CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

ANNOUNCEMENT

FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF CITIC CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2016

This announcement is made by CITIC Limited (the "**Company**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

CITIC Corporation Limited ("**CITIC Corporation**"), a wholly-owned subsidiary of the Company, is a company incorporated in the People's Republic of China ("**PRC**"). As CITIC Corporation issued medium-term notes and super & short-term commercial paper in the PRC, it is required to announce the financial statements of itself and its subsidiaries prepared in accordance with the PRC Generally Accepted Accounting Principles periodically in accordance with the relevant regulations of the People's Bank of China and the National Association of Financial Market Institutional Investors.

The financial statements and auditor's report of CITIC Corporation for the year ended 31 December 2016 are available on China Bond, China Money and Shanghai Clearing House at www.chinabond.com.cn, www.chinamoney.com.cn and www.shclearing.com, respectively, and are set out at the end of this announcement.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 28 April 2017

As at the date of this announcement, the executive directors of the Company are Mr Chang Zhenming (Chairman), Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian; the non-executive directors of the Company 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 the Company 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.

CITIC CORPORATION LIMITED

FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

CITIC CORPORATION LIMITED

Financial Statements and Auditor's Report
For the year ended 31 December 2016
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2017) No. 22088

To the Board of Directors of CITIC Corporation Limited,

We have audited the accompanying financial statements of CITIC Corporation Limited (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

23 March 2017

CITIC CORPORATION LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Assets	Note	31 December 2016	31 December 2015
Cash and deposits	6(1)	810,279,212	647,936,658
Placements with banks and non-bank financial institutions	6(2)	167,207,891	118,776,469
Financial assets at fair value through profit or loss	6(3)	69,609,531	33,838,474
Derivative financial instruments	6(4)	47,604,014	13,828,942
Trade and other receivables	6(5)	116,748,654	99,622,204
Inventories	6(6)	19,350,656	83,251,626
Financial assets held under resale agreements	6(7)	173,190,986	138,560,904
Loans and advances to customers and other parties	6(8)	2,807,206,792	2,470,554,618
Available-for-sale financial assets	6(9)	567,006,461	414,237,392
Held-to-maturity investments	6(10)	218,393,136	181,184,502
Investments classified as receivables	6(11)	1,043,289,575	1,115,320,332
Long-term equity investments	6(12)	52,022,970	46,426,492
Investment properties	6(13)	4,003,390	5,086,392
Fixed assets	6(14)	37,743,752	35,878,772
Construction in progress	6(15)	9,049,738	6,330,887
Intangible assets	6(16)	23,373,919	24,028,225
Goodwill	6(17)	8,377,578	7,593,756
Deferred tax assets	6(18)	14,564,662	10,714,176
Other assets		33,303,707	18,152,000
Total assets		6,222,326,624	5,471,322,821

Approved by the board of directors on 23 March 2017.

Legal Representative	The person in charge of accounting affairs	The head of the accounting department

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Liabilities and owners' equity	Note	31 December 2016	31 December 2015
Liabilities			
Borrowing from central banks	6(19)	184,050,000	37,500,000
Placements from banks and non-bank financial institutions	6(21)	83,722,646	48,709,652
Derivative financial instruments	6(4)	45,068,448	12,180,375
Trade and other payables	6(22)	148,882,024	179,040,427
Financial assets sold under repurchase agreements	6(23)	120,342,029	71,168,274
Deposits from banks and non-bank financial institutions and customers	6(24)	4,597,804,179	4,231,071,066
Employee benefits payables	6(25)	15,045,569	13,989,248
Taxes payable	4(3)	10,412,890	9,701,344
Bank and other loans	6(26)	47,266,590	70,076,260
Debt instruments issued	6(27)	432,353,847	341,336,376
Provisions	6(28)	1,489,976	1,163,077
Deferred tax liabilities	6(18)	1,964,803	2,394,979
Other liabilities		18,553,687	15,821,613
Total liabilities		5,706,956,688	5,034,152,691
Owners' equity			
Paid-in capital	6(29)	139,000,000	139,000,000
Capital reserve	6(30)	40,078,654	38,050,059
Other comprehensive income	6(31)	556,541	3,266,332
Surplus reserve	6(32)	5,982,516	4,718,187
General reserve	6(33)	36,105,518	29,708,529
Retained earnings	6(34)	118,552,754	89,660,183
Total equity attributable to owners of the Company		340,275,983	304,403,290
Non-controlling interests		175,093,953	132,766,840
Total owners' equity		515,369,936	437,170,130
Total liabilities and owners' equity		6,222,326,624	5,471,322,821

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Assets	Note	31 December 2016	31 December 2015
Cash and deposits	6(1)	15,857,709	17,880,380
Financial assets at fair value through profit or loss	6(3)	2,502,765	83,051
Trade and other receivables	6(5)	26,593,361	15,750,596
Loans and advances to customers and other parties	6(8)	11,044,002	35,444,338
Available-for-sale financial assets	6(9)	10,380,811	10,526,115
Long-term equity investments	6(12)	211,703,075	215,280,091
Fixed assets	6(14)	614,148	644,738
Other assets		2,495	4,866
Total assets		278,698,366	295,614,175
Liabilities and owners' equity			
Liabilities			
Trade and other payables	6(22)	12,510,312	32,286,835
Taxes payable		6,209	605,118
Debt instruments issued	6(27)	41,240,807	44,169,850
Provisions		700,000	700,000
Deferred tax liabilities	6(18)	215,269	339,748
Other liabilities		2,044,926	4,866,051
Total liabilities		56,717,523	82,967,602
Owners' equity			
Paid-in capital	6(29)	139,000,000	139,000,000
Capital reserve	6(30)	50,268,921	50,268,921
Other comprehensive income	6(31)	952,845	1,081,869
Surplus reserve	6(32)	5,982,516	4,718,187
Retained earnings		25,776,561	17,577,596
Total owners' equity		221,980,843	212,646,573
Total liabilities and owners' equity		278,698,366	295,614,175

Approved by the board of directors on 23 March 2017.

Legal Representative — The person in charge of accounting affairs — The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2016	2015
Operating income	6(35)	246,000,593	253,280,349
Less: Total operating costs	6(37)	189,774,685	184,983,283
Including: Operating costs	6(36)	72,919,113	70,645,713
Taxes and surcharges		5,672,200	12,583,162
Selling and distribution expenses		2,694,901	2,431,372
General and administrative expenses		49,831,274	46,978,065
Financial expenses	6(38)	3,128,196	3,976,191
Impairment losses	6(39)	55,529,001	48,368,780
Add: Gain from changes in fair value	6(40)	183,350	160,592
Investment income	6(41)	13,288,776	2,736,471
(Including: Income/(Loss) from investments in associates and joint ventures)		982,968	(1,146,139)
Operating profit		69,698,034	71,194,129
Add: Non-operating income	6(42)	1,912,640	1,904,934
(Including: Gain on disposal of non-current assets)		164,001	136,605
Less: Non-operating expenses	6(43)	1,069,561	918,181
(Including: Loss on disposal of non-current assets)		36,462	33,844
Profit before income tax	6(37)	70,541,113	72,180,882
Less: Income tax expense	6(44)	15,828,050	18,121,418
Net profit for the year		54,713,063	54,059,464
Attributable to:			
Owners of the Company		39,733,889	41,028,346
Non-controlling interests		14,979,174	13,031,118
Other comprehensive income, net of tax	6(45)	(4,904,779)	3,974,860
Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		34,728	(446,530)
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		(7,511,503)	2,538,292
3. Effective hedging portion of gains or losses arising from cash flow hedging instruments		523,900	(125,937)
4. Translation differences arising on translation of foreign currency financial statements and others		2,048,096	2,009,035
Total comprehensive income for the year		49,808,284	58,034,324
Attributable to:			
Owners of the Company		37,024,098	42,388,115
Non-controlling interests		12,784,186	15,646,209

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CAMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2016	2015
Operating income	6(35)	15,400,087	24,722,129
Less: Total operating costs		2,921,628	6,336,639
Including: Taxes and surcharges		64,088	663,965
General and administrative expenses		670,749	812,250
Financial expenses	6(38)	2,244,860	1,987,668
Impairment losses		(58,069)	2,872,756
Operating profit		12,478,459	18,385,490
Add: Non-operating income		-	176
Less: Non-operating expenses	6(43)	340	700,238
(Including: Loss on disposal of non-current assets)		340	127
Profit before income tax		12,478,119	17,685,428
Less: Income tax expense	6(44)	(165,175)	1,893,670
Net profit for the year		12,643,294	15,791,758
Other comprehensive income, net of tax	6(45)	(129,024)	370,193
Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		(270,630)	306,565
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		141,606	63,628
Total comprehensive income for the year		12,514,270	16,161,951

Approved by the board of directors on 23 March 2017.

Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2016	2015
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		79,723,566	82,212,487
Net decrease in deposits with banks and non-bank financial institutions		6,211,926	-
Net increase in deposits from customers		452,264,958	314,126,491
Net decrease in deposits with central banks		-	20,342,074
Net increase in borrowing from central banks		146,550,000	-
Net decrease in investments classified as receivables		71,430,892	-
Net increase in deposits from banks and non-bank financial institutions		-	379,636,026
Net increase in placements from banks and non-bank financial institutions		33,746,946	29,350,442
Interests, fee and commission received		267,520,714	252,101,473
Net increase in financial assets sold under repurchase agreements		49,171,739	29,550,195
Refund of taxes		712,376	877,788
Cash received from other operating activities		61,228,680	47,376,685
Sub-total of cash inflows from operating activities		1,168,561,797	1,155,573,661
Cash paid for goods and services		(68,629,414)	(67,676,784)
Net increase in loans and advance to customers and other parties		(363,476,020)	(360,028,958)
Net increase in deposits with central banks		(45,765,730)	-
Net decrease in deposits from banks and non-bank financial institutions		(87,179,111)	-
Net decrease in borrowing from central banks		-	(12,550,000)
Net increase in investments classified as receivables		-	(461,719,967)
Net increase in deposits with banks and non-bank financial institutions		-	(16,537,703)
Net increase in placements with banks and non-bank financial institutions		(49,367,803)	(34,392,543)
Net increase in financial assets held under resale agreements		(34,583,175)	(2,756,576)
Net decrease in financial liabilities at fair value through profit or loss		-	(573,447)
Net increase in financial assets at fair value through profit or loss		(36,012,670)	(1,678,643)
Interests, fee and commission paid		(97,411,510)	(103,746,064)
Cash paid to and on behalf of employees		(31,601,910)	(29,181,974)
Cash paid for various taxes		(33,140,001)	(35,199,849)
Cash paid for other operating activities		(79,735,722)	(52,744,851)
Sub-total of cash outflows from operating activities		(926,903,066)	(1,178,787,359)
Net cash flow from operating activities	6(46)(a)	241,658,731	(23,213,698)

Approved by the board of directors on 23 March 2017.

Legal Representative	The person in charge of accounting affairs	The head of the accounting department

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

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2016	2015
Cash flows from investing activities:			
Cash received from disposal of financial investments		585,986,308	712,328,401
Cash received from returns on investments		3,098,209	4,659,417
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		407,068	119,327
Net cash received from disposal of associates and joint ventures		120,212	11,492,023
Net cash received from disposal of subsidiaries	6(46)(d)	-	1,540,956
Cash received from other investing activities		4,589,636	3,164,689
Sub-total of cash inflows from investing activities		594,201,433	733,304,813
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(11,899,346)	(9,398,678)
Cash paid for acquisition of financial investments		(734,447,303)	(816,591,171)
Net cash payment for disposal of subsidiaries	6(46)(d)	(9,847,432)	-
Net cash payment for acquisition of subsidiaries		(1,393,189)	(5,516,365)
Net cash payment for acquisition of associates and joint ventures		(4,140,385)	(1,594,390)
Cash paid for other investing activities		(4,295,594)	(1,536,995)
Sub-total of cash outflows from investing activities		(766,023,249)	(834,637,599)
Net cash flows from investing activities		(171,821,816)	(101,332,786)
Cash flows from financing activities:			
Cash received from capital contributions		546,526	12,859,849
(Including: Cash received by subsidiaries from non-controlling interests)		546,526	12,859,849
Cash received from new banks and other loans		41,056,177	45,764,025
Cash received from issuance of new debt instruments		620,906,807	317,672,263
Cash received from issuance of preferred shares and other equity instruments	6(46)(e)	39,432,685	1,094,743
Cash received from other financing activities		515,567	1,844,792
Sub-total of cash inflows from financing activities		702,457,762	379,235,672
Cash paid for repayment of banks and other loans and debt instruments issued		(580,525,513)	(224,087,253)
Cash paid for dividends, profit distributions or interest		(34,081,297)	(17,491,929)
(Including: Dividends and profits paid by subsidiaries to non-controlling interests)		(4,404,691)	(771,368)
Transactions with non-controlling interests	6(56)	(5,325,922)	-
Cash paid for other financing activities		(2,283,994)	(7,297,701)
Sub-total of cash outflows from financing activities		(622,216,726)	(248,876,883)
Net cash flows from financing activities		80,241,036	130,358,789
Effect of foreign exchange rate changes on cash and cash equivalents		6,683,493	7,380,729
Net increase in cash and cash equivalents	6(46)(b)	156,761,444	13,193,034
Add: Cash and cash equivalents at the beginning of the year	6(46)(c)	269,389,704	256,196,670
Cash and cash equivalents at the end of the year	6(46)(c)	426,151,148	269,389,704

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2016	2015
Cash flows from operating activities:			
Interests, fee and commission received		2,180,723	659,256
Cash received from other operating activities		16,420,548	12,835,397
Sub-total of cash inflows from operating activities		18,601,271	13,494,653
Interests, fee and commission paid		(2,384)	(495)
Cash paid for various taxes		(1,215,204)	(1,718,177)
Cash paid for other operating activities		(6,815,183)	(791,046)
Sub-total of cash outflows from operating activities		(8,032,771)	(2,509,718)
Net cash flow from operating activities	6(46)(a)	10,568,500	10,984,935
Cash flows from investing activities:			
Cash received from disposal of investments		29,149,766	43,508,715
Sub-total of cash inflows from investing activities		29,149,766	43,508,715
Cash paid for acquisition of investments		(25,852,198)	(9,788,978)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,773)	(379,000)
Entrusted loans to subsidiaries		(552,870)	(17,832,000)
Sub-total of cash outflows from investing activities		(26,410,841)	(27,999,978)
Net cash flows from investing activities		2,738,925	15,508,737
Cash flows from financing activities:			
Cash received from issuance of new debt instruments		15,000,000	3,000,000
Cash received from new bank and other loans		3,619,700	157,658
Sub-total of cash inflows from financing activities		18,619,700	3,157,658
Cash paid for repayment of bank and other loans and debt instruments issued		(24,419,700)	(16,143,899)
Interest paid		(2,830,723)	(2,857,072)
Cash paid for dividends or profit distributions		(7,000,000)	-
Sub-total of cash outflows from financing activities		(34,250,423)	(19,000,971)
Net cash flows from financing activities		(15,630,723)	(15,843,313)
Effect of foreign exchange rate changes on cash and cash equivalents		16,331	225,575
Net (decrease)/increase in cash and cash equivalents	6(46)(b)	(2,306,967)	10,875,934
Add: Cash and cash equivalents at the beginning of the year	6(46)(c)	15,777,831	4,901,897
Cash and cash equivalents at the end of the year	6(46)(c)	13,470,864	15,777,831

Approved by the board of directors on 23 March 2017.

Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED STEATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to owners of the Company							Non-controlling interests	Total
		Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2016		139,000,000	38,050,059	3,266,332	4,718,187	29,708,529	89,660,183	304,403,290	132,766,840	437,170,130
Movements for the year ended 31 December 2016										
Total comprehensive income		-	-	(2,709,791)	-	-	39,733,889	37,024,098	12,784,186	49,808,284
Capital contribution and withdrawal by owners										
1. Capital contribution by owners		-	-	-	-	-	-	-	565,676	565,676
2. Issue of preferred shares and other equity instruments by a subsidiary	6(46)(e)	-	-	-	-	-	-	-	39,458,433	39,458,433
3. New subsidiaries		-	-	-	-	-	-	-	113,075	113,075
4. Termination of part of put options		-	1,905,152	-	-	-	-	1,905,152	-	1,905,152
5. Dilution of share of interests in associates		-	120,736	-	-	-	-	120,736	-	120,736
6. Transactions with non-controlling interests	6(56)	-	(84,811)	-	-	-	-	(84,811)	(5,241,111)	(5,325,922)
7. Disposal of subsidiaries	6(46)(d)	-	-	-	-	-	-	-	(915,227)	(915,227)
Profit distribution										
1. Appropriation to surplus reserve	6(32)	-	-	-	1,264,329	-	(1,264,329)	-	-	-
2. Appropriation to general reserve	6(33)	-	-	-	-	6,396,989	(6,396,989)	-	-	-
3. Profit distribution to owners		-	-	-	-	-	(3,180,000)	(3,180,000)	(4,404,691)	(7,584,691)
Others		-	87,518	-	-	-	-	87,518	(33,228)	54,290
Balance at 31 December 2016		139,000,000	40,078,654	556,541	5,982,516	36,105,518	118,552,754	340,275,983	175,093,953	515,369,936

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

CITIC CORPORATION LIMITED

CONSOLIDATED STEATEMENT OF CHANGES IN OWNERS' EQUITY(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to owners of the Company							Non-controlling interests	Total
		Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2015		139,000,000	39,658,624	1,906,563	3,139,011	19,931,103	67,758,439	271,393,740	105,826,935	377,220,675
Movements for the year ended 31 December 2015										
Total comprehensive income		-	-	1,359,769	-	-	41,028,346	42,388,115	15,646,209	58,034,324
Capital contribution and withdrawal by owners										
1. Capital contribution by owners		-	-	-	-	-	-	-	2,964,488	2,964,488
2. Issue of other equity instruments by a subsidiary		-	-	-	-	-	-	-	1,094,357	1,094,357
3. New subsidiaries		-	-	-	-	-	-	-	818,191	818,191
4. Put option issued in business combinations		-	(2,393,046)	-	-	-	-	(2,393,046)	-	(2,393,046)
5. Dilution of share of interests in associates		-	1,972,294	-	-	-	-	1,972,294	-	1,972,294
6. Transactions with non-controlling interests		-	(977,329)	-	-	-	-	(977,329)	7,299,871	6,322,542
7. Disposal of subsidiaries	6(46)(d)	-	-	-	-	-	-	-	(100,627)	(100,627)
Profit distribution										
1. Appropriation to surplus reserve	6(32)	-	-	-	1,579,176	-	(1,579,176)	-	-	-
2. Appropriation to general reserve	6(33)	-	-	-	-	9,777,426	(9,777,426)	-	-	-
3. Profit distribution to owners		-	-	-	-	-	(7,770,000)	(7,770,000)	(771,368)	(8,541,368)
Others		-	(210,484)	-	-	-	-	(210,484)	(11,216)	(221,700)
Balance at 31 December 2015		139,000,000	38,050,059	3,266,332	4,718,187	29,708,529	89,660,183	304,403,290	132,766,840	437,170,130

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

CITIC CORPORATION LIMITED

COMPANY STEATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2016		139,000,000	50,268,921	1,081,869	4,718,187	17,577,596	212,646,573
Movements for the year ended 31 December 2016							
Total comprehensive income		-	-	(129,024)	-	12,643,294	12,514,270
Appropriation to surplus reserve	6(32)	-	-	-	1,264,329	(1,264,329)	-
Profit distribution to owners		-	-	-	-	(3,180,000)	(3,180,000)
Balance at 31 December 2016		139,000,000	50,268,921	952,845	5,982,516	25,776,561	221,980,843
Balance at 1 January 2015		139,000,000	48,590,684	711,676	3,139,011	11,135,014	202,576,385
Movements for the year ended 31 December 2015							
Total comprehensive income		-	-	370,193	-	15,791,758	16,161,951
Appropriation to surplus reserve	6(32)	-	-	-	1,579,176	(1,579,176)	-
Profit distribution to owners		-	-	-	-	(7,770,000)	(7,770,000)
Dilution of share of interests in associates		-	1,685,201	-	-	-	1,685,201
Others		-	(6,964)	-	-	-	(6,964)
Balance at 31 December 2015		139,000,000	50,268,921	1,081,869	4,718,187	17,577,596	212,646,573

Approved by the board of directors on 23 March 2017.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 179 form part of these financial statements.

1 General information

CITIC Corporation Limited (formerly known as "CITIC Limited" and herein referred to as "the Company") was jointly established by CITIC Group Corporation ("CITIC Group") and Beijing CITIC Enterprise Management Company Limited (a wholly-owned subsidiary of CITIC Group, "CITIC Enterprise Management") on 27 December 2011 and obtained a business license (No. 100000000044124(4-1)) issued by the State Administration of Industry and Commerce of the Peoples Republic of China ("PRC"). The Company's head office is located in Beijing and its registered address is 6 Xinyuannanlu, Chaoyang District, Beijing. The legal representative of the Company is Chang Zhenming. The registered capital of the Company is RMB139 billion.

CITIC Pacific Limited ("Former CITIC Pacific") is incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company held 57.51% equity interests in Former CITIC Pacific through its overseas wholly-owned subsidiaries. The Company's overseas wholly-owned subsidiaries transferred their shares of Former CITIC Pacific to certain overseas wholly-owned subsidiaries of CITIC Group on 8 May 2014.

On 16 April 2014, CITIC Group, CITIC Enterprise Management and Former CITIC Pacific entered into a share transfer agreement, pursuant to which Former CITIC Pacific acquired 100% equity interests in the Company from CITIC Group and CITIC Enterprise Management ("the Acquisition"). The Acquisition was completed on 25 August 2014. Upon the completion of the Acquisition, the name of the Company was changed from CITIC Limited to CITIC Corporation Limited and the name of Former CITIC Pacific was changed from CITIC Pacific Limited to CITIC Limited ("CITIC Limited"). The Company became a wholly-owned subsidiary of CITIC Limited.

The Company and its subsidiaries ("the Group") is principally engaged in financial services, resources and energy, manufacturing activities, engineering contracting, real estate and other businesses.

2 Basis of preparation of financial statements

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements have been prepared on the going concern basis.

(1) Statement of compliance with the Accounting Standard for Business Enterprises

These financial statements of the Company for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 31 December 2016, and of their financial performance, cash flows and other information for the year then ended.

(2) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(3) Functional currency and presentation currency

The Functional currency of the Company is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note 3(2).

3 Significant accounting policies and accounting estimates

(1) Business combinations and consolidated financial statements

(a) Business combinations involving entities under common control

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

3 Significant accounting policies and accounting estimates (Continued)

(1) Business combinations and consolidated financial statements (Continued)

(b) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (Note 3(10)). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(c) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries, as well as structured entities controlled by the Group. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts in the financial statements of the ultimate controlling party are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

3 Significant accounting policies and accounting estimates (Continued)

(1) Business combinations and consolidated financial statements (Continued)

(c) Consolidated financial statements (Continued)

Where a subsidiary was acquired during the reporting period, through a business combination not involving entities under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date. For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. In addition, any amount recognised in other comprehensive income that can be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting (See Note 3(5)(b)), are transferred to investment income in the period in which the acquisition occurs.

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, non-controlling interests and other related items in owners' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any resulting gains or losses are recognised as investment income of the current period.

Non-controlling interests are presented separately in the consolidated balance sheet within owners' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

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

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

3 Significant accounting policies and accounting estimates (Continued)

(2) Translation of foreign currencies

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

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

Income and expenses in the profit or loss are translated into Renminbi at the foreign exchange rates or the rates that approximate the foreign exchange rates at the transaction dates. The resulting exchange differences are presented as "Other comprehensive income" in the consolidated balance sheet within the shareholder's equity.

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

(3) Cash and cash equivalents

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

(4) Inventories

(a) Manufacturing, resources and energy segments

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(4) Inventories (Continued)

(a) Manufacturing, resources and energy segments (Continued)

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

(b) Real estate segment

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

- Property under development

The cost of properties under development comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (See Note 3(21)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed property held for sale

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

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

3 Significant accounting policies and accounting estimates (Continued)

(5) Long-term equity investments

(a) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(1)(c).

In the Company's separate financial statements, investments in subsidiaries are measured as follows:

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved in stages, the initial cost comprises the carrying value of the previously-held equity investment in the acquiree immediately before acquisition date, and the additional investment cost at the acquisition date.

- An investment in a subsidiary acquired otherwise than through a business combination is initially recognised in accordance with the principles described in: at the amount of cash paid if the company acquires the investment by cash or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the subsidiary as investment income in the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (Note 3(13)(b)).

(b) Investments in joint venture and associates

Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

3 Significant accounting policies and accounting estimates (Continued)

(5) Long-term equity investments (Continued)

(b) Investments in joint venture and associates(Continued)

An investment in a joint venture or an associate is initially recognised in accordance with the following principles: at the amount of cash paid if the Group acquires the investment by cash or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

An investment in a joint venture or an associate is accounted for using the equity method, unless the investment is classified as held for sale (Note 3(11)).

Under the equity method:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised incharged to profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group makes provision for impairment of investments in joint ventures and associates in accordance with the principles described in Note 3(13)(b).

3 Significant accounting policies and accounting estimates (Continued)

(6) Investment properties

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

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

(7) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for use in the production of goods, supply of services, for rental to others or for administrative purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (Note 3(13)(b)). Construction in progress is stated in the balance sheet at cost less impairment losses (Note 3(13)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (Note 3(21)), and any other costs directly attributable to bringing the asset to working condition for its intended use. Costs of environmental protection and ecological restoration arising from obligations incurred when fixed assets are disposed of are included in the initial cost of fixed assets.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets if the criteria to recognise fixed assets are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale (See Note 3(11)).

3 Significant accounting policies and accounting estimates (Continued)

(7) Fixed assets and construction in progress (Continued)

The estimated useful lives and residual rates of each class of fixed assets are as follows:

	Estimated useful life	Residual rate
Plant and buildings	20-34 years	5%
Machinery and equipment	5-22 years	5%
Office equipment and other equipment, vehicles and vessels	5-10 years	5%
Others	3-10 years	5%

Useful lives, residual value and depreciation methods are reviewed at least at each year-end.

(8) Operating lease charges

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

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 3(7) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(13). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 3(18).

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (See Note 3(6)).

3 Significant accounting policies and accounting estimates (Continued)

(9) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (See Note 3(13)(b)).

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

- Land use rights	Over the estimated useful lives of 10-50 years
- Roads operating rights	Over the estimated useful lives of 30 years
- Mining assets	Over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven probable reserves of the mines using the unit-of-production method.

Both the period and method of amortisation are reviewed annually.

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

3 Significant accounting policies and accounting estimates (Continued)

(10) Goodwill

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

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

(11) Non-current assets and disposal groups classified as held for sale and discontinued operation

A non-current asset, including fixed assets, intangible assets, investment properties, and long-term equity investment (or disposal group, the same below) is accounted for as held for sale when all the following criteria are met (A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction):

- The assets must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets;
- The group has decided to dispose the assets;
- The group has signed an irrevocable transfer agreement with the transferee, and the transfer is to be completed within one year.

Non-current assets held for sale are stated at the lower of carrying amount and fair value (See Note 3(14)) less costs to sell (excluding the measurement of investment properties subsequently measured using the fair value model (Note 3(6)). Any excess of the carrying amount over the fair value (Note 3(14)) less costs to sell is recognised as an impairment loss.

Once classified as held for sale, fixed assets, intangible assets and investment properties previously accounted for using the cost model are no longer depreciated or amortised, and long-term equity investments previously accounted for using the equity method will no longer be equity accounted.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale; (4) intra-group balances, transactions and cash flows between discontinued and continuing operations are eliminated in preparing these financial statements.

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments

(a) Initial recognition

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

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

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

(b) Categorisation

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative. Derivatives that do not qualify for hedge accounting (See Note 3(22)) are accounted for as trading instruments.

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

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

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

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

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

Loans and receivables

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

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

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (See Note 3(13)(a)) Where the receivables are interest-free loans made to related parties without any fixed repayment term or the effect of discounting would be immaterial, the receivables are stated at cost less allowance for impairment of doubtful debts.

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

Held-to-maturity investments

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

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (See Note 3(13)(a)).

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

Available-for-sale financial assets

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

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 3(18)(g) and 3(18)(a) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (See Note 3(13)(a)).

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

Financial liabilities at fair value through the profit or loss

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

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

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

Other financial liabilities

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

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

(c) De-recognition

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(c) De-recognition (Continued)

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

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

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

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structure dentities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When these curitisation of financial assets that do qualify for de-recognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for de-recognition, the book value of the transferred asset should be recognised between the derecognised portionand the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(d) Offsetting

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

(e) Derivatives

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting in accordance with Note 3(22) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(f) Embedded derivatives

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

When the embedded derivative is separated, the host contract is accounted for in accordance with Note 3(12)(a) above.

(13) Impairment of assets

Except for impairment of assets set out in Notes 3(4), impairment of other assets is accounted for using the following principles:

(a) Financial assets

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

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

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

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

Loans and receivables

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

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

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

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(b) Impairment of other assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- construction in progress
- intangible assets
- goodwill
- long-term equity investments

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amount of intangible assets not ready for use at least annually and the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset (or asset group, set of asset groups, same as below) is the higher of its fair value (See Note 3(14)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(b) Impairment of other assets (Continued)

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(14) Fair value measurement principles

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(15) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

The Group’s employees have joined its annuity scheme which was established by the Group in accordance with policies regarding the state owned enterprise annuity policy. The Group has made annuity contributions in proportion to its employees’ gross wages which are expensed in profit or loss when the contributions are made.

The Group also operates defined contribution retirement schemes and Mandatory Provident Fund schemes for certain subsidiaries operating in overseas. Contributions are charged to profit or loss as and when the contribution fall due.

(c) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

3 Significant accounting policies and accounting estimates (Continued)

(16) Income tax

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

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

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

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

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

(17) Financial guarantees issued, provisions and contingent liabilities

(a) Financial guarantees issued

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

3 Significant accounting policies and accounting estimates (Continued)

(17) Financial guarantees issues, provisions and contingent liabilities (Continued)

(a) Financial guarantees issued (Continued)

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(17)(c) if and when: (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(b) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 3(17)(c). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 3(17)(c).

(c) Other provisions and contingent liabilities

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

3 Significant accounting policies and accounting estimates (Continued)

(17) Provisions and contingent liabilities (Continued)

(c) Other provisions and contingent liabilities (Continued)

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

(18) Revenue recognition

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

(a) Interest income

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

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

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

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

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

3 Significant accounting policies and accounting estimates (Continued)

(18) Revenue recognition (Continued)

(c) Sales of goods and services

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

Service fee income is recognised when the services are rendered.

(d) Sales of properties

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

(e) Contract revenue

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

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

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

(f) Rental income from operating leases

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

(g) Dividend income

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

3 Significant accounting policies and accounting estimates (Continued)

(19) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contribution from the government in the capacity as an investor in the Group. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions, rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the future is recognised initially as deferred income, and released to profit or loss in the periods in which the expenses are recognised. A grant that compensates the Group for expenses already incurred is recognised in profit or loss immediately.

(20) Special reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expense. When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilisation of the safety production fund for fixed assets, the specific reserve is reduced as the fixed assets are recognised, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognised in accumulated depreciation. with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

(21) Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Other borrowing costs are recognised as financial expenses when incurred.

3 Significant accounting policies and accounting estimates (Continued)

(21) Borrowing costs (Continued)

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

- To the extent that the Group borrows funds generally and uses them for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalization is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally for a period of more than three months.

(22) Hedging

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

3 Significant accounting policies and accounting estimates (Continued)

(22) Hedging (Continued)

(a) Cash flow hedge

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(22) Hedging (Continued)

(b) Fair value hedge

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

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

(c) Hedge effectiveness testing

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(23) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statement as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(24) Profit distributions

Distributions of profit proposed in the profit appropriation plan to be approved after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(25) Related parties

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

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

3 Significant accounting policies and accounting estimates (Continued)

(25) Related parties (continued)

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(26) Segment reporting

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

- engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

3 Significant accounting policies and accounting estimates (Continued)

(26) Segment reporting (continued)

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

- the nature of each products and service;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute products or provide services; and
- the nature of the regulatory environment.

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

(27) Significant accounting estimates and judgements

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

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

Note 6(13) and 6(17) contain information about the assumptions and their risk factors relating to valuation of impairment of goodwill and the estimated fair value of investment properties. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses on loans and advances to customers and other parties and investment classified as receivables

Loans and advances to customers and other parties

The Group reviews its loans and advances to customers and other parties to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes estimates and judgements as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually assessed loans and advances or pools of loans and advances to customers and other parties with similar risk characteristics, as described in Note 3(13)(a) impairment of financial assets carried at amortised cost.

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(a) Impairment losses on loans and advances to customers and other parties and investment classified as receivables (Continued)

Loans and advances to customers and other parties (Continued)

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(a) Impairment losses on loans and advances to customers and other parties and investment classified as receivables(Continued)

Investment classified as receivables

In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes significant estimates and judgments as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually significant investments classified as receivables by underlying assets or groups of underlying assets with similar risk characteristics, as described in Note 3(13)(a) Impairment of financial assets carried at amortised cost.

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

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

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

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

(c) Provision for inventories

As described in Note 3(4), the Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Group estimates the net realisable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group’s profit or loss during the year.

(d) Impairment of non-financial assets

As described in Note 3(13)(b), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(d) Impairment of non-financial assets (Continued)

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

(e) Depreciation and amortisation of fixed assets and intangible assets

As described in Notes 3(7) and Note 3(9), fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(f) Fair value of financial instruments

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

(g) Income taxes

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(g) Income taxes (Continued)

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

(h) Assets acquired/liabilities assumed in business combination

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

(i) De-recognition of financial assets

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

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

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

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(j) Consolidation of structured entities

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

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

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

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

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

4 Taxation

(1) The types of taxes applicable to the Group's sale of goods and rendering of services include business tax, value added tax ("VAT"), and land appreciation tax.

Tax Name	Tax basis
Business tax	3% or 5% of taxable revenue
VAT	Output VAT is 3-17% of product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Land appreciation tax	Appreciation amount in transferring property and applicable tax rate

(2) The statutory income tax rate of the Company for the year ended 31 December 2016 is 25% (2015: 25%).

Except for certain subsidiaries of the Group which are entitled to preferential tax treatment, the statutory income tax rate applicable to the Group's other domestic subsidiaries 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.

(3) Taxes payable

The Group

	31 December 2016	31 December 2015
Income tax payable	6,664,802	6,056,467
VAT unpayable	2,971,185	372,088
Business tax payable and others	776,903	3,227,649
Land appreciation tax payable	-	45,140
	10,412,890	9,701,344

5 Subsidiaries

(1) As at 31 December 2016, the consolidated financial statements included the following subsidiaries:

Name of subsidiary	Place of registration	Principal place of business	Registered principal activities	Registered capital		Percentage of equity attributable to the Company direct / indirect
				In thousands	Currency	
China CITIC Bank Corporation Limited	Mainland China	Mainland China	Financial services	48,934,797	RMB	65.39%
CITIC Trust Co., Ltd.	Mainland China	Mainland China	Financial services	10,000,000	RMB	100%
CITIC Finance Company Limited	Mainland China	Mainland China	Financial services	2,820,000	RMB	100%
CITIC Metal Group Ltd. (note (a))	Hong Kong	Hong Kong	Resources and energy	11,800,000	HKD	100%
CITIC Resources Holdings Limited (note (b))	Bermuda	Hong Kong	Resources and energy	392,886	HKD	59.50%
CITIC Australia Pty limited	Australia	Australia	Resources and energy	85,882	AUD	100%
CITIC Kazakhstan LLP	Kazakhstan	Kazakhstan	Resources and energy	1,500	KZT	100%
CITIC Heavy Industries Co., Ltd.	Mainland China	Mainland China	Manufacturing	4,339,419	RMB	67.27%
CITIC Dicastal Co., Ltd.	Mainland China	Mainland China	Manufacturing	1,377,962	RMB	100%
CITIC Construction Company Limited	Mainland China	Mainland China	Engineering construction	6,637,000	RMB	100%
CITIC Engineering Design and Construction Company Limited	Mainland China	Mainland China	Engineering construction	1,000,000	RMB	100%
CITIC Urban Development & Operation Co., Ltd.	Mainland China	Mainland China	Real estate	7,860,000	RMB	100%
CITIC Heye Investment Co., Ltd.	Mainland China	Mainland China	Real estate	100,000	RMB	100%
CITIC Capital Mansion Co., Ltd.	Mainland China	Mainland China	Real estate	800,000	RMB	100%
CITIC Building Property Management Co., Ltd.	Mainland China	Mainland China	Real estate	27,400	RMB	100%
CITIC Industrial Investment Group Corp., Ltd.	Mainland China	Mainland China	Infrastructure	1,600,000	RMB	100%
CITIC Environment Investment Group Co., Limited	Mainland China	Mainland China	Energy saving and environmental protection	4,000,000	RMB	100%
China Zhonghaizhi Corporation	Mainland China	Mainland China	General aviation	1,000,000	RMB	51.03%
CITIC Investment Holdings Limited	Mainland China	Mainland China	Investment and holding	928,000	RMB	100%
CITIC Asia Satellite Holding Company Limited (Note (c))	British Virgin Islands	Hong Kong	Information industry	60,524	USD	100%
CITIC Press Corporation	Mainland China	Mainland China	Publishing	142,614	RMB	88%
CITIC Holdings Co., Ltd.	Mainland China	Mainland China	Service	555,000	RMB	100%
CITIC Tourism Group Co., Ltd.	Mainland China	Mainland China	Service	185,900	RMB	100%

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

5 Subsidiaries (Continued)

(1) As at 31 December 2016, the consolidated financial statements included the following subsidiaries (Continued) :

Note:

(a) In 2016, CITIC United Asia Investments Limited and CITIC Metal Co., Ltd. are directly held by the Group's newly established wholly-owned subsidiaries, CITIC Metal Group Ltd.

(b) CITIC Resources Holdings Limited ("CITIC Resources") is directly held by the Group's wholly-owned subsidiaries, CITIC Australia Pty Limited and Keentech Group Limited.

(c) CITIC Asia Satellite Holding Company Limited are directly held by the Group's wholly-owned subsidiary, CITIC Projects Management (HK) Limited.

(d) There is no significant difference between the shareholding and voting rights in the above subsidiaries, directly and indirectly, held by the Group.

(2) Material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests ("NCI") are set out below:

Name of subsidiary	Proportion of equity interest held by NCI	Profit/(loss) for 2016 allocated to NCI	Dividends paid to NCI during 2016	Accumulated balances of NCI at 31 December 2016
CITIC Bank Corporation Limited ("CITIC Bank")	34.61%	14,829,868	156,092	136,521,135
CITIC Heavy Industries Co., Ltd. ("CITIC Heavy Industries")	32.73%	(499,620)	-	2,439,272
CITIC Resources	40.50%	109,640	-	1,643,625

Name of subsidiary	Proportion of equity interest held by NCI	Profit/(loss) for 2015 allocated to NCI	Dividends paid to NCI during 2015	Accumulated balances of NCI at 31 December 2015
CITIC Bank	32.87%	14,110,545	137,106	115,760,945
CITIC Heavy Industries	30.27%	17,946	51,596	2,876,171
CITIC Resources	40.50%	(2,039,066)	-	1,362,001

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

5 Subsidiaries (Continued)

(2) Material non-controlling interests (Continued)

The following table sets forth the key financial information on the above-mentioned subsidiaries. Relevant figures represent amounts before intra-group offsetting conducted by the Group:

	CITIC Bank		CITIC Heavy Industries		CITIC Resources	
	2016	2015	2016	2015	2016	2015
Listed in	Hong Kong and Shanghai		Shanghai		Hong Kong	
Total assets	5,931,050,444	5,122,292,394	19,774,273	20,764,516	11,869,029	11,784,654
Total liabilities	(5,546,554,632)	(4,802,605,766)	(12,556,642)	(11,976,949)	(7,668,150)	(8,345,301)
Operating income	153,781,177	145,134,473	3,771,394	4,020,523	2,527,385	2,981,418
Net profit	41,786,459	41,740,295	(1,565,134)	61,968	294,254	(4,955,681)
Total comprehensive income	37,061,606	47,383,766	(1,565,704)	49,633	505,153	(5,441,996)
Cash flows from operating activities	218,811,233	(20,833,863)	(713,720)	55,591	208,239	573,245

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements

(1) Cash and deposits

The Group

	31 December 2016	31 December 2015
Cash	7,499,572	7,382,155
Bank deposits	26,228,162	29,291,719
Balances with central banks (note (a))		
- Statutory deposit reserve funds (note (b))	465,816,681	435,216,473
- Surplus deposit reserve funds (note (c))	58,854,588	63,657,461
- Fiscal deposits (note (d))	3,568,225	3,796,423
- Foreign exchange reserves (note (e))	18,865,324	3,416,069
Deposits with banks and non-bank financial institutions	229,480,476	105,176,358
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note6(20))	(33,816)	-
	810,279,212	647,936,658

Notes:

(a) The balances with central banks represent deposits placed with central banks by CITIC Bank and CITIC Finance Company Limited ("CITIC Finance").

(b) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2015: 15%) of eligible RMB deposits for domestic branches of CITIC Bank and at 15% (31 December 2015: 0%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2015:5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2016.

As at 31 December 2016, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2015: 9.5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with The People's Bank Of China.

As at 31 December 2016, the statutory deposit reserve placed by CITIC Finance with the People's Bank of China was calculated at 7% (31 December 2015: 7.5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2015, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(1) Cash and deposits (Continued)

Notes: (Continued)

(c) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(d) Fiscal deposits placed with the People's Bank of China that are not available for use in the Group's daily operations, and are non-interest bearing.

(e) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2015: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(f) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, RMB 4,510 million (31 December 2015: RMB 5,507 million) included in cash and deposits as at 31 December 2016 are restricted in use. They mainly include guaranteed deposits.

The Company

	31 December 2016	31 December 2015
Cash	3	4
Bank deposits	15,857,706	17,880,376
	15,857,709	17,880,380

(2) Placements with banks and non-bank financial institutions

The Group

	31 December 2016	31 December 2015
Banks	28,923,666	41,522,552
Non-bank financial institutions	138,292,923	77,262,045
	167,216,589	118,784,597
Less: allowance for impairment losses(Note 6(20))	(8,698)	(8,128)
	167,207,891	118,776,469

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

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

The Group

	31 December 2016	31 December 2015
Held for trading purpose		
- Debt trading financial assets	9,630,301	8,535,758
- Investment funds	2,305,048	5,337,716
- Certificates of interbank deposit	50,699,053	15,226,442
- Trading equity investments	169,143	283,055
	62,803,545	29,382,971
Financial assets designated at fair value through profit or loss		
- Debt securities	4,580,546	1,765,970
- Others	2,225,440	2,689,533
	6,805,986	4,455,503
	69,609,531	33,838,474

The Company

	31 December 2016	31 December 2015
Held for trading purpose		
- Investment funds	320,082	67,491
- Trading equity investments	13,488	15,560
	333,570	83,051
Financial assets designated at fair value through profit or loss		
- Others	2,169,195	-
	2,502,765	83,051

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments

The Group’s subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards and swap of interest rate and currency to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments (Continued)

The Group

	31 December 2016			31 December 2015		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Hedging instruments						
Fair value hedge (note (c)(i)):						
- Interest rate derivatives	14,067,694	201,394	22,868	11,144,048	237,302	38,125
- Currency derivatives	-	-	-	3,300,295	40,373	-
Cash flow hedge (note (c)(ii)):						
- Currency derivatives	170,046	5,176	806	95,113	104	1,580
- Other derivatives	48,045	49,234	8,485	20,127	146	760,580
Non-hedging instruments						
- Interest rate derivatives	842,386,891	3,164,061	2,790,131	593,379,171	1,053,985	956,930
- Currency derivatives	2,612,556,583	42,415,675	40,045,452	1,600,764,127	11,489,321	10,119,601
- Precious metals derivatives	77,385,000	1,768,474	2,200,706	18,762,612	1,007,711	303,559
- Other derivatives	-	-	-	5,222,400	-	-
	3,546,614,259	47,604,014	45,068,448	2,232,687,893	13,828,942	12,180,375

(a) Nominal amount analysed by remaining maturity

	31 December 2016	31 December 2015
Within 3 months	962,638,416	814,200,399
Between 3 months and 1 year	2,298,020,271	1,302,748,468
Between 1 and 5 years	283,656,953	113,994,812
Over 5 years	2,298,619	1,744,214
	3,546,614,259	2,232,687,893

The remaining term to maturity of derivatives does not represent the Group’s intended holding period.

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments (Continued)

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2016, the credit risk weighted amount for counterparty was RMB37,134 million (31 December 2015: RMB18,709 million).

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument’s fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

(ii) Cash flow hedge

Cash flow hedge is adopted to hedge the risk that a financial instrument’s cash flows will fluctuate because of changes in market interest rates, foreign exchange rates or commodity price by using foreign currency forward contracts, commodity forward contracts or interest rate swaps.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables

The Group

	31 December 2016	31 December 2015
Bills receivables (note (a))	1,097,206	815,642
Trade receivables (note (b))	16,815,222	12,697,615
Prepayments (note (c))	13,055,521	12,664,724
Other receivables (note (d))	44,462,897	31,787,750
Dividends receivables	80,387	201,893
Interest receivables	33,490,267	30,754,282
Long term receivables	7,747,154	10,700,298
	116,748,654	99,622,204

The Company

	31 December 2016	31 December 2015
Other receivables (note (d))	14,220,031	357,730
Amounts due from subsidiaries	9,687,101	12,566,654
Dividends receivables	2,157,143	1,584,763
Interest receivables	529,086	1,241,449
	26,593,361	15,750,596

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(a) Bills receivables

The Group

	31 December 2016	31 December 2015
Bank acceptance bills	892,075	707,201
Commercial acceptance bills	205,131	108,441
	1,097,206	815,642

(b) Trade receivables

The ageing analysis of trade receivables is as follows:

The Group

	31 December 2016	31 December 2015
Within 1 year (inclusive)	13,421,405	9,621,224
Between 1 and 2 years (inclusive)	2,182,262	1,905,575
Between 2 and 3 years (inclusive)	870,806	1,144,046
Over 3 years	1,475,057	875,450
	17,949,530	13,546,295
Less: allowance for impairment losses	(1,134,308)	(848,680)
	16,815,222	12,697,615

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(b) Trade receivables (Continued)

Trade receivables by customer type:

The Group

	31 December 2016	31 December 2015
Related parties	280,578	345,122
Other customers	17,668,952	13,201,173
	17,949,530	13,546,295
Less: allowance for impairment losses	(1,134,308)	(848,680)
	16,815,222	12,697,615

An analysis of the movements in provisions for impairment of trade receivables for the year is as follows:

The Group

	2016	2015
Balance at the beginning of the year	848,680	895,187
Charge	404,870	71,350
Reversal	(18,225)	(36,622)
Write-off	(6,301)	(81,629)
Disposal of subsidiaries	(91,973)	-
Exchange differences	(2,743)	394
Balance at the end of the year	1,134,308	848,680

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(c) Prepayments

The ageing analysis of prepayments is as follows:

The Group

	31 December 2016	31 December 2015
Within 1 year (inclusive)	12,077,961	11,607,327
Between 1 and 2 years (inclusive)	487,090	885,622
Between 2 and 3 years (inclusive)	503,492	405,470
Over 3 years	379,725	141,542
	13,448,268	13,039,961
Less: allowance for impairment losses	(392,747)	(375,237)
	13,055,521	12,664,724

Prepayments by customer type:

The Group

	31 December 2016	31 December 2015
Related parties	1,053	8,749
Other customers	13,447,215	13,031,212
	13,448,268	13,039,961
Less: allowance for impairment losses	(392,747)	(375,237)
	13,055,521	12,664,724

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables

The ageing analysis of other receivables is as follows:

The Group

	31 December 2016	31 December 2015
Within 1 year (inclusive)	36,877,274	22,448,462
Between 1 and 2 years (inclusive)	6,416,345	8,281,116
Between 2 and 3 years (inclusive)	981,457	418,766
Over 3 years	811,771	1,382,309
	45,086,847	32,530,653
Less: allowance for impairment losses	(623,950)	(742,903)
	44,462,897	31,787,750

The Company

	31 December 2016	31 December 2015
Within 1 year (inclusive)	13,838,075	-
Between 1 and 2 years (inclusive)	-	357,730
Between 2 and 3 years (inclusive)	381,956	-
Over 3 years	6,699	6,699
	14,226,730	364,429
Less: allowance for impairment losses	(6,699)	(6,699)
	14,220,031	357,730

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables (Continued)

Other receivables by customer type:

The Group

	31 December 2016	31 December 2015
Related parties	19,838,031	8,571,707
Other customers	25,248,816	23,958,946
	45,086,847	32,530,653
Less: allowance for impairment losses	(623,950)	(742,903)
	44,462,897	31,787,750

The Company

	31 December 2016	31 December 2015
Related parties	14,220,031	357,730
Other customers	6,699	6,699
	14,226,730	364,429
Less: allowance for impairment losses	(6,699)	(6,699)
	14,220,031	357,730

An analysis of the movements in provisions for impairment of other receivables for the year is as follows:

The Group

	2016	2015
Balance at the beginning of the year	742,903	511,300
Charge	830,044	349,111
Reversal	(218,101)	(14,788)
Write-off	(416,301)	(103,010)
Disposal of subsidiaries	(313,813)	-
Exchange differences	(782)	290
Balance at the end of the year	623,950	742,903

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables (Continued)

An analysis of the movements in provisions for impairment of other receivables for the year is as follows (Continued):

The Company

	2016	2015
Balance at the beginning of the year	6,699	6,699
Charge	-	-
Balance at the end of the year	6,699	6,699

(6) Inventories

(a) An analysis of the movements in inventories for the year is as follows:

The Group

	Balance at the beginning of 2016	Additions	Disposal of subsidiaries	Reductions	Exchange differences and others	Balance at the end of 2016
Raw materials	950,214	5,031,441	-	(4,812,828)	10,990	1,179,817
Work-in-progress	2,805,413	15,224,022	-	(15,137,393)	2,692	2,894,734
Finished goods	4,948,597	109,974,969	(19,914)	(108,617,075)	107,532	6,394,109
Properties	73,386,265	12,875,340	(76,584,779)	(1,830,228)	16,540	7,863,138
Engineering construction	3,359,615	1,200,133	-	(2,007,779)	-	2,551,969
Others	754,772	445,332	-	(365,354)	2	834,752
	86,204,876	144,751,237	(76,604,693)	(132,770,657)	137,756	21,718,519
Less: provision for decline in value of inventories (Note 6(20))	(2,953,250)	(474,966)	336,222	764,305	(40,174)	(2,367,863)
	83,251,626	144,276,271	(76,268,471)	(132,006,352)	97,582	19,350,656

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(6) Inventories (Continued)

(a) An analysis of the movements in inventories for the year is as follows (Continued) :

	Balance at the beginning of 2015	Additions	Business combination	Reductions	Exchange differences and others	Balance at the end of 2015
Raw materials	900,416	4,101,461	-	(4,057,783)	6,120	950,214
Work-in-progress	2,694,728	13,074,817	-	(12,955,301)	(8,831)	2,805,413
Finished goods	4,925,194	61,433,983	66,152	(61,569,874)	93,142	4,948,597
Properties	71,260,316	13,723,372	3,294,839	(14,892,262)	-	73,386,265
Engineering construction	2,718,792	5,523,163	-	(5,115,277)	232,937	3,359,615
Others	641,927	12,868,277	-	(12,755,414)	(18)	754,772
	83,141,373	110,725,073	3,360,991	(111,345,911)	323,350	86,204,876
Less: provision for decline in value of inventories (Note 6(20))	(2,443,600)	(558,394)	-	222,081	(173,337)	(2,953,250)
	80,697,773	110,166,679	3,360,991	(111,123,830)	150,013	83,251,626

(b) An analysis of provision for decline in value of inventories of the Group is as follows:

The Group

	Balance at the beginning of 2016	Charge for the year	Written back		Disposal of subsidiaries	Exchange differences and others	Balance at the end of 2016
			Reversal	Write-off			
Raw materials	9,272	60,636	(19)	(914)	-	1,434	70,409
Work-in-progress	12,748	130,752	-	(1,443)	-	-	142,057
Finished goods	857,749	161,186	(23,749)	(20,237)	-	38,740	1,013,689
Properties	561,382	109,161	(29,526)	-	(336,222)	-	304,795
Engineering construction	1,488,349	8,313	(687,860)	-	-	-	808,802
Others	23,750	4,918	-	(557)	-	-	28,111
	2,953,250	474,966	(741,154)	(23,151)	(336,222)	40,174	2,367,863

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(6) Inventories (Continued)

(b) An analysis of provision for decline in value of inventories of the Group is as follows (Continued) :

	Balance at the beginning of 2015	Charge for the year	Written back		Exchange differences and others	Balance at the end of 2015
			Reversal	Write-off		
Raw materials	11,306	2,134	(4,168)	-	-	9,272
Work-in-progress	11,271	3,303	-	(1,826)	-	12,748
Finished goods	476,986	377,431	(1,497)	(11,089)	15,918	857,749
Properties	589,331	174,337	(61,460)	(140,826)	-	561,382
Engineering construction	1,330,930	-	-	-	157,419	1,488,349
Others	23,776	1,189	(1,215)	-	-	23,750
	2,443,600	558,394	(68,340)	(153,741)	173,337	2,953,250

As at 31 December 2016, the Group's inventories include an amount of RMB8,782 million expected to be recovered after more than one year (31 December 2015: RMB63,565 million).

As at 31 December 2016, the carrying amount of restricted inventories of CITIC Resources was Nil (31 December 2015: HK$270 million, approximately RMB226 million).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(7) Financial assets held under resale agreements

The Group

	31 December 2016	31 December 2015
Securities	173,156,918	67,232,308
Discounted bills	-	70,787,898
Others	34,068	540,698
	173,190,986	138,560,904

(8) Loans and advances to customers and other parties

The Group

	31 December 2016	31 December 2015
Corporate loans:		
- Loans	1,820,266,447	1,755,213,206
- Discounted bills	75,093,134	92,759,735
- Finance lease receivables	34,509,149	17,879,008
	1,929,868,730	1,865,851,949
Personal loans:		
- Residential mortgages	433,209,680	268,926,219
- Business loans	111,948,736	105,770,498
- Credit cards	237,711,838	175,800,667
- Others	173,735,169	118,116,507
	956,605,423	668,613,891
	2,886,474,153	2,534,465,840
Less: allowance for impairment losses (Note 6(20))(note (c))		
- Individually assessed	(28,839,082)	(18,408,671)
- Collectively assessed	(50,428,279)	(45,502,551)
	(79,267,361)	(63,911,222)
	2,807,206,792	2,470,554,618

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(8) Loans and advances to customers and other parties (Continued)

The Company

	31 December 2016	31 December 2015
Corporate loans	11,457,452	35,915,639
Less: allowance individually assessed	(413,450)	(471,301)
	11,044,002	35,444,338

(a) Analysed by type of security

The Group

	31 December 2016	31 December 2015
Unsecured loans	552,353,479	493,835,367
Guaranteed loans	507,235,505	492,718,399
Secured loans		
- Loans secured by collateral	1,416,903,009	1,170,595,797
- Pledged loans	334,889,026	284,556,542
	2,811,381,019	2,441,706,105
Discounted bills	75,093,134	92,759,735
	2,886,474,153	2,534,465,840

The Company

	31 December 2016	31 December 2015
Unsecured loans	11,381,352	32,859,539
Secured loans		
- Loans secured by collateral	-	3,000,000
- Pledged loans	76,100	56,100
	11,457,452	35,915,639

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(8) Loans and advances to customers and other parties (Continued)

(b) Analysis by assessment method of allowance for impairment losses

The Group

	Loans and advances for which allowance is collectively assessed	Impaired loans and advances(note(i)) for which allowance is collectively assessed	Impaired loans and advances(note(i)) for which allowance is individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
31 December 2016					
Gross loans and advances	2,834,363,746	10,578,802	41,531,605	2,886,474,153	1.81%
Less: Allowance for impairment losses	(42,321,662)	(8,106,617)	(28,839,082)	(79,267,361)	
	2,792,042,084	2,472,185	12,692,523	2,807,206,792	
31 December 2015					
Gross loans and advances	2,495,385,733	8,003,646	31,076,461	2,534,465,840	1.54%
Less: Allowance for impairment losses	(39,656,154)	(5,846,397)	(18,408,671)	(63,911,222)	
	2,455,729,579	2,157,249	12,667,790	2,470,554,618	

Notes:

(i) As at 31 December 2016, the loans and advances of the Group for which allowance was individually assessed amounted to RMB41,532 million (31 December 2015: RMB31,076 million). As at 31 December 2016, the secured and unsecured portion of these loans and advances were RMB22,591 million (31 December 2015: RMB17,475 million) and RMB18,941 million (31 December 2015: RMB13,601 million), respectively. As at 31 December 2016, the fair value of pledge and collateral held against these loans and advances amounted to RMB18,643 million (31 December 2015: RMB16,701 million). As at 31 December 2016, the allowance for impairment losses from individual assessment made against these loans and advances were RMB28,839 million (31 December 2015: RMB18,409 million).

(ii) The fair value of pledge and collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(8) Loans and advances to customers and other parties (Continued)

(c) Movements of allowance for impairment losses

The Group

	Loans and advances for which allowance is collectively assessed	Impaired loans and advances: for which allowance is collectively assessed	Impaired loans and advances: for which allowance is individually assessed	Total
At 1 January 2016	39,656,154	5,846,397	18,408,671	63,911,222
Charge for the year:				
- Impairment allowance on loans charged	2,737,157	6,917,630	38,971,686	48,626,473
- Reversal of impairment for the year	(92,298)	(405,093)	(2,305,175)	(2,802,566)
Unwinding of discount on allowance	-	-	(563,901)	(563,901)
Write-offs	-	(4,657,777)	(26,294,709)	(30,952,486)
Recovery of loans and advances written off in previous year	-	405,093	166,414	571,507
Changes of exchange rate	20,649	367	456,096	477,112
At 31 December 2016	42,321,662	8,106,617	28,839,082	79,267,361

	Loans and advances for which allowance is collectively assessed	Impaired loans and advances: for which allowance is collectively assessed	Impaired loans and advances: for which allowance is individually assessed	Total
At 1 January 2015	36,732,286	3,880,507	13,904,940	54,517,733
Charge for the year:				
- Impairment allowance on loans charged	4,792,322	5,670,379	30,375,114	40,837,815
- Reversal of impairment for the year	(91,462)	(284,053)	(2,065,554)	(2,441,069)
Unwinding of discount on allowance	-	-	(591,737)	(591,737)
Write-offs	(1,795,677)	(3,778,781)	(23,566,490)	(29,140,948)
Recovery of loans and advances written off in previous year	-	358,065	241,835	599,900
Changes of exchange rate	18,685	280	110,563	129,528
At 31 December 2015	39,656,154	5,846,397	18,408,671	63,911,222

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(8) Loans and advances to customers and other parties (Continued)

(d) Analysis of overdue loans by overdue period

	31 December 2016				
	Overdue within 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
Unsecured loans	3,984,642	5,577,037	2,749,053	299,790	12,610,522
Guaranteed loans	7,776,182	11,648,328	7,136,784	114,557	26,675,851
Secured loans					
- Loans secured by collateral	22,688,438	17,261,292	8,825,956	670,716	49,446,402
- Pledged loans	1,592,323	2,764,651	1,046,102	62,194	5,465,270
	36,041,585	37,251,308	19,757,895	1,147,257	94,198,045

	31 December 2015				
	Overdue within 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
Unsecured loans	3,424,742	3,063,671	2,507,229	297,323	9,292,965
Guaranteed loans	8,906,924	5,284,923	5,104,908	230,089	19,526,844
Secured loans					
- Loans secured by collateral	21,575,815	12,341,996	6,341,157	383,887	40,642,855
- Pledged loans	3,087,119	1,594,680	1,000,600	61,772	5,744,171
	36,994,600	22,285,270	14,953,894	973,071	75,206,835

Overdue loans represent loans of which principal or interest are overdue one day or more.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(9) Available-for-sale financial assets

The Group

	31 December 2016	31 December 2015
Debt securities	402,121,749	301,634,307
Certificates of deposit and certificates of interbank deposit	116,050,009	75,313,636
Wealth management products issued by financial institutions	15,702,941	27,734,466
Equity investments	10,311,705	8,758,541
Investment funds	23,592,549	1,510,871
	567,778,953	414,951,821
Less: allowance for impairment losses(Note 6(20))	(772,492)	(714,429)
	567,006,461	414,237,392

The Company

	31 December 2016	31 December 2015
Wealth management products issued by financial institutions	9,322,172	9,467,476
Equity investments	1,058,639	1,058,639
	10,380,811	10,526,115

(10) Held-to-maturity investments

The Group

	31 December 2016	31 December 2015
Debt securities	218,367,902	181,165,286
Others	27,000	60,000
	218,394,902	181,225,286
Less: allowance for impairment losses(Note 6(20))	(1,766)	(40,784)
	218,393,136	181,184,502

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(11) Investments classified as receivables

The Group

	31 December 2016	31 December 2015
Trust investment plans	130,236,204	140,777,306
Investment management products managed by securities companies	455,412,542	826,705,076
Wealth management products issued by financial institutions	458,390,001	147,605,000
Others	1,159,480	1,230,000
	1,045,198,227	1,116,317,382
Less: allowance for impairment losses(Note 6(20))	(1,908,652)	(997,050)
	1,043,289,575	1,115,320,332

As at 31 December 2016, certain of the Group's investments with an aggregate amount of RMB147,499 million (31 December 2015: RMB75,639 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investment classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments

The Group

	31 December 2016	31 December 2015
Investments in joint ventures (note (b))	7,623,863	7,359,619
Investments in associates (note (c))	47,726,629	42,281,116
	55,350,492	49,640,735
Less: allowance for impairment losses(Note 6(20))		
- Joint ventures	(1,256,948)	(1,177,529)
- Associates	(2,070,574)	(2,036,714)
	(3,327,522)	(3,214,243)
	52,022,970	46,426,492

The Company

	31 December 2016	31 December 2015
Investments in subsidiaries (note (a))	183,664,011	187,588,165
Investments in joint ventures (note (b))	3,197,296	2,938,773
Investments in associates (note (c))	25,504,039	25,415,424
Less: impairment loss		
- Subsidiaries	(662,271)	(662,271)
	211,703,075	215,280,091

(a) The Company’s investments in principal subsidiaries are as follows:

	31 December 2016	31 December 2015
CITIC Bank	120,142,372	117,712,451
CITIC Urban Development & Operation Co., Ltd.	7,860,000	-
CITIC Real Estate Co., Ltd. (“CITIC Real Estate”)	-	13,886,931
CITIC Trust Co., Ltd.	13,281,374	13,281,374
CITIC Industrial Investment Group Corp., Ltd.	5,884,723	5,884,723
CITIC Heavy Industries	3,657,012	3,657,012
CITIC Environment Investment Group Co., Limited	2,642,425	2,642,425
Others	30,196,105	30,523,249
	183,664,011	187,588,165

Detailed information of the subsidiaries is set out in Note 5(1).

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(b) The Group's and the Company's investments in joint ventures are as follows:

The Group

	31 December 2016	31 December 2015
Material joint ventures (note (i))	3,024,792	2,783,368
Immaterial joint ventures (note (ii))	4,599,071	4,576,251
	7,623,863	7,359,619
Less: allowance for impairment losses	(1,256,948)	(1,177,529)
	6,366,915	6,182,090

The Company

	31 December 2016	31 December 2015
Material joint ventures (note (i))	3,024,792	2,783,368
Immaterial joint ventures (note (ii))	172,504	155,405
	3,197,296	2,938,773

(i) Details of material joint venture are as follows:

Name	Principal place of business	Place of registration	Registered principal activities	Registered capital in thousands	Currency	Percentage of equity attributable to the Group direct / indirect
CITIC-Prudential Life Insurance Co., Ltd. ("CITIC-Prudential Life")	Mainland China	Mainland China	Insurance and reinsurance	2,360,000	RMB	50%

CITIC-Prudential Life is also the material joint ventures of the Company, which holds 50% equity interests in CITIC-Prudential Life.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(b) The Group's and the Company's investments in joint ventures are as follows (Continued) :

The following table sets out the key financial information of the Group's material joint ventures, and the reconciliation of the key financial information to the carrying amount of the Group's investments in joint ventures using the equity method:

	CITIC-Prudential Life	
	31 December 2016	31 December 2015
Total assets	54,671,906	47,974,830
Including: Cash and deposits	4,626,777	4,803,509
Total liabilities	(50,871,114)	(44,656,887)
Net assets	3,800,792	3,317,943
Group's share of net assets	1,900,396	1,658,972
Others	1,124,396	1,124,396
Carrying amount of investments in joint ventures	3,024,792	2,783,368
Operating income	9,844,633	8,183,241
Income tax expenses	(213,857)	(163,884)
Net profit	700,059	381,904
Other comprehensive income	(217,210)	25,952
Total comprehensive income	482,849	407,856
Dividends received from joint ventures during the year	-	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(b) The Group's and the Company's investments in joint ventures are as follows (Continued) :

(ii) Details of immaterial joint ventures accounted for using the equity method are summarised as follows:

The Group

	31 December 2016	31 December 2015
Aggregate carrying amount of investments	3,342,123	3,398,722
Aggregate amount of share of		
- Net profit/(loss)	537,984	(1,186,624)
- Other comprehensive income	733	-
- Total comprehensive income	538,717	(1,186,624)

The Company

	31 December 2016	31 December 2015
Aggregate carrying amount of investments	172,504	155,405
Aggregate amount of share of		
- Net profit	22,035	24,360
- Other comprehensive income	(4,936)	(4,597)
- Total comprehensive income	17,099	19,763

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(c) The Group's and the Company's investments in associates are as follows:

The Group

	31 December 2016	31 December 2015
Material associates (note (i))	28,784,079	25,954,042
Immaterial associates (note (ii))	18,942,550	16,327,074
	47,726,629	42,281,116
Less: allowance for impairment losses	(2,070,574)	(2,036,714)
	45,656,055	40,244,402

The Company

	31 December 2016	31 December 2015
Material associates (note (i))	24,691,875	22,558,909
Immaterial associates (note (ii))	812,164	2,856,515
	25,504,039	25,415,424

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(c) The Group's and the Company's investments in associates are as follows (Continued) :

(i) Details of the Group's material associates are as follows:

Name	Principal place of business	Place of registration	Registered principal activities	Registered capital in thousands	Registered capital Currency	Percentage of equity attributable to the Group direct / indirect
CITIC Securities Co., Ltd. ("CITIC Securities")*	Mainland China	Mainland China	Securities related services	12,116,908	RMB	16.66%
MMG South America Management Co., Ltd. ("MMG")	Hong Kong	Hong Kong	Resources and energy	22,863,240	HKD	15.00%

* CITIC Securities is also the material associates of the Company, which holds 16.66% equity interests in CITIC Securities.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(c) The Group's and the Company's investments in associates are as follows (Continued) :

(i) Details of the Group's material associates are as follows (Continued) :

The following table sets out the key financial information of the Group's material associates, and the reconciliation of the key financial information to the carrying amount of the Group's investments in associates using the equity method:

	CITIC Securities		MMG	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Total assets	597,438,839	616,108,242	80,913,988	71,141,823
Including: Cash and deposits	166,589,812	212,460,788	1,662,105	1,085,081
Total liabilities	(451,650,170)	(474,371,144)	(55,656,938)	(48,507,601)
Net assets	145,788,669	141,737,098	25,257,050	22,634,222
Group's share of net assets	23,773,145	21,691,581	3,788,558	3,395,133
Others	1,222,376	867,328	-	-
Carrying amount of investments in associates	24,995,521	22,558,909	3,788,558	3,395,133
Fair value of investments in associates which have quoted market prices	32,418,760	36,547,484	-	-
Operating income	38,001,923	56,013,436	8,144,480	-
Financial expenses	-	-	(1,141,117)	(28,633)
Income tax expenses	(3,281,419)	(6,926,800)	(495,641)	129,520
Net profit/(loss)	10,981,140	20,360,344	1,030,534	(488,475)
Other comprehensive income	(818,683)	2,334,233	-	-
Total comprehensive income	10,162,457	22,694,577	1,030,534	(488,475)
Dividends received from associates during the year	999,848	532,347	-	-

CITIC Securities is listed on the Main Board of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

(c) the Group's and the Company's investments in associates are as follows (Continued) :

(ii) Details of immaterial associates accounted for using the equity method are summarised as follows:

The Group

	31 December 2016	31 December 2015
Aggregate carrying amount of investments	16,871,976	14,290,360
Aggregate amount of share of		
- Net (loss)/profit	(538,729)	480,114
- Other comprehensive income	288,964	(642,491)
- Total comprehensive income	(249,765)	(162,377)

The Company

	31 December 2016	31 December 2015
Aggregate carrying amount of investments	812,164	2,856,515
Aggregate amount of share of		
- Net (loss)/profit	(1,254,776)	80,670
- Other comprehensive income	(9,769)	15,462
- Total comprehensive income	(1,264,545)	96,132

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(13) Investment properties

The Group

	2016	2015
At 1 January	5,086,392	4,735,562
Additions	28,097	472,235
Disposal	(18,934)	-
Transfers	(346,790)	(235,561)
Disposal of subsidiaries	(957,120)	-
Changes in fair value of investment properties	155,173	108,209
Exchange difference	56,572	5,947
At 31 December	4,003,390	5,086,392

The Group's investment properties are mainly located in Mainland China and Hong Kong.

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of other certain of investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

Investment properties were revalued as at 31 December 2016 and 2015 by the following independent professionally qualified valuers. The management of the Group had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

6 Notes to the consolidated financial statements (Continued)

(13) Investment properties (Continued)

Properties located in	Valuers in 2016
Mainland China and Hong Kong	China Appraisal Associates Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited China Enterprise Appraisals Company Zhong Ming International Asset Appraisal (Beijing) Co., Ltd. Prudential Surveyors International Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

Properties located in	Valuers in 2015
Mainland China and Hong Kong	China Enterprise Appraisals Company Deve China International Appraisals Company Limited Prudential Surveyors International Limited Yinxin Appraisal Co., Ltd. China Appraisal Associates Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

For disclosure information of fair value, please refer to Note 6(49).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets

The Group

	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Others	Total
Cost						
Balance at 1 January 2015	20,093,805	16,116,248	9,004,800	4,046,909	1,124,523	50,386,285
Additions	2,479,510	429,235	1,416,047	375,017	149,330	4,849,139
Business combination	169,889	215,498	15,102	22,497	147,948	570,934
Transfers from construction in Progress	1,242,455	2,012,192	7,452	534,747	48,623	3,845,469
Disposals	(222,757)	(181,432)	(251,912)	(193,052)	(88,723)	(937,876)
Exchange difference	38,718	217,262	58,768	(506)	8,641	322,883
Balance at 31 December 2015	23,801,620	18,809,003	10,250,257	4,785,612	1,390,342	59,036,834
Additions	3,000,966	870,099	1,162,147	65,098	130,987	5,229,297
Disposal of subsidiaries	(805,263)	(29,954)	(70,777)	(152,931)	(111,035)	(1,169,960)
Transfers from construction in progress	852,228	670,190	10,478	3,524	17,939	1,554,359
Disposals	(174,338)	(264,812)	(399,013)	(107,287)	(83,584)	(1,029,034)
Exchange difference	165,313	366,839	76,618	(2,306)	10,901	617,365
Balance at 31 December 2016	26,840,526	20,421,365	11,029,710	4,591,710	1,355,550	64,238,861
Less: Accumulated depreciation						
Balance at 1 January 2015	(4,900,769)	(5,332,671)	(4,967,008)	(1,417,471)	(348,816)	(16,966,735)
Charge for the year	(959,157)	(1,282,278)	(1,197,843)	(278,795)	(76,963)	(3,795,036)
Business combination	(13,409)	(59,908)	(8,826)	(12,859)	(23,057)	(118,059)
Written back on disposal	47,164	167,302	184,394	138,496	46,290	583,646
Exchange difference	(1,466)	(65,950)	(43,046)	(19)	(655)	(111,136)
Balance at 31 December 2015	(5,827,637)	(6,573,505)	(6,032,329)	(1,570,648)	(403,201)	(20,407,320)
Charge for the year	(936,587)	(1,369,989)	(1,220,895)	(302,878)	(69,931)	(3,900,280)
Disposal of subsidiaries	193,631	21,663	48,995	127,576	71,404	463,269
Written back on disposal	50,898	192,686	279,671	99,119	57,234	679,608
Exchange difference	(46,080)	(124,119)	(59,738)	2,378	(1,141)	(228,700)
Balance at 31 December 2016	(6,565,775)	(7,853,264)	(6,984,296)	(1,644,453)	(345,635)	(23,393,423)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets (Continued)

The Group (Continued)

	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Others	Total
Less: Allowance for impairment Losses (Note 6(20))						
Balance at 1 January 2015	(152,184)	(1,767,878)	(1,876)	(316)	(312)	(1,922,566)
Charge for the year	(2,524)	(705,588)	(770)	(2)	(4,142)	(713,026)
Written back on disposal	145	10,992	1,550	86	74	12,847
Exchange difference	(5,060)	(122,936)	(1)	(5)	5	(127,997)
Balance at 31 December 2015	(159,623)	(2,585,410)	(1,097)	(237)	(4,375)	(2,750,742)
Charge for the year	(5,964)	(220,005)	(2,127)	(167)	(2,430)	(230,693)
Written back on disposal	-	11,066	531	50	76	11,723
Disposal of subsidiaries	25,361	682	1,539	260	-	27,842
Exchange difference	(5,894)	(153,912)	(10)	-	-	(159,816)
Balance at 31 December 2016	(146,120)	(2,947,579)	(1,164)	(94)	(6,729)	(3,101,686)
Net carrying amount						
At 31 December 2016	20,128,631	9,620,522	4,044,250	2,947,163	1,003,186	37,743,752
At 31 December 2015	17,814,360	9,650,088	4,216,831	3,214,727	982,766	35,878,772

As at 31 December 2016, the Group was in the process of applying the ownership certificate in respect of certain premises of RMB3,880 million (31 December 2015: RMB2,720 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets (Continued)

The Company

	Plant & buildings	Office & other equipment	Motor vehicles	Total
Cost				
Balance at 1 January 2015	-	52,538	21,197	73,735
Additions	638,758	5,225	-	643,983
Disposals	-	(2,683)	(845)	(3,528)
Balance at 31 December 2015	638,758	55,080	20,352	714,190
Additions	-	5,806	-	5,806
Disposals	(35)	(6,574)	(240)	(6,849)
Balance at 31 December 2016	638,723	54,312	20,112	713,147
Less: Accumulated depreciation				
Balance at 1 January 2015	-	(40,053)	(17,467)	(57,520)
Charge for the year	(7,621)	(5,595)	(1,944)	(15,160)
Written back on disposal	-	2,425	803	3,228
Balance at 31 December 2015	(7,621)	(43,223)	(18,608)	(69,452)
Charge for the year	(30,340)	(4,728)	(952)	(36,020)
Written back on disposal	-	6,251	222	6,473
Balance at 31 December 2016	(37,961)	(41,700)	(19,338)	(98,999)
Net carrying amount				
At 31 December 2016	600,762	12,612	774	614,148
At 31 December 2015	631,137	11,857	1,744	644,738

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(15) Construction in Progress

The Group

Cost	
Balance at 1 January 2015	6,474,106
Additions	4,313,103
Including: capitalised interest	319,276
Transfers to fixed assets	(3,845,469)
Decrease	(577,448)
Exchange difference	53,212
Balance at 31 December 2015	6,417,504
Additions	5,431,747
Including: capitalised interest	223,309
Transfers to fixed assets	(1,554,359)
Disposal of subsidiaries	(743,075)
Decrease	(251,643)
Exchange difference	(105,658)
Balance at 31 December 2016	9,194,516
Less: Allowance for impairment losses(Note 6(20))	
Balance at 1 January 2015	(4,995)
Charge for the year	(84,393)
Written back on disposal	-
Exchange difference	2,771
Balance at 31 December 2015	(86,617)
Charge for the year	(63,253)
Written back on disposal	-
Disposal of subsidiaries	4,995
Exchange difference	97
Balance at 31 December 2016	(144,778)
Net carrying amount	
At 31 December 2016	9,049,738
At 31 December 2015	6,330,887

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(16) Intangible assets

	Land use rights	Mining assets	Roads operating rights	Others	Total
Cost					
Balance at 1 January 2015	11,691,108	775,307	9,458,954	2,844,542	24,769,911
Additions	1,005,966	194	28,869	1,017,886	2,052,915
Business combination	40,682	-	-	1,711,239	1,751,921
Disposals	(63,108)	-	-	(26,316)	(89,424)
Exchange difference	(22,741)	47,944	-	29,444	54,647
Balance at 31 December 2015	12,651,907	823,445	9,487,823	5,576,795	28,539,970
Additions	774,340	3,115	8,709	1,184,264	1,970,428
Disposal of subsidiaries	(765,939)	-	-	(25,726)	(791,665)
Disposals	(711,032)	(21,286)	(471)	(1,127,366)	(1,860,155)
Exchange difference	754	54,915	-	27,746	83,415
Balance at 31 December 2016	11,950,030	860,189	9,496,061	5,635,713	27,941,993
Less: Accumulated amortisation					
Balance at 1 January 2015	(603,747)	(130,902)	(513,876)	(1,711,915)	(2,960,440)
Charge for the year	(235,538)	(28,242)	(127,840)	(484,175)	(875,795)
Business combination	(5,124)	-	-	(64,322)	(69,446)
Written back on disposal	4,855	-	-	25,897	30,752
Exchange difference	(108)	(9,246)	-	(55,607)	(64,961)
Balance at 31 December 2015	(839,662)	(168,390)	(641,716)	(2,290,122)	(3,939,890)
Charge for the year	(208,659)	(4,372)	(174,849)	(669,597)	(1,057,477)
Disposal of subsidiaries	28,332	-	-	13,295	41,627
Written back on disposal	4,149	-	152	897,999	902,300
Exchange difference	378	(11,606)	-	(25,775)	(37,003)
Balance at 31 December 2016	(1,015,462)	(184,368)	(816,413)	(2,074,200)	(4,090,443)
Less: Allowance for impairment losses (Note 6(20))					
Balance at 1 January 2015	-	(81,527)	-	(136,938)	(218,465)
Charge for the year	-	(327,956)	-	-	(327,956)
Written back on disposal	-	-	-	-	-
Exchange difference	-	(19,246)	-	(6,188)	(25,434)
Balance at 31 December 2015	-	(428,729)	-	(143,126)	(571,855)
Charge for the year	-	-	-	-	-
Written back on disposal	-	-	-	125,761	125,761
Disposal of subsidiaries	-	-	-	-	-
Exchange difference	-	(29,031)	-	(2,506)	(31,537)
Balance at 31 December 2016	-	(457,760)	-	(19,871)	(477,631)
Net carrying amount					
At 31 December 2016	10,934,568	218,061	8,679,648	3,541,642	23,373,919
At 31 December 2015	11,812,245	226,326	8,846,107	3,143,547	24,028,225

As at 31 December 2016, the Group had no ownership certificate in respect of certain land use rights that was in the process of applying (31 December 2015: RMB45 million).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(17) Goodwill

The Group

Cost	
Balance at 1 January 2015	3,074,402
Additions	4,822,156
Exchange difference	(17,595)
Balance at 31 December 2015	7,878,963
Additions	465,701
Exchange difference	366,975
Balance at 31 December 2016	8,711,639
Less:Allowance for impairment losses	
Balance at 1 January 2015	(277,521)
Exchange difference	(7,686)
Balance at 31 December 2015	(285,207)
Additions	(30,879)
Exchange difference	(17,975)
Balance at 31 December 2016	(334,061)
Net carrying amount	
At 31 December 2016	8,377,578
At 31 December 2015	7,593,756

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	31 December 2016	31 December 2015
Resources and energy	1,231,255	1,161,452
Financial services	1,340,416	1,281,084
Manufacturing	739,030	303,450
Real estates	106,458	106,458
Others	4,960,419	4,741,312
	8,377,578	7,593,756

Based on management's impairment assessment, RMB30.88 million impairment loss was recognised for the year ended 31 December 2016 (2015: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities

Non-offset deferred tax assets and deferred tax liabilities:

The Group

	Deferred tax assets					
	Balance at 1 January 2016	Credited/(charged) to profit or loss	Charged to equity	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2016
Tax losses	261,968	(135,816)	-	(110,802)	(24)	15,326
Accrued expenses	1,317,321	382,223	(761)	(73,838)	(4,929)	1,620,016
Impairment loss on assets other than fixed assets and intangible assets	10,037,423	3,673,965	537	(35,127)	14,411	13,691,209
Fair value changes of financial instruments	236,814	(10,982)	(215,590)	-	4,775	15,017
Fixed assets and intangible assets	271,610	84,907	-	-	23,963	380,480
Others	1,098,571	(440,806)	(240,056)	(154,044)	(30,298)	233,367
	13,223,707	3,553,491	(455,870)	(373,811)	7,898	15,955,415

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

	Deferred tax assets					
	Balance at 1 January 2015	Credited/(charged) to profit or loss	Charged to equity	Business combination	Exchange difference and others	Balance at 31 December 2015
Tax losses	418,390	(135,963)	-	-	(20,459)	261,968
Accrued expenses	2,228,752	(833,274)	5,842	-	(83,999)	1,317,321
Impairment loss on assets other than fixed assets and intangible assets	8,610,531	1,352,574	3,230	-	71,088	10,037,423
Fair value changes of financial instruments	335,998	4,860	47,169	-	(151,213)	236,814
Fixed assets and intangible assets	31	340,864	-	4,265	(73,550)	271,610
Others	738,041	156,144	279,498	-	(75,112)	1,098,571
	12,331,743	885,205	335,739	4,265	(333,245)	13,223,707

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

	Deferred tax liabilities					
	Balance at 1 January 2016	Charged to profit or loss	Credited to equity	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2016
Fair value changes of financial instruments	(2,303,862)	(506,932)	2,095,525	88,230	(2,485)	(629,524)
Fixed assets and intangible assets	(257,445)	(195,194)	-	-	(32,801)	(485,440)
Revaluation of Investment properties	(684,555)	(16,787)	23	74,644	(3,526)	(630,201)
Others	(1,658,648)	(458,502)	32,098	639,974	(165,313)	(1,610,391)
	(4,904,510)	(1,177,415)	2,127,646	802,848	(204,125)	(3,355,556)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

	Deferred tax liabilities					
	Balance at 1 January 2015	Credited to profit or loss	Charged/(credited) to equity	Business combination	Exchange difference and others	Balance at 31 December 2015
Fair value changes of financial instruments	(1,572,912)	(363,063)	(399,078)	-	31,191	(2,303,862)
Fixed assets and intangible assets	(84,355)	(16,324)	-	(135,158)	(21,608)	(257,445)
Revaluation of Investment properties	(680,562)	(17,069)	(74,644)	-	87,720	(684,555)
Others	(836,395)	(253,717)	(208,433)	(187,494)	(172,609)	(1,658,648)
	(3,174,224)	(650,173)	(682,155)	(322,652)	(75,306)	(4,904,510)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Company

	Deferred tax liabilities			
	Balance at 1 January 2016	Charged to equity	Credited/(charged) to profit or loss	Balance at 31 December 2016
Fair value changes of financial instruments	(29,387)	(42,161)	(14,849)	(86,397)
Others	(310,361)	-	181,489	(128,872)
	(339,748)	(42,161)	166,640	(215,269)

	Deferred tax liabilities			
	Balance at 1 January 2015	Charged to equity	Charged to profit or loss	Balance at 31 December 2015
Fair value changes of financial instruments	(111,868)	82,481	-	(29,387)
Others	-	-	(310,361)	(310,361)
	(111,868)	82,481	(310,361)	(339,748)

(a) The net balances of after offsetting at the balance sheet date are as follows: deferred tax assets and liabilities:

The Group

	31 December 2016	31 December 2015
Deferred tax assets	14,564,662	10,714,176
Deferred tax liabilities	(1,964,803)	(2,394,979)
	12,599,859	8,319,197

The Company

	31 December 2016	31 December 2015
Deferred tax liabilities	(215,269)	(339,748)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

(b) Deferred tax assets not recognized

The Group has not recognised any deferred tax assets in respect of the following items:

The Group

	31 December 2016	31 December 2015
Deductible temporary differences	1,908,808	1,804,227
Tax losses	4,131,622	4,489,913
	6,040,430	6,294,140

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2016, tax losses amounting to RMB 4,024 million (31 December 2015: RMB 4,430 million) that can be carried forward against future taxable income are expiring within 5 years.

(c) Deferred tax liabilities not recognized

As at 31 December 2016 and 2015, the Group has not recognised any temporary differences relating to the undistributed profits of certain subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future.

(19) Borrowing from central bank

The Group's borrowing from central bank is borrowed by a subsidiary under the financial services segment.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(20) Provisions for impairment

As at 31 December 2016, the movements of allowance for impairment losses of the Group are set out as follows:

				Decrease				
	Note	Balance at 1 January 2016	Charge for the year	Reversal	Recovery of write-off/(write-off)	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2016
Deposits and placements with banks and non-bank financial institutions	6(1),6(2)	8,128	33,816	-	570	-	-	42,514
Trade and other receivables	6(5)	4,107,633	6,839,168	(614,553)	(3,294,319)	(965,966)	178,336	6,250,299
Inventories	6(6)	2,953,250	474,966	(741,154)	(23,151)	(336,222)	40,174	2,367,863
Loans and advances to customers and other parties	6(8)	63,911,222	48,626,473	(2,802,566)	(30,952,486)	-	484,718	79,267,361
Available-for-sale financial assets	6(9)	714,429	692,241	(6,760)	(298,379)	(361,945)	32,906	772,492
Held-to-maturity investments	6(10)	40,784	1,744	-	(40,774)	-	12	1,766
Investments classified as receivables	6(11)	997,050	1,394,451	(482,000)	(849)	-	-	1,908,652
Long-term equity investments	6(12)	3,214,243	4,610	-	(70,071)	(3,169)	181,909	3,327,522
Fixed assets	6(14)	2,750,742	230,693	-	(11,723)	(27,842)	159,816	3,101,686
Construction in Progress	6(15)	86,617	63,253	-	-	(4,995)	(97)	144,778
Intangible assets	6(16)	571,855	-	-	(125,761)	-	31,537	477,631
Others		2,841,193	1,884,549	(69,930)	(309,035)	(1,036,662)	47,010	3,357,125
		82,197,146	60,245,964	(4,716,963)	(35,125,978)	(2,736,801)	1,156,321	101,019,689

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(20) Provisions for impairment (Continued)

As at 31 December 2015, the movements of allowance for impairment losses of the Group are set out as follows:

	Note	Balance at 1 January 2015	Charge for the year	Decrease		Exchange difference and others	Balance at 31 December 2015
				Reversal	Recovery of write-off/(write-off)		
Deposits and placements with banks and non-bank financial institutions	6(1),6(2)	7,659	-	-	469	-	8,128
Trade and other receivables	6(5)	3,177,549	3,803,278	(504,445)	(2,386,175)	17,426	4,107,633
Inventories	6(6)	2,443,600	558,394	(68,340)	(153,741)	173,337	2,953,250
Loans and advances to customers and other parties	6(8)	54,517,733	40,837,815	(2,441,069)	(29,140,948)	137,691	63,911,222
Available-for-sale financial assets	6(9)	1,455,535	607,367	(580,766)	(760,154)	(7,553)	714,429
Held-to-maturity investments	6(10)	41,425	482	(3,681)	2,537	21	40,784
Investments classified as receivables	6(11)	414,035	3,822,100	(90,391)	(3,148,695)	1	997,050
Long-term equity investments	6(12)	4,031,216	382,072	-	(1,350,707)	151,662	3,214,243
Fixed assets	6(14)	1,922,566	713,026	-	(12,847)	127,997	2,750,742
Construction in Progress	6(15)	4,995	84,393	-	-	(2,771)	86,617
Intangible assets	6(16)	218,465	327,956	-	-	25,434	571,855
Others		1,901,119	1,283,153	(362,564)	(12,454)	31,939	2,841,193
		70,135,897	52,420,036	(4,051,256)	(36,962,715)	655,184	82,197,146

The reasons for recognising allowance for impairment losses are set out in respective notes to the impaired assets.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(21) Placements from banks and non-bank financial institutions

The Group

	31 December 2016	31 December 2015
Banks	63,722,646	34,980,233
Non-bank financial institutions	20,000,000	13,729,419
	83,722,646	48,709,652

Analysed by remaining maturity:

	31 December 2016	31 December 2015
Within 3 months	53,942,850	36,500,451
Between 3 months and 1 year	29,779,796	11,874,298
Over 1 year	-	334,903
	83,722,646	48,709,652

(22) Trade and other payables

The Group

	31 December 2016	31 December 2015
Bills payables	965,878	615,356
Trade payables	32,051,169	32,714,138
Advances from customers	5,134,239	23,285,603
Other payables (note (a))	61,044,252	63,245,600
Interest payables	38,337,460	39,308,743
Dividends payables	3,561,044	7,896,156
Others	7,787,982	11,974,831
	148,882,024	179,040,427

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(22) Trade and other payables (Continued)

The Company

	31 December 2016	31 December 2015
Other payables (note (a))	8,278,500	23,583,826
Interest payables	692,812	933,009
Dividends payables	3,539,000	7,770,000
	12,510,312	32,286,835

(a) Other payables

The Group

	31 December 2016	31 December 2015
Related parties	6,002,933	15,210,801
Third parties	55,041,319	48,034,799
	61,044,252	63,245,600

The Company

	31 December 2016	31 December 2015
Subsidiaries	5,291,529	11,101,291
Related parties	2,964,616	12,463,048
Third parties	22,355	19,487
	8,278,500	23,583,826

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(23) Financial assets sold under repurchase agreements

The Group

Analysis by types of counterparties:

	31 December 2016	31 December 2015
The People's Bank of China	85,415,205	8,917,080
Banks	34,857,334	60,281,194
Non-bank financial institutions	69,490	1,970,000
	120,342,029	71,168,274

Analysis by types of collateral:

	31 December 2016	31 December 2015
Debt securities	91,287,090	43,676,072
Discounted bills	29,054,939	27,492,202
	120,342,029	71,168,274

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2016, legal title of these collateral pledged has not been transferred to counterparties.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(24) Deposits from banks and non-bank financial institutions and customers

The Group

	31 December 2016	31 December 2015
Demand deposits		
- Corporate customers	1,660,917,665	1,167,702,604
- Personal customers	232,960,141	178,916,865
	1,893,877,806	1,346,619,469
Time and call deposits		
- Corporate customers	1,390,211,862	1,446,939,476
- Personal customers	325,053,114	362,433,228
	1,715,264,976	1,809,372,704
Deposits from banks and non-bank financial institutions	981,423,773	1,068,522,315
Outward remittance and remittance payables	7,237,624	6,556,578
	4,597,804,179	4,231,071,066

Deposits from customers include pledged deposit for the following items:

The Group

	31 December 2016	31 December 2015
Bank acceptances	213,623,763	292,556,563
Letters of credit	9,624,012	9,241,428
Guarantees	25,822,233	21,775,231
Others	148,797,642	121,311,044
	397,867,650	444,884,266

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable

The Group

	31 December 2016	31 December 2015
Short-term employee benefits (note (a))	13,558,958	13,252,390
Post-employment benefits-Defined contribution plans (note (b))	186,073	230,513
Termination benefits	103,358	87,414
Other long-term employee benefits	1,197,180	418,931
	15,045,569	13,989,248

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(a) Short-term employee benefits

	Balance at 1 January 2016	Accrued	Paid	Disposal of subsidiaries	Balance at 31 December 2016
Salaries, bonuses and allowances	11,817,608	22,342,824	(22,058,812)	(133,810)	11,967,810
Staff welfare	182,747	1,741,569	(1,742,194)	(1,764)	180,358
Social insurance					
- Medical insurance	67,013	1,465,026	(1,431,482)	508	101,065
- Work-related injury insurance	3,838	17,313	(17,117)	(96)	3,938
- Maternity insurance	1,056	15,304	(15,347)	(47)	966
Housing funds	64,094	1,561,118	(1,570,475)	(235)	54,502
Labour union fee, staff and workers' education fee	1,054,294	729,740	(573,174)	(11,899)	1,198,961
Short-term paid absences	3,801	2,509	(6,310)	-	-
Other short-term employee benefits	57,939	394,571	(399,792)	(1,360)	51,358
	13,252,390	28,269,974	(27,814,703)	(148,703)	13,558,958

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(a) Short-term employee benefits (Continued)

	Balance at 1 January 2015	Accrued	Paid	Transfers (note (i))	Balance at 31 December 2015
Salaries, bonuses and allowances	13,740,675	22,755,203	(20,896,985)	(3,781,285)	11,817,608
Staff welfare	330,159	1,445,385	(1,592,797)	-	182,747
Social insurance					
- Medical insurance	54,770	1,315,434	(1,303,191)	-	67,013
- Work-related injury insurance	4,124	30,952	(31,238)	-	3,838
- Maternity insurance	1,406	15,073	(15,423)	-	1,056
Housing funds	59,097	1,541,106	(1,536,109)	-	64,094
Labour union fee, staff and workers' education fee	829,023	779,733	(554,462)	-	1,054,294
Short-term paid absences	-	6,013	(2,212)	-	3,801
Other short-term employee benefits	57,111	427,439	(426,611)	-	57,939
	15,076,365	28,316,338	(26,359,028)	(3,781,285)	13,252,390

Notes:

(i) This represents deferred emoluments payable in respect of services provided to the Group. Such amount will be distributed according to plans. As at 31 December 2015, the deferred emolument payable amounted to RMB 3,781 million and was included in "other liabilities".

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(b) Post-employment benefits – defined contribution plans

	Balance at 1 January 2016	Accrued	Paid	Disposal of subsidiaries	Balance at 31 December 2016
Basic pension insurance	35,280	1,839,357	(1,857,126)	(1,269)	16,242
Unemployment insurance	4,143	95,055	(96,119)	(74)	3,005
Annuity payment and supplementary pension	27,239	747,321	(754,808)	-	19,752
Others	163,851	1,213,493	(809,748)	(420,522)	147,074
	230,513	3,895,226	(3,517,801)	(421,865)	186,073

	Balance at 1 January 2015	Accrued	Paid	Balance at 31 December 2015
Basic pension insurance	31,916	1,700,293	(1,696,929)	35,280
Unemployment insurance	2,568	111,747	(110,172)	4,143
Annuity payment and supplementary pension	10,285	1,046,013	(1,029,059)	27,239
Others	51,258	140,679	(28,086)	163,851
	96,027	2,998,732	(2,864,246)	230,513

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(26) Bank and other loans

Analysis by types of collaterals:

The Group

	31 December 2016	31 December 2015
Bank loans		
- Unsecured loans	31,185,491	38,872,976
- Loans pledged with assets	8,544,005	14,427,233
- Guaranteed loans	574,915	593,184
	40,304,411	53,893,393
Other loans		
- Unsecured loans	5,969,875	15,060,953
- Loans pledged with assets	882,779	1,121,914
- Guaranteed loans	109,525	-
	6,962,179	16,182,867
	47,266,590	70,076,260

As at 31 December 2016, certain of the Group's cash and deposits, trade and other receivables, fixed assets and intangible assets with an aggregate carrying amount of RMB17.75 billion (31 December 2015: RMB18.30 billion) was pledged to secure loans granted to the Group.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 6(48)(c). As at 31 December 2016, none of the covenants relating to drawn down facilities have been breached (31 December 2015: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(26) Bank and other loans (Continued)

Analysis by currencies:

The Group

	31 December 2016	31 December 2015
RMB	20,174,709	46,888,657
US$	14,798,380	15,843,884
HK$	186,566	411,750
Other currencies	12,106,935	6,931,969
	47,266,590	70,076,260

The maturity analysis of loans is as follows:

The Group

	31 December 2016	31 December 2015
Within one year (inclusive) or on demand	16,811,620	20,372,801
Between one and two years (inclusive)	6,546,700	15,265,276
Between two and five years (inclusive)	11,409,697	24,785,706
Over five years	12,498,573	9,652,477
	47,266,590	70,076,260

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(27) Debt instruments issued

The Group

	31 December 2016	31 December 2015
Corporate bonds issued	18,627,978	25,485,491
Notes issued	58,067,913	58,011,387
Subordinated bonds issued	76,242,400	77,779,353
Certificates of deposit issued	9,492,682	8,704,265
Certificates of interbank deposits issued	269,922,874	171,355,880
	432,353,847	341,336,376

The Company

	31 December 2016	31 December 2015
Corporate bonds issued	14,460,964	17,453,708
Notes issued	26,779,843	26,716,142
	41,240,807	44,169,850

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(27) Debt instruments issued (Continued)

The maturity analysis of debt instruments issued is as follows:

The Group

	31 December 2016	31 December 2015
Within one year (inclusive) or on demand	285,634,134	182,005,654
Between one and two years (inclusive)	22,144,860	8,647,601
Between two and five years (inclusive)	37,053,662	55,558,960
Over five years	87,521,191	95,124,161
	432,353,847	341,336,376

The Company

	31 December 2016	31 December 2015
Within one year (inclusive) or on demand	4,498,200	3,000,000
Between one and two years (inclusive)	4,989,874	4,495,800
Between two and five years (inclusive)	16,832,719	15,866,892
Over five years	14,920,014	20,807,158
	41,240,807	44,169,850

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

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

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(28) Provisions

The Group

	Balance at 1 January 2016	Charge for the year	Payments during the year	Reversal	Disposal of subsidiaries	Exchange difference	Balance at 31 December 2016
Environment restoration expenditures	203,632	7,897	(15,460)	-	-	11,870	207,939
Others	959,445	652,980	(14,086)	(13,243)	(302,795)	(264)	1,282,037
	1,163,077	660,877	(29,546)	(13,243)	(302,795)	11,606	1,489,976

	Balance at 1 January 2015	Charge for the year	Payments during the year	Reversal	Exchange difference	Balance at 31 December 2015
Environment restoration expenditures	202,011	21,312	(6,232)	-	(13,459)	203,632
Others	263,174	713,071	(11,397)	(5,404)	1	959,445
	465,185	734,383	(17,629)	(5,404)	(13,458)	1,163,077

(29) Paid-in capital

The Company's paid-in capital structure is as follows:

	31 December 2016		31 December 2015	
	Amount	%	Amount	%
CITIC Limited	139,000,000	100%	139,000,000	100%

Upon the completion of the Acquisition mentioned in Note 1, the Company became a wholly-owned subsidiary of CITIC Limited.

The movements in the Company's paid-in capital are as follows:

	Balance at 1 January 2016	Issue of new shares	Balance at 31 December 2016
Paid-in capital	139,000,000	-	139,000,000

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(30) Capital reserve

The Group

	31 December 2016	31 December 2015
Capital premium (note (a))	39,527,733	39,527,733
Others	550,921	(1,477,674)
	40,078,654	38,050,059

The Company

	31 December 2016	31 December 2015
Capital premium (note (a))	48,285,720	48,285,720
Others	1,983,201	1,983,201
	50,268,921	50,268,921

Notes:

(a) The difference between the amount of owners' contribution and the paid-in capital of the Company was recognised in the capital reserve.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(31) Other comprehensive income

The Group

	31 December 2016			31 December 2015		
	Before tax amount	Tax expense	Net-of-tax amount	Before tax amount	Tax expense	Net-of-tax amount
Share of the other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	(179,221)	-	(179,221)	(133,339)	-	(133,339)
Gains or losses arising from changes in fair value of available-for-sale financial assets	49,008	(800,107)	(751,099)	5,844,038	(2,200,511)	3,643,527
Effective hedging portion of gains or losses arising from cash flow hedging instruments	1,261,944	(487,878)	774,066	819,473	(355,137)	464,336
Translation differences arising on translation of foreign currency financial statements	1,589,430	-	1,589,430	8,256	-	8,256
Others	(801,991)	(74,644)	(876,635)	(641,804)	(74,644)	(716,448)
	1,919,170	(1,362,629)	556,541	5,896,624	(2,630,292)	3,266,332

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the consolidated financial statements (Continued)

(31) Other comprehensive income (Continued)

The Company

	31 December 2016			31 December 2015		
	Before tax amount	Tax expense	Net-of-tax amount	Before tax amount	Tax expense	Net-of-tax amount
Share of the other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	458,858	-	458,858	729,488	-	729,488
Gains or losses arising from changes in fair value of available-for-sale financial assets	565,534	(71,547)	493,987	381,767	(29,386)	352,381
	1,024,392	(71,547)	952,845	1,111,255	(29,386)	1,081,869

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(32) Surplus reserve

The Group and the Company

	Note	Balance at 1 January 2016	Additions	Balance at 31 December 2016
Statutory surplus reserve	34(a)	4,718,187	1,264,329	5,982,516

	Note	Balance at 1 January 2015	Additions	Balance at 31 December 2015
Statutory surplus reserve	34(a)	3,139,011	1,579,176	4,718,187

(33) General reserve

The Group

	Note	Balance at 1 January 2016	Additions	Balance at 31 December 2016
General reserve	34(b)	29,708,529	6,396,989	36,105,518

	Note	Balance at 1 January 2015	Additions	Balance at 31 December 2015
General reserve	34(b)	19,931,103	9,777,426	29,708,529

6 Notes to the Consolidated Financial Statements (Continued)

(34) Profit distribution and retained earnings as at the balance sheet date

(a) Appropriation to statutory surplus reserve

In accordance with the Articles of Association and relevant laws and regulations, the Company is required to make appropriations to statutory surplus reserve based on 10% of net profit for the year ended 31 December 2016.

(b) Appropriation to general reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(c) Retained earnings as at the balance sheet date

As at 31 December 2016, the consolidated retained earnings attributable to owners' of the Company included an appropriation of RMB 12,739 million (31 December 2015: RMB 8,286 million) to surplus reserve made by the subsidiaries.

(d) Profit distribution for the year ended 31 December 2016

In accordance with the resolution at the Board of Directors' 9th meeting, dated on 28 June 2016, the Company proposed a dividend in the amount of RMB 450 million to the parent company.

In accordance with the resolution at the Board of Directors' 13th meeting, dated on 30 December 2016, the Company proposed a dividend in the amount of RMB 2,730 million to the parent company.

Further details of appropriation of profits for the year ended 31 December 2016 are set out in Note 6(52).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income

The Group

	2016	2015
Operating income from non-financial services business		
- Sales of goods	64,374,869	64,194,001
- Services rendered to customers	11,173,462	10,476,563
- Revenue from construction contracts	8,435,917	10,325,964
Net interest income (note (a))	107,528,850	105,764,685
Net fee and commission income (note (b))	46,654,457	39,262,733
Investment income from financial services business	6,507,094	22,058,105
Other income from financial services business	1,325,944	1,198,298
	246,000,593	253,280,349

The Company

	2016	2015
Interest income from loans to customers	1,469,534	1,751,634
Fee and commission income	141,573	50,890
Losses arising from changes in fair value	67,123	(2,508)
Investment income from financial services business		
- Associates/joint ventures accounted for under the equity method	835,569	3,526,083
- Equity investment accounted for under the cost method	14,037,372	10,012,471
- Gain on disposal	(1,420,388)	9,219,188
Other income from financial services business	269,304	164,371
	15,400,087	24,722,129

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income (Continued)

(a) Net interest income

The Group

	2016	2015
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	9,555,191	9,091,438
Placements with banks and non-bank financial institutions	3,729,804	2,859,344
Financial assets held under resale agreements	921,574	3,998,191
Investments classified as receivables	46,393,659	46,088,638
Loans and advances to customers and other parties	132,708,662	136,669,470
Investments in debt securities	21,603,992	18,189,920
Others	5,113	18,127
	214,917,995	216,915,128
Interest expenses arising from:		
Borrowing from central banks	(2,686,349)	(993,869)
Deposits from banks and non-bank financial institutions	(32,629,287)	(35,821,572)
Placements from banks and non-bank financial institutions	(1,470,819)	(745,361)
Financial assets sold under repurchase agreements	(860,693)	(561,099)
Deposits from customers	(55,309,662)	(64,573,604)
Debt instruments issued	(14,051,366)	(8,382,275)
Others	(380,969)	(72,663)
	(107,389,145)	(111,150,443)
Net interest income	107,528,850	105,764,685

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income (Continued)

(b) Net fee and commission income

The Group

	2016	2015
Consultancy and advisory fees	5,830,542	6,973,221
Bank card fees	19,285,095	13,414,723
Settlement and clearing fees	1,396,268	1,745,893
Commission for wealth management services	7,114,342	5,851,345
Agency fees and commission	6,153,147	3,720,825
Guarantee fees	2,384,477	3,163,902
Trustee commission and fees	6,836,175	5,725,806
Others	747,367	679,342
	49,747,413	41,275,057
Fee and commission expenses	(3,092,956)	(2,012,324)
Net fee and commission income	46,654,457	39,262,733

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(36) Operating costs

The Group

	2016	2015
Costs of goods sold	57,720,591	55,388,020
Costs of services rendered	8,094,463	7,047,467
Costs of construction contracts	7,104,059	8,210,226
	72,919,113	70,645,713

(37) Profit before income tax

Profit before income tax is arrived at after charging below items in total operating costs:

The Group

	2016	2015
Staff costs	34,983,307	30,487,187
Property management fees	1,070,333	880,637
Depreciation	3,843,175	3,581,761
Amortisation	1,931,294	1,708,061
Operating lease charges	3,987,179	4,017,634
Professional fees	817,240	659,937
	46,632,528	41,335,217

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(38) Financial expenses

The Group

	2016	2015
Non-financial services business		
Interest expenses from loans and payables	5,698,735	7,507,889
Less: borrowing costs capitalised	(2,225,023)	(3,105,071)
Net interest expenses	3,473,712	4,402,818
Interest income from deposits and receivables	(1,240,282)	(1,921,002)
Net exchange losses	799,153	994,303
Other financial expenses	95,613	500,072
	3,128,196	3,976,191

The Company

	2016	2015
Interest expenses	2,486,663	2,729,798
Interest income from deposits	(314,842)	(817,805)
Other financial expenses	73,039	75,675
	2,244,860	1,987,668

Capitalisation rates applied to funds borrowed are 4.75%-5.70% per annum for the year ended 31 December 2016 (2015: capitalisation rate of 3.06%-6.86%).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(39) Impairment losses

The Group

	2016	2015
Deposits and placements with banks and non-bank financial institutions	33,816	-
Trade and other receivables	6,224,615	3,298,833
Inventories	(266,188)	490,054
Loans and advances to customers and other parties	45,823,907	38,396,746
Available-for-sale financial assets	685,481	26,601
Held-to-maturity investments	1,744	(3,199)
Investments classified as receivables	912,451	3,731,709
Long-term equity investments	4,610	382,072
Fixed assets	230,693	713,026
Construction in progress	63,253	84,393
Intangible assets	-	327,956
Others	1,814,619	920,589
	55,529,001	48,368,780

(40) Gain from changes in fair value

The Group

	2016	2015
Investment properties	140,718	81,331
Financial assets at fair value through profit or loss	4,446	(201)
Derivative financial instruments	38,186	79,462
	183,350	160,592

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(41) Investment income

The Group

	2016	2015
Long-term equity investments		
- Associates/joint ventures accounted for under the equity method	982,968	(1,146,139)
- Gain on disposal	11,449,852	1,000,168
Others	855,956	2,882,442
	13,288,776	2,736,471

(42) Non-operating income

The Group

	2016	2015
Gain on disposal of fixed assets	124,157	15,194
Gain on disposal of repossessed assets	391	87,696
Gain on disposal of intangible assets	39,453	33,715
Total gain on disposal of non-current assets	164,001	136,605
Others	1,748,639	1,768,329
	1,912,640	1,904,934

(43) Non-operating expenses

The Group

	2016	2015
Donations	21,760	30,564
Loss on disposal of fixed assets	36,462	33,844
Others	1,011,339	853,773
	1,069,561	918,181

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(43) Non-operating expenses (Continued)

The Company

	2016	2015
Loss on disposal of fixed assets	340	127
Others	-	700,111
	340	700,238

(44) Income tax expense

(a) Details of income tax expense for the year are as follows:

The Group

	2016	2015
Current income tax expense	18,204,126	18,356,450
Deferred income tax	(2,376,076)	(235,032)
	15,828,050	18,121,418

The Company

	2016	2015
Current income tax expense	-	1,583,309
Deferred income tax	(165,175)	310,361
	(165,175)	1,893,670

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(44) Income tax expense (Continued)

(b) Reconciliation between income tax expense and accounting profit is as follows:

The Group

	2016	2015
Profit before income tax	70,541,113	72,180,882
Income tax expense calculated at statutory tax rate of 25%	17,635,278	18,045,221
Effect of different tax rates applicable to certain subsidiaries	(389,731)	(65,608)
Tax effect of non-deductible expenses	1,011,116	901,705
Tax effect of share of results of associates and joint ventures	(695,783)	(982,093)
Tax effect of other non-taxable income	(3,824,828)	(997,039)
Deductible temporary difference and tax losses not recognised as deferred tax	2,214,331	1,420,287
Others	(122,333)	(201,055)
	15,828,050	18,121,418

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(44) Income tax expense (Continued)

(b) Reconciliation between income tax expense and accounting profit is as follows (Continued):

The Company

	2016	2015
Profit before income tax	12,478,119	17,685,428
Income tax expense calculated at statutory tax rate of 25%	3,119,530	4,421,357
Tax effect of non-deductible expenses	3,847	9,185
Tax effect of dividend distribution from subsidiaries	(3,509,343)	(2,503,118)
Tax effect of share of results of associates and joint ventures	(208,893)	(881,521)
Tax effect of other non-taxable income	(16,902)	(241,813)
Deductible temporary difference and tax losses not recognised as deferred tax	5,464	915,205
Others	441,122	174,375
	(165,175)	1,893,670

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(45) Other comprehensive income

The Group

	2016	2015
Items that may be reclassified to profit or loss		
Share of other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	34,728	(425,933)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	-	(20,597)
	34,728	(446,530)
Gains arising from changes in fair value of available-for-sale financial assets	(7,756,683)	8,080,934
Less: Tax effect	2,172,645	(405,882)
Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(1,927,465)	(5,136,760)
	(7,511,503)	2,538,292
Effective hedging portion of losses arising from cash flow hedging instruments	748,428	(179,910)
Less: Tax effect	(224,528)	53,973
	523,900	(125,937)
Translation differences arising on translation of foreign currency financial statements and others	2,048,096	2,009,035
	(4,904,779)	3,974,860

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(45) Other comprehensive income (Continued)

	2016	2015
Items that may be reclassified to profit or loss		
Share of other comprehensive income of the equity-accounted investee	(269,674)	345,550
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(956)	(38,985)
	(270,630)	306,565
Gains arising from changes in fair value of available-for-sale financial assets	183,767	134,015
Less: Tax effect	(42,161)	82,481
Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	-	(152,868)
	141,606	63,628
	(129,024)	370,193

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(46) Supplementary information to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

The Group

	2016	2015
Net profit	54,713,063	54,059,464
Add: Impairment losses	55,529,001	48,368,780
Depreciation of fixed assets	3,843,175	3,581,761
Amortisation of intangible assets	1,931,294	1,708,061
Gain on disposal of fixed assets, intangible assets and other long-term assets	(127,539)	(102,761)
Gain from changes in fair value	(183,350)	(160,592)
Financial expenses	2,233,430	2,481,816
Investment income	(14,527,955)	(6,523,882)
Net movement in deferred tax assets/liabilities	(2,376,076)	(235,032)
Decrease/(increase) in inventories	48,964,619	(2,740,153)
Increase in operating receivables	(382,053,531)	(839,439,340)
Increase in operating payables	473,712,600	715,788,180
Net cash flows from operating activities	241,658,731	(23,213,698)

The Company

	2016	2015
Net profit	12,643,294	15,791,758
Add: Depreciation of fixed assets	36,020	15,160
Impairment losses	(58,069)	2,872,756
Loss on disposal of fixed assets	340	127
Loss from change in fair value	(67,123)	2,508
Financial expenses	2,599,028	2,500,162
Investment income	610,485	(12,633,360)
(Decrease)/increase in deferred tax liabilities	(165,175)	310,362
Decrease/(increase) in operating receivables	1,099,947	(559,256)
(Decrease)/increase in operating payables	(6,130,247)	2,684,718
Net cash flows from operating activities	10,568,500	10,984,935

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(46) Supplementary information to cash flow statement (Continued)

(b) Change in cash and cash equivalents:

The Group

	2016	2015
Cash at the end of the year	27,344,132	25,871,077
Less: cash at the beginning of the year	(25,871,077)	(27,485,097)
Add: cash equivalents at the end of the year	398,807,016	243,518,627
Less: cash equivalents at the beginning of the year	(243,518,627)	(228,711,573)
Net increase in cash and cash equivalents	156,761,444	13,193,034

The Company

	2016	2015
Cash and cash equivalents at the end of the year	13,470,864	15,777,831
Less: cash and cash equivalents at the beginning of the year	(15,777,831)	(4,901,897)
Net (decrease)/increase in cash and cash equivalents	(2,306,967)	10,875,934

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(46) Supplementary information to cash flow statement (Continued)

(c) Cash and cash equivalents held by the Group and the Company are as follows:

The Group

	31 December 2016	31 December 2015
Cash at bank and on hand		
- Cash on hand	7,499,572	7,382,155
- Bank deposits on demand	19,844,560	18,488,922
- Deposits due over three months	1,873,561	5,298,295
- Cash with restricted use	4,510,041	5,504,502
Cash equivalents		
- Surplus deposit reserve funds	58,854,588	63,657,461
- Investments in debt securities due within three months	51,271,410	20,067,802
- Deposits with banks and non-bank financial institutions due within three months	225,523,049	95,335,202
- Placements with banks and non-bank financial institutions due within three months	63,157,969	64,458,162
Closing balance of cash and cash equivalents	432,534,750	280,192,501
Less: deposits due over three months	(1,873,561)	(5,298,295)
Less: cash with restricted use	(4,510,041)	(5,504,502)
Closing balance of cash and cash equivalents available on demand	426,151,148	269,389,704

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(46) Supplementary information to cash flow statement (Continued)

(c) Cash and cash equivalents held by the Group and the Company are as follows (Continued):

The Company

	31 December 2016	31 December 2015
Cash at bank and on hand		
- Cash on hand	3	4
- Bank deposits on demand	13,470,861	15,777,827
- Deposits due over three months	2,386,845	2,102,549
Closing balance of cash	15,857,709	17,880,380
Less: deposits due over three months	(2,386,845)	(2,102,549)
Closing balance of cash available on demand	13,470,864	15,777,831

(d) Disposal of subsidiaries

	31 December 2016	31 December 2015
Total assets	109,042,326	7,299,714
Total liabilities	(99,641,322)	(5,578,725)
Non-controlling interests	(915,227)	(100,627)
Net assets disposed	8,485,777	1,620,362
Total consideration	(19,660,910)	(3,463,675)
Release of other comprehensive income relating to interests in disposed subsidiaries	(158,238)	-
Gains on disposal of subsidiaries	(11,333,371)	(1,843,313)

Net cash (outflow)/inflow is determined as follows:

Cash proceeds received	102,697	2,073,275
Less: cash and cash equivalents disposed	(9,950,129)	(532,319)
	(9,847,432)	1,540,956

(e) In 2016, issuance of preference shares and other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB 35 billion preference shares to qualified investors.

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

- Financial services: this segment includes banking, trust, asset management, securities and insurance services.

- Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

- Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminum wheels and other products.

- Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

- Real estate: this segment includes development, sale and holding of properties.

- Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets, liabilities, revenue and costs attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is “profit for the year”. To arrive at segment results, the Group’s profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

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

2016

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Operating income from external customers	162,617,936	32,066,429	23,468,213	9,422,151	10,282,835	7,531,923	611,106	-	246,000,593
Inter-segment operating income	(134,648)	1,914,898	-	269,387	84,759	215,995	1,317,728	(3,668,119)	-
Segment operating income	162,483,288	33,981,327	23,468,213	9,691,538	10,367,594	7,747,918	1,928,834	(3,668,119)	246,000,593
Income/(loss) from investments in associates and joint ventures	-	365,998	29,564	39,833	(50,217)	597,790	-	-	982,968
Interest income from deposits and receivables	-	306,649	154,369	211,721	504,965	88,946	446,288	(472,656)	1,240,282
Net interest expenses	-	(338,814)	(377,936)	(25,704)	(872,910)	(858,147)	(2,760,442)	1,760,241	(3,473,712)
Depreciation and amortisation	(2,723,840)	(768,385)	(803,415)	(134,553)	(261,140)	(1,043,713)	(39,423)	-	(5,774,469)
Impairment losses	(52,869,049)	(329,856)	(541,655)	662,448	(2,507,702)	56,933	(120)	-	(55,529,001)
Profit/(loss) before income tax	61,212,009	464,330	(374,379)	1,667,097	7,786,222	654,515	(717,200)	(151,481)	70,541,113
Income tax	(13,840,502)	(218,979)	(283,291)	(253,456)	(704,514)	(413,996)	(106,357)	(6,955)	(15,828,050)
Profit/(loss) for the year	47,371,507	245,351	(657,670)	1,413,641	7,081,708	240,519	(823,557)	(158,436)	54,713,063
- Attributable to owners of the company	32,574,362	322,426	(167,782)	1,415,142	6,705,477	(133,743)	(823,557)	(158,436)	39,733,889
- Attributable to non-controlling interests	14,797,145	(77,075)	(489,888)	(1,501)	376,231	374,262	-	-	14,979,174

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

2016 (Continued)

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Segment assets	6,017,877,055	38,282,002	38,515,496	32,914,278	40,894,027	49,782,900	89,390,474	(85,329,608)	6,222,326,624
Including:									
Investments in associates	26,654,687	10,134,618	407,463	415,611	201,430	7,778,182	64,064	-	45,656,055
Investments in joint ventures	3,577,639	155,592	-	-	1,495,435	1,138,249	-	-	6,366,915
Segment liabilities	(5,578,528,574)	(26,844,909)	(26,132,002)	(23,775,027)	(32,390,101)	(32,809,525)	(71,546,941)	85,070,391	(5,706,956,688)
Including:									
Bank and other loans	(2,651,504)	(12,147,413)	(9,293,584)	(1,141,000)	(9,136,096)	(16,937,561)	(7,454,914)	11,495,482	(47,266,590)
Debt instruments issued	(386,946,026)	-	(3,094,568)	-	-	(1,072,446)	(41,240,807)	-	(432,353,847)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

2015

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Operating income from external customers	166,660,494	27,941,188	20,219,469	11,779,403	17,616,050	7,359,696	1,704,049	-	253,280,349
Inter-segment operating income	666,008	1,789,562	-	85,381	62,819	485,365	1,532,347	(4,621,482)	-
Segment operating income	167,326,502	29,730,750	20,219,469	11,864,784	17,678,869	7,845,061	3,236,396	(4,621,482)	253,280,349
Income/(loss) from investments in associates and joint ventures	-	(1,839,298)	35,015	29,715	43,493	584,936	-	-	(1,146,139)
Interest income from deposits and receivables	-	320,716	262,887	345,724	399,181	54,824	1,017,690	(480,020)	1,921,002
Net interest expenses	-	(410,531)	(381,152)	(66,846)	(1,697,329)	(688,791)	(3,013,682)	1,855,513	(4,402,818)
Depreciation and amortisation	(2,479,100)	(768,357)	(956,342)	(108,234)	(104,644)	(853,830)	(19,315)	-	(5,289,822)
Impairment losses	(44,790,884)	(3,172,149)	(100,243)	(5,621)	87,086	(302,325)	(84,644)	-	(48,368,780)
Profit before income tax	70,277,855	(5,388,738)	979,236	2,800,290	1,794,734	1,883,391	397,351	(563,237)	72,180,882
Income tax	(15,842,945)	(117,425)	(286,231)	(711,481)	(606,295)	(600,607)	(312,870)	356,436	(18,121,418)
Profit/(loss) for the year	54,434,910	(5,506,163)	693,005	2,088,809	1,188,439	1,282,784	84,481	(206,801)	54,059,464
- Attributable to owners of the company	40,439,284	(4,118,264)	703,538	2,088,658	989,213	1,048,237	84,481	(206,801)	41,028,346
- Attributable to non-controlling interests	13,995,626	(1,387,899)	(10,533)	151	199,226	234,547	-	-	13,031,118

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

2015 (Continued)

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Segment assets	5,203,683,495	38,451,001	36,842,855	35,392,383	135,364,341	55,599,966	87,357,359	(121,368,579)	5,471,322,821
Including:									
Investments in associates	24,236,582	9,121,130	2,228,192	181,683	621,631	3,793,895	61,289	-	40,244,402
Investments in joint ventures	3,178,832	-	-	-	2,063,343	939,915	-	-	6,182,090
Segment liabilities	(4,839,607,611)	(23,070,268)	(21,652,446)	(25,524,243)	(119,250,436)	(38,419,234)	(88,467,654)	121,839,201	(5,034,152,691)
Including:									
Bank and other loans	(1,121,914)	(10,373,590)	(7,723,259)	(1,074,040)	(69,409,473)	(20,829,389)	(780,000)	41,235,405	(70,076,260)
Debt instruments issued	(289,134,743)	-	(2,789,704)	-	(3,979,075)	(1,510,432)	(44,478,312)	555,890	(341,336,376)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(47) Segment reporting (Continued)

(b) Geographic information

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

	Revenue from external customers		Reportable segment assets	
	2016	2015	31 December 2016	31 December 2015
Mainland China	223,577,115	231,112,823	5,888,067,350	5,186,914,164
Hong Kong and Macau	4,103,037	5,459,688	313,602,470	261,881,479
Overseas	18,320,441	16,707,838	20,656,804	22,527,178
	246,000,593	253,280,349	6,222,326,624	5,471,322,821

(c) Major customers

Operating income from each individual customer of the Group is below 10% of the Group's total operating income for the year ended 31 December 2016.

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. For loan business, the Group identifies and manages the credit risk through its target markets definitions, credit approval process, post-disbursement monitoring and remedial management procedures. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counter parties in fulfilling their obligations. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(I) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

The Group

	31 December 2016	31 December 2015
Deposits with central banks, banks and non-bank financial institutions	802,779,640	640,554,503
Placements with banks and non-bank financial institutions	167,207,891	118,776,469
Financial assets at fair value through profit or loss	67,135,340	28,217,703
Derivative financial assets	47,604,014	13,828,942
Financial assets held under resale agreements	173,190,986	138,560,904
Loans and advances to customers and other parties	2,807,206,792	2,470,554,618
Available-for-sale financial assets	518,039,069	376,807,416
Held-to-maturity investments	218,393,136	181,184,502
Investments classified as receivables	1,043,289,575	1,115,320,332
Other financial assets	103,693,133	86,957,480
	5,948,539,576	5,170,762,869
Credit commitments and guarantees provided	1,103,801,372	1,112,475,052
Maximum credit risk exposure	7,052,340,948	6,283,237,921

As to the definition of credit risk, the equity instruments included in financial assets at fair value through profit or loss, available-for-sale financial assets and long-term equity investment have no credit risk.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(II) Distribution by credit exposure is as follows:

The Group

	31 December 2016				
	Loans and advances to customers and other parties	Due from central banks, banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivables
Impaired					
Individually assessed					
Gross balance	41,531,605	32,598	-	61,013	28,125
Allowance for impairment loss	(28,839,082)	(8,698)	-	(31,020)	(14,063)
	12,692,523	23,900	-	29,993	14,062
Collectively assessed					
Gross balance	10,578,802	-	-	-	-
Allowance for impairment loss	(8,106,617)	-	-	-	-
	2,472,185	-	-	-	-
Overdue but not impaired (note (i))					
Gross balance	45,403,452	-	-	-	132,611
Within which:					
- Within 3 months	34,667,006	-	-	-	132,611
- Between 3 months and 1 year	10,736,446	-	-	-	-
Allowance for impairment loss	(8,401,974)	-	-	-	(2,652)
	37,001,478	-	-	-	129,959
Neither overdue nor impaired					
Gross balance	2,788,960,294	969,997,447	173,190,986	801,388,547	1,045,037,491
Allowance for impairment loss (note (ii))	(33,919,688)	(33,816)	-	(103,435)	(1,891,937)
	2,755,040,606	969,963,631	173,190,986	801,285,112	1,043,145,554
Net balance	2,807,206,792	969,987,531	173,190,986	801,315,105	1,043,289,575

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(II) Distribution by credit exposure is as follows (Continued) :

The Group (Continued)

	31 December 2015				
	Loans and advances to customers and other parties	Due from central banks, banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivables
Impaired					
Individually assessed					
Gross balance	31,076,461	30,463	-	157,848	27,572
Allowance for impairment loss	(18,408,671)	(8,128)	-	(99,743)	(13,786)
	12,667,790	22,335	-	58,105	13,786
Collectively assessed					
Gross balance	8,003,646	-	-	-	-
Allowance for impairment losses	(5,846,397)	-	-	-	-
	2,157,249	-	-	-	-
Overdue but not impaired (note (i))					
Gross balance	41,802,208	-	-	-	124,000
Within which:					
- Within 3 months	35,184,642	-	-	-	124,000
- Between 3 months and 1 year	6,617,566		-		-
- Over 1 year	-	-	-	-	-
Allowance for impairment loss	(5,600,303)	-	-	-	(37,200)
	36,201,905	-	-	-	86,800
Neither overdue nor impaired					
Gross balance	2,453,583,525	759,308,637	138,560,904	583,401,983	1,116,165,810
Allowance for impairment loss (note (ii))	(34,055,851)	-	-	-	(946,064)
	2,419,527,674	759,308,637	138,560,904	583,401,983	1,115,219,746
Net balance	2,470,554,618	759,330,972	138,560,904	583,460,088	1,115,320,332

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(II) Distribution by credit exposure is as follows (Continued):

(i) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 31 December 2016, the corporate loans and advances to customers and other parties of the Group which were overdue but not impaired were RMB 38,067 million (31 December 2015: RMB30,741 million). The secured portion and unsecured portion of these loans and advances to customers and other parties were RMB26,634 million (31 December 2015: RMB21,184 million) and RMB11,433 million (31 December 2015: RMB9,557 million) respectively. The fair value of pledge and collaterals held against these loans and advances to customers and other parties amounted to RMB25,647 million (31 December 2015: RMB20,571million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(ii) The balances represent collectively assessed allowance of impairment loss.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(III) Analysis of loans and advances to customers and other parties analysed by economic sector :

The Group

	31 December 2016			31 December 2015		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
- Manufacturing	382,310,830	14%	200,017,128	414,171,575	17%	201,539,142
- Wholesale and retail	238,545,302	8%	146,673,863	260,674,611	10%	161,574,980
- Real estate	299,112,643	10%	248,888,546	257,688,627	10%	218,959,718
- Rental and business services	181,611,975	6%	116,791,409	147,797,771	6%	87,059,824
- Transportation, storage and postal services	161,976,135	6%	84,728,338	147,534,961	6%	72,339,613
- Water, environment and public utility management	149,920,938	5%	77,909,223	127,434,848	5%	64,321,452
- Construction	90,632,665	3%	39,682,147	102,602,388	4%	48,009,936
- Production and supply of electric power, gas and water	60,045,908	2%	25,186,872	54,704,000	2%	20,219,207
- Public management and social organisations	19,846,062	1%	4,426,954	20,834,851	1%	4,879,680
- Others	270,773,138	9%	111,856,260	239,648,582	9%	97,666,996
	1,854,775,596	64%	1,056,160,740	1,773,092,214	70%	976,570,548
Personal loans	956,605,423	33%	695,631,295	668,613,891	26%	478,581,791
Discounted bills	75,093,134	3%	-	92,759,735	4%	-
	2,886,474,153	100%	1,751,792,035	2,534,465,840	100%	1,455,152,339

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(IV) Loans and advances to customers and other parties analysed by geographical sector:

The Group

	31 December 2016			31 December 2015		
	Gross balance	%	Loans and advances secured by collateral	Gross balance	%	Loans and advances secured by collateral
Mainland China	2,712,602,208	94%	1,683,260,902	2,389,981,834	94%	1,395,401,277
Hong Kong and Macau	157,148,898	5%	59,700,891	122,738,230	5%	46,609,071
Overseas	16,723,047	1%	8,830,242	21,745,776	1%	13,141,991
	2,886,474,153	100%	1,751,792,035	2,534,465,840	100%	1,455,152,339

(V) Rescheduled loans and advances to customers and other parties

The Group

	31 December 2016		31 December 2015	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances overdue less than 3 months	2,554,094	0.09%	3,548,575	0.14%
Rescheduled loans and advances overdue more than 3 months	14,679,797	0.51%	7,856,575	0.31%
	17,233,891	0.60%	11,405,150	0.45%

Rescheduled loans and advances to customers and other parties are those loans and advances to customers and other parties which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(a) Credit risk (Continued)

(VI) Offsetting

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

As at 31 December 2016, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2015: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(b) Market risk

Each of the Group's operating entity has formulated its own market risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages market risk based on the market condition to control potential loss from market risk at an acceptable level.

Interest rate risk and currency risk are major market risks that confront the Group.

(I) Interest rate risk

(i) Financial asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

The Group

	31 December 2016					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year to 5 years	More than 5 years	Total
Total financial assets	265,464,697	2,658,859,708	1,639,897,047	1,233,193,494	210,065,785	6,007,480,731
Total financial liabilities	(158,082,995)	(3,815,790,333)	(1,178,804,848)	(426,697,212)	(74,980,136)	(5,654,355,524)
Financial asset-liability gap	107,381,702	(1,156,930,625)	461,092,199	806,496,282	135,085,649	353,125,207

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(b) Market risk (Continued)

(I) Interest rate risk (Continued)

(i) Financial asset-liability gap (Continued)

The Group (Continued)

	31 December 2015					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year to 5 years	More than 5 years	Total
Total financial assets	152,653,025	2,415,504,640	1,649,308,276	843,008,947	160,720,883	5,221,195,771
Total financial liabilities	(163,137,788)	(2,877,364,376)	(1,367,619,937)	(457,057,649)	(102,617,077)	(4,967,796,827)
Financial asset-liability gap	(10,484,763)	(461,859,736)	281,688,339	385,951,298	58,103,806	253,398,944

(ii) Effective interest rate

The Group

	31 December 2016		31 December 2015	
	Effective Interest rate	RMB'000	Effective Interest rate	RMB'000
Assets				
Cash and deposits	1.40%-1.52%	810,279,212	1.22%-1.47%	647,936,658
Placements with banks and non-bank financial institutions	2.56%	167,207,891	2.59%	118,776,469
Financial assets held under resale agreements	2.30%	173,190,986	3.90%	138,560,904
Loans and advances to customers and other parties	4.82%	2,807,206,792	5.85%	2,470,554,618
Investments classified as receivables	4.01%	1,043,289,575	5.20%	1,115,320,332
Investments (note (i))	3.41%	907,032,098	3.86%	675,686,860
Others		314,120,070		304,486,980
		6,222,326,624		5,471,322,821

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(b) Market risk (Continued)

(I) Interest rate risk (Continued)

(ii) Effective interest rate (Continued)

The Group

	31 December 2016		31 December 2015	
	Effective Interest rate	RMB'000	Effective Interest rate	RMB'000
Liabilities				
Borrowing from central bank	3.02%	184,050,000	3.50%	37,500,000
Deposits from banks and non-bank financial institutions	2.81%	981,423,773	3.80%	1,068,522,315
Placements from banks and non-bank financial institutions	2.10%	83,722,646	1.81%	48,709,652
Financial assets sold under repurchase agreements	2.42%	120,342,029	2.43%	71,168,274
Deposits from customers	1.68%	3,616,380,406	2.16%	3,162,548,751
Bank and other loans	0.33%-7.8%	47,266,590	0.63%-8.50%	70,076,260
Debt instruments issued	3.20%-5.20%	432,353,847	1.00%-7.25%	341,336,376
Others		241,417,397		234,291,063
		5,706,956,688		5,034,152,691

Note (i): The Group's Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and long-term equity investments. The calculation of effective interest rates is based on the interest yielding part of the financial assets.

(iii) Sensitivity analysis

As at 31 December 2016, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by RMB8,111 million (31 December 2015: decrease or increase by RMB2,506 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (ii) there is a parallel shift in the yield curve and in interest rates; and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(b) Market risk (Continued)

(II) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet date is as follows (denominated in RMB thousand equivalence):

The Group

	31 December 2016				
	RMB	US$	HK$	Others	Total
Total financial assets	5,484,031,100	352,623,315	137,535,397	33,290,919	6,007,480,731
Total financial liabilities	(5,161,078,651)	(309,229,364)	(129,739,768)	(54,307,741)	(5,654,355,524)
Financial asset-liability gap	322,952,449	43,393,951	7,795,629	(21,016,822)	353,125,207

	31 December 2015				
	RMB	US$	HK$	Others	Total
Total financial assets	4,773,543,628	296,353,103	116,313,335	34,985,705	5,221,195,771
Total financial liabilities	(4,499,809,576)	(303,436,004)	(110,552,285)	(53,998,962)	(4,967,796,827)
Financial asset-liability gap	273,734,052	(7,082,901)	5,761,050	(19,013,257)	253,398,944

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of RMB against US$, HK$ and other currencies as at 31 December 2016 would decrease or increase the Group's profit before taxation by 293 million (31 December 2015: increase or decrease by RMB106 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB; (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and does not take into account the correlation effect of changes in different foreign currencies; (iii) the foreign exchanges exposures calculated include both spot foreign exchanges, forward foreign exchanges and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulate liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

The Group

	31 December 2016						
	Repayable on demand	Within 3 months	Between 3 month and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
Total financial assets	243,339,945	1,402,890,814	1,747,689,152	1,140,303,838	922,807,725	550,449,257	6,007,480,731
Total financial liabilities	(2,437,223,313)	(1,495,947,561)	(1,209,308,127)	(416,834,465)	(91,000,841)	(4,041,217)	(5,654,355,524)
Financial asset-liability gap	(2,193,883,368)	(93,056,747)	538,381,025	723,469,373	831,806,884	546,408,040	353,125,207

	31 December 2015						
	Repayable on demand	Within 3 months	Between 3 month and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
Total financial assets	226,085,221	1,310,715,458	1,535,414,120	1,082,264,243	588,767,568	477,949,161	5,221,195,771
Total financial liabilities	(1,660,896,473)	(1,325,957,744)	(1,373,352,699)	(469,501,944)	(136,608,562)	(1,479,405)	(4,967,796,827)
Financial asset-liability gap	(1,434,811,252)	(15,242,286)	162,061,421	612,762,299	452,159,006	476,469,756	253,398,944

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(48) Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit Commitments include acceptances, credit card commitments, guarantees, loan commitments, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

The Group

	31 December 2016			
	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Acceptances	535,204,428	-	-	535,204,428
Credit card commitments	215,844,559	-	-	215,844,559
Guarantees	94,875,485	78,924,379	1,020,832	174,820,696
Loan commitments	15,171,616	27,835,084	31,929,634	74,936,334
Letters of credit	85,179,979	1,500,318	-	86,680,297
Total	946,276,067	108,259,781	32,950,466	1,087,486,314

	31 December 2015			
	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Acceptances	631,357,211	-	-	631,357,211
Credit card commitments	149,137,718	-	-	149,137,718
Guarantees	85,474,910	53,388,990	1,106,345	139,970,245
Loan commitments	34,645,521	24,218,711	18,184,723	77,048,955
Letters of credit	91,184,876	790,748	-	91,975,624
Others	-	4,222,400	-	4,222,400
Total	991,800,236	82,620,849	19,291,068	1,093,712,153

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value

(a) Fair value measurement

(I) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value(Continued)

(a) Fair value measurement (Continued)

(I) Fair value hierarchy (Continued)

The Group

	31 December 2016	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss	69,609,531	7,618,361	61,962,615	28,555
Derivative financial assets	47,604,014	183,836	47,418,111	2,067
Available-for-sale financial assets	562,761,019	53,310,293	495,527,443	13,923,283
Investment properties	4,003,390	-	-	4,003,390
Total assets measured at fair value on a recurring basis	683,977,954	61,112,490	604,908,169	17,957,295
Liabilities				
Derivative financial liabilities	(45,068,448)	-	(45,066,381)	(2,067)

	31 December 2015	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss	33,838,474	3,947,454	29,822,779	68,241
Derivative financial assets	13,828,942	17,018	13,808,580	3,344
Available-for-sale financial assets	413,044,119	47,640,758	349,651,248	15,752,113
Investment properties	5,086,392	-	-	5,086,392
Total assets measured at fair value on a recurring basis	465,797,927	51,605,230	393,282,607	20,910,090
Liabilities				
Derivative financial liabilities	(12,180,375)	(508)	(11,419,150)	(760,717)

As at 31 December 2016, the Group did not have any assets or liabilities measured at fair value on a non-recurring basis (31 December 2015: Nil).

During the year ended 31 December 2016, there were no transfers, between Level 1 and Level 2 of the Group’s above assets and liabilities which are measured at fair value on a recurring basis (31 December 2015: Nil). The Group recognises transfers between different levels at the balance sheet date during which such transfers are made.

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value(Continued)

(a) Fair value measurement (Continued)

(II) Level 2 fair value measurement

Level 2 fair value is generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quotated market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, providing a theoretical quote on various securities.

For the year ended 31 December 2016, there were no changes in valuation techniques for the recurring Level 2 fair value measurements (31 December 2015: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value(Continued)

(a) Fair value measurement (Continued)

(III) Level 3 fair value measurement

The following table shows a reconciliation from the beginning to the ending balances for fair value measurement in recurring Level 3 of the fair value hierarchy:

	2016					
	Assets					Liabilities
	Financial assets at fair value through profit or loss	Derivatives financial assets	Available-for-sale financial assets	Investment properties	Total	Derivatives financial liabilities
At 1 January 2016	68,241	3,344	15,752,113	5,086,392	20,910,090	(760,717)
Disposal of subsidiaries	-	-	(144,985)	(957,120)	(1,102,105)	-
Total (losses)/gains:						
- in profit or loss	(39,546)	1,110	(149,102)	178,977	(8,561)	30,287
- in other comprehensive income	-	-	(76,755)	-	(76,755)	777,261
Net settlements	(140)	(2,387)	(1,457,988)	(304,859)	(1,765,374)	(48,898)
At 31 December 2016	28,555	2,067	13,923,283	4,003,390	17,957,295	(2,067)
Total (losses)/gains for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(39,546)	1,110	(149,102)	178,977	(8,561)	30,287

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value (Continued)

(a) Fair value measurement (Continued)

(III) Level 3 fair value measurement (Continued)

	2015					
	Assets					Liabilities
	Financial assets at fair value through profit or loss	Derivatives financial assets	Available-for-sale financial assets	Investment properties	Total	Derivatives financial liabilities
At 1 January 2015	16,739	7,378	25,454,850	4,735,562	30,214,529	(603,373)
Total gains/(losses):						
- in profit or loss	17,519	(1,858)	-	108,209	123,870	(157,344)
- in other comprehensive income	-	-	1,252,278	-	1,252,278	-
Net settlements	33,983	(2,176)	(10,955,015)	242,621	(10,680,587)	-
At 31 December 2015	68,241	3,344	15,752,113	5,086,392	20,910,090	(760,717)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	17,519	(1,858)	-	108,209	123,870	(157,344)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value (Continued)

(b) Fair value of other financial instruments (items not measured at fair value as at the balance sheet date)

	31 December 2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	218,393,136	219,041,335	961,170	218,053,165	27,000
Investments classified as receivables	1,043,289,575	1,041,922,427	-	264,700,385	777,222,042
	1,261,682,711	1,260,963,762	961,170	482,753,550	777,249,042
Financial liabilities					
Debt instruments issued					
- Corporate bonds issued	18,627,978	18,627,977	3,094,568	15,533,409	-
- Notes issued	58,067,913	58,462,669	-	58,462,669	-
- Subordinated bonds issued	76,242,400	78,919,782	8,124,268	70,795,514	-
- Certificates of deposits (not for trading purpose)	9,492,682	9,443,312	-	9,443,312	-
- Certificates of interbank deposit issued	269,922,874	268,663,525	-	268,663,525	-
	432,353,847	434,117,265	11,218,836	422,898,429	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(49) Fair value (Continued)

(b) Fair value of other financial instruments (items not measured at fair value as at the balance sheet date) (Continued)

	31 December 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	181,184,502	186,406,549	947,450	185,399,099	60,000
Investments classified as receivables	1,115,320,332	1,127,294,518	-	453,894,198	673,400,320
	1,296,504,834	1,313,701,067	947,450	639,293,297	673,460,320
Financial liabilities					
Debt instruments issued					
- Corporate bonds issued	25,485,491	25,610,723	2,808,692	22,802,031	-
- Notes issued	58,011,387	59,628,406	-	59,628,406	-
- Subordinated bonds issued	77,779,353	83,181,479	7,615,103	75,566,376	-
- Certificates of deposits (not for trading purpose)	8,704,265	8,706,164	-	8,706,164	-
- Certificates of interbank deposit issued	171,355,880	171,501,186	-	171,501,186	-
	341,336,376	348,627,958	10,423,795	338,204,163	-

6 Notes to the Consolidated Financial Statements (Continued)

(50) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2016 (31 December 2015: Nil).

(51) Commitments and contingent liabilities

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, financial guarantees ,letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(51) Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

The Group

	31 December 2016	31 December 2015
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	8,445,758	7,089,273
With an original maturity of 1 year or above	66,490,576	69,959,682
	74,936,334	77,048,955
Guarantees	174,820,696	139,970,245
Letters of credit	86,680,297	91,975,624
Acceptances	535,204,428	631,357,211
Credit card commitments	215,844,559	149,137,718
Others	-	4,222,400
	1,087,486,314	1,093,712,153

Credit commitments analysed by credit risk weighted amount

	31 December 2016	31 December 2015
Credit risk weighted amount on credit commitments	337,215,836	391,878,109

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(51) Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

The Company

	31 December 2016	31 December 2015
Guarantees	6,897,365	3,081,260
Others	-	4,222,400
	6,897,365	7,303,660

Note:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) As at 31 December 2016 and 2015, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(b) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

The Group

	31 December 2016	31 December 2015
Redemption commitment for treasury bonds	12,722,610	13,370,811

As at 31 December 2016, the original maturities of these bonds vary from one to five years (31 December 2015: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(51) Commitments and contingent liabilities (Continued)

(c) Guarantees provided

Except for guarantees that have been recognised as liabilities, guarantee issued by the Group and the Company for other enterprises are as follows:

The Group

	31 December 2016	31 December 2015
Related parties(note)	15,494,048	12,724,506
Third parties	821,010	6,038,393
	16,315,058	18,762,899

The Company

	31 December 2016	31 December 2015
Subsidiaries	3,913,560	5,500,000
Related parties(note)	15,479,648	9,290,377
	19,393,208	14,790,377

Note:

As at 31 December 2016, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Company that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016 amounting to RMB5.3 billion. The guarantees are being transferred to China Overseas which has provided counter guarantees to the Group (Note 6(53)(c)(II)).

As at 31 December 2016, the Group's counter guarantees issued to related parties were Nil (31 December 2015: Nil). And the Group's counter guarantees issued to third parties of the Group were Nil (31 December 2015: RMB83 million).

6 Notes to the Consolidated Financial Statements (Continued)

(51) Commitments and contingent liabilities (Continued)

(d) Outstanding litigations and disputes

(1) In August 2014, 山煤煤炭进出口有限公司(Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤国际能源集团股份有限公司(Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高级人民法院 (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.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(51) Commitments and contingent liabilities (Continued)

(d) Outstanding litigations and disputes (Continued)

(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.

(e) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

The Group

	31 December 2016	31 December 2015
Contracted for	11,742,665	22,779,760

(f) Operating lease commitments

As at the balance sheet date, the Group’s future minimum lease payments under non-cancellable operating leases are as follows:

The Group

	31 December 2016	31 December 2015
Within 1 year (inclusive)	3,090,695	3,167,455
Between 1 and 2 years (inclusive)	2,579,321	2,763,211
Between 2 and 3 years (inclusive)	2,207,503	2,312,876
Over 3 years	6,047,280	7,365,029
	13,924,799	15,608,571

6 Notes to the Consolidated Financial Statements (Continued)

(52) Non-adjusting post balance sheet date events

(a) Profit distribution

On 23 march 2017, the board of directors of the Company suggest not make profit distribution to owners for the year ended 31 December 2016.

(b) On 27 December 2016, the Company, Beijing Guoan Football Club Co., Ltd ("Guoan FC"), a wholly-owned subsidiary of the Company, and SINOBO Land Co., Ltd ("SINOBO Land"), an independent third party, entered into a capital increase agreement; and on the same day, the Company and SINOBO Land entered into a shareholder agreement (the "Agreements"). Pursuant to the Agreements, the registered capital of Guoan FC will be increased by RMB133,333,335, which will be fully subscribed by SINOBO Land at the consideration of RMB3,555,555,600 (the "Capital Increase"). The Capital Increase was approved by Chinese Football Association on 24 January 2017. When all the conditions in the Agreements are met, the Company and SINOBO Land will hold 36% and 64% equity interest in Guoan FC, respectively.

(c) On 5 January 2017, CITIC Bank received approval from China Banking Regulatory Commission to establish China CITIC Baixin Bank Corporation Limited ("Baixin Bank") with Fujian Baidu Borui Network Technology Company Limited. CITIC Bank will hold 1,400 million shares, representing 70% of the total shares of Baixin Bank.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(53) Related party relationships and transactions

(a) Information on the parent of the Company is listed as follows:

Company name	Registered place	Business nature	Share capital HKD'000	Shareholding percentage	Proportion of voting rights
CITIC Limited	Hong Kong	Investment holding	381,710,400	100%	100%

(b) Further information on the subsidiaries of the Company is set out in Note 5.

(c) Transactions with related parties other than its key management personnel:

(I) Transaction amounts with related parties:

The Group

	2016	2015
Sales of goods	704,713	632,948
Purchase of goods	1,978,749	924,644
Net interest expenses	573,436	629,457
Net fee and commissions expenses	801,842	97,890
Income from supplementary services	110,769	154,615
Expenses for supplementary services	576,803	506,622
Interest income from deposits and receivables	122,183	326,143
Business and administrative expenses	101,766	65,451

The Company

	2016	2015
Interest income from loans	1,469,533	1,671,584
Net fee and commissions expenses	141,573	51,144
Interest income from deposits	69,635	89,614
Interest expenses	248,722	176,316
Business and administrative expenses	1,462	341,680

Note:

(i) The above transactions with related parties were conducted under normal commercial terms or relevant agreements.

(ii) Interest rates of loans and advances to customers and other parties to the related parties were determined at rates negotiated between the Group and the related parties on a case by case basis.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(53) Related party relationships and transactions (Continued)

(c) Transactions with related parties other than its key management personnel (Continued):

(I) Transaction amounts with related parties (Continued):

(iii) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer, wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(iv) The company sold the Group's interest in certain residential real estate projects in the PRC to China Overseas by its parent company CITIC Limited in 2016. The transaction above was entrusted to CITIC Limited on behalf of the company and CITIC Pacific to sell and settle with China Overseas (Note 6(55)).

(II) The balances with related parties as at the balance sheet date are set out as follows:

The Group

	31 December 2016	31 December 2015
Trade and other receivables	23,004,418	14,289,546
Loans and advances to customers and other parties	15,683,955	11,018,093
Placements with banks and non-bank institutions	692,968	22,335
Cash and deposits	2,279,755	97,178
Derivative financial instruments and other assets	661,292	60,518
Trade and other payables	16,864,412	32,121,689
Deposits from customers, banks and non-bank institutions	35,610,999	58,129,756
Derivative financial instruments and other liabilities	278,940	128,586
Bank and other loans	6,149,101	43,909
Guarantees provided	15,494,048	12,724,506
Guarantees received	7,679,475	4,600,639
Entrusted funds	8,180,110	1,000,006
Funds raised from investors of non-principle guaranteed wealth management products	6,000	7,000

The Company

	31 December 2016	31 December 2015
Trade and other receivables	26,569,650	15,603,829
Loans and advances to customers and other parties	11,044,002	35,444,338
Cash and deposits	18,586,567	13,973,343
Derivative financial instruments and other assets	2,495	4,866
Trade and other payables	11,637,272	31,441,115
Debt instruments issued	-	230,288
Derivative financial instruments and other liabilities	1,315,300	4,160,134
Guarantees provided	19,393,208	14,790,377

6 Notes to the Consolidated Financial Statements (Continued)

(53) Related party relationships and transactions (Continued)

(c) Transactions with related parties other than its key management personnel (Continued):

(II) The balances with related parties as at the balance sheet date are set out as follows (Continued):

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to customers and other parties to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

(III) Relationships with the related parties under the transactions stated in 6(53)(c)(I) and 6(53)(c)(II) above

Company Name	Relationship with the Group
CITIC Group	Ultimate holding company
CITIC Limited	Parent company
Bright Virtue Holdings Limited	Controlled by the parent company
CITIC Polaris Limited	Controlled by the ultimate holding company
CITIC Jinzhou Metal Corporation Ltd	Controlled by the ultimate holding company
CITIC Asset Management Co., Ltd	Controlled by the ultimate holding company
CITIC International Co., Ltd	Controlled by the ultimate holding company
CITIC Securities	Significantly influenced by the Group
Qinhuangdao Dicastal Xinglong Wheel Corporation Ltd	Significantly influenced by the Group
Dicastal Asahi Aluminium Co.,Ltd	Significantly influenced by the Group
Honglianjiuwu Information Industry Corporation Ltd	Significantly influenced by the Group
CITIC Goldstone Fund Management Company Limited	Significantly influenced by the Group

(54) Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(54) Structured entities (Continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed securities and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	31 December 2016						
Carrying amount	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Total	Guarantees	Maximum loss exposure
Wealth management products issued by banks	-	-	11,035,796	458,390,000	469,425,796	-	469,425,796
Investment management products managed by non-bank financial institutions	-	-	963,750	455,363,610	456,327,360	-	456,327,360
Trust investment plans	-	-	2,465,723	126,307,728	128,773,451	-	128,773,451
Asset-backed securities	-	1,526,555	9,746,698	-	11,273,253	-	11,273,253
Investment funds	1,000,075	-	22,213,208	980,000	24,193,283	-	24,193,283
	1,000,075	1,526,555	46,425,175	1,041,041,338	1,089,993,143	-	1,089,993,143

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(54) Structured entities (Continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2015						
Carrying amount	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Total	Guarantees	Maximum loss exposure
Wealth management products issued by banks	-	-	17,766,452	147,605,000	165,371,452	-	165,371,452
Investment management products managed by non-bank financial institutions	-	-	352,000	826,636,559	826,988,559	-	826,988,559
Trust investment plans	-	-	4,051,576	139,971,233	144,022,809	4,222,400	148,245,209
Asset-backed securities	-	5,305,991	5,151,762	-	10,457,753	-	10,457,753
Investment funds	2,703,464	-	1,787,123	-	4,490,587	-	4,490,587
	2,703,464	5,305,991	29,108,913	1,114,212,792	1,151,331,160	4,222,400	1,155,553,560

6 Notes to the Consolidated Financial Statements (Continued)

(54) Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 31 December 2016, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was RMB2,381.4billion (31 December 2015: RMB1,656.7billion.

As at 31 December 2016, the carrying amounts of management fee receivables recognised in the balance sheet were 500 million (31 December 2015: RMB500 million).

As at 31 December 2016, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB62,000 million (31 December 2015: RMB25,300 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December for 2016 is RMB742 billion (2015: RMB604.2 billion).

During the year ended 31 December 2016, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB57,400 million (2015: RMB36,700 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2016, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was RMB11,400 million (2015: RMB9,500 million).

6 Notes to the Consolidated Financial Statements (Continued)

(54) Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Securitisation transactions and loans transfers

For the year ended 31 December 2016, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of the financial assets sold under repurchase agreements are set forth in Note 6(23). Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2016 totalled RMB 119,100million are set forth below.

During the year ended 31 December 2016, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of RMB49,200 million (2015: RMB41,300 million), of which RMB44,700 million (2015: RMB38,900 million) were qualified for full de-recognition.

The balance of RMB4,500 million (2015: RMB2,400 million) was in respect of non-performing loans transferred and the Group concluded that it had continuing involvement in these assets as at 31 December 2016 based on the related criteria set forth in Note 3(12) and Note 3(27). As at 31 December 2016, the Group continued to recognise assets of RMB700 million (31 December 2015: RMB300 million) under loans and advances to customers and other parties together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 6(8)).

During the year ended 31 December 2016, the Group also through other types of transactions transferred loans of book value before impairment of RMB70,000 million (2015: RMB47,100 million), of which RMB 54,000 million represented non-performing loans (2015: RMB43,600 million). The Group carried out assessment based on the criteria as detailed in Note 3(12) and Note 3(27) and concluded that these transferred assets qualified for full de-recognition (Note 6(8)(c)).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(55) Discontinued operations

On 14 March 2016, the Company, CITIC Limited and CITIC Pacific entered into an agreement with China Overseas to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. Completion of the transaction took place in September 2016.

The disposed residential real estate projects in the PRC mentioned above meet the condition of discontinued operation, and their operating results are as follows:

	2016	2015
Revenue of discontinued operations	7,809,450	14,983,507
Less: Costs and expenses of discontinued operations	(11,204,295)	(13,485,320)
Total profit of discontinued operations	(3,394,845)	1,498,187
Less: Income taxes of discontinued operations	(418,089)	(461,700)
Net profit of discontinued operations before net disposal (loss)/gain	(3,812,934)	1,036,487
Net disposal gain	11,240,653	-
Net profit of discontinued operations	7,427,719	1,036,487
Attributable to: owners of the Company	7,451,738	837,273

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Notes to the Consolidated Financial Statements (Continued)

(56) Major transactions with non-controlling interests

Acquisition of additional interest in subsidiaries

In January 2016, the Company acquired an additional 11.63% interests in CITIC Real Estate for an aggregate purchase consideration of RMB3,028 million. The Group recognised a decrease in non-controlling interests of RMB1,336 million, and a decrease in equity attributable to shareholders of the Company of RMB1,692 million.

For the year period ended 31 December 2016, the Company increased its shareholding in CITIC Bank by acquiring approximately 1.21% equity interests, for an aggregate purchase consideration of RMB2,468 million. The Group recognised a decrease in non-controlling interests of RMB3,970 million, and an increase in equity attributable to shareholders of the Company of RMB1,502 million.

The effect of changes in the ownership interest of CITIC Real Estate and CITIC Bank on the equity attributable to shareholders of the Company during the year is summarised as follows:

	2016
Carrying amount of non-controlling interests acquired	5,305,818
Consideration paid to non-controlling interests	(5,496,185)
Excess of consideration paid recognised within equity	(190,367)