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CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

As we reflect on 2016 and events such as the Brexit vote, the US presidential election and continued political and economic tensions across the world, global companies are grappling with pronounced uncertainty and volatility. At home, China's economy is in the midst of a structural transition, as industrial output and double digit growth moderate but consumption, services, and higher value-added manufacturing increase. The world is changing, and companies need to stay nimble and prepare to adapt, while striking a balance between reacting to outside factors and navigating steadily through rough waters to achieve their business goals.

We live in an increasingly interconnected world, where one nation's interests can easily converge with another's. Countries, and indeed companies, have become interdependent. At CITIC, we know from our own transformation over the last 38 years that we have become more dependent than ever on our global customers and partners, and they on us. Economic globalisation has brought all of us closer.

These days, CITIC and its subsidiaries employ people of different nationalities across many countries. We're involved in cross-border capital flows as well as the sharing of ideas and best practices. We have not only absorbed technology from abroad but exported technology to the world, such as magnetite iron ore mining and processing to Western Australia's mineral-rich Pilbara region. When we operate in other countries, we seek to harness local expertise. Likewise, when our business partners work with us in China, we offer them our "Chinese DNA" and the knowledge we've accumulated over many decades. Our new partnership with McDonald's is a case in point.

I remember in 1992 when the world's largest McDonald's at the time opened in the centre of Beijing, and I can vividly recall the novelty of eating a Big Mac in China. Fast-forward to 2017, and I am again struck by the changing times, as this year CITIC announced plans to acquire a majority stake in McDonald's business in mainland China and Hong Kong, where it already serves over one billion people annually in its more than 2,600 restaurants.

McDonald's is ubiquitous here now, but it was not always so. Such is the deep-rooted impact of globalisation that there's now a generation of Chinese citizens who have never known a China devoid of the golden arches on the main streets of their towns and cities. There are many more examples of popular international brands that have become a part of Chinese consumers' everyday lives. As the world and China evolve, so does CITIC.

OUR 2016 RESULTS

Profit attributable to ordinary shareholders for 2016 was HK$43.1 billion. Although this was a modest 3% increase from last year, there is no doubt that the challenging operating environment continued to affect our businesses. Other factors affecting the result included our reduced interest in CITIC Bank and the depreciation of the Renminbi given that our reporting currency is the Hong Kong dollar. Breaking down the result further, a non-cash impairment charge of HK$7.2 billion (after tax) was made on our Sino Iron mine, mainly due to lower forecasts for the long-term price of iron ore. On the other hand, a gain of HK$10.3 billion was recorded when the sale of residential property assets in mainland China to China Overseas Land and Investment was completed.

The board recommends a final dividend payment of HK$0.23 per share, thus giving shareholders a total dividend of HK$0.33 per share for the year 2016, 10% more than last year.

In the financial services sector, CITIC Bank's profit grew slightly, dampened by a higher impairment for non-performing loans. Non-interest income improved, as CITIC Bank continued to diversify its revenue streams. Due to a lacklustre A share market, CITIC Securities saw its profit decrease significantly. CITIC-Prudential, on the other hand, saw its premium income grow, leading to an increase in its net profit. CITIC Trust profit for the year remained stable. In our 2016 annual report we will spotlight CITIC Trust, a market leader in the growing Chinese trust sector.

In the non-financial sector, CITIC Pacific Special Steel and CITIC Dicastal continued to impress. Net profit from our steel business rose significantly due to an optimal product mix and lower raw material cost, the result of an effective procurement strategy. Strong demand for CITIC Dicastal's products, particularly wheels, delivered double digit growth in revenue and net profit. However, CITIC Heavy Industries suffered a considerable loss due to factors that included continuing weak demand from downstream industries for heavy machinery and equipment, and an impairment charge. Going forward, in addition to further strengthening its core competencies, CITIC Heavy Industries will accelerate the development and application of products in new areas such as special purpose robots, which are seeing increasing demand.

In the engineering and construction area, although profits were lower in 2016, we are encouraged to see new projects coming on board, such as a road rehabilitation project in Kazakhstan and the KK Phase II municipal infrastructure project in Angola.

For the property business, our focus is on developing large integrated projects in cities with strong development potential. I am glad to report that we recently acquired four mixed-use commercial projects in Wuhan with a total gross floor area of approximately 2.7 million m².

In the resources area, the performance of CITIC Resources improved compared with 2015. At our Sino Iron mine in Western Australia, construction of all six processing lines was completed, and our operational focus is now on ramping up production, improving efficiency and lowering operating cost. While progress has been significant, we face ongoing challenges that go beyond the usual operational issues associated with such a massive industrial undertaking. To place Sino Iron on a long-term sustainable footing, the cooperation of other parties is critically important. As we reported last month, resolution of matters involving Mineralogy will have a major bearing on the future viability of Sino Iron.

EMBRACING THE CONSUMER ECONOMY

When we announced the McDonald's transaction, I was asked by many friends and colleagues why CITIC made this investment and how we can help this successful global brand grow further in China.

The fact that China's economy is now the second largest in the world is well known, and its shift to consumption and services is one of the defining stories of the early 21st century. However, the country's consumption as a proportion of GDP is still very low in comparison with more developed markets. Continued urbanisation, an expanding middle class and increasing discretionary household income should translate into further spending. Against this backdrop, we believe that there is still huge growth potential for McDonald's, particularly in Tier 3 and 4 cities.

Our investment and partnership with McDonald's gives CITIC direct exposure to this exciting growth dynamic. CITIC's rich resources and local knowledge can help this fast food giant reach its full potential in China. In return, McDonald's extensive network and consumer base will provide us with invaluable insights, which we will leverage to the benefit of our existing businesses.

CITIC's participation in the consumer space was already broad before the McDonald's deal and will continue to expand. We have a range of businesses that are serving this growing sector. Our subsidiary Dah Chong Hong has been distributing motor vehicles, food and consumer products in Asia for decades and has recently secured a foothold in healthcare through the acquisition of LF Asia. International brands come to Dah Chong Hong to understand the complex market landscape in China and other Asian countries and ensure that their products are skilfully distributed to their target consumers.

Our banking and financial services businesses have been competing in the consumer space for many years. The innovative financial products we design and offer are rooted in our understanding of customers' needs. Our venture into fintech is the latest example. CITIC Bank has joined forces with Baidu to form Baixin Bank, a direct banking service provider. CITIC Bank owns 70% of the Beijing-based lender, and Baidu holds the remainder. Competing in this area further extends our reach to an even wider community, in particular a new breed of internet-savvy consumers.

Another very interesting example of our consumer-facing businesses is CITIC Press. This is a relatively small but growing business in our large CITIC family. In 2016, it generated a net profit of RMB128 million, which was 28% more than the previous year. By anticipating and adapting to readers' changing needs, CITIC Press has evolved from a traditional publisher to an intellectual property hub and a content curator. Through both its digital and brick-and-mortar channels, CITIC Press influences millions of Chinese readers. Today, people like to link a company's survival to its "e-power". For CITIC Press, success rests on its passion for knowledge and ability to inspire, from *enlightening* children via educational and learning series to *equipping* executives with professional training and *enriching* people from all walks of life.

Not that long ago in China, big companies had all the power in determining what products would be made available to the market. That era is long gone, and consumption models have changed to reflect the primacy of customer desires and demands. With greater mobile penetration, people have never been more informed when it comes to making their purchasing decisions. Choice is at their fingertips, and only the companies that observe closely and respond appropriately will endure.

At CITIC, we know well that old business models are being disrupted by technological advancement. We are determined to stay on the front foot and challenge ourselves to view our businesses through the lens of customers. Underpinned by the inherent strength of our existing businesses, we're well positioned to capture emerging opportunities both in China's maturing economy and abroad. We're guided by an investment strategy that is customer-centric, commercially-driven and supported by a disciplined approach to ensure the wise and timely allocation of capital and resources.

CONCLUSION

In President Xi Jinping's recent keynote speech at Davos, he referenced Charles Dickens' famous line, "It was the best of times, it was the worst of times", to describe the contradictions of the period we are living through. I believe that it is up to us as companies and individual managers to embrace the opportunities presented by this period of uncertainty, turning them to our advantage. In order to flourish and create long-term value for our shareholders, we will have to be market leaders and prudent planners, looking inside and outside the company today to identify the businesses of tomorrow.

CITIC Limited is committed to good governance and serving the interests of all shareholders and the society at large. As we take steps to reshape our business, your continued support, patience and understanding are appreciated. Thank you for your faith in us.

Chang Zhenming
Chairman
Hong Kong, 23 March 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**For the year ended 31 December 2016** *HK$ million*	2015 *HK$ million* (Restated)
Continuing operations			
Interest income		**251,427**	270,151
Interest expenses		**(125,504)**	(138,268)
Net interest income	*4(a)*	**125,923**	131,883
Fee and commission income		**58,196**	51,405
Fee and commission expenses		**(3,618)**	(2,506)
Net fee and commission income	*4(b)*	**54,578**	48,899
Sales of goods and services	*4(c)*	**193,292**	189,880
Other revenue	*4(d)*	**7,029**	24,648
		200,321	214,528
Total revenue		**380,822**	395,310
Cost of sales and services		**(165,620)**	(158,346)
Other net income		**7,291**	8,095
Impairment losses on			
– Loans and advances to customers and other parties		**(53,603)**	(47,827)
– Others		**(19,987)**	(31,361)
Other operating expenses		**(76,858)**	(85,523)
Net valuation gain on investment properties		**615**	592
Share of profits of associates, net of tax		**2,323**	4,741
Share of profits/(loss) of joint ventures, net of tax		**2,876**	(155)
Profit before net finance charges and taxation		**77,859**	85,526
Finance income		**1,552**	2,358
Finance costs		**(8,688)**	(9,239)
Net finance charges	*5*	**(7,136)**	(6,881)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	For the year ended 31 December **2016** ***HK$ million***	2015 *HK$ million* (Restated)
Profit before taxation	*6*	**70,723**	78,645
Income tax	*7*	**(18,393)**	(19,424)
Profit for the year from continuing operations		**52,330**	59,221
Discontinued operations			
Profit for the year from discontinued operations	*15*	**10,309**	1,472
Profit for the year		**62,639**	60,693
Attributable to:			
– Ordinary shareholders of the Company		**43,119**	41,812
– Holders of perpetual capital securities		**790**	1,135
– Non-controlling interests		**18,730**	17,746
Profit for the year		**62,639**	60,693
Profit attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**32,782**	40,501
– Discontinued operations		**10,337**	1,311
		43,119	41,812
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$):	*9*		
Basic earnings per share from:			
– Continuing operations		**1.13**	1.53
– Discontinued operations		**0.35**	0.05
		1.48	1.58
Diluted earnings per share from:			
– Continuing operations		**1.13**	1.52
– Discontinued operations		**0.35**	0.05
		1.48	1.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Profit for the year		**62,639**	60,693
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**(8,930)**	2,972
Cash flow hedge: net movement in the hedging reserve		**1,155**	139
Share of other comprehensive loss of associates and joint ventures		**(1,132)**	(958)
Exchange differences on translation of financial statements and others		**(40,248)**	(34,978)
Items that have not been reclassified or may not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		**28**	279
Other comprehensive loss for the year, net of tax		**(49,127)**	(32,546)
Total comprehensive income for the year		**13,512**	28,147
Attributable to:			
Ordinary shareholders of the Company		**9,243**	15,836
Holders of perpetual capital securities		**790**	1,135
Non-controlling interests		**3,479**	11,176
Total comprehensive income for the year		**13,512**	28,147
Total comprehensive income/(loss) attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**(275)**	15,620
– Discontinued operations		**9,518**	216
		9,243	15,836

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	**31 December 2016** ***HK$ million***	31 December 2015 *HK$ million*
Assets			
Cash and deposits		**927,259**	801,615
Placements with banks and non-bank financial institutions		**186,927**	141,775
Financial assets at fair value through profit or loss		**77,819**	40,391
Derivative financial instruments		**53,281**	16,509
Trade and other receivables		**138,942**	141,347
Amounts due from customers for contract work		**1,949**	2,234
Inventories		**48,905**	130,447
Financial assets held under resale agreements		**193,615**	165,391
Loans and advances to customers and other parties	*10*	**3,137,906**	2,947,798
Available-for-sale financial assets		**642,477**	494,786
Held-to-maturity investments		**244,151**	216,267
Investments classified as receivables		**1,166,325**	1,331,281
Interests in associates		**84,125**	50,663
Interests in joint ventures		**19,387**	22,701
Fixed assets		**172,236**	183,740
Investment properties		**31,539**	28,508
Intangible assets		**19,322**	20,572
Goodwill		**21,871**	19,481
Deferred tax assets		**34,786**	27,761
Other assets		**35,173**	20,042
Total assets		**7,237,995**	6,803,309

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	**31 December 2016** *HK$ million*	31 December 2015 *HK$ million*
Liabilities			
Borrowing from central banks		**205,755**	44,761
Deposits from banks and non-bank financial institutions		**1,097,164**	1,275,421
Placements from banks and non-bank financial institutions		**93,596**	58,141
Derivative financial instruments		**52,648**	17,475
Trade and other payables		**207,285**	230,636
Amounts due to customers for contract work		**2,892**	7,224
Financial assets sold under repurchase agreements		**134,534**	84,949
Deposits from customers	*11*	**4,031,522**	3,766,848
Employee benefits payables		**18,283**	18,156
Income tax payable		**9,999**	9,414
Bank and other loans	*12*	**112,819**	147,221
Debt instruments issued	*13*	**543,893**	449,772
Provisions		**3,668**	3,567
Deferred tax liabilities		**6,682**	6,998
Other liabilities		**21,404**	19,557
Total liabilities		**6,542,144**	6,140,140
Equity			
Share capital		**381,710**	381,710
Perpetual capital securities		**7,873**	13,836
Reserves		**101,050**	97,356
Total ordinary shareholders' funds and perpetual capital securities		**490,633**	492,902
Non-controlling interests		**205,218**	170,267
Total equity		**695,851**	663,169
Total liabilities and equity		**7,237,995**	6,803,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group"). As at 31 December 2016, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2015: 58.13%).

2 BASIS OF PREPARATION

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

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. Impacts of the adoption of the amended HKFRS are discussed below:

(i) Amendments to HKAS 1, Disclosure initiative

The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

(ii) Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

(iii) Amendment to HKAS 27, Equity method in separate financial statements

The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

(iv) Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: applying the consolidation exception

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

(v) Amendment to HKFRS 11, Accounting for acquisitions of interests in joint operations

The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3, Business combinations).

(vi) Annual improvements to HKFRS 2012-2014 cycle

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

- HKFRS 5, Non-current assets held for sale and discontinued operations
- HKFRS 7, Financial instruments: Disclosures
- HKAS 19, Employee benefits
- HKAS 34, Interim financial reporting

The adoption of the above amendments has no material impact on the financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

For the year ended 31 December 2016

	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Continuing operations									
Revenue from external customers	187,537	50,254	62,350	11,023	4,900	64,723	35	–	380,822
Inter-segment revenue	(324)	3,527	271	315	111	1,039	6	(4,945)	–
Reportable segment revenue	187,213	53,781	62,621	11,338	5,011	65,762	41	(4,945)	380,822
Share of profits/(losses) of associates, net of tax	2,198	218	79	41	768	(986)	5	–	2,323
Share of profits of joint ventures, net of tax	809	657	–	–	858	552	–	–	2,876
Finance income *(Note 5)*	–	399	225	248	375	132	2,521	(2,348)	1,552
Finance costs *(Note 5)*	–	(2,086)	(716)	(95)	(335)	(1,476)	(6,425)	2,445	(8,688)
Depreciation and amortization *(Note 6(b))*	(3,187)	(2,287)	(3,547)	(157)	(250)	(2,755)	(54)	–	(12,237)
Impairment losses	(61,845)	(10,538)	(831)	775	(556)	(595)	–	–	(73,590)
Profit/(loss) before taxation	71,691	(9,243)	2,343	1,969	3,676	4,947	(4,249)	(411)	70,723
Income tax	(16,193)	2,721	(1,033)	(296)	(1,412)	(1,729)	(449)	(2)	(18,393)
Profit/(loss) for the year from continuing operations	55,498	(6,522)	1,310	1,673	2,264	3,218	(4,698)	(413)	52,330
Profit for the year from discontinued operations	–	–	–	–	10,309	–	–	–	10,309
Profit/(loss) for the year	55,498	(6,522)	1,310	1,673	12,573	3,218	(4,698)	(413)	62,639
Attributable to:									
– Ordinary shareholders of the Company	38,406	(6,899)	1,740	1,675	12,111	1,987	(5,488)	(413)	43,119
Continuing operations	38,406	(6,899)	1,740	1,675	1,774	1,987	(5,488)	(413)	32,782
Discontinued operations	–	–	–	–	10,337	–	–	–	10,337
– Non-controlling interests and holders of perpetual capital securities	17,092	377	(430)	(2)	462	1,231	790	–	19,520
Continuing operations	17,092	377	(430)	(2)	490	1,231	790	–	19,548
Discontinued operations	–	–	–	–	(28)	–	–	–	(28)

As at 31 December 2016

	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	6,729,902	135,784	96,112	36,796	143,596	113,090	150,506	(167,791)	7,237,995
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	–	84,125
Interests in joint ventures	3,999	2,906	–	–	9,149	3,333	–	–	19,387
Reportable segment liabilities	6,237,647	160,848	49,474	26,579	94,244	70,059	167,944	(264,651)	6,542,144
Including:									
Bank and other loans	2,964	41,398	15,088	1,276	10,721	32,863	21,749	(13,240)	112,819
Debt instruments issued	432,579	1,453	4,242	–	–	4,682	100,937	–	543,893

	For the year ended 31 December 2015 (Restated)								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Continuing operations									
Revenue from external customers	205,378	45,664	60,077	14,676	6,025	63,348	142	–	395,310
Inter-segment revenue	649	2,287	284	100	90	866	–	(4,276)	–
Reportable segment revenue	206,027	47,951	60,361	14,776	6,115	64,214	142	(4,276)	395,310
Share of profits/(losses) of associates, net of tax	4,350	(430)	92	37	232	441	19	–	4,741
Share of profits/(losses) of joint ventures, net of tax	357	(1,585)	(69)	–	315	827	–	–	(155)
Finance income *(Note 5)*	–	435	369	431	323	58	3,668	(2,926)	2,358
Finance costs *(Note 5)*	–	(1,837)	(861)	(135)	(578)	(1,649)	(8,000)	3,821	(9,239)
Depreciation and amortization *(Note 6(b))*	(3,087)	(1,821)	(3,868)	(135)	(165)	(2,667)	(31)	–	(11,774)
Impairment losses	(55,784)	(21,764)	(560)	(7)	(27)	(946)	(105)	5	(79,188)
Profit/(loss) before taxation	89,912	(22,997)	3,582	3,488	3,448	4,937	(4,064)	339	78,645
Income tax	(19,729)	4,679	(958)	(887)	(628)	(1,337)	(1,008)	444	(19,424)
Profit/(loss) for the year from continuing operations	70,183	(18,318)	2,624	2,601	2,820	3,600	(5,072)	783	59,221
Profit for the year from discontinued operations	–	–	–	–	1,472	–	–	–	1,472
Profit/(loss) for the year	70,183	(18,318)	2,624	2,601	4,292	3,600	(5,072)	783	60,693
Attributable to:									
– Ordinary shareholders of the Company	52,753	(17,251)	2,496	2,601	4,137	2,501	(6,208)	783	41,812
Continuing operations	52,753	(17,251)	2,496	2,601	2,826	2,501	(6,208)	783	40,501
Discontinued operations	–	–	–	–	1,311	–	–	–	1,311
– Non-controlling interests and holders of perpetual capital securities	17,430	(1,067)	128	–	155	1,099	1,136	–	18,881
Continuing operations	17,430	(1,067)	128	–	(6)	1,099	1,136	–	18,720
Discontinued operations	–	–	–	–	161	–	–	–	161

	As at 31 December 2015								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	6,211,176	141,693	97,208	42,245	232,809	113,738	132,562	(168,122)	6,803,309
Including:									
Interests in associates	28,821	11,128	3,143	217	4,036	3,245	73	–	50,663
Interests in joint ventures	3,794	2,628	–	–	9,582	6,697	–	–	22,701
Reportable segment liabilities	5,777,576	147,960	47,529	30,467	160,689	73,651	155,973	(253,705)	6,140,140
Including:									
Bank and other loans	1,339	42,562	16,521	1,282	85,618	37,672	12,586	(50,359)	147,221
Debt instruments issued	345,120	446	5,033	–	4,750	5,283	89,804	(664)	449,772

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2016	2015	**2016**	2015
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
		(Restated)		
Mainland China	**324,402**	340,348	**6,682,751**	6,312,332
Hong Kong and Macau	**26,996**	26,365	**447,065**	380,549
Overseas	**29,424**	28,597	**108,179**	110,428
	380,822	395,310	**7,237,995**	6,803,309

4 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 4(a), 4(b) and 4(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 4(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

(a) Net interest income

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**11,179**	11,323
Placements with banks and non-bank financial institutions	**4,363**	3,561
Financial assets held under resale agreements	**1,078**	4,979
Investments classified as receivables	**54,275**	57,400
Loans and advances to customers and other parties	**155,252**	170,211
Investments in debt securities	**25,274**	22,654
Others	**6**	23
	251,427	270,151
Interest expenses arising from:		
Borrowing from central banks	**(3,143)**	(1,238)
Deposits from banks and non-bank financial institutions	**(38,172)**	(44,613)
Placements from banks and non-bank financial institutions	**(1,721)**	(928)
Financial assets sold under repurchase agreements	**(1,007)**	(699)
Deposits from customers	**(64,577)**	(80,259)
Debt instruments issued	**(16,438)**	(10,439)
Others	**(446)**	(92)
	(125,504)	(138,268)
Net interest income	**125,923**	131,883

(b) Net fee and commission income

	For the year ended 31 December 2016 HK$ million	2015 HK$ million
Consultancy and advisory fees	**6,821**	8,685
Bank card fees	**22,561**	16,708
Settlement and clearing fees	**1,633**	2,174
Commission for wealth management services	**8,323**	7,287
Agency fees and commission	**7,197**	4,634
Guarantee fees	**2,790**	3,940
Trustee commission and fees	**7,997**	7,131
Others	**874**	846
	58,196	51,405
Fee and commission expenses	**(3,618)**	(2,506)
Net fee and commission income	**54,578**	48,899

(c) Sales of goods and services

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
		(Restated)
Sales of goods	**156,528**	149,628
Services rendered to customers	**26,895**	27,370
Revenue from construction contracts	**9,869**	12,882
	193,292	189,880

(d) Other revenue

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
Net trading gain *(note (i))*	**4,153**	4,622
Net gain on investment assets under financial services segment	**2,022**	19,557
Others	**854**	469
	7,029	24,648

(i) Net trading gain

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
Trading profit/(loss):		
– debt securities and certificates of deposits	**1,358**	2,300
– foreign currencies	**2,705**	2,865
– derivatives	**90**	(543)
	4,153	4,622

5 NET FINANCE CHARGES

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Finance costs		
– Interest on bank loans and other loans	**3,486**	4,533
– Interest on debt instruments issued and other interest expenses	**5,718**	5,592
	9,204	10,125
Less: interest expense capitalised*	**(576)**	(2,138)
	8,628	7,987
Other finance charges	**60**	1,252
	8,688	9,239
Finance income	**(1,552)**	(2,358)
	7,136	6,881

* Capitalisation rates applied to funds borrowed are 1.30%–5.70% per annum for the year ended 31 December 2016 (2015: capitalisation rate of 2.12%-6.86%).

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

	For the year ended 31 December 2016 HK$ million	2015 HK$ million (Restated)
Salaries and bonuses	**33,993**	32,385
Contributions to defined contribution retirement schemes	**4,326**	4,204
Others	**7,753**	7,838
	46,072	44,427

(b) Other items

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million* (Restated)
Amortisation	**2,690**	2,466
Depreciation	**9,547**	9,308
Operating lease charges: minimum lease payments	**5,424**	5,798
Tax and surcharges	**5,929**	14,225
Property management fees	**1,290**	1,050
Non-operating expenses	**1,363**	1,238
Professional fees (other than auditors' remuneration)	**997**	885
Auditors' remuneration		
– Audit services	**156**	155
– Non-audit services	**56**	23
	27,452	35,148

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million* (Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**22,337**	23,716
Land appreciation tax	**328**	218
	22,665	23,934
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**1,524**	959
Current tax – Overseas		
Provision for the year	**310**	791
	24,499	25,684
Deferred tax		
Origination and reversal of temporary differences	**(6,106)**	(6,260)
	18,393	19,424

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2016 is 16.5% (2015: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2016 is 25% (2015: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

8 DIVIDENDS

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
2015 Final dividend paid: HK$0.20(2014: HK$0.20) per share	**5,818**	4,981
2016 Interim dividend paid: HK$0.10(2015: HK$0.10) per share	**2,909**	2,909
2016 Final dividend proposed: HK$0.23 (2015: HK$0.20) per share	**6,691**	5,818

9 EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$43,119 million for the year ended 31 December 2016 (2015: HK$41,812million), calculated as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**32,782**	40,501
– Discontinued operations	**10,337**	1,311
	43,119	41,812
Weighted average number of ordinary shares (in million):		
Issued ordinary shares as at 1 January	**29,090**	24,903
Weighted average number of newly issued ordinary shares	**–**	1,611
Weighted average number of ordinary shares as at 31 December (basic)	**29,090**	26,514
Impact of issued convertible preferred shares	**–**	100
Weighted average number of ordinary shares as at 31 December (diluted)	**29,090**	26,614

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. As at 31 December 2016, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2016. For the year ended 31 December 2015, the Company's dilutive potential ordinary shares included convertible preferred shares issued at 3 August 2015, assuming conversion of convertible preferred shares into ordinary shares at 3 August 2015.

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

Loans and advances

	31 December 2016	31 December 2015
	HK$ million	*HK$ million*
Corporate loans		
– Loans	**2,034,571**	2,093,945
– Discounted bills	**83,949**	110,721
– Finance lease receivables	**38,579**	21,340
	2,157,099	2,226,006
Personal loans		
– Residential mortgages	**484,297**	320,999
– Business loans	**125,151**	126,251
– Credit cards	**265,745**	209,841
– Others	**194,224**	140,987
	1,069,417	798,078
	3,226,516	3,024,084
Less: impairment allowance		
– Individually assessed	**(32,240)**	(21,973)
– Collectively assessed	**(56,370)**	(54,313)
	(88,610)	(76,286)
	3,137,906	2,947,798

11 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	31 December 2016 *HK$ million*	31 December 2015 *HK$ million*
Demand deposits		
– Corporate customers	**1,845,451**	1,385,738
– Personal customers	**260,433**	213,561
	2,105,884	1,599,299
Time and call deposits		
– Corporate customers	**1,554,160**	1,727,112
– Personal customers	**363,387**	432,611
	1,917,547	2,159,723
Outward remittance and remittance payables	**8,091**	7,826
	4,031,522	3,766,848

(b) Deposits from customers include pledged deposits for the following items:

	31 December 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank acceptances	**238,817**	349,205
Letters of credit	**10,759**	11,031
Guarantees	**28,867**	25,992
Others	**166,345**	144,801
	444,788	531,029

12 BANK AND OTHER LOANS

(a) Types of loans

	31 December 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank loans		
Unsecured loans	**80,128**	92,931
Loan pledged with assets	**23,900**	33,996
Guaranteed loans	**643**	708
	104,671	127,635
Other loans		
Unsecured loans	**6,883**	17,962
Loan pledged with assets	**1,143**	1,624
Guaranteed loans	**122**	–
	8,148	19,586
	112,819	147,221

(b) Maturity of loans

	31 December 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank and other loans are repayable:		
– Within 1 year or on demand	**29,413**	37,645
– Between 1 and 2 years	**10,985**	22,778
– Between 2 and 5 years	**27,464**	40,806
– Over 5 years	**44,957**	45,992
	112,819	147,221

13 DEBT INSTRUMENTS ISSUED

	31 December 2016 *HK$ million*	31 December 2015 *HK$ million*
Corporate bonds issued	**81,376**	72,762
Notes issued	**64,916**	69,244
Subordinated bonds issued	**85,234**	92,840
Certificates of deposit issued	**10,612**	10,390
Certificates of interbank deposit issued	**301,755**	204,536
	543,893	449,772
Analysed by remaining maturity:		
– Within 1 year or on demand	**320,997**	219,157
– Between 1 and 2 years	**34,395**	11,158
– Between 2 and 5 years	**55,073**	79,894
– Over 5 years	**133,428**	139,563
	543,893	449,772

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2016 (2015: Nil).

Certain debt instruments issued were purchased by certain subsidiaries of the Group during the year ended 31 December 2015. These debt instruments issued were eliminated in full on consolidation. No such situation occurred during the year ended 31 December 2016.

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation

Following the Company's announcement of a foreign exchange related loss, on 22 October 2008, the SFC announced that it had commenced a formal investigation into the affairs of the Company. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

The SFC announced on 11 September 2014 that it has commenced proceedings in the Court of First Instance of the High Court of Hong Kong (the "High Court") and the Market Misconduct Tribunal (the "MMT"), respectively, against the Company and five of its former executive directors.

The SFC alleges that the Company and the former directors had engaged in market misconduct involving the disclosure of false or misleading information about the Company's financial position in connection with losses that the Company had suffered through its investment in the leveraged foreign exchange contracts.

In the action instigated by the SFC at the MMT, the SFC is asking the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses. The SFC has not yet quantified the amount of such restoration or compensation sought in the proceedings in the High Court, which have been stayed pending the MMT results.

The MMT hearing was completed in July 2016 with the outcome pending.

On 15 October 2014, the Secretary for the Financial Services and the Treasury said that the Police's investigation into the CITIC matters on aspects outside the subject matters of the SFC's actions are still ongoing.

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 Pty Ltd ("Mineralogy") disputes

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

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on magnetite ore mined (Royalty Component A) and concentrate produced (Royalty Component B). The MRSLAs also provide that, unless certain exceptions apply, a Minimum Production Royalty is payable to Mineralogy by each of Sino Iron and Korean Steel where a minimum production level was not achieved by a specified date.

Due to changes in the way in which seaborne-traded iron ore is priced, the Company considers that it is no longer possible to calculate Royalty Component B. Mineralogy and its related company, Queensland Nickel Pty Ltd, have commenced a number of proceedings against the Company, Sino Iron, Korean Steel, Sino Iron Holdings Pty Ltd and certain officers of those companies containing or derived from claims for Royalty Component B and/or the Minimum Production Royalty. Those proceedings continue to be vigorously contested by the Group. A trial in the Royalty Component B proceeding has been provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

Despite the orders made by Justice Kenneth Martin in the remitted injunction application (described above), the Group does not consider that a reliable estimate can be made of the amount of any potential liability (if such liability is found to exist) for Royalty Component B arising from the Royalty B proceeding. Therefore, no provision has been recognised in the financial statements.

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

Option Agreement Dispute

The Company is a party to an Option Agreement with Mineralogy and Mr. Clive Palmer, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company (and its affected subsidiaries, Sino Iron and Korean Steel) commenced legal proceedings in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by the Company, including that the Company had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr. Palmer.

Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the Company, Sino Iron and Korean Steel commenced a proceeding in the Supreme Court of Western Australia to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. No trial date has been set for this proceeding.

Royalties Disputes

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products ("annual benchmark prices"). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

Mineralogy's latest amended statement of claim was filed on 25 January 2017. In its current statement of claim, Mineralogy seeks payment of sums for Royalty Component B, damages for breach of the MRSLAs or a declaration that the MRSLAs be rectified, among other things. Mineralogy has withdrawn all claims that the MRSLAs have been terminated.

The current defence and counterclaim of Korean Steel, Sino Iron and the Company, which was filed on 6 February 2017, pleads that the provisions concerning Royalty Component B can be severed from the remainder of the MRSLAs (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, they contend that the parties to the MRSLAs must negotiate a new Royalty Component B formula in good faith, or alternatively, Korean Steel and Sino Iron must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the Court having regard to the relevant circumstances.

In November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and the Company (together, for the purpose of this application, the "CITIC Parties") to pay to Mineralogy royalties under the MRSLAs. The application was heard in December 2015 by Justice Tottle, who dismissed the application. Mineralogy appealed Justice Tottle's decision at first instance and on 27 June 2016 the appeal was unanimously allowed and orders made for the injunction application to be remitted for rehearing.

The remitted injunction application was heard in October 2016 by Justice Kenneth Martin and judgement was delivered in Mineralogy's favour in December 2016. Pursuant to Justice Martin's judgement, his Honour made injunction orders to the effect that Sino Iron and Korean Steel were to pay on an interlocutory basis pending final judgement (a) by 30 January 2017, into Court the sum of US$10,690,270.50 (or the Australian dollar equivalent) to abide further orders of the Court, and to Mineralogy, the same sum; (b) subject to Mineralogy demonstrating it is ready, willing and able to perform its obligations under the MRSLAs and amending its Statement of Claim to withdraw claims the MRSLAs had been terminated, by 28 February 2017, into Court the sum of US$29,801,812.50, and to Mineralogy, the same sum; and (c) in respect of each quarter from 30 June 2016 in arrears, into Court, amounts assessed as a payment of US$6 per DMT of iron ore concentrate shipped, the payments in respect of the quarters ended September 2016 and December 2016 to be paid by 31 March 2017.

The CITIC Parties have appealed the injunction orders made by Justice Martin for Korean Steel and Sino Iron to pay monies to Mineralogy and into Court. The appeals were heard on 8 March 2017 and judgement was reserved. The orders to pay amounts to Mineralogy have been stayed until after the delivery of such judgement.

The trial in this proceeding is provisionally listed to commence on 14 June 2017 and to run for 15 sitting days.

The MRSLAs contain a clause stating that, unless certain exceptions apply, each of Korean Steel and Sino Iron is required to pay an amount to Mineralogy if either of them produced less than six million tonnes of saleable product by March 2013 (the "Minimum Production Royalty"). In August 2015, Queensland Nickel Pty Ltd ("Queensland Nickel") commenced a proceeding in the Supreme Court of Queensland alleging that the non-payment of the Minimum Production Royalty to Mineralogy amounted to unconscionable conduct by the Company, Sino Iron and Korean Steel, and that the Company, Sino Iron Holdings Pty Ltd and individual officers of the Company and its subsidiaries (together, for the purpose of this proceeding, the "CITIC Parties") were knowingly concerned in the alleged contraventions. Queensland Nickel sought damages for losses suffered as a consequence of Mineralogy being unable to advance funds to it due to such non-payment. In September 2015, the CITIC Parties filed a strike out application in the proceeding. At a hearing on 16 March 2016, the Court ordered that Queensland Nickel be removed as plaintiff and QNI Resources Pty Ltd and QNI Metals Pty Ltd be substituted as plaintiffs in the proceeding. On 23 March 2016, the Court upheld the strike out application brought by the CITIC Parties and dismissed the proceeding. QNI Resources Pty Ltd and QNI Metals Pty Ltd appealed the decision. However, they subsequently withdrew their appeal and, on 1 September 2016, the appeal was discontinued.

Port Dispute

Sino Iron and Korean Steel have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it, that it is entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties which regulate usage of the port infrastructure have been terminated by it.

The matter was heard by the Federal Court of Australia in June 2015. The Court's reasons for decision were handed down in August 2015. The Court refused to grant any of the relief sought by Mineralogy. The effect of the decision was to preserve the status quo in relation to the operation of the port facilities which continue to be operated by or on behalf of Sino Iron and Korean Steel. Mineralogy appealed the decision at first instance. The appeal was heard from 9 to 12 May 2016. Judgment was reserved.

(iii) CITIC Resources Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (the Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT") ("Shanxi Claim A"). Shanxi Coal I/E claimed from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Shanxi Claim A.

In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the Inventories. Service of Shanxi Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings were held subsequently.

In January 2017, pursuant to a civil ruling of the Shanxi Court, the Shanxi Court has ruled Shanxi Claim A be transferred to the Public Security Bureau pursuant to Article 12. Any remedy Shanxi Coal I/E may have in respect of the aluminium ingots that are the subject of Shanxi Claim A will be determined in accordance with China's criminal legal procedures. Following its transfer to the Public Security Bureau, Shanxi Claim A has terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "ICC") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "Contracts"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("Shanxi Claim B").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no adjustment has been made in the financial statements with respect to Shanxi Claim B.

(3) In August 2014, CITIC Resources noted from an announcement issued by Qingdao Port International Co., Ltd. (the "Qingdao Port Int'l") that a legal complaint dated 14 July 2014 ("ABN Claim") had been issued by ABN AMRO Bank N.V., Singapore Branch ("ABN AMRO") against CACT. According to the announcement, among other things, ABN AMRO had issued ABN Claim alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claimed it had been granted a pledge (the "Subject Cargo") and was seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,167,000), (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of ABN Claim.

In October 2016, CITIC Resources noted from an announcement issued by Qingdao Port Int'l that ABN AMRO had withdrawn ABN Claim.

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

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

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

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

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

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2016.

15 DISCONTINUED OPERATIONS

On 14 March 2016, the Company, CITIC Pacific Limited and CITIC Corporation Limited 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 the affiliates of China Overseas. Completion of the transaction took place in September 2016.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and cash flows of the above mentioned residential real estate projects have been included in the discontinued operations of the Group. Comparative figures for the year ended 31 December 2015 have been reclassified accordingly.

The aggregate results of the discontinued operations were as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
Revenue	**11,639**	21,503
Expenses	**(15,294)**	(18,842)
(Loss)/profit before taxation	**(3,655)**	2,661
Income tax	**(2,246)**	(1,189)
(Loss)/profit arising from discontinued operations before disposal gain	**(5,901)**	1,472
Net gain on disposal	**16,210**	–
Profit for the year from discontinued operations	**10,309**	1,472
Attributable to:		
– Ordinary shareholders of the Company	**10,337**	1,311
– Non-controlling interests	**(28)**	161
	10,309	1,472

Note:

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

FINANCIAL REVIEW AND ANALYSIS

In HK$ million	**For the year ended 31 December 2016**	2015 (Restated)	Increase/ (Decrease)
Continuing operations			
Revenue	**380,822**	395,310	(14,488)
Profit before taxation	**70,723**	78,645	(7,922)
Profit attributable to ordinary shareholders	**43,119**	41,812	1,307
– Continuing operations	**32,782**	40,501	(7,719)
– Discontinued operations	**10,337**	1,311	9,026
Basic earnings per share (HK$)	**1.48**	1.58	(0.10)
– Continuing operations	**1.13**	1.53	(0.40)
– Discontinued operations	**0.35**	0.05	0.30
Diluted earnings per share (HK$)	**1.48**	1.57	(0.09)
– Continuing operations	**1.13**	1.52	(0.39)
– Discontinued operations	**0.35**	0.05	0.30
Dividend per share (HK$)	**0.33**	0.30	0.03
Net cash generated from operating activities	**280,465**	309	280,156
– Continuing operations	**274,809**	(451)	275,260
– Discontinued operations	**5,656**	760	4,896
Capital expenditure	**48,265**	45,704	2,561

	As at 31 December 2016	As at 31 December 2015	Increase/ (Decrease)
Total assets	**7,237,995**	6,803,309	434,686
Total liabilities	**6,542,144**	6,140,140	402,004
Total ordinary shareholders' funds and perpetual capital securities	**490,633**	492,902	(2,269)
Return on total assets (%)	**1%**	1%	–
Return on net assets (%)	**9%**	9%	–

Profit/(loss) and assets by business

In HK$ million	**Profit/(loss) For the year ended 31 December** **2016**	2015 (Restated)	**Assets** **As at June 30 2016**	As at 31 December 2015
Financial services	**55,498**	70,183	**6,729,902**	6,211,176
Resources and energy	**(6,522)**	(18,318)	**135,784**	141,693
Manufacturing	**1,310**	2,624	**96,112**	97,208
Engineering contracting	**1,673**	2,601	**36,796**	42,245
Real estate	**2,264**	2,820	**143,596**	232,809
Others	**3,218**	3,600	**113,090**	113,738
Underlying business operations	**57,441**	63,510	**7,255,280**	6,838,869
Operation management	**(4,698)**	(5,072)		
Discontinued operations	**10,309**	1,472		
Elimination	**(413)**	783		
Profit attributable to non-controlling interests and holders of perpetual capital securities	**19,520**	18,881		
Profit attributable to ordinary shareholders	**43,119**	41,812		

Revenue by business

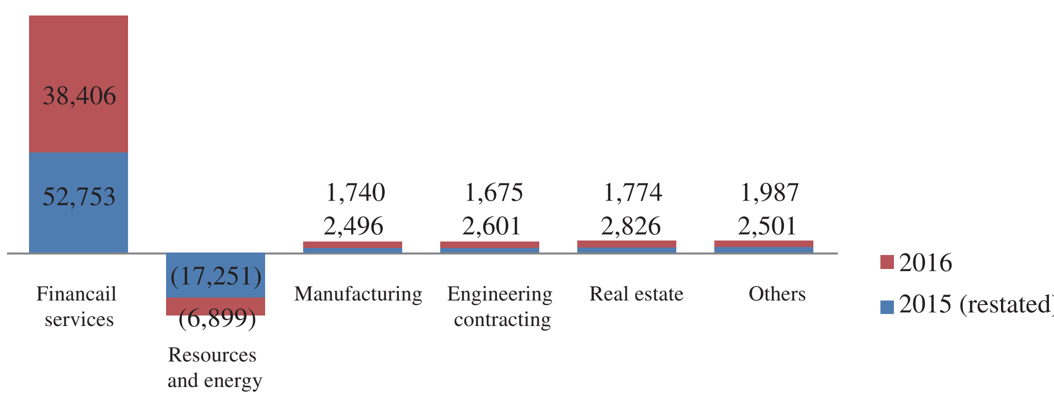
Continuing operations *In HK$ million*	**For the year ended 31 December** **2016**	2015 (Restated)	Increase/(decrease) Amount	%
Financial services	**187,537**	205,378	(17,841)	(9%)
Resources and energy	**50,254**	45,664	4,590	10%
Manufacturing	**62,350**	60,077	2,273	4%
Engineering contracting	**11,023**	14,676	(3,653)	(25%)
Real estate	**4,900**	6,025	(1,125)	(19%)
Others	**64,723**	63,348	1,375	2%

Revenue by nature

Continuing operations *In HK$ million*	**For the year ended 31 December** **2016**	 2015 (Restated)	Increase/(decrease) Amount	 %
Net interest income	**125,923**	131,883	(5,960)	(5%)
Net fee and commission income	**54,578**	48,899	5,679	12%
Sales of goods and services	**193,292**	189,880	3,412	2%
– Sales of goods	**156,528**	149,628	6,900	5%
– Services rendered to customers	**26,895**	27,370	(475)	(2%)
– Revenue from construction contracts	**9,869**	12,882	(3,013)	(23%)
Other revenue	**7,029**	24,648	(17,619)	(71%)

Profit Attributable to Ordinary Shareholders by Business

In HK$ million



Capital Expenditures

  In HK$ million	**For the year ended 31 December** **2016**	 2015 (Restated)	Increase/(decrease) Amount	 %
Financial services	**16,350**	13,819	2,531	18%
Resources and energy	**4,874**	12,059	(7,185)	(60%)
Manufacturing	**5,405**	4,937	468	9%
Engineering contracting	**1,564**	508	1,056	208%
Real estate	**5,979**	3,013	2,966	98%
Others	**14,092**	11,368	2,724	24%
Total	**48,264**	45,704	2,560	6%

Group Financial Position

In HK$ million	**As at 31 December 2016**	As at 31 December 2015	Increase/(decrease) Amount	%
Total assets	**7,237,995**	6,803,309	434,686	6%
Loans and advances to customers and other parties	**3,137,906**	2,947,798	190,108	6%
Investments classified as receivables	**1,166,325**	1,331,281	(164,956)	(12%)
Cash and deposits	**927,259**	801,615	125,644	16%
Available-for-sale financial assets	**642,477**	494,786	147,691	30%
Held-to-maturity investments	**244,151**	216,267	27,884	13%
Fixed assets	**172,236**	183,740	(11,504)	(6%)
Inventories	**48,905**	130,447	(81,542)	(63%)
Total liabilities	**6,542,144**	6,140,140	402,004	7%
Deposits from customers	**4,031,522**	3,766,848	264,674	7%
Deposits from banks and non-bank financial institutions	**1,097,164**	1,275,421	(178,257)	(14%)
Debt instruments issued	**543,893**	449,772	94,121	21%
Borrowing from central banks	**205,755**	44,761	160,994	360%
Financial assets sold under repurchase agreements	**134,534**	84,949	49,585	58%
Bank and other loans	**112,819**	147,221	(34,402)	(23%)
Total ordinary shareholders' funds and perpetual capital securities	**490,633**	492,902	(2,269)	(0.5%)

Loans and advances to customers and other parties

As at 31 December 2016, the net loans and advances to customers and other parties of the Group was HK$3,137,906 million, an increase of HK$190,108 million, 6% compared to 31 December 2015. The proportion of loans and advances to customers and other parties to total assets was 43.35%, an increase of 0.02% compared to 31 December 2015.

In HK$ million	**As at 31 December 2016**	As at 31 December 2015	Increase/(decrease) Amount	%
Corporate loans	**2,073,150**	2,115,285	(42,135)	(2%)
Discounted bills	**83,949**	110,721	(26,772)	(24%)
Personal loans	**1,069,417**	798,078	271,339	34%
Total loans and advances to customers and other parties	**3,226,516**	3,024,084	202,432	7%
Impairment allowances	**(88,610)**	(76,286)	(12,324)	16%
Net loans and advances to customers and other parties	**3,137,906**	2,947,798	190,108	6%

Deposits from customers

As at 31 December 2016, deposits from customers of the financial institutions under the Group were HK$4,031,522 million, an increase of HK$264,674 million, 7% compared to 31 December 2015. The proportion of deposits from customers to total liabilities was 61.62%, a decrease of 0.28% compared to 31 December 2015.

In HK$ million	**As at 31 December 2016**	As at 31 December 2015	Increase/(decrease) Amount	%
Corporate deposits				
Time deposits	**1,554,160**	1,727,112	(172,952)	(10%)
Demand deposits	**1,845,451**	1,385,738	459,713	33%
Subtotal	**3,399,611**	3,112,850	286,761	9%
Personal deposits				
Time deposits	**363,387**	432,611	(69,224)	(16%)
Demand deposits	**260,433**	213,561	46,872	22%
Subtotal	**623,820**	646,172	(22,352)	3.5%
Outward remittance and remittance payables	**8,091**	7,826	265	3%
Total	**4,031,522**	3,766,848	264,674	7%

RISK MANAGEMENT

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

Financial Risk

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

Asset and liability management

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

1. *Debt*

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

   As at 31December 2016, consolidated debt of CITIC Limited[(1)] was HK$656,712 million, including loans of HK$112,819 million and debt instruments issued[(2)] of HK$543,893 million. Debt of the head office of CITIC Limited[(3)] accounted for HK$68,247 million and debt of CITIC Bank[(4)] HK$432,579 million. In addition, the head office of CITIC Limited had cash and deposits of HK$4,897 million and available committed facilities from banks and subsidiaries of HK$17,000 million.

   The details of debt are as follows:

As at 31 December 2016		*HK$ million*
Consolidated debt of CITIC Limited		656,712
Among which:	Debt of the head office of CITIC Limited	68,247
	Debt of CITIC Bank	432,579

Note:

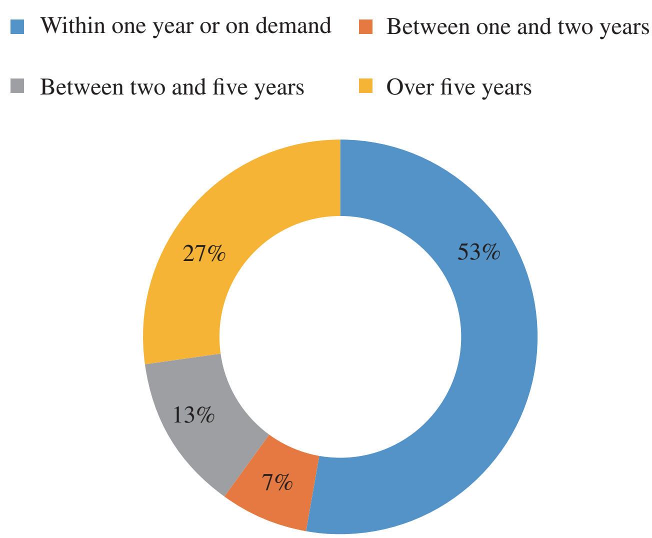
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

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

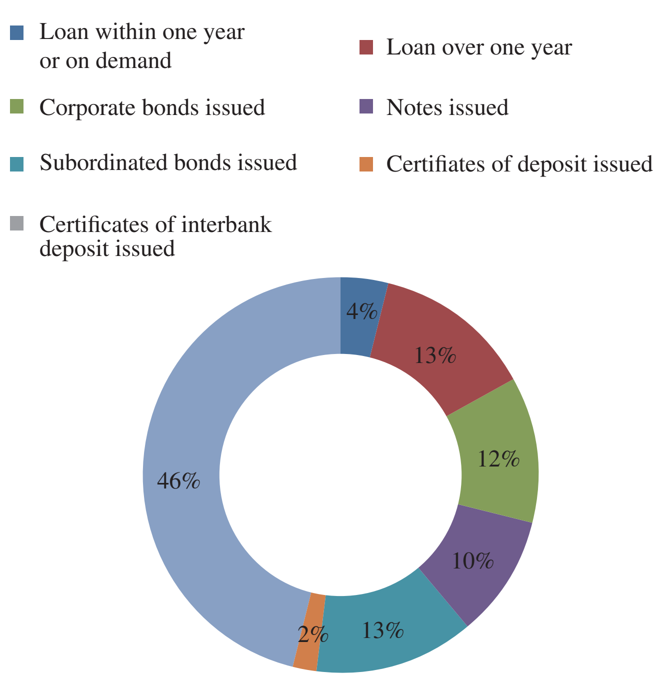
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

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

Consolidated debt by maturity as at 31 December 2016



Consolidated debt by type as at 31 December 2016



The debt to equity ratio of CITIC Limited as at 31 December 2016 is as follows:

In HK$ million	**Consolidated**	**Head office**
Debt	656,712	68,247
Total equity [5]	695,851	397,507
Debt to equity ratio	94%	17%

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.

3. *Credit ratings*

	Standard & Poor's	**Moody's**
31 Dec. 2016	A–/Negative	A3/Negative

Treasury risk management

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

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

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

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

1. *Interest rate risk*

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

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

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

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.

3. Counterparty risk for financial products

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

4. Commodity risk

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

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

5. *Market price risk*

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

Economic Environment

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

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2016, we appointed high-calibre personnel and formed five teams as part of our human resources strategy (the "Talent Strategy") to support the Company's development. We also continued to provide quality products and services to customers, such as Malanje Farm project in Angola, which has been constructed and delivered by CITIC Construction and has become a local signature project for the Company. To work more closely with our partners and to achieve all-win, we set up three CITIC Coordination Circles and, in accordance with the Government's principle of green development, began undertaking water treatment, solid waste disposal, energy conservation and discharge reduction projects in China and Singapore through our subsidiary CITIC Environment. We also provided programmes tailored to the needs of the community and encouraged employees to participate in voluntary service through the respective volunteer organisations of our subsidiaries.

Staff Development

During the year, all of our labour contracts were established and modified in strict accordance with relevant laws and regulations to protect the legal rights of our employees. We also remained committed to a harmonious and stable relationship with our staff. Our labour contract signing rate is 100%. We provided fair opportunities in our recruitment, without regard to race, nationality, religion, physical ability or gender. We offered employment opportunities as we see fit to grow our business. At the end of 2016, CITIC Limited had a total of 12, 7610 employees.

To attract and retain talent and to improve corporate competitiveness and staff cohesion, we have put in place a medium – to long-term incentive mechanism, with insurance, benefit schemes, working hours and annual leave provisions. We also offered basic social insurance policies, and most of our subsidiaries have instituted supplementary pension insurance and medical insurance schemes. In Beijing, we offered temporary housing to our young staff to alleviate their housing pressure. Additionally, we optimised our performance appraisal system and remuneration according to industry benchmarks in order to create a closer link between performance appraisal results and remuneration.

The five teams we have formed as part of our Talent Strategy include the senior management team, industry leaders' team, senior technical team for the provision of advanced skills and technologies, the international team, and the outstanding young officers' team. These teams will serve as an abundant talent pool and will offer intellectual support to the company. In accordance with our Talent Strategy and by leveraging on our integrated strength, we arrange staff postings between our headquarters and subsidiaries, among our subsidiaries, and between CITIC and relevant provincial and municipal governments to broaden their training and give them exposure to our operations in the field. We spare no efforts to identify qualified younger talents to replenish our talent pool. For our younger staff, we launched training programmes under our CITIC Excellence Training Project. For example, 10 business officers were sent to Daiwa Securities in Japan on internships and two training sessions were held for Hong Kong-based employees to give them a better understanding of CITIC and its corporate culture and to better mingle staff from mainland and from HK.

As part of our commitment to providing a safe and healthy work environment for our employees, we have put in place measures to safeguard them against occupational diseases and promote their physical and psychological well-being. In recognition of our efforts in occupational health and safety, the Non-Bula Block at the Seram Oilfield of CITIC Resources, received the MIGAS Safe Production Award 2016 from MIGAS, the petroleum and gas authority of the Indonesian Ministry of Energy and Mineral Resources. Also during the year, the Latin American Business Department and the African Business Department of CITIC Construction devised contingency plans to ensure the personal and property safety of staff in response to the security situation in these regions.

Promoting Business Ethics and Integrity

In 2016, in keeping with customer-centric philosophy, our subsidiaries were committed to providing better products and services and to an improved service system. Leveraged on the synergy platform and combined with the integrated strengths, we have renewed our concerted efforts to create an all-win outcome with our partners and have forged a responsible supply chain. We also ensured strict compliance with our high standards of business ethics and continued to oppose corruption and bribery.

Our commitment to providing premium products and services was evidenced by CITIC Construction's Malanje Farm project in Angola, a modern landmark farm in the country that required five years before its successful delivery in 2016. During the year, CITIC Trust launched a campaign known as Trust Culture in China as one of a series of initiatives to raise public awareness of investors' rights. It made further improvements to the mechanism for handling consumer complaints, with the protection of investors' interests included as one of the benchmarks for appraising performance. CITIC Trust also established an emergency response mechanism to monitor and respond to negative media reports or material events related to investor rights. In 2016, CITIC Heavy Industries received the National Advanced Enterprise in Quality and Integrity award and Advanced Enterprise of Henan Province in Quality Management award.

We have upgraded our group-level business coordination and related mechanism. To coordinate and integrate our services more efficiently, during the year we formed three CITIC Coordination Circles: CITIC Mini Union, comprising internal core units; CITIC PPP Union, which is composed of key subsidiaries; and CITIC PPP Coordination Circle, which is made up of enterprises and government bodies. By leveraging on CITIC's diversified businesses, we offered integrated services and created added value to our customers

In addition, all companies within CITIC Group have established special committees responsible for the management of their respective supply chains according to the Measures for the Administration of Procurement and Tenders issued by CITIC Limited. Under these guidelines, CITIC and its subsidiaries are committed to supporting and purchasing products and services from responsible suppliers only.

Throughout the year, we held anti-corruption talks at our headquarters and the offices of our subsidiaries to enhance anti-corruption education and training for middle-level management, more than 90 of our supervisory staff from our subsidiaries were trained to improve their professional skills. We also arranged two visits for related departments to the ICAC to learn about the measures against and prevention of corruption in Hong Kong.

Environmental Protection

As CITIC Limited has grown and public expectation of a company's environmental performance has risen, we are faced with challenges with regard to environment protection. In line with the government's green policies, CITIC Limited and its subsidiaries have been continuously improving their environmental management, honouring its corporate citizenship regarding environment protection and living in harmony with the environment where we operate.

Green initiatives undertaken by CITIC have included carbon trading in China, and the issuance of RMB3 billion in green bonds (including asset securitisation products), giving CITIC a second place ranking among 11 lead underwriters of green bonds and managers of green asset securitisation products as at the end of the third quarter of 2016, according to the statistics from Securities Association of China.

Other environmental measures included projects related to water treatment, solid waste disposal, energy conservation and discharge reduction in China and Singapore through our subsidiary CITIC Environment. In 2016, CITIC Environment completed the acquisition of a 13.58% equity interest in Chongqing Sanfeng Environmental Industrial Group Co., Ltd ("CSEG") to acquire a capability in solid waste processing. To expand its water treatment business, a total of 21 water treatment projects in the domestic and international markets were taken on with the acquisition, representing a total investment of close to RMB4.6 billion and an increase in daily water processing capacity to nearly 5 million tonnes.

CITIC Bank continued to offer green credit and carefully monitored risks associated with high pollution, high discharge risks as well as industries with excessive capacity. Through a new policy of differentiation, companies are rated as "supported, maintained, reduced or terminated" based on a case-by-case assessment. Along with the rapid growth in e-banking, CITIC Bank continued to roll out internet finance initiatives.

At the Karazhanbas Oilfield, CITIC Resources continued to deal with environmental issues through annual plans. In an international market of persistently low oil prices, CITIC Resources has compiled its Environmental Work Plan 2016-2025 and committed to resolving underground and surface oil contamination as well as other historical environmental issues at the oilfield in stages over the next 10 years.

During the year, CITIC Mining International renewed its environmental management system in accordance with international and Australian standards as well as the recently updated ISO/AS 14001. At the Sino Iron project, HSE performance was upgraded under the SinoSAFE Safety First and SinoSAFE environmental initiatives. In addition, as an important part of its environmental management initiative, CITIC Mining International monitored the terrestrial and marine habitats surrounding the Sino Iron project site to minimise the impact of its operations.

The desulphurisation gypsum and dehydration GDYT filter for power plants developed by CITIC Heavy Industries was officially delivered to Luoyang Thermal Power Co., Ltd. and presentations were made for marketing the unit to the power industry. The unit can reduce energy consumption of the power plant desulphurisation systems by 50-80%.

With the implementation of its OA e-office system across all subsidiaries, CITIC Limited is currently transmitting all non-classified business documents in the Company's system via electronic means. In addition, the mobile office system and senior management e-bulletin have been put into operation so that business documents, mail, internal publications and statements can be handled via mobile terminals such as handsets and iPads by staff during business trips home and abroad. This has resulted in higher efficiency and contributed to the further advancement of the paperless office at CITIC.

Service to Local Communities

CITIC Limited believes that contributing to the prosperity of the communities in which it operates will also benefit its businesses. Consequently, our subsidiaries support the development of these communities through the programmes and assistance it provides in education, aid for the underprivileged and community development.

At CITIC Trust, the Aerospace Science Charitable Trust (the Company's first charitable trust) made an initial donation of RMB2.2 million to support the 5th CITIC Aerospace Talent Award under the Soong Ching Ling Foundation recognising 10 outstanding aerospace scientists. CITIC Pacific has committed HK$1 million to Lingnan University in Hong Kong for the new CITIC Pacific Faculty of Business Scholarships and CITIC Pacific Overseas Exchange Scholarships schemes. Over the next five years, these annual scholarships are expected to provide financial assistance to about 10 academically outstanding students in financial need. CITIC Securities and subsidiary China Asset Management have made contributions for pre-school education in Xainza county, Tibet Autonomous Region; total contributions since 2013 have amounted to more than RMB12 million for the construction of four village-level nurseries: Baza Rural Area No. 7 Village Meiduo Nursery, Taerma Rural Area No. 4 Village Zhunbu Nursery, Xiong Mei Town No. 8 Village Jiaxiong Nursery and Xainza County No. 6 Village Qubu Nursery in Xainza. The Confucius Institute of The Agostinho Neto University, founded by CITIC Construction, the headquarters of Confucius Institute, The Agostinho Neto University and Harbin Normal University, has been completed construction and has started recruiting students. It is the first Confucius Institute that was sponsored by a Chinese enterprise.

Formed by the Company in 2014, the CITIC Corporation Young Volunteers Association (CITIC Young Volunteers) has developed voluntary service programmes with the support of volunteer groups from 28 subsidiaries and participation by more than 12,000 volunteers, promoting the spirit of "devotion, friendship, mutual help and progress". In the past two years, more than 100 voluntary service programmes with close to 20,000 participants have benefited the underprivileged and helped to reduce air pollution through tree plantings. Other programmes include summer internship programme for youth in Mainland China and Hong Kong; The Love, Trust, Be Together community welfare programme launched by the CITIC Bank Credit Card Centre and CITIC Construction's Cultural Aid for Africa programme which won the gold prize in the grand final of the 3rd China Young Voluntary Service Contest in 2016, while CITIC Heavy Industries Young Volunteers' Association won the 11th China Young Volunteers Award for Outstanding Organisation.

CORPORATE GOVERNANCE

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. 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. A full description of CITIC Limited's corporate governance will be set out in the section of Corporate Governance contained in the Annual Report 2016.

Save as disclosed below, CITIC Limited 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 throughout the year 2016. In respect of code provision A.6.7 of the CG Code, Mr Liu Yeqiao (non-executive director) was not able to attend the annual general meeting of CITIC Limited held on 8 June 2016 due to other engagements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the board, consisting of five non-executive directors of whom three are independent, reviewed the 2016 consolidated financial statements and the annual results for the year ended 31 December 2016 in conjunction with the management and CITIC Limited's external auditor and recommended its adoption by the board.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have resolved to recommend to shareholders the payment of a final dividend of HK$0.23 per share (2015: HK$0.20 per share), which together with the interim dividend of HK$0.10 per share (2015: HK$0.10 per share) already paid makes a total dividend of HK$0.33 per share (2015: HK$0.30 per share) for the year ended 31 December 2016. The total dividend of HK$0.33 per share will amount to HK$9,600 million of CITIC Limited's profit for the year ended 31 December 2016 (2015: HK$8,727 million).

The proposed final dividend of HK$0.23 per share, the payment of which is subject to approval of the shareholders at the annual general meeting of CITIC Limited to be held on Tuesday, 13 June 2017 ("2017 AGM"), is to be payable on Friday, 30 June 2017 to shareholders whose names appear on the Register of Members of CITIC Limited on Wednesday, 21 June 2017.

The Register of Members of CITIC Limited will be closed during the following periods:

(i) from Thursday, 8 June 2017 to Tuesday, 13 June 2017, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2017; and

(ii) from Monday, 19 June 2017 to Wednesday, 21 June 2017, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 16 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 15 April 2016, CITIC Limited redeemed all the U.S.$750,000,000 7.875% perpetual subordinated capital securities issued on 15 April 2011. The securities were delisted from the Hong Kong Stock Exchange effective on 27 April 2016.

Save as disclosed above, neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the year ended 31 December 2016.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent CITIC Limited's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on CITIC Limited's website (www.citic.com) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The full Annual Report will be made available on the respective websites of CITIC Limited and the Hong Kong Stock Exchange around 18 April 2017.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the executive directors of CITIC Limited are Mr Chang Zhenming (Chairman), Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian; the non-executive directors of CITIC Limited are Mr Yang Jinming, Mr Liu Yeqiao, Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhongyuan and Mr Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Ms Lee Boo Jin, Mr Noriharu Fujita and Mr Paul Chow Man Yiu.