CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

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

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

Review of Business Results

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

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

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

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

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

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

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

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

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

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

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

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

Road to Transformation

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

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

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

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

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

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

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

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

In Closing

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

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

Chang Zhenming
Chairman
Hong Kong, 28 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	For the year ended 31 December 2017 HK$ million	2016 HK$ million (Restated)
Continuing operations			
Interest income		**256,108**	251,423
Interest expenses		**(139,426)**	(125,504)
Net interest income	*4(a)*	**116,682**	125,919
Fee and commission income		**64,797**	58,196
Fee and commission expenses		**(5,617)**	(3,618)
Net fee and commission income	*4(b)*	**59,180**	54,578
Sales of goods and services	*4(c)*	**260,481**	194,136
Other revenue	*4(d)*	**14,193**	7,029
		274,674	201,165
Total revenue		**450,536**	381,662
Cost of sales and services		**(222,869)**	(166,323)
Other net income		**14,596**	7,301
Impairment losses on			
– Loans and advances to customers and other parties		**(58,167)**	(53,603)
– Others		**(20,758)**	(19,985)
Other operating expenses		**(83,981)**	(76,942)
Net valuation gain on investment properties		**58**	615
Share of profits of associates, net of tax		**7,564**	2,323
Share of profits of joint ventures, net of tax		**5,889**	2,876
Profit before net finance charges and taxation		**92,868**	77,924
Finance income		**1,412**	1,575
Finance costs		**(11,497)**	(8,708)
Net finance charges	*5*	**(10,085)**	(7,133)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

		For the year ended 31 December	
		2017	2016
	Note	***HK$ million***	*HK$ million* (Restated)
Profit before taxation	*6*	**82,783**	70,791
Income tax	*7*	**(17,687)**	(18,404)
Profit for the year from continuing operations		**65,096**	52,387
Discontinued operations			
Profit for the year from discontinued operations	*15*	**–**	10,309
Profit for the year		**65,096**	62,696
Attributable to:			
– Ordinary shareholders of the Company		**43,902**	43,146
– Holders of perpetual capital securities		**673**	790
– Non-controlling interests		**20,521**	18,760
Profit for the year		**65,096**	62,696
Profit attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**43,902**	32,809
– Discontinued operations		**–**	10,337
		43,902	43,146
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$):	*9*		
Basic earnings per share from:			
– Continuing operations		**1.51**	1.13
– Discontinued operations		**–**	0.35
		1.51	1.48
Diluted earnings per share from:			
– Continuing operations		**1.51**	1.13
– Discontinued operations		**–**	0.35
		1.51	1.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	**31 December 2017** ***HK$ million***	31 December 2016 *HK$ million* (Restated)
Assets			
Cash and deposits		**924,584**	927,382
Placements with banks and non-bank financial institutions		**205,346**	186,927
Financial assets at fair value through profit or loss		**91,350**	77,819
Derivative financial instruments		**79,339**	53,281
Trade and other receivables		**149,204**	139,166
Amounts due from customers for contract work		**1,820**	1,949
Inventories		**58,552**	49,000
Financial assets held under resale agreements		**65,349**	193,615
Loans and advances to customers and other parties	*10*	**3,721,886**	3,137,850
Available-for-sale financial assets		**807,912**	642,477
Held-to-maturity investments		**261,654**	244,151
Investments classified as receivables		**644,789**	1,166,325
Interests in associates		**98,644**	84,125
Interests in joint ventures		**37,418**	19,387
Fixed assets		**196,047**	173,326
Investment properties		**33,073**	31,539
Intangible assets		**23,721**	19,322
Goodwill		**23,989**	21,871
Deferred tax assets		**48,585**	34,802
Other assets		**47,477**	35,175
Total assets		**7,520,739**	7,239,489

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	**31 December 2017** *HK$ million*	31 December 2016 *HK$ million* (Restated)
Liabilities			
Borrowing from central banks		**284,818**	205,755
Deposits from banks and non-bank financial institutions		**954,638**	1,097,164
Placements from banks and non-bank financial institutions		**90,131**	93,596
Derivative financial instruments		**80,075**	52,648
Trade and other payables		**226,110**	207,600
Amounts due to customers for contract work		**3,334**	2,892
Financial assets sold under repurchase agreements		**160,902**	134,534
Deposits from customers	*11*	**4,056,158**	4,031,519
Employee benefits payables		**20,429**	18,292
Income tax payable		**13,446**	10,002
Bank and other loans	*12*	**142,442**	113,125
Debt instruments issued	*13*	**653,371**	543,893
Provisions		**5,474**	3,668
Deferred tax liabilities		**9,438**	6,682
Other liabilities		**26,332**	21,446
Total liabilities		**6,727,098**	6,542,816
Equity			
Share capital		**381,710**	381,710
Perpetual capital securities		**7,873**	7,873
Reserves		**161,368**	101,419
Total ordinary shareholders' funds and perpetual capital securities		**550,951**	491,002
Non-controlling interests		**242,690**	205,671
Total equity		**793,641**	696,673
Total liabilities and equity		**7,520,739**	7,239,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

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

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

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

(ii) Amendments to HKAS 12, Income taxes

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

(iii) Amendments to HKAS 12, Disclosure of interest in other entities

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

3 SEGMENT REPORTING

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the year ended 31 December 2017 and 2016 is set out below:

	For the year ended 31 December 2017								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Continuing operations									
Revenue from external customers	190,028	63,456	97,432	14,653	3,227	81,673	67	–	450,536
Inter-segment revenue	(266)	3,215	268	476	134	1,221	–	(5,048)	–
Reportable segment revenue	189,762	66,671	97,700	15,129	3,361	82,894	67	(5,048)	450,536
Share of profits associates, net of tax	2,352	1,275	25	12	3,836	57	7	–	7,564
Share of profits/(losses) of joint ventures, net of tax	415	1,698	(9)	–	3,181	604	–	–	5,889
Finance income *(Note 5)*	–	285	408	215	534	151	948	(1,129)	1,412
Finance costs *(Note 5)*	–	(2,033)	(1,311)	(113)	(512)	(1,758)	(6,799)	1,029	(11,497)
Depreciation and amortization *(Note 6(b))*	(3,262)	(3,225)	(4,153)	(152)	(233)	(3,090)	(56)	–	(14,171)
Impairment losses	(65,889)	(8,402)	(2,025)	(872)	(344)	(1,393)	–	–	(78,925)
Profit/(loss) before taxation	69,464	(8,879)	3,942	2,002	9,034	12,892	(5,732)	60	82,783
Income tax	(11,885)	(605)	(418)	(273)	(1,093)	(1,847)	(1,554)	(12)	(17,687)
Profit/(loss) for the year from continuing operations	57,579	(9,484)	3,524	1,729	7,941	11,045	(7,286)	48	65,096
Profit for the year from discontinued operations	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	57,579	(9,484)	3,524	1,729	7,941	11,045	(7,286)	48	65,096
Attributable to:									
– Ordinary shareholders of the Company	39,506	(9,900)	3,318	1,731	7,660	9,455	(7,908)	40	43,902
Continuing operations	39,506	(9,900)	3,318	1,731	7,660	9,455	(7,908)	40	43,902
Discontinued operations	–	–	–	–	–	–	–	–	–
– Non-controlling interests and holders of perpetual capital securities	18,073	416	206	(2)	281	1,590	622	8	21,194
Continuing operations	18,073	416	206	(2)	281	1,590	622	8	21,194
Discontinued operations	–	–	–	–	–	–	–	–	–

	As at 31 December 2017								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	6,925,076	129,438	130,381	46,127	159,664	163,835	177,797	(211,579)	7,520,739
Including:									
Interests in associates	35,567	14,524	951	370	36,150	9,959	1,123	–	98,644
Interests in joint ventures	6,362	4,995	177	–	19,929	5,955	–	–	37,418
Reportable segment liabilities	6,362,774	170,212	77,721	33,626	94,851	95,165	188,253	(295,504)	6,727,098
Including:									
Bank and other loans	7,176	43,900	28,130	1,267	7,898	41,934	34,605	(22,468)	142,442
Debt instruments issued	529,238	598	2,632	–	–	5,175	115,728	–	653,371

	For the year ended 31 December 2016 (Restated)								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Continuing operations									
Revenue from external customers	187,534	51,097	62,350	11,023	4,900	64,723	35	–	381,662
Inter-segment revenue	(320)	3,527	271	315	111	1,039	6	(4,949)	–
Reportable segment revenue	187,214	54,624	62,621	11,338	5,011	65,762	41	(4,949)	381,662
Share of profits/(losses) of associates, net of tax	2,198	218	79	41	768	(986)	5	–	2,323
Share of profits of joint ventures, net of tax	809	657	–	–	858	552	–	–	2,876
Finance income *(Note 5)*	–	422	225	248	375	132	2,521	(2,348)	1,575
Finance costs *(Note 5)*	–	(2,110)	(716)	(95)	(335)	(1,476)	(6,425)	2,449	(8,708)
Depreciation and amortization *(Note 6(b))*	(3,187)	(2,342)	(3,547)	(157)	(250)	(2,755)	(54)	–	(12,292)
Impairment losses	(61,845)	(10,536)	(831)	775	(556)	(595)	–	–	(73,588)
Profit/(loss) before taxation	71,691	(9,175)	2,343	1,969	3,676	4,947	(4,249)	(411)	70,791
Income tax	(16,193)	2,710	(1,033)	(296)	(1,412)	(1,729)	(449)	(2)	(18,404)
Profit/(loss) for the year from continuing operations	55,498	(6,465)	1,310	1,673	2,264	3,218	(4,698)	(413)	52,387
Profit for the year from discontinued operations	–	–	–	–	10,309	–	–	–	10,309
Profit/(loss) for the period	55,498	(6,465)	1,310	1,673	12,573	3,218	(4,698)	(413)	62,696
Attributable to:									
– Ordinary shareholders of the Company	38,406	(6,872)	1,740	1,675	12,111	1,987	(5,488)	(413)	43,146
Continuing operations	38,406	(6,872)	1,740	1,675	1,774	1,987	(5,488)	(413)	32,809
Discontinued operations	–	–	–	–	10,337	–	–	–	10,337
– Non-controlling interests and holders of perpetual capital securities	17,092	407	(430)	(2)	462	1,231	790	–	19,550
Continuing operations	17,092	407	(430)	(2)	490	1,231	790	–	19,578
Discontinued operations	–	–	–	–	(28)	–	–	–	(28)

	As at 31 December 2016 (Restated)								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	6,729,902	137,337	96,112	36,796	143,596	113,090	150,506	(167,850)	7,239,489
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	–	84,125
Interests in joint ventures	3,999	2,906	–	–	9,149	3,333	–	–	19,387
Reportable segment liabilities	6,237,647	161,579	49,474	26,579	94,244	70,059	167,944	(264,710)	6,542,816
Including:									
Bank and other loans	2,964	41,759	15,088	1,276	10,721	32,863	21,749	(13,295)	113,125
Debt instruments issued	432,579	1,453	4,242	–	–	4,682	100,937	–	543,893

(b) Geographical information

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

	Revenue from external customers For the year ended 31 December		**Reportable segment assets As at 31 December**	
	2017	2016	**2017**	2016
	HK$ million	*HK$ million* (Restated)	***HK$ million***	*HK$ million* (Restated)
Mainland China	**347,203**	325,242	**6,902,597**	6,684,245
Hong Kong and Macau	**58,134**	26,996	**505,686**	447,065
Overseas	**45,199**	29,424	**112,456**	108,179
	450,536	381,662	**7,520,739**	7,239,489

4 REVENUE

As a multi-industry conglomerate, the Group is principally engaged in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (see Notes 4(a), 4(b) and 4(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (see Note 4(c)).

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

(a) Net interest income

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**12,589**	11,179
Placements with banks and non-banks financial institutions	**7,173**	4,363
Financial assets held under resale agreements	**1,391**	1,078
Investments classified as receivables	**41,484**	54,275
Loans and advances to customers and other parties	**163,317**	155,248
Investments in debt securities	**30,034**	25,274
Others	**120**	6
	256,108	251,423
Interest expenses arising from:		
Borrowing from central banks	**(7,088)**	(3,143)
Deposits from banks and non-bank financial institutions	**(42,534)**	(38,172)
Placements from banks and non-bank financial institutions	**(3,478)**	(1,721)
Financial assets sold under repurchase agreements	**(3,103)**	(1,007)
Deposits from customers	**(60,936)**	(64,577)
Debt instruments issued	**(22,113)**	(16,438)
Others	**(174)**	(446)
	(139,426)	(125,504)
Net interest income	**116,682**	125,919

(b) Net fee and commission income

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
Consultancy and advisory fees	**4,904**	6,821
Bank card fees	**35,107**	22,561
Settlement and clearing fees	**1,400**	1,633
Commission for wealth management services	**6,382**	8,323
Agency fees and commission	**5,094**	7,197
Guarantee fees	**2,422**	2,790
Trustee commission and fees	**8,980**	7,997
Others	**508**	874
	64,797	58,196
Fee and commission expenses	**(5,617)**	(3,618)
Net fee and commission income	**59,180**	54,578

(c) Sales of goods and services

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Sales of goods	**217,333**	157,372
Services rendered to customers	**26,382**	26,895
Revenue from construction contracts	**16,766**	9,869
	260,481	194,136

(d) Other revenue

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
Net trading gain *(note (i))*	**7,580**	4,153
Net gain on investment assets under financial services segment	**3,580**	2,022
Others	**3,033**	854
	14,193	7,029

(i) Net trading gain

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
Trading profit:		
– debt securities	**3,187**	1,358
– foreign currencies	**1,932**	2,705
– derivatives	**2,461**	90
	7,580	4,153

5 NET FINANCE CHARGES

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Finance costs		
– Interest on bank loans and other loans	**5,125**	3,504
– Interest on debt instruments issued and other interest expenses	**6,316**	5,718
	11, 441	9,222
Less: interest expense capitalised	**(361)**	(576)
	11,080	8,646
Other finance charges	**417**	62
	11,497	8,708
Finance income	**(1,412)**	(1,575)
	10,085	7,133

6 PROFIT BEFORE TAXATION

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

(a) Staff costs

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Salaries and bonuses	**40,572**	34,038
Contributions to defined contribution retirement schemes	**4,322**	4,326
Others	**7,622**	7,773
	52,516	46,137

(b) Other items

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Amortisation	**2,407**	2,691
Depreciation	**11,764**	9,601
Operating lease charges: minimum lease payments	**6,453**	5,424
Tax and surcharges	**2,368**	5,948
Property management fees	**1,421**	1,290
Non-operating expenses	**949**	1,366
Professional fees (other than auditors' remuneration)	**981**	997
Auditors' remuneration		
– Audit services	**162**	156
– Non-audit services	**52**	56
	26,557	27,529

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**23,475**	22,345
Land appreciation tax	**48**	328
	23,523	22,673
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**2,075**	1,524
Current tax – Overseas		
Provision for the year	**367**	310
	25,965	24,507
Deferred tax		
Origination and reversal of temporary differences	**(8,278)**	(6,103)
	17,687	18,404

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2017 is 16.5% (2016: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2017 is 25% (2016: 25%).

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

8 DIVIDENDS

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
2016 Final dividend paid: HK$0.23 (2015: HK$0.20) per share	**6,691**	5,818
2017 Interim dividend paid: HK$0.11(2016: HK$0.10) per share	**3,200**	2,909
2017 Final dividend proposed: HK$0.25 (2016: HK$0.23) per share	**7,273**	6,691

9 EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$43,902 million for the year ended 31 December 2017 (2016: HK$43,146 million), calculated as follows:

	For the year ended 31 December	
	2017	2016
	HK$ million	*HK$ million*
		(Restated)
Profit attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**43,902**	32,809
– Discontinued operations	**–**	10,337
	43,902	43,146
Weighted average number of ordinary shares (in million)	**29,090**	29,090

Diluted earnings per share for the year ended 31 December 2017 and 2016 are same with basic earnings per share. As at 31 December 2017, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2017 (31 December 2016: Nil).

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

Loans and advances

	31 December 2017 *HK$ million*	31 December 2016 *HK$ million* (Restated)
Corporate loans		
– Loans	**2,177,528**	2,034,515
– Discounted bills	**130,190**	83,949
– Finance lease receivables	**54,143**	38,579
	2,361,861	2,157,043
Personal loans		
– Residential mortgages	**604,498**	484,297
– Business loans	**198,604**	125,151
– Credit cards	**399,228**	265,745
– Personal consumption	**271,016**	194,224
	1,473,346	1,069,417
	3,835,207	3,226,460
Less: impairment allowance		
– Individually assessed	**(38,529)**	(32,240)
– Collectively assessed	**(74,792)**	(56,370)
	(113,321)	(88,610)
	3,721,886	3,137,850

11 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	31 December 2017	31 December 2016
	HK$ million	*HK$ million*
		(Restated)
Demand deposits		
– Corporate customers	**1,947,517**	1,845,448
– Personal customers	**281,084**	260,433
	2,228,601	2,105,881
Time and call deposits		
– Corporate customers	**1,463,098**	1,554,160
– Personal customers	**357,069**	363,387
	1,820,167	1,917,547
Outward remittance and remittance payables	**7,390**	8,091
	4,056,158	4,031,519

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

	31 December 2017	31 December 2016
	HK$ million	*HK$ million*
Bank acceptances	**233,647**	238,817
Letters of credit	**11,112**	10,759
Guarantees	**29,837**	28,867
Others	**130,193**	166,345
	404,789	444,788

12 BANK AND OTHER LOANS

(a) Types of loans

	31 December 2017 *HK$ million*	31 December 2016 *HK$ million* (Restated)
Bank loans		
Unsecured loans	**78,106**	80,128
Loan pledged with assets	**37,408**	24,206
Guaranteed loans	**5,955**	643
	121,469	104,977
Other loans		
Unsecured loans	**17,765**	6,883
Loan pledged with assets	**3,077**	1,143
Guaranteed loans	**131**	122
	20,973	8,148
	142,442	113,125

(b) Maturity of loans

	31 December 2017 *HK$ million*	31 December 2016 *HK$ million* (Restated)
Bank and other loans are repayable:		
– Within 1 year or on demand	**31,062**	29,719
– Between 1 and 2 years	**14,318**	10,985
– Between 2 and 5 years	**39,200**	27,464
– Over 5 years	**57,862**	44,957
	142,442	113,125

13 DEBT INSTRUMENTS ISSUED

	31 December 2017 *HK$ million*	31 December 2016 *HK$ million*
Corporate bonds issued	**91,644**	81,376
Notes issued	**147,002**	64,916
Subordinated bonds issued	**88,200**	85,234
Certificates of deposit issued	**3,409**	10,612
Certificates of interbank deposit issued	**323,116**	301,755
	653,371	543,893
Analysed by remaining maturity:		
– Within 1 year or on demand	**370,069**	320,997
– Between 1 and 2 years	**7,073**	34,395
– Between 2 and 5 years	**156,004**	55,073
– Over 5 years	**120,225**	133,428
	653,371	543,893

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2017 (2016: Nil).

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES

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

(i) Investigation into 2008 forex incident

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

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

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

In the action instigated by the SFC at the MMT, the SFC asked the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses.

The MMT hearing was completed in July 2016. On 10 April 2017, the MMT handed down its decision determining that, in the publication of the Company's circular on 12 September 2008, no market misconduct within the meaning of section 277(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) took place. The time limits for appeal of the MMT decision have expired and the SFC has discontinued the proceedings in the High Court by consent.

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

In the absence of the findings of these investigations being made available to the Company and due to the inherent difficulties involved in attempting to predict the outcome of such investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(ii) Mineralogy Pty Ltd ("Mineralogy") disputes

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

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

Option Agreement Dispute

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

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

Notwithstanding the making of these declarations, Mineralogy has not taken the action necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia seeking orders compelling Mineralogy and Mr. Palmer to take the steps necessary under the Option Agreement to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore.

On 26 February 2018, Justice Kenneth Martin granted leave for Cape Preston Resource Holdings Pty Ltd, a subsidiary of the Company, to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose. Justice Kenneth Martin also made, inter alia, orders for the programming of any strike out application by the plaintiffs in respect of the defendants' defence and any counterclaim.

No trial date has been set for this proceeding.

Royalty Component B Dispute

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to 'prevailing published annual FOB prices' for certain iron ore products. Sino Iron and Korean Steel's position was that, among other things, because this phrase refers to the Annual Benchmark Pricing System ("Benchmark"), which ceased to exist in early 2010, it is no longer possible to calculate Royalty Component B. Mineralogy's position was that the phrase is not limited to a reference to the Benchmark and Royalty Component B is still ascertainable from other published data. Mineralogy commenced a proceeding in the Supreme Court of New South Wales that was transferred to the Supreme Court of Western Australia following a successful application by the CITIC Parties. In the proceeding transferred to the Supreme Court of Western Australia ("Proceeding CIV 1808/2013"), Mineralogy pursued a claim against Sino Iron and Korean Steel for payment of sums for Royalty Component B on products produced up to 31 March 2017, damages for alleged breaches of the MRSLAs and certain other relief.

The trial in Proceeding CIV 1808/2013 commenced on 14 June 2017 and ran for 10 sitting days. On 24 November 2017, Justice Kenneth Martin delivered his reasons for decision in that proceeding, finding in favour of Mineralogy. In particular, his Honour found in favour of Mineralogy as to the proper construction of the relevant clauses of the MRSLAs and the calculation of Royalty Component B.

Following delivery of the reasons for decision in Proceeding CIV 1808/2013, Mineralogy commenced a further proceeding in the Supreme Court of Western Australia against the CITIC Parties ("Proceeding CIV 3024/2017") seeking the same relief as that sought in Proceeding CIV 1808/2013. On 18 December 2017, Justice Kenneth Martin ordered, among other things, that Proceeding CIV 1808/2013 and Proceeding CIV 3024/2017 be consolidated and that all claims be determined in the as consolidated proceeding.

Also on 18 December 2017, Justice Kenneth Martin made final orders in the consolidated proceeding. His Honour ordered, among other things, that judgment be entered for Mineralogy:

(i) against each of Sino Iron and Korean Steel in the amount of US$82,409,227.91 (including US$7,702,492.91 interest); and

(ii) against the Company in the amount of US$153,859,032.00 (including US$4,445,562.00 interest), pursuant to the guarantee in the Fortescue Coordination Deed ("FCD").

Justice Kenneth Martin ordered that the obligations to pay the above amounts to Mineralogy be suspended until the close of business on 15 January 2018.

Mineralogy could enforce the judgment against either Sino Iron and Korean Steel, on the one hand, or against the Company, on the other. However, it could not recover the judgment sums from Sino Iron/Korean Steel and the Company.

On 12 January 2018, Sino Iron paid to Mineralogy the judgment sums plus interest ordered by Justice Kenneth Martin on behalf of itself and Korean Steel. On the same day, Sino Iron paid Mineralogy the sum of US$113,332,300 in respect of payments of Royalty Component B for the quarters ended 30 June 2017, 30 September 2017 and 31 December 2017 in conformity with the judgment in Proceedings CIV 1808/2013 and CIV 3024/2017.

The CITIC Parties have appealed the consolidation orders and final orders made by Justice Kenneth Martin on 18 December 2017. No date has been set for the hearing of the appeal.

FCD Indemnity Disputes

Mineralogy and Mr. Palmer have commenced and threatened to commence proceedings to pursue claims pursuant to an indemnity given by the Company under the FCD to Mineralogy and Mr. Palmer that extends to losses suffered by Mineralogy and Mr. Palmer in relation to failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

(i) Queensland Nickel FCD Indemnity Claim

On 29 June 2017, the final day of the trial of Proceeding CIV 1808/2013, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia claiming damages in the sum of AUD2.324 billion (now reduced by an amended statement of claim to AUD1.8065 billion). This amount is alleged to represent the reduction in the value of the assets of the Joint Venture business carried on by Queensland Nickel group of companies ("Queensland Nickel") controlled by Mr. Palmer. The Joint Venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

Mr. Palmer's claim purports to be made pursuant to an indemnity given by the Company under the FCD to Mr. Palmer and Mineralogy, that extends to losses suffered by Mr. Palmer and Mineralogy in relation to failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

Mr. Palmer claims that, in or around November 2015, Mineralogy agreed and/or determined to provide to Queensland Nickel Pty Limited, the manager of the Queensland Nickel joint venture, AUD28 million and such further funds as it might require for working capital, funded from the payment of Royalty Component B, to enable it to continue to manage and operate the Joint Venture business, while nickel prices remained low. As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of Royalty Component B, Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the Joint Venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

On 5 February 2018, the Company filed and served its defence and counterclaim in the proceeding. The Company has pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 26 February 2018, Justice Kenneth Martin made, inter alia, orders adding Mineralogy (as a plaintiff) and Sino Iron and Korean Steel (as defendants) in the proceeding.

No trial date has been set for this proceeding.

(ii) Palmer Petroleum FCD Indemnity Claim

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia, Proceeding CIV 1267/2018, in which it claims damages in the sum of AUD2.675 billion. The statement of claim pleads that Mineralogy had agreed to provide:

(1) from December 2009, funding; and

(2) in or about 2013, all future working capital,

to its wholly owned subsidiary company, Palmer Petroleum Pty Ltd (now named Aspenglow Pty Ltd) ("Palmer Petroleum"). As the CITIC Parties had not paid Royalty Component B from the fourth quarter of 2013 to the second quarter of 2016, it is claimed that Mineralogy did not, and was unable to, provide the funds to Palmer Petroleum.

Mineralogy alleges that as a result, Palmer Petroleum was wound up in insolvency. The statement of claim pleads that Palmer Petroleum subsequently lost rights to a Papua New Guinea exploration licence and suffered a diminution in value, equivalent to the sale value of oil that allegedly would have been recoverable under the exploration licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum.

This proceeding is still in its early stages. On 26 February 2018, Justice Kenneth Martin suspended the obligations of the CITIC Parties under the Court Rules to file any defence and counterclaim, to bring a strikeout application or to apply for summary judgment pending further orders or directions in this proceeding.

(iii) Other Threatened FCD Indemnity Claims

Mr. Palmer and Mineralogy have also foreshadowed further claims under the indemnity in the FCD relating to other losses alleged to have been suffered by various other entities controlled by Mr. Palmer.

Minimum Production Royalty Dispute

On 21 December 2017, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia, Proceeding CIV 3166/2017, in which it revived its claim for the minimum production royalty. Mineralogy seeks, among other things, payment by Sino Iron and Korean Steel each of US$97,802,036, and payment by the Company of US$195,604,070 pursuant to the guarantee and indemnity in the FCD.

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by factors outside their control. If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty on six million tonnes of product.

Mineralogy has applied to join Mr. Palmer (as a plaintiff) and the Company (as a defendant) to this proceeding. Mineralogy has also indicated to the CITIC Parties that Mineralogy proposes to plead the following additional claims in an amended statement of claim:

(1) that Mineralogy is entitled to recover loss suffered as a result of the CITIC Parties' unconscionable conduct, under section 21 of the Australian Consumer Law; and

(2) that Mr. Palmer is entitled to recover loss suffered in relation to the CITIC Parties' failure to pay the minimum production royalty, pursuant to the indemnity in the FCD.

A hearing date has been set for 26 June 2018 for CITIC Parties' application that the proceeding be permanently stayed or dismissed, or the statement of claim be struck out, and Mineralogy's application to join Mr. Palmer (as a plaintiff) and the Company (as a defendant).

No trial date has been set for this proceeding.

Port Dispute

Sino Iron and Korean Steel, through their agent CITIC Pacific Mining Management Pty Ltd, have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. In 2013, Mineralogy commenced a proceeding in the Federal Court of Australia seeking declarations that the port terminal facilities had vested in it, that it was entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties, which regulate usage of the port infrastructure, have been terminated by it. The Federal Court refused to grant any of the relief sought by Mineralogy.

Mineralogy appealed the decision at first instance. The Full Court of the Federal Court of Australia dismissed the appeal on all grounds raised by Mineralogy. The Full Court found that Sino Iron and Korean Steel, and not Mineralogy, were solely responsible for the operation and maintenance of the port terminal facilities.

Mineralogy applied for special leave to appeal the decision of the Full Court to the High Court of Australia. On 15 September 2017, the High Court refused Mineralogy's application for special leave to appeal. A decision to refuse special leave is final and cannot be appealed. Accordingly, this proceeding is now at an end, save for the recovery by the CITIC Parties of their costs.

(iii) CITIC Resources Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (the Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT"), an indirect wholly-owned subsidiary of the Company ("Shanxi Claim A"). In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the inventories (the "Shanxi APO").

In January 2017, pursuant to a civil ruling of the Shanxi Court, Shanxi Claim A was transferred to the Public Security Bureau for determination in accordance with China's criminal procedures. As a result, Shanxi Claim A terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

In February 2017, the Shanxi Court ordered the lifting of the Shanxi APO.

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

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no provision was made in respect of Shanxi Claim B.

Pursuant to the final award of the ICC of 28 September 2017, the ICC has determined that it did not have jurisdiction over CACT and Shanxi Coal I/E for the purposes of arbitrating the Claim B.

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

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

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

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

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

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

15 DISCONTINUED OPERATIONS

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with China Overseas Land & Investment Limited ("China Overseas") to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. Completion of the transaction took place in September 2016.

The aggregate results of the discontinued operations were as follows:

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

Note:

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

FINANCIAL REVIEW AND ANALYSIS

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

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

Profit/(loss) and assets by business

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

Revenue by business

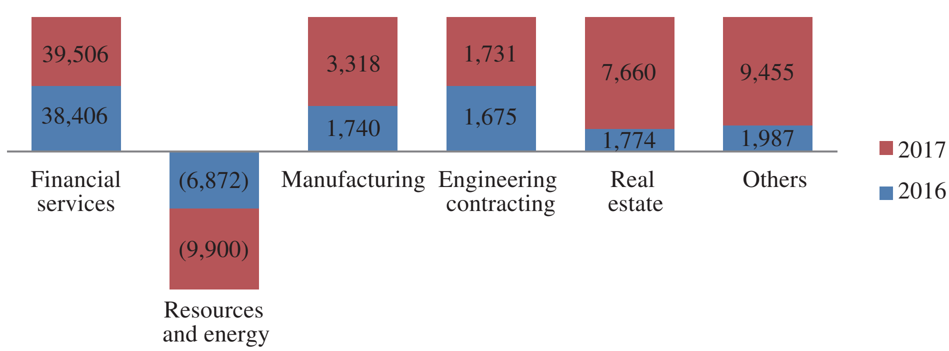
	For the year ended 31 December		Increase/(decrease)	
Continuing operations	**2017**	2016	Amount	%
In HK$ million		(Restated)		
Financial services	**190,028**	187,534	2,494	1%
Resources and energy	**63,456**	51,097	12,359	24%
Manufacturing	**97,432**	62,350	35,082	56%
Engineering contracting	**14,653**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

Revenue by nature

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

Profit Attributable to Ordinary Shareholders by Business

In HK$ million



Capital Expenditures

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

Group Financial Position

In HK$ million	**As at 31 December 2017**	As at 31 December 2016 (Restated)	Increase/(decrease) Amount	%
Total assets	**7,520,739**	7,239,489	281,250	4%
Loans and advances to customers and other parties	**3,721,886**	3,137,850	584,036	19%
Investments classified as receivables	**644,789**	1,166,325	(521,536)	(45%)
Cash and deposits	**924,584**	927,382	(2,798)	0%
Available-for-sale financial assets	**807,912**	642,477	165,435	26%
Held-to-maturity investments	**261,654**	244,151	17,503	7%
Fixed assets	**196,047**	173,326	22,721	13%
Inventories	**58,552**	49,000	9,552	19%
Total liabilities	**6,727,098**	6,542,816	184,282	3%
Deposits from customers	**4,056,158**	4,031,519	24,639	1%
Deposits from banks and non-bank financial institutions	**954,638**	1,097,164	(142,526)	(13%)
Debt instruments issued	**653,371**	543,893	109,478	20%
Borrowing from central banks	**284,818**	205,755	79,063	38%
Financial assets sold under repurchase agreements	**160,902**	134,534	26,368	20%
Bank and other loans	**142,442**	113,125	29,317	26%
Total ordinary shareholders' funds and perpetual capital securities	**550,951**	491,002	59,949	12%

Loans and advances to customers and other parties

As at 31 December 2017, the net loans and advances to customers and other parties of the Group was HK$3,721,886 million, an increase of HK$584,036 million, 19% compared to 31 December 2016. The proportion of loans and advances to customers and other parties to total assets was 49%, an increase of 6% compared to 31 December 2016.

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

Deposits from customers

As at 31 December 2017, deposits from customers of the financial institutions under the Group were HK$4,056,158 million, an increase of HK$24,639 million, 1% compared to 31 December 2016. The proportion of deposits from customers to total liabilities was 60%, a decrease of 2% compared to 31 December 2016.

In HK$ million	**As at 31 December 2017**	As at 31 December 2016 *(Restated)*	Increase/(decrease) Amount	%
Corporate deposits				
Time deposits	**1,463,098**	1,554,160	(91,062)	(6%)
Demand deposits	**1,947,517**	1,845,448	102,069	6%
Subtotal	**3,410,615**	3,399,608	11,007	0%
Personal deposits				
Time deposits	**357,069**	363,387	(6,318)	(2%)
Demand deposits	**281,084**	260,433	20,651	8%
Subtotal	**638,153**	623,820	14,333	2%
Outward remittance and remittance payables	**7,390**	8,091	(701)	(9%)
Total	**4,056,158**	4,031,519	24,639	1%

RISK MANAGEMENT

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

Financial Risk

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

Asset and liability management

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

1. *Debt*

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

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

The details of debt are as follows:

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

Note:

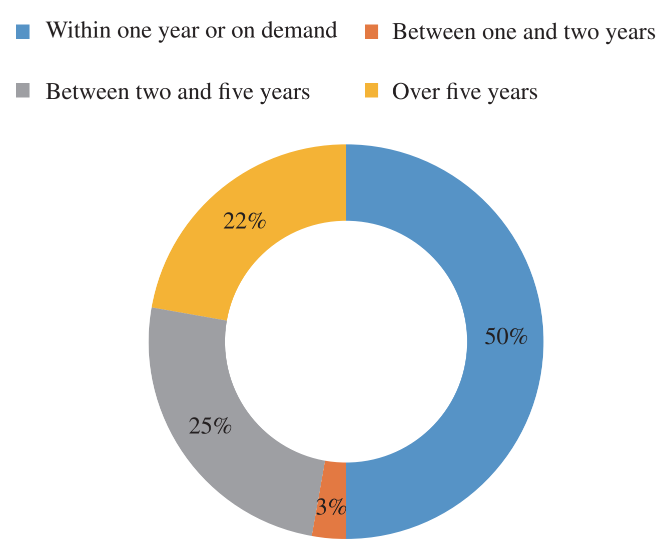
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

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

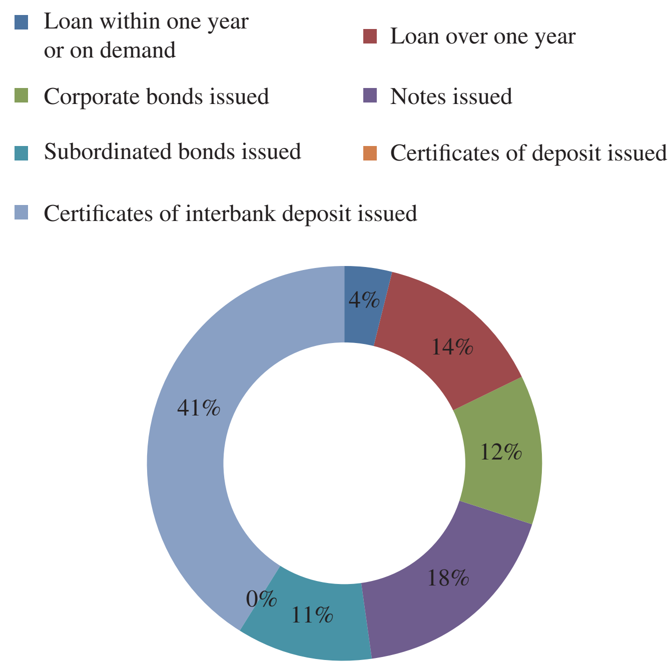
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

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

Consolidated debt by maturity as at 31 December 2017



Consolidated debt by type as at 31 December 2017



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

In HK$ million	**Consolidated**	**Head office**
Debt	795,813	86,274
Total equity(5)	793,641	399,146
Debt to equity ratio	100%	22%

Note:

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

2. *Liquidity risk management*

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

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

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

3. *Credit ratings*

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

Treasury risk management

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

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

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

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

1. *Interest rate risk*

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

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

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

2. *Currency risk*

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

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

3. *Counterparty risk for financial products*

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

4. *Commodity risk*

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

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

5. *Market price risk*

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

Economic Environment

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

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2017, CITIC Limited endeavoured to fulfil its staff, environmental, customer, industry and community responsibilities while developing its businesses and maximising shareholder value. We continue to foster five talent teams. One employee received the Friendship Award presented by the PRC government and three were named as experts entitled to a Government Special Allowance. In accordance with the Company's Green Management, Green Operations, Green Office approach, CITIC and its subsidiaries offered customers comprehensive solutions for the construction and operation of environmentally-friendly public works projects and services that contribute to a "Beautiful China". During the year, China CITIC Bank was recognised as *the Bank of the Year, China* awards held by *The Banker* magazine in the UK, while CITIC Construction's Geely Automobile Project in Belarus received the Honor Certificate on Design and Constriction for Industrial Building Projects in Belarus in 2016 by the Construction Department of Belarus. During the year, in support of China's national strategies we organised seminars on the Belt and Road and "going out" campaign, and established a strategic cooperation arrangement with the Ministry of Industry and Information Technology in line with the Made in China 2025 initiative. We also contributed to the Headquarter to Headquarter Strategic Platform with Tianjin for the continuing development of that city's regional and industrial economy. In 2017, our volunteer association increased to 30 teams working on behalf of CITIC youth volunteer organisations, with nearly 10,000 participants involved in volunteer activities during the year. In addition, we held an ESG preparation training course for over 60 ESG staff from functional departments and subsidiaries to improve our ESG capabilities and reporting.

Staff Development: build platforms for growth

During the year, we continued to implement our talent strategy and complied with all relevant labour laws and regulations. To protect the interests of our staff, we entered into or modified labour contracts and achieved a contract signing rate of 100% for the year. At CITIC Prudential, we adopted a new labour contract policy, under which staff initially signed a one-year fixed term labour contract without a probationary period clause, with a non-fixed term labour contract to be signed upon expiry. As of the end of 2017, CITIC Limited employed 243,036 staff, representing an increase of 115,426 as compared with the previous year[6].

We offer compensation on the basis of performance at rates that are competitive with the market. In 2017, CITIC Engineering Design & Construction invited consultants to help optimise its remuneration system and medium – and long-term incentive plan, while CITIC Press launched a base salary plan for strategic investment and innovative sectors. Throughout the Group, we continued to improve the insurance, benefit schemes, working hours and annual leave provisions offered to staff. For our young employees, we provided apartments and support services in Beijing where the housing shortage is acute. We continued to optimise our performance appraisal and remuneration systems during the year. Based on the different business characteristics and development stages of our subsidiaries, we introduced a differentiated appraisal mechanism and improved our industry benchmark matching system. This helped to create a closer link between performance appraisal results and staff remuneration/incentives, reflecting the Company's overall talent compensation and retention strategy.

Capitalised on our comprehensive strength and synergy among different businesses lines, we arranged for staff postings and exchanges between the headquarters and subsidiaries, among subsidiaries, and between CITIC and relevant provincial and municipal governments. This broadened the scope of our training for staff and gave them exposure to our diverse operations. We continue to foster five talent teams, which will function as a talent pool in support of the Company's development. In 2017, our subsidiaries organised more than 6,000 training programmes, with over 700,000 staff participating. Another scheme introduced by the Company during the year was the CITIC Excellence Training Project to help employees develop more versatile skills. In 2017, CITIC Bank initiated an employee certification training system, with 13,000 staff participating in online learning and certification examinations. CITIC Dicastal invited three groups of US Dicastal employees to take training in China. At CITIC Heavy Industries, we developed and reviewed 5 major categories of work and 12 skills upgrading courses. CITIC Pacific was awarded the Manpower Developer Award by the Employees Retraining Board (ERB) during the year.

Note:

(6) Headcounts of 112,360 from M China Management Limited were incorporated into the 2017 total

We understand our primary responsibility to employees is to protect their personal safety and health. As part of our commitment to safety management, we provided training in 2017 focusing on safe production and inspected key business units and subsidiaries. During the year, CITIC Mining International held a forum on safety management for contractors on the topics of health, safety and the environment. At CITIC Resources, we organise a comprehensive annual emergency practice drill at the onshore terminal processing plant of Yuedong oilfield to enhance safe production, poison control, and the handling of oil tank fires.

Environmental Responsibilities: contribute to a harmonious environment

During the year, we continued to improve our environmental management system and laid a solid foundation for the ongoing enhancement of our environmental management systems. CITIC Mining International continued its environmental programme, SinoSAFE ENVIRONMENT during the year. Under this programme, it carried out tests and inspections on the condition of local plant life and quality of surface water and seawater in the onshore and offshore habitats surrounding its projects, with each department taking responsibility for managing its waste. CITIC Heavy Industries made a greater effort to minimise energy waste by conducting 96 inspections that uncovered 100 instances of energy wastage throughout the year. CITIC Construction required all business and project departments to plan for green construction and minimise the use of resources and energy. It also encouraged the departments to mitigate the environmental impacts of their operations on the natural and social environment through careful management and technological innovation.

We are committed to implementing green operation and management to align our efforts with national industrial transformation so as to achieve green and low-carbon development. In our financial services businesses, CITIC Bank established its Green Credit Policies for 2017 and began incorporating a green appraisal system in all of its branches. CITIC Bank also started to evaluate customers according to industries classified as having high pollution/high emissions and overcapacity. It then decided whether to continue supporting these customers or gradually exit from them. In cooperation with the People's Government of Rugao City, Jiangsu Province, CITIC Trust launched an RMB3 billion trust project, the CITIC Minhui 52•Trust Fund Scheme for the Development of Energy Saving and New Energy Automobile Industry, to support new-energy automobile projects.

In 2017, the Yuedong Oilfield of CITIC Resources adopted a variety of initiatives to reduce pollution and emissions during oil production, exploration and transportation, such as substituting heating systems, which effectively reduced oxynitride, sulphur dioxide and other pollutants. The subsidiaries of CITIC Pacific Special Steel, including Xingcheng Special Steel, XinYegang Steel and Qingdao Special Steel, completed the enclosure of their stock yards and blast furnaces to comply with national standards. CITIC Dicastal converted its sewage treatment and reclaimed water recycling plant during the year, which doubled its treatment capacity to 800 tons per day. The reclaimed water recycled at the plant is being used for landscaping and environmental maintenance.

To conserve resources and energy, the Karazhanbas Oilfield of CITIC Resources conducted regular dedusting and desalting works for its electrical devices, and installed electricity-saving devices to reduce energy consumption. This resulted in an annual electricity consumption decrease of 2.5 million kwh for the year. CITIC Heavy Industries conducted a statistical analysis of its steam data using steam meters to control the valve opening of each unit, which reduced steam consumption from January to March 2017 by 5.69% as compared with the last corresponding period, without affecting the amount of heat generated.

The headquarters building of CITIC Limited outsourced its printing requirements during the year in order to reduce the cost of labour and materials used in printing. It is estimated that the Company will save 15–20% in annual printing expenses and reduce emissions from toner particles and ozone generated during the printing process. CITIC Securities also established new rules governing the use of company vehicles and investigated monthly vehicle oil consumption to avoid waste.

According to the call for Building a Beautiful China at the 19th People's Congress, we have been working together with our member companies to provide comprehensive solutions, such as consulting services, design management, joint investment, and project contracting. We have also been actively participating in the provision of social public goods and services, including a household waste incineration project in Yinzhou District, Ningbo City, and a water recycling project at the Karazhanbas Oilfield.

Responsibility to Customers: enhance our brand prestige and credibility

At CITIC, we have strengthened our quality control systems to prevent and minimise the risk of product failure. At CITIC Dicastal, complaints about quality are addressed in meetings and through regular analysis and communication to resolve customer concerns on time and on site. The Geely Automobile Project in Belarus of CITIC Construction was awarded a certificate for its industrial construction projects by the Ministry of Construction. Another team working on the Kungrad soda and Dehkanabad potash projects in Uzbekistan won a China-Uzbekistan friendship award.

We focus our efforts to meet customers' need and concern to continuously standardize our services. At CITIC-Prudential LIFE, a direct settlement of claims service was piloted to seamlessly integrate the systems between hospitals and the Company. This service is capable of transmitting insurance claims information in real-time via the Internet to settle claims with "zero stand-by time and with no hassle". To expand the breadth and depth of IT management, CITIC Heavy Industries built an intelligent service platform to enhance the customer experience to tap business potential in the current client base and to interact with clients on more levels.

To protect the rights of consumers, the CITIC Securities Information Technology Center developed a set of Information System Security Management Methods to ensure the security of its data and safeguard customer information.

In response to the Protecting Investors • Understanding Regulations and Clarifying Risks initiative of the China Securities Regulatory Commission, CITIC Securities organised a publicity campaign on topics such as insider trading, market manipulation, illegal information disclosure and illegal operations that ran to the end of 2017.

Industry Responsibility: grow with our peers

We put a high priority on our relationship with the government. While focusing on our own business, we have also contributed to the development of the local economies and communities where we operate. Guided by the philosophy that if we are not the leader in an industry, we will cooperate with the leader in that industry, we will continue to partner up with best peers.

According to the national Big Synergy strategy, we work closely with our industry peers. In 2017, the Company held a seminar on the Belt and Road and Go Global campaign. We also established close relationships with various domestic and foreign governmental authorities, large companies, financial institutions and international organisations in order to make our key projects a reality. In addition, we collaborated with the Ministry of Industry and Information Technology to explore new development models and finance projects under the Made in China 2025 initiative. After entering strategic cooperation agreements in Beijing and Hebei province, we established a senior level platform with Tianjin to cooperate on projects such as traffic system integration, environmental protection and industrial transfer. We also worked with urban groups in the Yangtze River Economic Zone, Jinshan District in Shanghai, Wuhan Changjiang New Town and Nantong Economic Development Zone on city integration and big data projects.

In the process of fulfilling our own social responsibilities, we have been working with our supply chain to establish a shared value system.

We have also been active in promoting the development of industry. The Yuedong Oilfield under CITIC Resources, for example, has developed a marching-type workover rig with self-balanced derrick that has obtained national utility model patent and received a Science and Technology Advancement Award of Liaohe Oilfield (Grade I). Other innovations include CITIC Engineering's Design Guidelines for Urban Integrated Utility Tunnels and other guidelines for the design industry. To combat piracy and infringement of rights, CITIC Press joined the Anti-piracy Alliance of Beijing 15 Publishing House and cooperated with law enforcement agencies to track down pirated books.

As anti-corruption is a top priority in our internal risk control, on a semi-annual basis we review the Code of Conduct of CITIC Limited and its subsidiaries. We have also established a supervision and reporting system and investigated the performance and behaviour of management personnel in our subsidiaries. What's more, we instituted a system to supervise the security of our overseas assets. During the year, we held training sessions for the functional departments and supervisors at our subsidiaries in Hong Kong and studied Hong Kong's business environment and regulatory policies.

Community Responsibility: aid prosperous communities

Given the close relationships between Mainland China and Hong Kong and Macau, we have been investing in a number of public welfare projects in the two SARs. During the year, CITIC Limited also continued to host interns from Hong Kong, including internship positions for 34 students from several Hong Kong universities at companies such as CITIC Bank and CITIC Securities. CITIC Pacific also donated HK$460,000 to the Education University of Hong Kong in support of its Integrated Centre for Wellbeing project, which provides therapy for children with special educational needs and developmental disabilities. When Typhoon Hato struck Macau in August 2017, CTM of CITIC Telecom International established an Emergency Assistance Program for Telecommunication Facilities to help with the reconstruction of the city.

Moreover, capitalised on our business strength, we initiated various charitable activities with CITIC characteristic. CITIC Trust started the first charitable trust with two trustees in Beijing – the 2016 Ala Shan SEE (Society of Entrepreneurs & Ecology) Environmental Charitable Trust, with CITIC and the Beijing Entrepreneur Environmental Protection Fund acting as trustees and China Soft Capital acting as trustor. This marked an important milestone in cooperation between a financial entity and environmental charity. CITIC Trust also formally established the 2017 Shunde Community Charitable Trust under the CITIC • He Xiangjian Charity Foundation with funding of RMB500 million, the largest charitable trust in China's trust industry to date. For the Smiling Rainbow, Care for Special Children – Beijing Station programme, CITIC Press donated more than 100 children's picture books to the China Rehabilitation Research Center for Hearing and Speech Impairment, a member of the Charity Alliance for Hearing-impaired Children.

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

CORPORATE GOVERNANCE

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. A full description of CITIC Limited's corporate governance will be set out in the section of Corporate Governance contained in the Annual Report 2017.

CITIC Limited has applied the principles and complied with all the code provisions of the corporate governance code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the board, consisting of five non-executive directors of whom three are independent, reviewed the 2017 consolidated financial statements and the annual results for the year ended 31 December 2017 in conjunction with the management and CITIC Limited's external auditor and recommended its adoption by the board.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have resolved to recommend to shareholders the payment of a final dividend of HK$0.25 per share (2016: HK$0.23 per share), which together with the interim dividend of HK$0.11 per share (2016: HK$0.10 per share) already paid makes a total dividend of HK $0.36 per share (2016: HK$0.33 per share) for the year ended 31 December 2017. The total dividend of HK$0.36 per share will amount to HK$10,473 million of CITIC Limited's profit for the year ended 31 December 2017 (2016: HK$9,600 million).

The proposed final dividend of HK$0.25 per share, the payment of which is subject to approval of the shareholders at the annual general meeting of CITIC Limited to be held on Thursday, 14 June 2018 ("2018 AGM"), is to be payable on Thursday, 5 July 2018 to shareholders whose names appear on the Register of Members of CITIC Limited on Monday, 25 June 2018.

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

(i) from Friday, 8 June 2018 to Thursday, 14 June 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 7 June 2018; and

(ii) from Thursday, 21 June 2018 to Monday, 25 June 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 20 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the year ended 31 December 2017.

FORWARD LOOKING STATEMENTS

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

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

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement is posted on CITIC Limited's website (www.citic.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The full Annual Report will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 20 April 2018.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 28 March 2018

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