**Valuers in 2014**
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.
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	
	2015 HK$ million	2014 HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**13,955**	13,975
Exchange adjustments	**(836)**	–
Additions	**580**	1
Disposals	**–**	(332)
Transfers	**(294)**	(821)
Change in fair value of investment properties	**308**	1,132
At 31 December	**13,713**	13,955
Investment properties – Hong Kong		
At 1 January	**14,272**	14,393
Exchange adjustments	**–**	4
Additions	**2**	1
Disposals	**–**	(445)
Transfers	**(322)**	(839)
Change in fair value of investment properties	**333**	1,158
At 31 December	**14,285**	14,272
Investment properties – Overseas		
At 1 January	**517**	600
Exchange adjustments	**(35)**	(125)
Additions	**8**	–
Change in fair value of investment properties	**20**	42
At 31 December	**510**	517

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 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: 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 other certain of 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 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 (Note 50)	–	–	2,368	2,368
At 31 December 2015	11,324	19,211	10,327	40,862
Accumulate 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 (Note 50)	–	–	(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

Note:

The roads and tunnels operating rights include a franchise to operate the Eastern Harbour Crossing in Hong Kong for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be 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.

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 2014	15,810	18,268	6,714	40,792
Exchange adjustments	(55)	(6)	(96)	(157)
Additions	753	1,022	577	2,352
Disposals	(2,518)	(433)	(90)	(3,041)
At 31 December 2014	13,990	18,851	7,105	39,946
Accumulated amortisation and impairment losses:				
At 1 January 2014	(2,164)	(270)	(2,324)	(4,758)
Exchange adjustments	1	(8)	31	24
Charge for the year	(294)	(61)	(640)	(995)
Written back on disposals	10	99	65	174
Impairment losses (Note 45)	–	(13,363)	(4)	(13,367)
At 31 December 2014	(2,447)	(13,603)	(2,872)	(18,922)
Net book value:				
At 31 December 2014	11,543	5,248	4,233	21,024

Amortisation charge is included in "cost of sales and services" and "other operating expenses" in the consolidated income statement.

34 Goodwill

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Cost:		
At 1 January	**14,093**	14,307
Additions (Note 50)	**6,397**	62
Transfers	**(7)**	(276)
Exchange differences	**(628)**	–
At 31 December	**19,855**	14,093
Accumulated impairment losses:		
At 1 January	**(384)**	(384)
Exchange differences	**10**	–
At 31 December	**(374)**	(384)
Net book value:		
At 31 December	**19,481**	13,709

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Resources and energy	**1,409**	1,761
Financial services	**1,529**	1,549
Manufacturing	**612**	386
Real estate	**359**	373
Others	**15,572**	9,640
	19,481	13,709

Based on management's impairment assessment, no impairment loss was recognised for the year ended 31 December 2015 (2014: Nil).

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35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December 2015 HK$ million	2014 HK$ million
Income tax payable	**8,987**	10,408
Land appreciation tax payable	**427**	482
	9,414	10,890

(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 2015 and 2014, 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 2014	5,269	2,667	7,609	2,393	6	2,456	20,400
Credited/(charged) to profit or loss (Note 11(a))	1,141	231	3,317	(33)	2,213	(873)	5,996
(Charged)/credited to other comprehensive income	–	(4)	(2)	(1,681)	–	26	(1,661)
Exchange adjustments	47	(36)	76	98	(17)	267	435
At 31 December 2014	6,457	2,858	11,000	777	2,202	1,876	25,170
Credited/(charged) to profit or loss (Note 11(a))	**5,295**	**(1,070)**	**1,658**	**3**	**737**	**156**	**6,779**
Credited/(charged) to other comprehensive income	**–**	**7**	**4**	**(6)**	**–**	**349**	**354**
Business combinations (Note 50)	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Exchange adjustments	**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**

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 2015 and 2014, 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 2014	(474)	(3,902)	(3,135)	(2,524)	(10,035)
(Charged)/credited to profit or loss (Note 11(a))	(1)	3,588	(292)	107	3,402
Charged to other comprehensive income	(1,561)	–	–	(6)	(1,567)
Exchange adjustments	191	(232)	151	(212)	(102)
At 31 December 2014	(1,845)	(546)	(3,276)	(2,635)	(8,302)
(Charged)/credited to profit or loss (Note 11(a))	**(452)**	**87**	**296**	**(445)**	**(514)**
Charged to other comprehensive income	**(497)**	**–**	**(93)**	**(263)**	**(853)**
Business combinations (Note 50)	**–**	**(168)**	**–**	**(241)**	**(409)**
Exchange adjustments	**44**	**(3)**	**(159)**	**(23)**	**(141)**
At 31 December 2015	**(2,750)**	**(630)**	**(3,232)**	**(3,607)**	**(10,219)**

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	
	2015	2014
	HK$ million	HK$ million
Deductible temporary differences	**1,992**	1,626
Tax losses	**12,681**	12,715
	14,673	14,341

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 2015, tax losses amounting to HK$8,421 million (31 December 2014: HK$7,519 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 2015 and 31 December 2014, 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 2014: Nil).

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Banks	**493,190**	439,163
Non-bank financial institutions	**782,231**	432,050
	1,275,421	871,213
Analysed by remaining maturity:		
– On demand	**269,043**	157,124
– Within 3 months	**373,031**	567,738
– Between 3 months and 1 year	**630,237**	132,940
– Over 1 year	**3,110**	13,411
	1,275,421	871,213

37 Placements from banks and non-bank financial institutions

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Banks	**41,753**	24,257
Non-bank financial institutions	**16,388**	–
	58,141	24,257
Analysed by remaining maturity:		
– Within 3 months	**43,567**	17,974
– Between 3 months and 1 year	**14,174**	5,585
– Over 1 year	**400**	698
	58,141	24,257

38 Trade and other payables

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Trade and bills payables	**52,920**	53,138
Advances from customers	**24,332**	27,863
Interest payables	**47,933**	50,927
Other taxes payables	**4,297**	4,350
Settlement accounts	**28,311**	13,751
Other payables	**72,843**	43,928
	230,636	193,957

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	
	2015	2014
	HK$ million	HK$ million
Within 1 year	**36,216**	41,152
Between 1 and 2 years	**11,556**	9,358
Between 2 and 3 years	**3,356**	1,680
Over 3 years	**1,792**	948
	52,920	53,138

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39 Financial assets sold under repurchase agreements

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
By counterparties:		
The People's Bank of China	**10,644**	8,189
Banks	**71,954**	43,665
Non-bank financial institutions	**2,351**	891
	84,949	52,745
By types of collateral:		
Debt securities	**52,133**	44,556
Discounted bills	**32,816**	8,189
	84,949	52,745

40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Demand deposits		
– Corporate customers	**1,385,738**	1,197,124
– Personal customers	**213,561**	187,176
	1,599,299	1,384,300
Time and call deposits		
– Corporate customers	**1,727,112**	1,729,747
– Personal customers	**432,611**	464,578
	2,159,723	2,194,325
Outward remittance and remittance payables	**7,826**	7,883
	3,766,848	3,586,508

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40 Deposits from customers (continued)

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Bank acceptances	**349,205**	340,496
Letters of credit	**11,031**	29,960
Guarantees	**25,992**	19,373
Others	**144,801**	189,292
	531,029	579,121

41 Bank and other loans

(a) Types of loans

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Bank loans		
Unsecured loans	**92,931**	155,499
Loan pledged with assets (note (d))	**33,996**	27,682
Guaranteed loans	**708**	1,160
	127,635	184,341
Other loans		
Unsecured loans	**17,962**	32,933
Loan pledged with assets (note (d))	**1,624**	1,581
Guaranteed loans	**–**	138
	19,586	34,652
	147,221	218,993

41 Bank and other loans (continued)

(b) Maturity of loans

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Bank and other loans are repayable:		
– Within 1 year or on demand	**37,645**	89,767
– Between 1 and 2 years	**22,778**	27,509
– Between 2 and 5 years	**40,806**	62,167
– Over 5 years	**45,992**	39,550
	147,221	218,993

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
RMB	**70,886**	69,171
US$	**58,633**	117,879
HK$	**8,754**	26,742
Other currencies	**8,948**	5,201
	147,221	218,993

(d) As at 31 December 2015, the Group's bank and other loans of HK$35,620 million (31 December 2014 HK$29,263 million) are pledged with cash and deposits, inventories, fixed assets and intangible assets with an aggregate carrying amount of HK$83,858 million (31 December 2014: HK$96,124 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 2015, none of the covenants relating to drawn down facilities have been breached (31 December 2014: Nil).

42 Debt instruments issued

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Corporate bonds issued (note (a))	**72,762**	70,126
Notes issued (note (b))	**69,244**	54,450
Subordinated bonds issued (note (c))	**92,840**	104,368
Certificates of deposit issued (note (d))	**10,390**	14,156
Certificates of interbank deposit issued (note (e))	**204,536**	30,026
	449,772	273,126
Analysed by remaining maturity:		
– Within 1 year or on demand	**219,157**	50,578
– Between 1 and 2 years	**11,158**	5,092
– Between 2 and 5 years	**79,894**	54,738
– Over 5 years	**139,563**	162,718
	449,772	273,126

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 2015 (2014: Nil).

Certain debt instruments issued were purchased by certain subsidiaries of the Group. These debt instruments issued were eliminated in full on consolidation.

Notes:

(a) CORPORATE BONDS ISSUED

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
The Company (note (i))	**36,713**	33,931
CITIC Corporation (note (ii))	**20,896**	27,234
CITIC Real Estate Co., Ltd. ("CITIC Real Estate") (note (iii))	**4,391**	–
CITIC Telecom International (note (iv))	**3,480**	3,477
CITIC Heavy Industries (note (v))	**3,330**	3,533
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note (vi))	**2,149**	1,521
CITIC Environment Investment Group Co., Limited's ("CITIC Environment") subsidiaries (note (vii))	**1,803**	–
CITIC Pacific Finance (2005) Limited (note (viii))	**–**	430
	72,762	70,126

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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 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	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 6.3	US$	280	2015-04-14	2035-04-14	4.60%

	As at 31 December2014				
	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	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%

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 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%

	As at 31 December 2014				
	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-1	RMB	5,000	2005-12-07	2015-12-06	7-days interbank rate plus 1.48%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
14 CITIC bond-SCP002	RMB	2,000	2014-09-09	2015-03-10	4.68%
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 date	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 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%

	As at 31 December 2014				
	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 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	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 2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	1,200	2013-01-25	2018-01-25	4.85%
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%

(vi) Details of corporate bonds issued by CITIC Pacific's subsidiaries

	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	2012-06-20	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%

	As at 31 December 2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-20	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%

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 2015				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
CITIC Envirotech – Medium Term Notes	SG$	325	2013-09-02	2017-07-02	4.7%-7.25%

(viii) **Details of corporate bonds issued by CITIC Pacific Finance (2005) Limited**

	As at 31 December 2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
JPY Notes	JPY	8,100	2005-10-26	2015-10-28	3 month Libor+0.75%

(b) **NOTES ISSUED**

	As at 31 December	
	2015 HK$ million	2014 HK$ million
CITIC Corporation (note (i))	**31,889**	33,785
CITIC Bank (note (ii))	**37,355**	20,665
	69,244	54,450

(i) **Details of notes issued by CITIC Corporation**

	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%

42 Debt instruments issued (continued)

Notes (continued):

(b) NOTES ISSUED (continued)

(i) Details of notes issued by CITIC Corporation (continued)

	As at 31 December 2014				
	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 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	2014-02-20	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 2014				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Dim Sum bonds	RMB	1,500	2014-02-20	2017-02-27	4.13%
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%

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	
	2015	2014
	HK$ million	HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	**4,133**	4,150
– In September 2022 (note (ii))	**2,307**	2,292
– In May 2024 (note (iii))	**2,328**	2,312
Fixed rate bonds maturing		
– In May 2020 (note (iv))	**–**	6,338
– In June 2021 (note (v)	**2,387**	2,535
– In May 2025 (note (vi))	**13,727**	14,578
– In June 2027 (note (vii))	**23,845**	25,320
– In August 2024 (note (viii))	**44,113**	46,843
	92,840	104,368

		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%
(v)	Subordinated Fixed Rate Bonds	RMB	2,000	2006-06-22	2021-06-22	4.12%
(vi)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vii)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(viii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

		As at 31 December 2014				
		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	5,000	2010-05-28	2020-05-28	4.00%
(v)	Subordinated Fixed Rate Bonds	RMB	2,000	2006-06-22	2021-06-22	4.12%
(vi)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(vii)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(viii)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%

(d) CERTIFICATES OF DEPOSIT ISSUED

The certificates of deposit were issued by CBI with interest rate ranging from 0.46% to 3.73% per annum.

(e) CERTIFICATES OF INTERBANK DEPOSIT ISSUED

CITIC Bank issued certain certificates of interbank deposit with a total nominal value of RMB171,356 million (approximately HK$204,536 million) for the year ended 31 December 2015 (2014: RMB23,900 million (approximately HK$30,297 million)). The yield ranges from 2.75% per annum to 4.77% per annum (2014: 4.62% per annum to 5.68% per annum). The original expire terms are between 1 month to 2 years (2014: between 3 months to 6 months).

43 Provisions

	Environmental restoration expenditures HK$ million	Others HK$ million	Total HK$ million
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
At 1 January 2014	1,371	1,357	2,728
Exchange differences	(65)	(1)	(66)
Charge/(reversal) for the year	627	(294)	333
Payments made during the year	(9)	(54)	(63)
At 31 December 2014	1,924	1,008	2,932

44 Share capital, perpetual capital securities and reserves

(a) Share capital

Under the new Hong Kong Companies Ordinance (Cap. 622), which came into operation on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

On 25 August 2014, the Company issued 21,253,879,470 ordinary shares. Immediately prior to this issuance, the number of ordinary shares in issue of the Company was 3,649,444,160.

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 2015, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2014: 24,903,323,630).

Details of the movements in share capital of the Group during the year are set out in the consolidated statement of changes in equity.

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44 Share capital, perpetual capital securities and reserves (continued)

(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. The last lot of outstanding share options lapsed in 2015, with details as follows:

Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	Outstanding balance as at 31 December **2015**	2014
2010-01-14	880,000	0.00%	20.59	19.98	–	400,000

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.

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 2015, 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 2015 (2014: Nil).

44 Share capital, perpetual capital securities and reserves (continued)

(b) Share based payment (continued)

Share Option Plan (continued)

(i) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015 Average exercise price in HK$ per share	**2015** Share Options	2014 Average exercise price in HK$ per share	2014 Share Options
At 1 January	**20.59**	**400,000**	21.93	12,580,000
Lapsed	**20.59**	**(400,000)**	21.98	(12,180,000)
At 31 December	**–**	**–**	20.59	400,000
Weighted average remaining contractual life		**–**		0.04 years

There were no share options granted or exercised during the year ended 31 December 2015 (2014: 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, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2015 and 2014 included the accrued distribution payments.

(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 the business combination in Note 50(a) were directly debited 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

44 Share capital, perpetual capital securities and reserves (continued)

(d) Nature and purpose of reserves (continued)

(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 2015 (31 December 2014: Nil).

45 Movement of allowances for impairment losses

	For the year ended 31 December 2015					
	At 1 January	Charge for the year (Note 8)	Reversal for the year (Note 8)	Recovery of write-off/ (write-off)	Exchange differences and others	At 31 December
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	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**

	For the year ended 31 December 2014					
	At 1 January	Charge for the year (Note 8)	Reversal for the year (Note 8)	Recovery of write-off/ (write-off)	Exchange differences and others	At 31 December
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Deposits and placements with banks and non-bank financial institutions (Note 18 and 19)	19	–	(34)	25	–	10
Trade and other receivables (Note 22)	2,636	3,052	(249)	(1,146)	(1)	4,292
Amounts due from customers for contract work	1,846	47	–	–	(206)	1,687
Inventories (Note 23)	1,231	1,191	(140)	(250)	(3)	2,029
Loans and advances to customers and other parties (Note 25)	55,907	32,678	(4,529)	(14,622)	(333)	69,101
Available-for-sale financial assets (Note 26)	2,019	586	(85)	(675)	–	1,845
Held-to-maturity investments (Note 27)	61	–	(8)	–	–	53
Investment classified as receivables (Note 28)	–	523	–	2	–	525
Interests in associates (Note 30)	1,958	1,693	–	(34)	(1)	3,616
Interests in joint ventures (Note 31)	1,454	29	(3)	135	(2)	1,613
Fixed assets (Note 32)	4,040	6,524	–	(1,312)	7	9,259
Intangible assets (Note 33)	225	13,367	–	(15)	20	13,597
Other assets	2,348	682	(304)	(316)	–	2,410
	73,744	60,372	(5,352)	(18,208)	(519)	110,037

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 and letters of credit.

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	
	2015	2014
	HK$ million	HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**154,627**	177,924
With an original maturity of 1 year or above	**83,210**	59,229
	237,837	237,153
Guarantees	**168,190**	168,029
Letters of credit	**109,784**	170,780
Acceptances	**753,607**	903,806
Credit card commitments	**178,015**	157,321
Others	**5,040**	3,255
	1,452,473	1,640,344

46 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Credit risk weighted amount on credit commitments	**467,758**	577,096

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 2015 and 2014, 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) Bond redemption obligations

As an underwriting agent of PRC government 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 coupon 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 government bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Bonds redemption obligations	**15,960**	15,347

The original maturities of these bonds vary from 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	
	2015	2014
	HK$ million	HK$ million
Related parties	**15,469**	11,925
Third parties	**7,208**	13,769
	22,677	25,694

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	
	2015	2014
	HK$ million	HK$ million
Related parties	**146**	–
Third parties	**99**	–

(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.

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 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 part heard in November and December 2015. It is expected that the hearing will resume in April 2016.

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 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 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 companies 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. A number of those proceedings are described above in Note 3(k). To the extent those proceedings have not been permanently stayed or dismissed, they are being vigorously contested by the Group. No trial date has been set in any of the ongoing royalties proceedings, and in the principal royalties proceeding Mineralogy has applied for leave to further amend its Statement of Claim.

In the circumstances, the Group does not consider that a reliable estimate can be made of the amount of any potential liability arising from the royalties proceedings, and, therefore, no provision has been recognised in the financial statements.

There are a number of disputes with Mineralogy. Refer to Note 3(k) for details.

46 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(iii) CITIC Resources Litigation

(1) In August 2014, CITIC Resources, a subsidiary of the Group, has 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 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") (the "Claim A"). Shanxi Coal I/E is claiming from CACT (1) 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 (2) costs in respect of Claim A.

In September 2015, service of Claim A on CACT was effected by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. So far, no judgment has been issued by the Shanxi Court in respect of Claim A.

CITIC Resources was also noted from such announcement that, in connection with the Claim A, Shanxi Coal I/E had obtained an asset protection order over a certain quantity of CACT's alumina and copper stored in bonded warehouses at Qingdao port.

CACT remains of the view that Claim A is without merit. Accordingly, no provision was made 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 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 ("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, the CITIC Resources has 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, among other things, ABN AMRO had 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 RMB1,000,000 (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.

Up to the date of issuance of the consolidated financial statements, CACT had not been served with the Legal Proceedings and is, therefore, unable to consider or comment on the substance of the Legal Proceedings. Accordingly, no provision was made in respect of the Legal Proceedings.

(iv) There are some issues in dispute with MCC, and their details are disclosed in Note 3(j).

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	
	2015	2014
	HK$ million	HK$ million
Contracted for	**30,888**	39,488

(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	
	2015	2014
	HK$ million	HK$ million
Within 1 year	**4,469**	4,392
Between 1 and 2 years	**3,794**	3,833
Between 2 and 3 years	**3,141**	3,025
Over 3 years	**10,429**	11,454
	21,833	22,704

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 debt securities due to default by issuers, 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	
	2015	2014
	HK$ million	HK$ million
Deposits with central banks, banks and non-bank financial institutions	**792,788**	887,947
Placements with banks and non-bank financial institutions	**141,775**	86,428
Financial assets at fair value through profit or loss	**33,682**	34,894
Derivative financial assets	**16,509**	10,594
Trade and other receivables	**118,008**	116,512
Financial assets held under resale agreements	**165,391**	172,100
Loans and advances to customers and other parties	**2,947,798**	2,711,851
Available-for-sale financial assets	**449,769**	264,059
Held-to-maturity investments	**216,267**	225,700
Investments classified as receivables	**1,331,281**	834,652
	6,213,268	5,344,737
Credit commitments and guarantees provided	**1,475,150**	1,666,038
Maximum credit risk exposure	**7,688,418**	7,010,775

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure is as follows:

	For the year ended 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 2014				
	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	35,120	36	–	263	–
Allowance for impairment losses	(17,627)	(10)	–	(156)	–
	17,493	26	–	107	–
Collectively assessed					
Gross balance	7,109	–	–	–	–
Allowance for impairment losses	(4,920)	–	–	–	–
	2,189	–	–	–	–
Overdue but not impaired (note (1))					
Gross balance	60,470	–	–	–	–
Within which:					
– Within 3 months	53,638	–	–	–	–
– Between 3 months and 1 year	6,699	–	–	–	–
– Over 1 year	133	–	–	–	–
Allowance for impairment losses	(7,041)	–	–	–	–
	53,429	–	–	–	–
Neither overdue nor impaired					
Gross balance	2,678,253	974,349	172,100	523,302	835,177
Allowance for impairment losses (note (2))	(39,513)	–	–	–	(525)
	2,638,740	974,349	172,100	523,302	834,652
Net balance	2,711,851	974,375	172,100	523,409	834,652

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 2015, the corporate loans and advances of the Group which were overdue but not impaired were HK$36,693 million (31 December 2014: HK$49,617 million). As at 31 December 2015, the secured portion of these loans and advances were HK$21,471 million (31 December 2014: HK$27,424 million), and the remaining loans and advances were unsecured.

The fair value of collateral held against these loans and advances amounted to HK$28,290 million as at 31 December 2015 (31 December 2014: HK$38,266 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					
	2015			2014		
	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	**494,368**	**17%**	**240,563**	487,406	18%	217,349
– Wholesale and retail	**311,149**	**10%**	**192,861**	367,750	13%	213,316
– Real estate	**307,585**	**10%**	**261,357**	226,712	8%	191,641
– Rental and business services	**176,416**	**6%**	**103,917**	106,873	4%	59,648
– Transportation, storage and postal services	**176,102**	**6%**	**86,347**	175,225	6%	85,575
– Water, environment and public utility management	**152,110**	**5%**	**76,776**	141,372	5%	67,771
– Construction	**122,469**	**4%**	**57,306**	129,164	5%	59,000
– Production and supply of electric power, gas and water	**65,296**	**2%**	**24,134**	65,699	2%	20,891
– Public management and social organisations	**24,869**	**1%**	**5,825**	24,471	1%	5,862
– Others	**284,921**	**9%**	**116,578**	267,063	10%	99,884
	2,115,285	**70%**	**1,165,664**	1,991,735	72%	1,020,937
Personal loans	**798,078**	**26%**	**571,250**	702,963	25%	515,648
Discounted bills	**110,721**	**4%**	**–**	86,254	3%	–
	3,024,084	**100%**	**1,736,914**	2,780,952	100%	1,536,585

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					
	2015			2014		
	Gross balance HK$ million	**%**	**Loans and advances secured by collaterals HK$ million**	Gross balance HK$ million	%	Loans and advances secured by collaterals HK$ million
Mainland China	**2,852,755**	**94%**	**1,665,593**	2,629,961	95%	1,480,972
Hong Kong and Macau	**146,504**	**5%**	**55,634**	147,422	5%	55,613
Overseas	**24,825**	**1%**	**15,687**	3,569	0%	–
	3,024,084	**100%**	**1,736,914**	2,780,952	100%	1,536,585

(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			
	2015		2014	
	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	**3,786**	**0.13%**	8,649	0.31%
Rescheduled loans and advances overdue more than 3 months	**6,339**	**0.21%**	11,382	0.41%
	10,125	**0.34%**	20,031	0.72%

47 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(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 2015, the Group did not enter into enforceable master netting arrangements with counterparties and therefore there were no offsettings of any assets and liabilities in the consolidated balance sheet.

(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 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**

	As at 31 December 2014					
	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	308,783	2,874,799	1,054,113	550,761	646,087	5,434,543
Total financial liabilities	(1,843,646)	(2,550,701)	(529,056)	(244,976)	(1,765)	(5,170,144)
Financial asset-liability gap	(1,534,863)	324,098	525,057	305,785	644,322	264,399

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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 2015			
	Within 1 year HK$ million	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Acceptances	**753,607**	**–**	**–**	**753,607**
Credit card commitments	**178,015**	**–**	**–**	**178,015**
Guarantees	**102,315**	**63,774**	**2,101**	**168,190**
Loan commitments	**106,754**	**74,868**	**56,215**	**237,837**
Letters of credit	**108,840**	**944**	**–**	**109,784**
Others	**–**	**5,040**	**–**	**5,040**
Total	**1,249,531**	**144,626**	**58,316**	**1,452,473**

	As at 31 December 2014			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Acceptances	903,806	–	–	903,806
Credit card commitments	157,321	–	–	157,321
Guarantees	125,637	40,322	2,070	168,029
Loan commitments	109,503	78,791	48,859	237,153
Letters of credit	168,553	2,227	–	170,780
Others	–	3,255	–	3,255
Total	1,464,820	124,595	50,929	1,640,344

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47 Financial risk management and fair values (continued)

(c) Interest rate risk

Each of the Group's operating entity 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 as well as market interest rate volatility.

	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**

	As at 31 December 2014				
	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	216,598	4,513,163	571,054	133,728	5,434,543
Total financial liabilities	(155,749)	(4,388,797)	(456,433)	(169,165)	(5,170,144)
Financial asset-liability gap	60,849	124,366	114,621	(35,437)	264,399

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For the year ended 31 December 2015

47 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	As at 31 December			
	2015		2014	
	Effective interest rate	**HK$ million**	Effective interest rate	HK$ million
Assets				
Cash and deposits	**1.22%–1.47%**	**801,615**	1.49%–3.24%	897,161
Placements with banks and non-bank financial institutions	**2.59%**	**141,775**	3.96%	86,428
Financial assets held under resale agreements	**3.90%**	**165,391**	5.27%	172,100
Loans and advances to customers and other parties	**5.85%**	**2,947,798**	6.17%	2,711,851
Investments classified as receivable	**5.20%**	**1,331,281**	6.31%	834,652
Investments (note (1))	**3.86%**	**824,808**	4.03%	673,642
Others		**590,641**		571,997
		6,803,309		5,947,831
Liabilities				
Borrowing from central banks	**3.50%**	**44,761**	3.50%	63,445
Deposits from banks and non-bank financial institutions	**3.80%**	**1,275,421**	5.08%	871,213
Placements from banks and non-bank financial institutions	**1.81%**	**58,141**	1.15%	24,257
Financial assets sold under repurchase agreements	**2.43%**	**84,949**	3.60%	52,745
Deposits from customers	**2.16%**	**3,766,848**	2.43%	3,586,508
Bank and other loans	**0.63%–8.50%**	**147,221**	0.53%–8.60%	218,993
Debt instruments issued	**1.00%–7.25%**	**449,772**	2.70%–6.90%	273,126
Others		**313,027**		282,037
		6,140,140		5,372,324

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 2015, 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$2,968 million (31 December 2014: decrease or increase by HK$549 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and 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 non-derivative assets and 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 will be 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 when appropriate.

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 2015				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**142,259**	**394,447**	**5,693,791**	**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**	**(43,233)**	**290,168**	**(24,162)**	**227,225**

47 Financial risk management and fair values (continued)

(d) Currency risk (continued)

	As at 31 December 2014				
	HK$	US$	RMB	Others	Total
Total financial assets	109,195	373,760	4,921,746	29,842	5,434,543
Total financial liabilities	(146,374)	(539,477)	(4,440,071)	(44,222)	(5,170,144)
Financial asset-liability gap	(37,179)	(165,717)	481,675	(14,380)	264,399

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, an 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2015 would decrease or increase the Group's profit before taxation by HK$2,228 million (31 December 2014: decrease or increase by HK$3,016 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and 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 does 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 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)**

	As at 31 December 2014			
	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	4,280	32,947	21	37,248
Derivative financial assets	21	10,564	9	10,594
Available-for-sale financial assets	35,390	258,417	32,524	326,331
	39,691	301,928	32,554	374,173
Liabilities				
Derivative financial liabilities	(1)	(12,708)	(765)	(13,474)

47 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

During the year ended 31 December 2015, there were no significant transfers between instruments in different levels (2014: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2014: Nil).

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 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 (Note 50)	**–**	**–**	**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)**

	For the year ended 31 December 2014				
	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 2014	54	15	23,737	23,806	(119)
Total gain/(losses):	–	(10)	4,383	4,373	(640)
– in profit or loss	–	(10)	(101)	(111)	(640)
– in other comprehensive income	–	–	4,484	4,484	–
Net settlements	(33)	4	4,404	4,375	(6)
At 31 December 2014	21	9	32,524	32,554	(765)
Total losses for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	–	(10)	(101)	(111)	(640)

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 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**	**–**	**1,345,573**	**–**
	1,547,548	**1,568,074**	**1,131**	**1,566,871**	**72**
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**	**–**

	As at 31 December 2014				
	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	225,700	225,944	1,947	223,726	271
Investments classified as receivables	834,652	838,682	–	838,682	–
	1,060,352	1,064,626	1,947	1,062,408	271
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	70,126	74,023	3,584	70,439	–
– Notes issued	54,450	54,899	–	54,899	–
– Subordinated bonds issued	104,368	106,119	9,062	97,057	–
– Certificates of deposit (not for trading purpose)	14,156	14,190	–	14,190	–
– Certificates of interbank deposit issued	30,026	31,662	–	31,662	–
	273,126	280,893	12,646	268,247	–

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 party

(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 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**

	For the year ended 31 December 2014			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	451	18	469
Purchase of goods	–	1,347	4	1,351
Interest income (note (2))	40	48	3	91
Interest expenses	33	12	149	194
Fee and commission income	–	8	304	312
Fee and commission expenses	–	–	36	36
Income from other services	398	16	3	417
Expenses for other services	–	508	10	518
Interest income from deposits and receivables	–	90	17	107
Other operating expenses	29	7	77	113

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 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, clearing and off-balance sheet transactions. 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 party (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties:

	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 (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	**–**	**9**	**771**	**780**
Guarantees provided (note (3))	**–**	**146**	**15,323**	**15,469**

	As at 31 December 2014			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	79	3,667	6,280	10,026
Loans and advances (note (2))	–	999	500	1,499
Placements with banks and non-bank financial institutions	–	17	–	17
Cash and deposits	–	–	135	135
Trade and other payables	1,330	456	550	2,336
Deposits from customers	691	1,553	558	2,802
Deposits from bank and non-bank financial institutions	–	50	30,271	30,321
Guarantees provided (note (3))	–	–	11,925	11,925

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 party (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;
- leases of 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; and
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities.

(d) Key management personnel remuneration

For the year ended 31 December 2015, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$19.38 million (2014: HK$31.52 million).

49 Structured entities

(a) 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 managed by securities companies, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

49 Structured entities (continued)

(a) 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 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	**–**	**–**	**21,206**	**176,186**	**197,392**	**–**	**197,392**
Investment management products managed by securities companies	**–**	**–**	**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**	**10**	**–**	**6,343**	**–**	**6,343**
Investment funds	**3,227**	**–**	**1,713**	**–**	**4,940**	**–**	**4,940**
Total	**3,227**	**6,333**	**28,185**	**1,329,958**	**1,367,703**	**5,040**	**1,372,743**

	As at 31 December 2014					
Carrying amount	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	–	31,127	99,964	131,091	–	131,091
Investment management products managed by securities companies	–	1,408	575,791	577,199	–	577,199
Trust investment plans	–	12,050	137,582	149,632	3,255	152,887
Asset-backed securities	9,013	11	–	9,024	–	9,024
Investment funds	–	1,868	474	2,342	–	2,342
Total	9,013	46,464	813,811	869,288	3,255	872,543

49 Structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 31 December 2015, 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$1,977,449 million (31 December 2014: HK$1,667,100 million).

As at 31 December 2015, the carrying amounts of management fee receivables recognised in the balance sheet were HK$650 million (31 December 2014: HK$1,373 million).

As at 31 December 2015, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$30,158 million (31 December 2014: HK$21,296 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 31 December 2015 was HK$721,217 million (2014: HK$499,354 million).

During the year ended 31 December 2015, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$43,776 million (2014: HK$49,970 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 2015, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was HK$11,355 million (2014: HK$10,113 million).

Securitisation vehicle

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's retention of risk and rewards on the transferred assets. The Group will assess whether to derecognise the assets or not based on the extent of risks and rewards retained. For the year ended 31 December 2015, the Group has derecognised loans and advances of HK$9.37 billion in the asset-backed securitisation transactions (2014: HK$7.82 billion). As at 31 December 2015, the Group neither transferred nor retained substantially all risks and rewards of ownership of certain transferred assets and retained the control of the transferred assets. The Group recognised HK$0.34 billion in both assets and liabilities representing its continuing involvement in this connection (31 December 2014: Nil). In addition, the Group also disposed of its loans and advances to customers in the ordinary course of business during the year ended 31 December 2015.

50 Major business combinations

(a) Acquisition of CITIC Envirotech Ltd. ("CITIC Envirotech", formerly known as United Envirotech Ltd.)

On 24 April 2015, CKM (Cayman) Company Limited ("CKM", a 62.65% indirectly owned subsidiary of CITIC Environment) acquired 87.67% equity interests in CITIC Envirotech, an entity listed on the Main Board of the Singapore Exchange Securities Trading Limited, with a total consideration of approximately SG$1,630 million (equivalent to approximately HK$9,598 million). The goodwill of HK$6,102 million arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations.

The following table summarises the consideration paid by CITIC Envirotech, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration:

	HK$ million
Cash	6,013
Equity instruments	3,585
Total consideration	9,598
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	2,034
Trade and other receivables	4,816
Inventories	84
Fixed assets	574
Intangible assets	2,133
Deferred tax assets	5
Other assets	317
Total identifiable assets acquired	9,963
Trade and other payables	(1,140)
Income tax payable	(134)
Bank and other loans	(2,008)
Debt instruments issued	(1,941)
Deferred tax liabilities	(409)
Other liabilities	(148)
Total identifiable liabilities assumed	(5,780)
Non-controlling interests	(687)
Goodwill	6,102
	9,598

50 Major business combinations (continued)

(a) Acquisition of CITIC Envirotech Ltd. ("CITIC Envirotech", formerly known as United Envirotech Ltd.) (Continued) (continued)

Net cash paid for acquisition:

	HK$ million
Total consideration paid in cash	6,013
Cash and cash equivalents acquired	(2,034)
	3,979

Notes:

(i) Acquisition-related costs of approximately HK$51 million have been charged to other operating expenses in the consolidated income statement for the year ended 31 December 2015.

(ii) The fair value of the ordinary shares issued by CKM as part of the consideration for CITIC Envirotech was based on the offer price of SG$1.65 per share in the voluntary offer.

(iii) The fair value of acquired trade and other receivables is HK$4,816 million including trade receivables with a fair value of HK$3,491 million. The gross contractual amount for trade receivables is HK$3,491 million.

(iv) The fair value of the acquired identifiable fixed assets and intangible assets is HK$2,707 million.

(v) Non-controlling interests in CITIC Envirotech were recognised at proportionate share of the fair value of its net assets.

(vi) The revenue and net profit attributable to ordinary shareholders during the period from 24 April 2015 to 31 December 2015 contributed by CITIC Envirotech was approximately HK$1,443 million and HK$153 million respectively.

Had CITIC Envirotech been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue and net profit of approximately HK$417,264 and HK$60,691 respectively.

(vii) In conjunction with this business combination, CITIC Environment issued put options over the equity of CKM to the other shareholders of CKM and the potential cash payments related to put options were accounted for as financial liabilities and initially recognised at fair value of approximately HK$3,034 million with a corresponding charge being directly debited to equity in April 2015.

(b) Acquisition of Jiangsu Ligang Electric Power Company Limited ("Ligang I&II") and Jiangyin Ligang Electric Power Generation Company Limited ("Ligang III&IV")

Prior to 2015, CITIC Pacific had investments in two joint ventures, namely Ligang I&II and III & IV. As at 31 December 2014, the effective equity interests of CITIC Pacific in Ligang I&II and Ligang III&IV (collectively referred to as "Ligang") were 65.05% and 71.35% respectively.

On 1 January 2015, two supplemental agreements were signed between the shareholders of Ligang I&II and Ligang III&IV, whereby the other shareholders agreed to vote in accordance with the decisions made by the shareholders representatives of CITIC Pacific in Ligang I&II and Ligang III&IV over certain key aspects of Ligang's business including decisions over project development, operational plan, budgeting, finance policy and procedures, treasury management, and assets and cash management. As a result, the directors consider that CITIC Pacific has obtained control over Ligang I&II and Ligang III&IV, and the investments have been reclassified from joint ventures to subsidiaries with effect from 1 January 2015.

50 Major business combinations (continued)

(b) Acquisition of Jiangsu Ligang Electric Power Company Limited ("Ligang I&II") and Jiangyin Ligang Electric Power Generation Company Limited ("Ligang III&IV") (continued)

The following table summarises the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	HK$ million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	549
Trade and other receivables	1,890
Inventories	555
Available-for-sale financial assets	28
Fixed assets	13,470
Other assets	856
Total identifiable assets acquired	17,348
Trade and other payables	(5,356)
Income tax payable	(255)
Bank and other loans	(4,974)
Other liabilities	(796)
Total identifiable liabilities assumed	(11,381)
Non-controlling interests	(1,989)
Carrying amount of previously held interests in joint ventures	(4,216)
Remeasurement loss of previously held interests in joint ventures	(238)
Release of exchange reserves relating to previously held interests in joint ventures	749
Deemed disposal gain of previously held interests in joint ventures	511

	HK$ million
Net cash (inflow)/outflow	
Total consideration paid, satisfied in cash	–
Cash and cash equivalents acquired	(549)
	(549)

Notes:

(i) The fair value of acquired trade and other receivables is HK$1,890 million including trade receivables with a fair value of HK$1,287 million.

(ii) The fair value of the acquired identifiable fixed assets and intangible assets is HK$13,470 million.

(iii) Non-controlling interests in Ligang I&II and Ligang III&IV were recognised at proportionate share of the fair value of its net assets.

(iv) As a result of the acquisition, the Group recognised a gain of HK$511 million, including recycling of exchange reserves of HK$749 million relating to the investments in Ligang I&II and Liang III&IV previously recognised in other comprehensive income.

(v) The revenue and net profit attributable to ordinary shareholders during the period from 1 January 2015 to 31 December 2015 contributed by Ligang I&II and Ligang III&IV was approximately HK$10,900 million and HK$2,151 million respectively.

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	
	2015	2014
	HK$ million	HK$ million
Cash	**8,827**	9,214
Bank deposits on demand	**54,612**	48,754
Surplus deposit reserve funds	**75,983**	88,945
Investments in debt securities due within three months	**23,954**	20,915
Deposits with banks and non-bank financial institutions due within three months	**113,796**	118,376
Placements with banks and non-bank financial institutions due within three months	**76,939**	61,687
Cash and cash equivalents in the consolidated cash flow statement	**354,111**	347,891

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Total assets	**10,546**	20,158
Total liabilities	**(6,687)**	(10,893)
Non-controlling interests	**(125)**	(77)
Net assets disposed	**3,734**	9,188
Total consideration	**(5,973)**	(8,402)
(Gains)/loss on disposal of subsidiaries	**(2,239)**	786
Net cash inflow is determined as follows:		
Cash proceeds received	**3,590**	4,458
Less: cash and cash equivalents disposed	**(664)**	(714)
	2,926	3,744

52 Major Transactions with non-controlling interests

(a) Acquisition of additional interest in an indirectly hold subsidiary

On 27 August 2015, CITIC Bank acquired an additional 29.68% of the issued shares of CITIC International Financial Holdings Limited for a purchase consideration of RMB6,795 million (approximately HK$8,462 million). The Group recognised a decrease in non-controlling interests of HK$8,128 million, and a decrease in equity attributable to shareholders of the Company of HK$334, The effect of changes in the ownership interest of CITIC Bank on the equity attributable to shareholders of the Company during the year is summarised as follows:

	31 December 2015 HK$ million
Carrying amount of non-controlling interests acquired	**8,128**
Consideration paid to non-controlling interests	**(8,462)**
Excess of consideration paid recognised within equity	**(334)**

(b) Dilution of interests in subsidiaries without loss of control

In December 2015, CITIC Bank issued new ordinary shares to China National Tobacco Corporation through private placement, raising RMB11,888 million (approximately HK$14,806 million) in total after deduction of issuance expense. The Group recognised an increase in non-controlling interests of HK$16,535 million and a decrease in equity attributable to shareholders of the Company of HK$1,729 million.

In December 2015, CITIC Heavy Industries issued new ordinary shares to Tangshan Kaicheng Electronic Control Equipment Group Co., Ltd. (唐山開誠電控設備集團有限公司), acquiring cash and other assets amounting to RMB1,133 million (approximately HK$1,410 million) in total. The Group recognised an increase in non-controlling interests of HK$805 million and an increase in equity attributable to shareholders of the Company of HK$605 million. The effect of changes in the ownership interest of CITIC Bank and CITIC Heavy Industry on the equity attributable to shareholders of the Company during the year is summarised as follows:

	31 December 2015 HK$ million
Increase in carrying amount of non-controlling interests	**17,340**
Consideration received from non-controlling interests	**(16,216)**
Loss on disposal within equity	**1,124**

(c) Effects of transactions with non-controlling interests on the equity attributable to shareholders of the Company for the year ended 31 December 2015

	For the year ended 31 December 2015 HK$ million
Changes in equity attributable to shareholders of the Company arising from:	
– Acquisition of additional interest in an indirectly held subsidiary	**334**
– Dilution of interests in subsidiaries without loss of control	**1,124**
Net effect for transactions with non-controlling interests on equity attributable to shareholders of the Company	**1,458**

53 Balance sheet and reserve movement of the Company

	As at 31 December	
	2015	2014
	HK$ million	HK$ million
Non-current assets		
Fixed assets	**6**	–
Interests in subsidiaries	**444,970**	408,992
Interests in joint ventures	**3,886**	3,886
	448,862	412,878
Current assets		
Derivative financial instruments	**–**	99
Amounts due from subsidiaries	**17,764**	5,847
Trade and other receivables	**20**	263
Cash and deposits	**10,869**	13,031
	28,653	19,240
Total assets	**477,515**	432,118
Current liabilities		
Bank and other loans	**2,438**	27,740
Amounts due to subsidiaries and other related parties	**23,500**	313
Trade and other payables	**1,417**	1,086
Derivative financial instruments	**117**	186
Income tax payable	**–**	80
Debt instruments issued	**1,193**	–
	28,665	29,405
Non-current liabilities		
Long term borrowings	**8,518**	20,036
Debt instruments issued	**35,520**	34,668
Derivative financial instruments	**1,368**	1,546
	45,406	56,250
Total liabilities	**74,071**	85,655
Equity		
Share capital	**381,710**	324,198
Perpetual capital securities	**13,836**	13,834
Reserves	**7,898**	8,431
Total ordinary shareholders' funds and perpetual capital securities	**403,444**	346,463
Total liabilities and equity	**477,515**	432,118

The balance sheet of the Company was approved and authorized for issue by the board of directors on 24 March 2016.

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

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For the year ended 31 December 2015

53 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	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

53 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company (continued)

	Share capital HK$ million (Note 44(a))	Perpetual capital securities HK$ million (Note 44(c))	Share premium HK$ million (Note 44(a))	Capital redemption reserve HK$ million (Note 44(a))	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 2014	1,460	13,838	36,533	29	697	(1,256)	11,276	62,577
Cash flow hedges:								
– Fair value loss during the year	–	–	–	–	–	(766)	–	(766)
– Transfer to net finance charges	–	–	–	–	–	450	–	450
	–	–	–	–	–	(316)	–	(316)
Profit attributable to shareholders of the Company	–	1,130	–	–	–	–	(684)	446
Issue of shares	286,502	–	–	–	–	–	–	286,502
Release upon lapse of share options	–	–	–	–	(65)	–	65	–
Dividends	–	–	–	–	–	–	(1,286)	(1,286)
Distributions to holders of perpetual capital securities	–	(1,134)	–	–	–	–	–	(1,134)
Transaction costs related to issue of shares	(326)	–	–	–	–	–	–	(326)
Transition to no-par value regime on 3 March 2014	36,562	–	(36,533)	(29)	–	–	–	–
At 31 December 2014	324,198	13,834	–	–	632	(1,572)	9,371	346,463

54 Post balance sheet events

(a) Business combination

In January 2016, CITIC Heavy Industries acquired 80% equity interests in Tangshan Kaicheng Electronic Control Equipment Group Co., Ltd. (唐山開誠電控設備集團有限公司) at an aggregate cash and share consideration of approximately RMB848 million.

(b) Acquisition of shares

In January 2016, the Company acquired 18.79% equity interests in Yuan Long Ping High-Tech Agriculture Co., Ltd. (袁隆平農業高科技股份有限公司) through its subsidiaries and associate, at an aggregate consideration of approximately RMB2,792 million.

(c) Issue of notes

The Company proposed to issue US$350 million of 4.75% notes due 2036 and US$150 million of 4.875% notes due 2041 (together, the "notes") under the US$9,000,000,000 Medium Term Note Programme (the "Programme"). Application has been made to The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Notes to be issued under the Programme as described in the offering circular dated 25 June 2015 prepared in respect of the Programme and the pricing supplements dated 22 January 2016 prepared in respect of the Notes. The Notes will be offered to professional investors only.

54 Post balance sheet events (continued)

(d) Sales of interest in residential real estate projects

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation have entered into an agreement with China Overseas Land & Investment Limited ("China Overseas") to sell the Group's interest in certain residential real estate projects in the PRC to one of China Overseas' affiliates. The amount of the total consideration is estimated to be RMB31,000 million (equivalent to HK$37,080 million), consisting of approximately 10% new shares to be issued by China Overseas upon completion of the transaction and certain assets of China Overseas.

55 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

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 2015 and which have not been early adopted in these consolidated financial statements.

HKAS 1 (Amendment)	The disclosure initiative(1)
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation(1)
HKAS 27 (Amendment)	Separate financial statements regarding the equity method(1)
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture(3)
HKFRS 10, HKFRS 12 and HKAS 28(Amendment)	Investment entities: applying the consolidation exception(1)
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations(1)
Annual Improvement Project	Annual Improvements 2012-2014 Cycle(1)
HKFRS 15	Revenue from Contracts with Customers(2)
HKFRS 9	Financial Instruments(2)

(1) Effective for the accounting period beginning on 1 January 2016.
(2) Effective for the accounting period beginning on 1 January 2018.
(3) Originally effective for the accounting period beginning on 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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	3,382,342,098	58.77%	0%	58.77%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	46,787,327,034 (note (i))	67.13%	0%	67.13%
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	67.13%	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 Real Estate Co., Ltd. 中信房地產股份有限公司	Mainland China	Real estate	6,790,000,000	88.37%	0%	88.37%
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%

Note:

(i) Registration of 2,147,469,539 new A shares issued by CITIC Bank through private placement in 2015 was completed on 20 January 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 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 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 Resources Holdings Limited 中信資源控股有限公司	Hong Kong	Resources and Energy	7,857,727,149	59.50%	0%	59.50%
CITIC United Asia Investments Limited 中信裕聯投資有限公司	Hong Kong	Resources and Energy	916,829,000	100%	0%	100%
CITIC Metal Co., Ltd. 中信金屬有限公司	Mainland China	Resources and Energy	N/A	100%	0%	100%
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	4,186,626,501 (note (ii))	69.73%	0%	69.73%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Manufacturing	N/A	100%	0%	100%

Note:

(ii) Registration of 152,792,792 new A shares issued by CITIC Heavy Industries in 2015 was completed on 5 January 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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	781,526,221	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 中信出版集團股份有限公司	Mainland China	Publishing	125,500,000	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	Service	N/A	51.03%	0%	51.03%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	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%

57 Principal subsidiaries, associates and joint ventures (continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,116,908,400	15.59%	0%	15.59%
CITIC Dameng Holdings Limited 中信大錳控股有限公司	Bermuda	Resources and Energy	3,428,459,000	29.53%	0%	43.46%
Hong Kong Resort Company Limited 香港興業有限公司	Hong Kong	Real estate	N/A	50%	0%	50%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC-Prudential Life Insurance Co., Ltd. 信誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
CITIC Capital Holdings Limited 中信資本控股有限公司	Hong Kong	Investment management	N/A	24.06%	0%	24.06%
CSSC Complex Property Co., Ltd. 中船置業有限公司	Mainland China	Real estate	N/A	50%	50%	0%

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITIC LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries set out on pages 161 to 314, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

Major Properties Held by the Group

As at 31 December 2015

Major investment properties

	Location	Leasehold expiry	Group's interest %	Approximate area (sq.m.)	Existing use(s)
1	6 Xinyuannanlu, Chaoyang District, Beijing	2053	100	140,200	Office
2	1168 Nanjing West Road, Shanghai	2044	100	132,300	Office, retail
3	19 Jianguomenwai Avenue, Chaoyang District, Beijing	2053	100	62,200	Office
4	111 Lee Nam Road, Ap Lei Chau, Hong Kong	2047	100	60,800	Motor Services and Godown
5	Tower B, 555 Jingjia Road, Ningbo	2046	100	49,000	Office
6	CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	2047	100	52,000	Office, retail
7	688-1 Xizang South Road, Shanghai	2072	100	23,000	Retail
8	CITIC Tower, 1 Jianxin South Road, Jiangbei District, Chongqing	2046	100	10,800	Retail
9	1288 Longdongdadao, Shanghai	2054	100	10,500	Office

Major properties held for sale

	Location	Leasehold expiry	Group's interest %	Approximate area (sq.m.)	Current use(s)
1	111 Zhongyi'erlu, Tianxin District, Changsha	2085	100	524,200	Residential and Parking
2	Dongjang New Town, Huichong Distinct, Huizhou	2077	100	267,600	Residential
3	Phase I of CITIC Harbour City, Zhuyu West Street, Zhongshan District, Dalian	2049	80	214,300	Residential
4	6 Luhua Road, Beijing Economic and Technological Development Area	2075	80	139,200	Residential
5	Huayangmeian Road, Tianfu New District, Chengdu	2082	100	127,000	Residential and Parking
6	3/1 Qiu, Block 8, Zhujiajiao Town,Qingpu District, Shanghai	2074	100	98,900	Residential
7	CITIC Kaixuan Blue Coast Garden, Tianxin District, Changsha	2082	99.5	86,200	Residential
8	7 Cuizhusilu, Sandong Town, Huicheng District, Huizhou	2077	100	65,900	Residential
9	Hepulonghutan, Haojiang District, Shantou	2063	100	58,400	Residential

Major Properties Held by the Group

As at 31 December 2015

Major properties under development

	Location	Status	Estimated completion date	Classification	Leasehold expiry	Group's interest %	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)
1	Court 6, Luhua Road, Beijing Economic and Technological Development Area	Construction in progress	In phases from 2008 onwards	Residential	2080	100	966,100	1,974,300
2	CITIC Kaixuan Town Garden, Zhuzaiyuan, Sandong Town, Huizhou	Construction in progress	In phases from 2013 onwards	Residential	2077	100	569,200	1,909,400
3	Resort Development Shenzhou Peninsula Wanning, Hainan	Construction in progress	In phases from 2011 onwards	Hotel, retail, residential	2057-2079	80-100	3,898,100	1,429,500
4	No. 10 Building, CITIC Redwood Bay, 333 Qianhe West Road, Xiangzhou, Zhuhai	Construction in progress	August 2018	Residential	2088	100	272,200	839,100
5	Longxi Street, Zhongshan District, Dalian	Construction in progress	In phases from 2015 onwards	Residential	2050	80	147,000	725,200
6	Lu Jia Zui Harbour City, Yincheng Road 9, Shanghai	Construction in progress	In phases from 2011 onwards	Office, residential, retail	2044-2074	50	198,900	583,800
7	Land lot Z15 in the prime location of CBD of Chaoyang District, Beijing	Construction in progress	March 2019	Office	2050	100	11,500	437,000
8	Malu town, Jiading District	Construction in progress	December 2017	Retail, office	2056	100	74,620	294,850
9	Changzheng town, Putuo district, Shanghai	Construction in progress	September 2018	Retail, office	2064	50	60,335	229,372

Corporate Information

Registered Office

32nd Floor, CITIC Tower
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Central, Hong Kong

Telephone: +852 2820 2111

Fax: +852 2877 2771

Beijing Office

Capital Mansion, 6 Xinyuannanlu
Chaoyang District
Beijing 100004, China

Website

www.citic.com contains a description of the Company's business, a copy of the full report to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Corporate Information

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	3 June 2016 to 8 June 2016 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	15 June 2016 to 17 June 2016 (both days inclusive)
Annual General Meeting:	8 June 2016, 11:00 a.m. Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place 88 Queensway Hong Kong
Dividend payment:	29 June 2016

Annual Report 2015

Our Annual Report is printed in English and Chinese and is available on our website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to the Company's Share Registrar.

Shareholders having difficulty in gaining access to the Annual Report will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

Non-shareholders are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.

CITIC Limited

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www.citic.com
Stock code: 00267

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