CITIC Limited
中國中信股份有限公司

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

ANNOUNCEMENT

FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF CITIC CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

The financial statements and auditor's report of CITIC Corporation for the year ended 31 December 2017 are available on China Bond, China Money and Shanghai Clearing House at www.chinabond.com.cn, www.chinamoney.com.cn and www.shclearing.com, respectively, and are set out at the end of this announcement.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 27 April 2018

As at the date of this announcement, the executive directors of the Company are Mr Chang Zhenming (Chairman), Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian; the non-executive directors of the Company are Mr 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 the Company are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Ms Lee Boo Jin, Mr Paul Chow Man Yiu and Mr Shohei Harada.

CITIC CORPORATION LIMITED

FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

CITIC CORPORATION LIMITED

Financial Statements and Auditor's Report
For the year ended 31 December 2017
[English translation for reference only]

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Auditor's Report

PwC ZT Shen Zi (2018) No. 25137

To the Board of Directors of CITIC Corporation Limited,

Opinion

What we have audited

We have audited the accompanying financial statements of CITIC Corporation Limited (hereinafter "CITIC Corporation"), which comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in owners' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CITIC Corporation as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of CITIC Corporation in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing these financial statements, management is responsible for assessing CITIC Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate CITIC Corporation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CITIC Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CITIC Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CITIC Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CITIC Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai , the People's Republic of China

28 March 2018

CITIC CORPORATION LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Assets	Note	31 December 2017	31 December 2016 (Restated)
Cash and deposits	6(1)	747,606,800	810,389,375
Placements with banks and non-bank financial institutions	6(2)	171,650,383	167,207,891
Financial assets at fair value through profit or loss	6(3)	75,855,420	69,609,531
Derivative financial instruments	6(4)	66,203,044	47,604,014
Trade and other receivables	6(5)	112,864,432	116,948,977
Inventories	6(6)	19,840,361	19,436,091
Financial assets held under resale agreements	6(7)	54,625,933	173,190,986
Loans and advances to customers and other parties	6(8)	3,115,806,170	2,807,157,088
Available-for-sale financial assets	6(9)	667,412,396	567,006,461
Held-to-maturity investments	6(10)	218,702,786	218,393,136
Investments classified as receivables	6(11)	538,985,157	1,043,289,575
Long-term equity investments	6(12)	58,631,339	52,022,970
Investment properties	6(13)	4,204,706	4,003,390
Fixed assets	6(14)	41,676,485	38,100,028
Construction in progress	6(15)	12,758,058	9,449,071
Intangible assets	6(16)	23,927,863	23,593,592
Goodwill	6(17)	8,286,807	8,377,578
Deferred tax assets	6(18)	23,921,974	14,578,545
Other assets		38,786,402	33,305,088
Total assets		6,001,746,516	6,223,663,387

Approved by the board of directors on 28 March 2018.

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

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Liabilities and owners' equity	Note	31 December 2017	31 December 2016 (Restated)
Liabilities			
Borrowing from central banks	6(19)	238,082,461	184,050,000
Placements from banks and non-bank financial institutions	6(21)	75,341,379	83,722,646
Derivative financial instruments	6(4)	65,295,254	45,068,448
Trade and other payables	6(22)	144,634,268	149,157,155
Financial assets sold under repurchase agreements	6(23)	134,499,933	120,342,029
Deposits from banks and non-bank financial institutions and customers	6(24)	4,196,767,258	4,597,801,658
Employee benefits payables	6(25)	15,165,497	15,053,993
Taxes payable	4(3)	13,092,071	10,422,654
Bank and other loans	6(26)	43,420,072	47,539,959
Debt instruments issued	6(27)	488,817,567	432,353,847
Provisions	6(28)	2,705,096	1,489,976
Deferred tax liabilities	6(18)	2,204,279	1,964,803
Other liabilities		21,149,185	18,590,961
Total liabilities		5,441,174,320	5,707,558,129
Owners' equity			
Paid-in capital	6(29)	139,000,000	139,000,000
Capital reserve	6(30)	39,485,307	40,329,661
Other comprehensive income	6(31)	(6,985,379)	556,823
Surplus reserve	6(32)	7,392,237	5,982,516
General reserve	6(33)	36,617,842	36,105,518
Retained earnings	6(34)	154,070,403	118,631,997
Total equity attributable to owners of the Company		369,580,410	340,606,515
Non-controlling interests		190,991,786	175,498,743
Total owners' equity		560,572,196	516,105,258
Total liabilities and owners' equity		6,001,746,516	6,223,663,387

Approved by the board of directors on 28 March 2018.

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

The notes on pages 12 to 184 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

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

Assets	Note	31 December 2017	31 December 2016
Cash and deposits	6(1)	19,201,006	15,857,709
Financial assets at fair value through profit or loss	6(3)	1,845,193	2,502,765
Trade and other receivables	6(5)	31,459,422	26,593,361
Loans and advances to customers and other parties	6(8)	8,865,759	11,044,002
Available-for-sale financial assets	6(9)	14,071,295	10,380,811
Long-term equity investments	6(12)	215,009,879	211,703,075
Fixed assets	6(14)	579,763	614,148
Intangible assets		2,567	-
Other assets		-	2,495
Total assets		291,034,884	278,698,366
Liabilities and owners' equity			
Liabilities			
Trade and other payables	6(22)	16,017,589	12,510,312
Taxes payable		4,166	6,209
Debt instruments issued	6(27)	42,811,165	41,240,807
Provisions		700,000	700,000
Deferred tax liabilities	6(18)	528,119	215,269
Other liabilities		2,110,299	2,044,926
Total liabilities		62,171,338	56,717,523
Owners' equity			
Paid-in capital	6(29)	139,000,000	139,000,000
Capital reserve	6(30)	49,614,251	50,268,921
Other comprehensive income	6(31)	294,221	952,845
Surplus reserve	6(32)	7,392,237	5,982,516
Retained earnings		32,562,837	25,776,561
Total owners' equity		228,863,546	221,980,843
Total liabilities and owners' equity		291,034,884	278,698,366

Approved by the board of directors on 28 March 2018.

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

The notes on pages 12 to 184 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note	2017	2016 (Restated)
Operating income	6(35)	267,804,649	246,718,817
Less: Total operating costs	6(37)	204,855,417	190,439,443
Including: Operating costs	6(36)	83,319,941	73,519,905
Taxes and surcharges		2,053,592	5,688,323
Selling and distribution expenses		2,056,594	2,710,390
General and administrative expenses		52,935,781	49,868,137
Financial expenses	6(38)	3,249,973	3,125,499
Impairment losses	6(39)	61,239,536	55,527,189
Add: (Loss)/gain from changes in fair value	6(40)	(444,271)	183,350
Investment income	6(41)	8,774,707	13,288,776
(Including: Income from investments in associates and joint ventures)		2,689,825	982,968
Assets disposal gain	6(42)	5,503	105,094
Other gain		501,139	-
Operating profit		71,786,310	69,856,594
Add: Non-operating income		1,190,499	1,755,819
Less: Non-operating expenses		419,581	1,012,964
Profit before income tax	6(37)	72,557,228	70,599,449
Less: Income tax expense	6(43)	12,623,269	15,837,423
Net profit for the year		59,933,959	54,762,026
Including: Net profit of the entity before business combination under common control	6(55)	29,125	48,962
Attributable to:			
Owners of the Company		43,105,451	39,757,293
Non-controlling interests		16,828,508	15,004,733
Continuing operations		59,933,959	54,762,026
Discontinued operations	6(54)	-	-
Other comprehensive income, net of tax	6(44)	(11,113,340)	(4,898,890)
Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		250,045	34,728
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		(9,083,605)	(7,511,503)
3. Effective hedging portion of gains or losses arising from cash flow hedging instruments		525,396	523,900
4. Translation differences arising on translation of foreign currency financial statements and others		(2,805,176)	2,053,985
Total comprehensive income for the year		48,820,619	49,863,136
Attributable to:			
Owners of the Company		35,563,249	37,050,132
Non-controlling interests		13,257,370	12,813,004

Approved by the board of directors on 28 March 2018.

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

The notes on pages 12 to 184 form part of these financial statements.

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note	2017	2016
Operating income	6(35)	17,283,948	15,400,087
Less: Total operating costs		2,588,461	2,921,628
Including: Taxes and surcharges		8,186	64,088
General and administrative expenses		626,304	670,749
Financial expenses	6(38)	2,055,731	2,244,860
Impairment losses		(101,760)	(58,069)
Add: Assets disposal gain/(loss)	6(42)	1,064	(340)
Operating profit		14,696,551	12,478,119
Add: Non-operating income		17	-
Less: Non-operating expenses		3,880	-
Profit before income tax		14,692,688	12,478,119
Less: Income tax expense	6(43)	595,485	(165,175)
Net profit for the year		14,097,203	12,643,294
Other comprehensive income, net of tax	6(44)	(658,624)	(129,024)
Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		216,430	(270,630)
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		(875,054)	141,606
Total comprehensive income for the year		13,438,579	12,514,270

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 184 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2017	2016 (Restated)
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		98,445,772	80,567,660
Net decrease in deposits with banks and non-bank financial institutions		-	6,211,926
Net increase in deposits from customers		-	452,263,450
Net decrease in deposits with central banks		14,351,497	-
Net increase in borrowing from central banks		54,032,461	146,550,000
Net decrease in investments classified as receivables		504,061,935	71,430,892
Net increase in placements from banks and non-bank financial institutions		-	33,746,946
Interests, fee and commission received		285,121,037	267,515,796
Net decrease in placements with banks and non-bank financial institutions		10,896,172	-
Net increase in financial assets sold under repurchase agreements		14,161,850	49,171,739
Net decrease in financial assets held under resale agreements		118,565,054	-
Net decrease in financial assets at fair value through profit or loss		15,743,520	-
Refund of taxes		991,769	712,376
Cash received from other operating activities		18,136,110	61,239,085
Sub-total of cash inflows from operating activities		1,134,507,177	1,169,409,870
Cash paid for goods and services		(82,479,754)	(69,111,446)
Net increase in loans and advance to customers and other parties		(368,180,230)	(363,525,884)
Net increase in deposits with central banks		-	(45,765,730)
Net decrease in deposits from customers		(202,636,881)	-
Net decrease in deposits from banks and non-bank financial institutions		(182,881,011)	(87,179,111)
Net increase in deposits with banks and non-bank financial institutions		(7,237,671)	-
Net increase in placements with banks and non-bank financial institutions		-	(49,367,803)
Net decrease in placements from banks and non-bank financial institutions		(6,755,696)	-
Net increase in financial assets held under resale agreements		-	(34,583,175)
Net increase in financial assets at fair value through profit or loss		-	(36,012,670)
Interests, fee and commission paid		(105,081,756)	(97,411,510)
Cash paid to and on behalf of employees		(34,537,974)	(31,656,178)
Cash paid for various taxes		(29,306,741)	(33,212,120)
Cash paid for other operating activities		(37,289,353)	(79,755,341)
Sub-total of cash outflows from operating activities		(1,056,387,067)	(927,580,968)
Net cash flow from operating activities	6(45)(a)	78,120,110	241,828,902

Approved by the board of directors on 28 March 2018.

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

CITIC CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2017	2016 (Restated)
Cash flows from investing activities:			
Cash received from disposal of financial investments		1,043,170,924	586,045,138
Cash received from returns on investments		5,229,820	3,098,209
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		60,294	407,225
Net cash received from disposal of associates and joint ventures		1,715,728	120,212
Net cash received from disposal of subsidiaries	6(45)(d)	341,757	-
Cash received from other investing activities		3,577,653	4,667,656
Sub-total of cash inflows from investing activities		1,054,096,176	594,338,440
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(12,905,832)	(11,914,322)
Cash paid for acquisition of financial investments		(1,179,546,177)	(734,447,303)
Net cash payment for disposal of subsidiaries	6(45)(d)	-	(9,847,432)
Net cash payment for acquisition of subsidiaries		(511,865)	(1,393,189)
Net cash payment for acquisition of associates and joint ventures		(2,758,644)	(4,140,385)
Cash paid for other investing activities		(4,277,809)	(4,295,594)
Sub-total of cash outflows from investing activities		(1,200,000,327)	(766,038,225)
Net cash flows from investing activities		(145,904,151)	(171,699,785)
Cash flows from financing activities:			
Cash received from capital contributions		354,500	546,526
(Including: Cash received by subsidiaries from non-controlling interests)		354,500	546,526
Cash received from new banks and other loans		44,333,959	41,455,091
Cash received from issuance of new debt instruments		870,804,509	620,906,807
Cash received from issuance of preferred shares and other equity instruments		1,153,544	39,432,685
Transactions with non-controlling interests	6(56)	7,824,467	-
Cash received from other financing activities		1,202,003	515,567
Sub-total of cash inflows from financing activities		925,672,982	702,856,676
Cash paid for repayment of banks and other loans and debt instruments issued		(852,672,400)	(580,914,454)
Cash paid for dividends, profit distributions or interest		(31,389,523)	(34,095,480)
(Including: Dividends and profits paid by subsidiaries to non-controlling interests)		(6,330,712)	(4,404,691)
Transactions with non-controlling interests		-	(5,325,922)
Cash paid for other financing activities		(1,070,167)	(2,586,869)
Sub-total of cash outflows from financing activities		(885,132,090)	(622,922,725)
Net cash flows from financing activities		40,540,892	79,933,951
Effect of foreign exchange rate changes on cash and cash equivalents		(7,797,331)	6,684,540
Net (decrease)/increase in cash and cash equivalents	6(45)(b)	(35,040,480)	156,747,608
Add: Cash and cash equivalents at the beginning of the year	6(45)(c)	426,187,961	269,440,353
Cash and cash equivalents at the end of the year	6(45)(c)	391,147,481	426,187,961

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 184 form part of these financial statements.

CITIC CORPORATION LIMITED

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

	Note	2017	2016
Cash flows from operating activities:			
Interests, fee and commission received		684,883	2,180,723
Cash received from other operating activities		12,298,002	16,420,548
Sub-total of cash inflows from operating activities		12,982,885	18,601,271
Interests, fee and commission paid		(657)	(2,384)
Cash paid for various taxes		(61,190)	(1,215,204)
Cash paid for other operating activities		(6,176,203)	(6,815,183)
Sub-total of cash outflows from operating activities		(6,238,050)	(8,032,771)
Net cash flow from operating activities	6(45)(a)	6,744,835	10,568,500
Cash flows from investing activities:			
Cash received from disposal of investments		6,770,945	29,149,766
Sub-total of cash inflows from investing activities		6,770,945	29,149,766
Cash paid for acquisition of investments		(5,632,219)	(25,852,198)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(3,950)	(5,773)
Entrusted loans to subsidiaries		(3,210,000)	(552,870)
Sub-total of cash outflows from investing activities		(8,846,169)	(26,410,841)
Net cash flows from investing activities		(2,075,224)	2,738,925
Cash flows from financing activities:			
Cash received from issuance of new debt instruments		6,000,000	15,000,000
Cash received from new bank and other loans		-	3,619,700
Sub-total of cash inflows from financing activities		6,000,000	18,619,700
Cash paid for repayment of bank and other loans and debt instruments issued		(4,500,000)	(24,419,700)
Interest paid		(2,042,100)	(2,830,723)
Cash paid for dividends or profit distributions		(3,539,000)	(7,000,000)
Sub-total of cash outflows from financing activities		(10,081,100)	(34,250,423)
Net cash flows from financing activities		(4,081,100)	(15,630,723)
Effect of foreign exchange rate changes on cash and cash equivalents		(706)	16,331
Net increase /(decrease) in cash and cash equivalents	6(45)(b)	587,805	(2,306,967)
Add: Cash and cash equivalents at the beginning of the year	6(45)(c)	13,470,864	15,777,831
Cash and cash equivalents at the end of the year	6(45)(c)	14,058,669	13,470,864

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 184 form part of these financial statements.

CITIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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

		Attributable to owners of the Company								
Item	**Note**	**Paid-in capital**	**Capital reserve**	**Other comprehensive income**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
Balance at 1 January 2017 (Previously reported)		139,000,000	40,078,654	556,541	5,982,516	36,105,518	118,552,754	340,275,983	175,093,953	515,369,936
Business combination under common control	6(55)	-	251,007	282	-	-	79,243	330,532	404,790	735,322
Balance at 1 January 2017(Restated)		139,000,000	40,329,661	556,823	5,982,516	36,105,518	118,631,997	340,606,515	175,498,743	516,105,258
Movements for the year ended 31 December 2017										
Total comprehensive income		-	-	(7,542,202)	-	-	43,105,451	35,563,249	13,257,370	48,820,619
Capital contribution and withdrawal by owners										
1. Capital contribution by owners		-	-	-	-	-	-	-	354,500	354,500
2. Issue of other equity instruments by subsidiaries		-	-	-	-	-	-	-	1,153,544	1,153,544
3. New subsidiaries		-	-	-	-	-	-	-	116,955	116,955
4. Transactions with non-controlling interests	6(56)	-	233,043	-	-	-	-	233,043	7,564,344	7,797,387
5. Acquire a subsidiary under common control through capital injection	6(55)	-	(460,011)	-	-	-	-	(460,011)	460,011	-
6. Disposal of subsidiaries	6(45)(d)	-	-	-	-	-	-	-	(217,930)	(217,930)
7. Disposal of an associate		-	(601,480)	-	-	-	-	(601,480)	-	(601,480)
Profit distribution										
1. Appropriation to surplus reserve	6(32)	-	-	-	1,409,721	-	(1,409,721)	-	-	-
2. Appropriation to general reserve	6(33)	-	-	-	-	512,324	(512,324)	-	-	-
3. Profit distribution to owners		-	-	-	-	-	(5,745,000)	(5,745,000)	(6,966,607)	(12,711,607)
Others		-	(15,906)	-	-	-	-	(15,906)	(229,144)	(245,050)
Balance at 31 December 2017		139,000,000	39,485,307	(6,985,379)	7,392,237	36,617,842	154,070,403	369,580,410	190,991,786	560,572,196

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

CITIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Item	Note	Attributable to owners of the Company							Non-controlling interests	Total
		Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2016 (Previously reported)		139,000,000	38,050,059	3,266,332	4,718,187	29,708,529	89,660,183	304,403,290	132,766,840	437,170,130
Business combination under common control	6(55)	-	251,005	(2,348)	-	-	55,839	304,496	375,971	680,467
Balance at 1 January 2016(Restated)		139,000,000	38,301,064	3,263,984	4,718,187	29,708,529	89,716,022	304,707,786	133,142,811	437,850,597
Movements for the year ended 31 December 2016(Restated)										
Total comprehensive income		-	-	(2,707,161)	-	-	39,757,293	37,050,132	12,813,004	49,863,136
Capital contribution and withdrawal by owners										
1. Capital contribution by owners		-	-	-	-	-	-	-	565,676	565,676
2. Issue of preferred shares and other equity instruments by a subsidiary		-	-	-	-	-	-	-	39,458,433	39,458,433
3. New subsidiaries		-	-	-	-	-	-	-	113,075	113,075
4. Termination of part of put options		-	1,905,152	-	-	-	-	1,905,152	-	1,905,152
5. Dilution of share of interests in associates		-	120,736	-	-	-	-	120,736	-	120,736
6. Transactions with non-controlling interests		-	(84,811)	-	-	-	-	(84,811)	(5,241,111)	(5,325,922)
7. Disposal of subsidiaries	6(45)(d)	-	-	-	-	-	-	-	(915,227)	(915,227)
Profit distribution										
1. Appropriation to surplus reserve	6(32)	-	-	-	1,264,329	-	(1,264,329)	-	-	-
2. Appropriation to general reserve	6(33)	-	-	-	-	6,396,989	(6,396,989)	-	-	-
3. Profit distribution to owners		-	-	-	-	-	(3,180,000)	(3,180,000)	(4,404,691)	(7,584,691)
Others		-	87,520	-	-	-	-	87,520	(33,227)	54,293
Balance at 31 December 2016(Restated)		139,000,000	40,329,661	556,823	5,982,516	36,105,518	118,631,997	340,606,515	175,498,743	516,105,258

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 184 form part of these financial statements.

CITIC CORPORATION LIMITED

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in thousands of Renminbi Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2017		139,000,000	50,268,921	952,845	5,982,516	25,776,561	221,980,843
Movements for the year ended 31 December 2017							
Total comprehensive income		-	-	(658,624)	-	14,097,203	13,438,579
Appropriation to surplus reserve	6(32)	-	-	-	1,409,721	(1,409,721)	-
Profit distribution to owners		-	-	-	-	(5,745,000)	(5,745,000)
Subsidiary diluted as associate		-	-	-	-	(156,206)	(156,206)
Disposal of associates and joint ventures		-	(654,670)	-	-	-	(654,670)
Balance at 31 December 2017		139,000,000	49,614,251	294,221	7,392,237	32,562,837	228,863,546
Balance at 1 January 2016		139,000,000	50,268,921	1,081,869	4,718,187	17,577,596	212,646,573
Movements for the year ended 31 December 2016							
Total comprehensive income		-	-	(129,024)	-	12,643,294	12,514,270
Appropriation to surplus reserve	6(32)	-	-	-	1,264,329	(1,264,329)	-
Profit distribution to owners		-	-	-	-	(3,180,000)	(3,180,000)
Balance at 31 December 2016		139,000,000	50,268,921	952,845	5,982,516	25,776,561	221,980,843

Approved by the board of directors on 28 March 2018.

Legal Representative

The person in charge of accounting affairs

The head of the accounting department

The notes on pages 12 to 184 form part of these financial statements.

1 General information

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

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

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

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

2 Basis of preparation of financial statements

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

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

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

These financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 31 December 2017, and of their financial performance, cash flows and other information for the year then ended.

(2) Accounting year

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

(3) Functional currency and presentation currency

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

3 Significant accounting policies and accounting estimates

(1) Business combinations and consolidated financial statements

(a) Business combinations involving entities under common control

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

3 Significant accounting policies and accounting estimates (Continued)

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

(b) Business combinations not involving entities under common control

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

(c) Consolidated financial statements

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

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

3 Significant accounting policies and accounting estimates (Continued)

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

(c) Consolidated financial statements (Continued)

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

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(2) Translation of foreign currencies

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

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

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

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

(3) Cash and cash equivalents

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

(4) Inventories

(a) Manufacturing, resources and energy segments

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(4) Inventories (Continued)

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

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

(b) Real estate segment

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

- Property under development

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

- Completed property held for sale

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

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

3 Significant accounting policies and accounting estimates (Continued)

(5) Long-term equity investments

(a) Investments in subsidiaries

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

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

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

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

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

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

(b) Investments in joint venture and associates

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

3 Significant accounting policies and accounting estimates (Continued)

(5) Long-term equity investments (Continued)

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

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

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

Under the equity method:

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(6) Investment properties

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

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

(7) Fixed assets and construction in progress

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

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

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

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

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

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

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

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

(8) Operating lease charges

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(9) Intangible assets

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

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

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

Both the period and method of amortisation are reviewed annually.

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

3 Significant accounting policies and accounting estimates (Continued)

(10) Goodwill

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

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

(11) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments

(a) Initial recognition

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

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

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

(b) Categorisation

Financial assets at fair value through profit or loss

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

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

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

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

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

Loans and receivables

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(b) Categorisation (Continued)

Financial liabilities at fair value through the profit or loss

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

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

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

Other financial liabilities

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

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

(c) De-recognition

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(c) De-recognition (Continued)

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

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

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

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When the securitisation of financial assets that qualify for de-recognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets that partially qualify for de-recognition, where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

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

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

3 Significant accounting policies and accounting estimates (Continued)

(12) Financial instruments (Continued)

(d) Offsetting

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

(e) Derivatives

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

(f) Embedded derivatives

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

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

(13) Impairment of assets

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

(a) Financial assets

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

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

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

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

Loans and receivables

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

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

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

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(a) Financial assets (Continued)

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(b) Impairment of other assets

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

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(13) Impairment of assets (Continued)

(b) Impairment of other assets (Continued)

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

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

(14) Fair value measurement principles

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(15) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits – defined contribution plans

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

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

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

(c) Termination benefits

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(16) Income tax

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

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

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

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

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

(17) Financial guarantees issued, provisions and contingent liabilities

(a) Financial guarantees issued

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

3 Significant accounting policies and accounting estimates (Continued)

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

(a) Financial guarantees issued (Continued)

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

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

(b) Contingent liabilities assumed in business combinations

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

(c) Other provisions and contingent liabilities

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

3 Significant accounting policies and accounting estimates (Continued)

(17) Provisions and contingent liabilities (Continued)

(c) Other provisions and contingent liabilities (Continued)

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

(18) Revenue recognition

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

(a) Interest income

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

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

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

(b) Fee and commission income

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

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

3 Significant accounting policies and accounting estimates (Continued)

(18) Revenue recognition (Continued)

(c) Sales of goods and services

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

Service fee income is recognised when the services are rendered.

(d) Sales of properties

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

(e) Contract revenue

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

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

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

(f) Rental income from operating leases

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

(g) Dividend income

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

3 Significant accounting policies and accounting estimates (Continued)

(19) Government grants

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

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

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

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deuducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

3 Significant accounting policies and accounting estimates (Continued)

(20) Special reserve

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

(21) Borrowing costs

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

Other borrowing costs are recognised as financial expenses when incurred.

3 Significant accounting policies and accounting estimates (Continued)

(21) Borrowing costs (Continued)

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

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

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

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

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

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

(22) Hedging

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

3 Significant accounting policies and accounting estimates (Continued)

(22) Hedging (Continued)

(a) Cash flow hedge

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

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(22) Hedging (Continued)

(b) Fair value hedge

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

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

(c) Hedge effectiveness testing

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

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(23) Fiduciary activities

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

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

(24) Profit distributions

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

(25) Related parties

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

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

3 Significant accounting policies and accounting estimates (Continued)

(25) Related parties(continued)

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

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

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

(26) Segment reporting

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

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

3 Significant accounting policies and accounting estimates (Continued)

(26) Segment reporting(continued)

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

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

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

(27) Significant accounting estimates and judgements

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

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

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

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

Loans and advances to customers and other parties

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

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

Loans and advances to customers and other parties (Continued)

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

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

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

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

Investment classified as receivables

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

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

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

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

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

(c) Provision for inventories

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

(d) Impairment of non-financial assets

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

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

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

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

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

(f) Fair value of financial instruments

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

(g) Income taxes

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

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(g) Income taxes (Continued)

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

(h) Assets acquired/liabilities assumed in business combination

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

(i) De-recognition of financial assets

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

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

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

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

3 Significant accounting policies and accounting estimates (Continued)

(27) Significant accounting estimates and judgements (Continued)

(j) Consolidation of structured entities

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

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

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

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

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

4 Taxation

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

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

(2) The statutory income tax rate of the Company for the year ended 31 December 2017 is 25% (2016: 25%).

Except for certain subsidiaries of the Group which are entitled to preferential tax treatment, the statutory income tax rate applicable to the Group's other domestic subsidiaries for the year ended 31 December 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.

(3) Taxes payable

The Group

	31 December 2017	31 December 2016 (Restated)
Income tax payable	8,088,933	6,667,796
VAT unpayable	4,277,096	2,976,345
Others	726,042	778,513
	13,092,071	10,422,654

5 Subsidiaries

(1) As at 31 December 2017, the consolidated financial statements included the following subsidiaries:

Name of subsidiary	Place of registration	Principal place of business	Registered principal activities	Registered capital		Percentage of equity attributable to the Company direct / indirect
				In thousands	Currency	
China CITIC Bank Corporation Limited	Mainland China	Mainland China	Financial services	48,934,797	RMB	65.39%
CITIC Trust Co., Ltd.	Mainland China	Mainland China	Financial services	10,000,000	RMB	100%
CITIC Finance Company Limited	Mainland China	Mainland China	Financial services	2,820,000	RMB	100%
CITIC Metal Group Ltd.	Hong Kong	Hong Kong	Resources and energy	11,800,000	HKD	100%
CITIC Resources Holdings Limited (note (a))	Bermuda	Hong Kong	Resources and energy	500,000	HKD	59.5%
CITIC Australia Pty limited	Australia	Australia	Resources and energy	85,882	AUD	100%
CITIC Kazakhstan LLP	Kazakhstan	Kazakhstan	Resources and energy	10	USD	100%
CITIC Heavy Industries Co., Ltd.	Mainland China	Mainland China	Manufacturing	4,339,419	RMB	67.27%
CITIC Dicastal Co., Ltd.	Mainland China	Mainland China	Manufacturing	1,377,962	RMB	100%
CITIC Construction Company Limited	Mainland China	Mainland China	Engineering construction	6,637,000	RMB	100%
CITIC Engineering Design and Construction Company Limited	Mainland China	Mainland China	Engineering construction	1,000,000	RMB	100%
CITIC Urban Development & Operation Co., Ltd.	Mainland China	Mainland China	Real estate	7,860,000	RMB	100%
CITIC Heye Investment Co., Ltd.	Mainland China	Mainland China	Real estate	100,000	RMB	100%
CITIC Asset Operation Co., Ltd.	Mainland China	Mainland China	Real estate	200,000	RMB	100%
CITIC Capital Mansion Co., Ltd.	Mainland China	Mainland China	Real estate	800,000	RMB	100%
CITIC Building Property Management Co., Ltd.	Mainland China	Mainland China	Real estate	27,400	RMB	100%
CITIC Industrial Investment Group Corp., Ltd.	Mainland China	Mainland China	Infrastructure	1,600,000	RMB	100%
CITIC Environment Investment Group Co., Limited	Mainland China	Mainland China	Energy saving and environmental protection	4,000,000	RMB	100%
China Zhonghaizhi Corporation	Mainland China	Mainland China	General aviation	1,000,000	RMB	51.03%
CITIC Investment Holdings Limited	Mainland China	Mainland China	Investment and holding	928,000	RMB	100%
CITIC Asia Satellite Holding Company Limited (Note (b))	British Virgin Islands	Hong Kong	Information industry	60,524	USD	100%
CITIC Press Corporation	Mainland China	Mainland China	Publishing	142,614	RMB	88.00%
CITIC Holdings Co., Ltd.	Mainland China	Mainland China	Service	650,000	RMB	100%
CITIC Tourism Group Co., Ltd.	Mainland China	Mainland China	Service	185,900	RMB	100%

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

5 Subsidiaries (Continued)

(1) As at 31 December 2017, the consolidated financial statements included the following subsidiaries (Continued) :

Note:

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

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

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

(2) Material non-controlling interests

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

Name of subsidiary	Proportion of equity interest held by NCI	Profit for 2017 allocated to NCI	Dividends paid to NCI during 2017	Accumulated balances of NCI at 31 December 2017
CITIC Bank Corporation Limited ("CITIC Bank")	34.61%	15,912,750	294,435	173,966,208
CITIC Heavy Industries Limited Corporation Limited ("CITIC Heavy Industries")	32.73%	44,891	4,244	2,501,878
CITIC Resources	40.50%	152,825	-	1,954,999

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

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

5 Subsidiaries (Continued)

(2) Material non-controlling interests (Continued)

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

	CITIC Bank		CITIC Heavy Industries		CITIC Resources	
	2017	2016	2017	2016	2017	2016
Listed in	Hong Kong and Shanghai		Shanghai		Hong Kong	
Total assets	5,677,690,501	5,931,050,444	19,710,794	19,774,273	11,813,846	11,869,029
Total liabilities	(5,265,258,195)	(5,546,554,632)	(12,400,358)	(12,556,642)	(6,842,731)	(7,668,150)
Operating income	156,507,388	153,781,177	4,620,580	3,771,394	3,125,341	2,527,385
Net profit	42,566,062	41,786,459	65,961	(1,565,134)	420,341	294,254
Total comprehensive income	31,923,868	37,061,606	68,654	(1,565,704)	1,202,553	505,153
Cash flows from operating activities	54,073,807	218,811,233	565,922	(713,720)	638,835	208,239

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

6 Notes to the consolidated financial statements

(1) Cash and deposits

The Group

	31 December 2017	31 December 2016 (Restated)
Cash	6,765,238	7,499,625
Bank deposits	21,902,525	26,338,272
Balances with central banks (note (a))		
- Statutory deposit reserve funds(note (b))	464,305,589	465,816,681
- Surplus deposit reserve funds (note (c))	89,288,020	58,854,588
- Fiscal deposits(note (d))	4,082,783	3,568,225
- Foreign exchange reserves(note (e))	5,445,741	18,865,324
Deposits with banks and non-bank financial institutions	155,816,904	229,480,476
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions(Note6(20))	-	(33,816)
	747,606,800	810,389,375

Notes:

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

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

As at 31 December 2017, the statutory deposit reserve placed by CITIC Bank with the People’s Bank of China was calculated at 15% (31 December 2016: 15%) of eligible RMB deposits for domestic branches of CITIC Bank and at 15% (31 December 2016: 15%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2016:5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 31 December 2017.

As at 31 December 2017, the statutory RMB deposit reserve rate applicable to Zhejiang Lin’an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2016: 9%).

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

As at 31 December 2017, the statutory deposit reserve placed by CITIC Finance with the People’s Bank of China was calculated at 7% (31 December 2016: 7%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2017, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2016: 5%) of its foreign currency deposits from the customers as statutory deposit reserve.

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

6 Notes to the consolidated financial statements (Continued)

(1) Cash and deposits (Continued)

Notes: (Continued)

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

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

(e) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2016: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months. According to the notice issued by the People's Bank of China on 11 September 2017, the rate of the foreign exchange reserve for forward transactions has been reduced to 0%. The foreign exchange reserve remained in the account will be released on maturity.

(f) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, RMB 956 million (31 December 2016: RMB 4,583 million) included in cash and deposits as at 31 December 2017 are restricted in use. They mainly include guaranteed deposits.

The Company

	31 December 2017	31 December 2016
Cash	52	3
Bank deposits	19,200,954	15,857,706
	19,201,006	15,857,709

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

The Group

	31 December 2017	31 December 2016
Banks	53,004,334	28,923,666
Non-bank financial institutions	118,646,734	138,292,923
	171,651,068	167,216,589
Less: allowance for impairment losses(Note 6(20))	(685)	(8,698)
	171,650,383	167,207,891

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

6 Notes to the consolidated financial statements (Continued)

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

The Group

	31 December 2017	31 December 2016
Held for trading purpose		
- Debt trading financial assets	38,728,712	9,630,301
- Investment funds	4,885,321	2,305,048
- Certificates of interbank deposit	19,400,437	50,699,053
- Trading equity investments	147,127	169,143
	63,161,597	62,803,545
Financial assets designated at fair value through profit or loss		
- Debt securities	3,251,724	4,580,546
- Equity investment	6,165,336	-
- Others	3,276,763	2,225,440
	12,693,823	6,805,986
	75,855,420	69,609,531

The Company

	31 December 2017	31 December 2016
Held for trading purpose		
- Investment funds	812,470	320,082
- Trading equity investments	13,344	13,488
	825,814	333,570
Financial assets designated at fair value through profit or loss		
- Others	1,019,379	2,169,195
	1,845,193	2,502,765

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments

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

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

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

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

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments (Continued)

The Group

	31 December 2017			31 December 2016		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Hedging instruments						
Fair value hedge (note (c)(i)):						
- Interest rate derivatives	9,798,813	122,817	18,162	14,067,694	201,394	22,868
- Currency derivatives	-	-	-	-	-	-
Cash flow hedge (note (c)(ii)):						
- Currency derivatives	212,797	1,942	-	170,046	5,176	806
- Other derivatives	1,291,960	750,129	7,985	48,045	49,234	8,485
Non-hedging instruments						
- Interest rate derivatives	1,632,189,348	2,429,635	2,293,337	842,386,891	3,164,061	2,790,131
- Currency derivatives	3,347,854,744	62,030,254	62,540,630	2,612,556,583	42,415,675	40,045,452
- Precious metals derivatives	51,585,798	868,267	257,263	77,385,000	1,768,474	2,200,706
- Other derivatives	13,363,884	-	177,877	-	-	-
	5,056,297,344	66,203,044	65,295,254	3,546,614,259	47,604,014	45,068,448

(a) Nominal amount analysed by remaining maturity

	31 December 2017	31 December 2016
Within 3 months	1,868,921,105	962,638,416
Between 3 months and 1 year	2,765,274,670	2,298,020,271
Between 1 and 5 years	419,295,232	283,656,953
Over 5 years	2,806,337	2,298,619
	5,056,297,344	3,546,614,259

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

6 Notes to the consolidated financial statements (Continued)

(4) Derivative financial instruments (Continued)

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2017, the credit risk weighted amount for counterparty was RMB 70,217 million (31 December 2016: RMB 37,134 million).

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables

The Group

	31 December 2017	31 December 2016 (Restated)
Bills receivables (note (a))	1,861,968	1,261,971
Trade receivables (note (b))	17,008,197	16,825,809
Prepayments (note (c))	5,849,801	13,058,543
Other receivables (note (d))	45,008,204	44,484,846
Dividends receivables	259,173	80,387
Interest receivables	33,158,360	33,490,267
Long term receivables	9,718,729	7,747,154
	112,864,432	116,948,977

The Company

	31 December 2017	31 December 2016
Other receivables (note (d))	4,418,123	14,220,031
Amounts due from subsidiaries	24,811,716	9,687,101
Dividends receivables	1,842,610	2,157,143
Interest receivables	386,973	529,086
	31,459,422	26,593,361

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(a) Bills receivables

The Group

	31 December 2017	31 December 2016 (Restated)
Bank acceptance bills	1,734,425	1,056,840
Commercial acceptance bills	127,543	205,131
	1,861,968	1,261,971

(b) Trade receivables

The ageing analysis of trade receivables is as follows:

The Group

	31 December 2017	31 December 2016 (Restated)
Within 1 year (inclusive)	14,905,973	13,431,956
Between 1 and 2 years (inclusive)	2,017,450	2,182,298
Between 2 and 3 years (inclusive)	1,319,016	870,806
Over 3 years	1,156,488	1,475,057
	19,398,927	17,960,117
Less: allowance for impairment losses	(2,390,730)	(1,134,308)
	17,008,197	16,825,809

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(b) Trade receivables (Continued)

Trade receivables by customer type:

The Group

	31 December 2017	31 December 2016 (Restated)
Related parties	236,964	280,614
Other customers	19,161,963	17,679,503
	19,398,927	17,960,117
Less: allowance for impairment losses	(2,390,730)	(1,134,308)
	17,008,197	16,825,809

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

The Group

	2017	2016
Balance at the beginning of the year	1,134,308	848,680
Charge	1,701,102	404,870
Reversal	(67,003)	(18,225)
Write-off	(38,423)	(6,301)
Disposal of subsidiaries	(351,227)	(91,973)
Exchange differences	11,973	(2,743)
Balance at the end of the year	2,390,730	1,134,308

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(c) Prepayments

The ageing analysis of prepayments is as follows:

The Group

	31 December 2017	31 December 2016 (Restated)
Within 1 year (inclusive)	5,024,378	12,080,563
Between 1 and 2 years (inclusive)	331,187	487,510
Between 2 and 3 years (inclusive)	333,932	503,492
Over 3 years	220,303	379,725
	5,909,800	13,451,290
Less: allowance for impairment losses	(59,999)	(392,747)
	5,849,801	13,058,543

Prepayments by customer type:

The Group

	31 December 2017	31 December 2016 (Restated)
Related parties	9,440	1,055
Other customers	5,900,360	13,450,235
	5,909,800	13,451,290
Less: allowance for impairment losses	(59,999)	(392,747)
	5,849,801	13,058,543

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables

The ageing analysis of other receivables is as follows:

The Group

	31 December 2017	31 December 2016 (Restated)
Within 1 year (inclusive)	36,293,672	36,898,979
Between 1 and 2 years (inclusive)	9,053,686	6,416,589
Between 2 and 3 years (inclusive)	1,924,662	981,457
Over 3 years	822,611	811,771
	48,094,631	45,108,796
Less: allowance for impairment losses	(3,086,427)	(623,950)
	45,008,204	44,484,846

The Company

	31 December 2017	31 December 2016
Within 1 year (inclusive)	-	13,838,075
Between 1 and 2 years (inclusive)	4,418,123	-
Between 2 and 3 years (inclusive)	-	381,956
Over 3 years	6,699	6,699
	4,424,822	14,226,730
Less: allowance for impairment losses	(6,699)	(6,699)
	4,418,123	14,220,031

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables (Continued)

Other receivables by customer type:

The Group

	31 December 2017	31 December 2016 (Restated)
Related parties	20,830,347	19,838,031
Other customers	27,264,284	25,270,765
	48,094,631	45,108,796
Less: allowance for impairment losses	(3,086,427)	(623,950)
	45,008,204	44,484,846

The Company

	31 December 2017	31 December 2016
Related parties	4,418,123	14,220,031
Other customers	6,699	6,699
	4,424,822	14,226,730
Less: allowance for impairment losses	(6,699)	(6,699)
	4,418,123	14,220,031

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables (Continued)

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

The Group

	2017	2016
Balance at the beginning of the year	623,950	742,903
Charge	2,655,527	830,044
Reversal	(121,900)	(218,101)
Write-off	(11,251)	(416,301)
Disposal of subsidiaries	(60,357)	(313,813)
Exchange differences	458	(782)
Balance at the end of the year	3,086,427	623,950

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

6 Notes to the consolidated financial statements (Continued)

(5) Trade and other receivables (Continued)

(d) Other receivables (Continued)

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

The Company

	2017	2016
Balance at the beginning of the year	6,699	6,699
Charge	-	-
Balance at the end of the year	6,699	6,699

(6) Inventories

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

The Group

	Balance at the beginning of 2017 (Restated)	Additions	Disposal of subsidiaries	Reductions	Exchange differences and others	Balance at the end of 2017
Raw materials	1,214,257	9,995,481		(9,507,861)	37,382	1,739,259
Work-in-progress	2,906,938	21,878,181		(21,521,039)	(13,562)	3,250,518
Finished goods	6,432,900	86,768,307	(546)	(83,535,048)	(551,803)	9,113,810
Properties	7,863,138	513,221	(270,883)	(3,022,466)	-	5,083,010
Engineering construction	2,551,969	3,427		(1,033,916)	-	1,521,480
Others	834,752	605,323		(670,784)	(44,323)	724,968
	21,803,954	119,763,940	(271,429)	(119,291,114)	(572,306)	21,433,045
Less: provision for decline in value of inventories (Note 6(20))	(2,367,863)	(168,456)		895,598	48,037	(1,592,684)
	19,436,091	119,595,484	(271,429)	(118,395,516)	(524,269)	19,840,361

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

6 Notes to the consolidated financial statements (Continued)

(6) Inventories (Continued)

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

	Balance at the beginning of 2016 (Restated)	Additions	Disposal of subsidiaries	Reductions	Exchange differences and others	Balance at the end of 2016 (Restated)
Raw materials	984,730	5,354,570	-	(5,136,341)	11,298	1,214,257
Work-in-progress	2,813,550	15,711,173	-	(15,620,537)	2,752	2,906,938
Finished goods	5,055,741	110,510,733	(19,914)	(109,222,368)	108,708	6,432,900
Properties	73,386,265	12,875,340	(76,584,779)	(1,830,228)	16,540	7,863,138
Engineering construction	3,359,615	1,200,133	-	(2,007,779)	-	2,551,969
Others	754,772	445,332	-	(365,354)	2	834,752
	86,354,673	146,097,281	(76,604,693)	(134,182,607)	139,300	21,803,954
Less: provision for decline in value of inventories (Note 6(20))	(2,955,040)	(474,966)	336,222	766,117	(40,196)	(2,367,863)
	83,399,633	145,622,315	(76,268,471)	(133,416,490)	99,104	19,436,091

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

The Group

	Balance at the beginning of 2017 (Restated)	Charge for the year	Written back		Disposal of subsidiaries	Exchange differences and others	Balance at the end of 2017
			Reversal	Write-off			
Raw materials	70,409	6,648	-	(5,996)	-	(1,918)	69,143
Work-in-progress	142,057	9,617	(5,485)	(37,161)	-	-	109,028
Finished goods	1,013,689	43,788	(14,041)	(22,365)	-	(46,119)	974,952
Properties	304,795	107,592	-	(1,748)	-	-	410,639
Engineering construction	808,802	-	(800,489)	(8,313)	-	-	-
Others	28,111	811	-	-	-	-	28,922
	2,367,863	168,456	(820,015)	(75,583)	-	(48,037)	1,592,684

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

6 Notes to the consolidated financial statements (Continued)

(6) Inventories (Continued)

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

	Balance at the beginning of 2016 (Restated)	Charge for the year	Written back: Reversal	Written back: Write-off	Disposal of subsidiaries	Exchange differences and others	Balance at the end of 2016
Raw materials	9,272	60,636	(19)	(914)	-	1,434	70,409
Work-in-progress	12,748	130,752	-	(1,443)	-	-	142,057
Finished goods	859,539	161,186	(25,561)	(20,237)	-	38,762	1,013,689
Properties	561,382	109,161	(29,526)	-	(336,222)	-	304,795
Engineering construction	1,488,349	8,313	(687,860)	-	-	-	808,802
Others	23,750	4,918	-	(557)	-	-	28,111
	2,955,040	474,966	(742,966)	(23,151)	(336,222)	40,196	2,367,863

As at 31 December 2017, the Group's inventories include an amount of RMB 5,749 million expected to be recovered after more than one year (31 December 2016: RMB8,782 million).

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

6 Notes to the consolidated financial statements (Continued)

(7) Financial assets held under resale agreements

The Group

	31 December 2017	31 December 2016
Securities	54,625,933	173,156,918
Discounted bills	-	-
Others	-	34,068
	54,625,933	173,190,986

(8) Loans and advances to customers and other parties

The Group

	31 December 2017	31 December 2016 (Restated)
Corporate loans:		
- Loans	1,824,892,909	1,820,216,743
- Discounted bills	108,827,499	75,093,134
- Finance lease receivables	45,258,755	34,509,149
	1,978,979,163	1,929,819,026
Personal loans:		
- Residential mortgages	505,304,732	433,209,680
- Business loans	166,015,074	111,948,736
- Credit cards	333,718,978	237,711,838
- Personal consumption	226,544,900	173,735,169
	1,231,583,684	956,605,423
	3,210,562,847	2,886,424,449
Less: allowance for impairment losses (Note 6(20))(note (c))		
- Individually assessed	(32,206,582)	(28,839,082)
- Collectively assessed	(62,550,095)	(50,428,279)
	(94,756,677)	(79,267,361)
	3,115,806,170	2,807,157,088

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

6 Notes to the consolidated financial statements (Continued)

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

The Company

	31 December 2017	31 December 2016
Corporate loans	9,243,040	11,457,452
Less: allowance individually assessed	(377,281)	(413,450)
	8,865,759	11,044,002

(a) Analysed by type of security

The Group

	31 December 2017	31 December 2016 (Restated)
Unsecured loans	713,262,557	552,353,479
Guaranteed loans	516,827,835	507,235,505
Secured loans		
- Loans secured by collateral	1,510,605,360	1,416,853,305
- Pledged loans	361,039,596	334,889,026
	3,101,735,348	2,811,331,315
Discounted bills	108,827,499	75,093,134
	3,210,562,847	2,886,424,449

The Company

	31 December 2017	31 December 2016
Unsecured loans	8,684,919	11,381,352
Secured loans		
- Pledged loans	558,121	76,100
	9,243,040	11,457,452

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

6 Notes to the consolidated financial statements (Continued)

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

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

The Group

		Impaired loans and advances(note(i))			
	Loans and advances for which allowance is collectively assessed	for which allowance is collectively assessed	for which allowance is individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
31 December 2017					
Gross loans and advances	3,153,198,129	11,393,359	45,971,359	3,210,562,847	1.79%
Less: Allowance for impairment losses	(53,574,477)	(8,975,618)	(32,206,582)	(94,756,677)	
	3,099,623,652	2,417,741	13,764,777	3,115,806,170	
31 December 2016 (Restated)					
Gross loans and advances	2,834,314,042	10,578,802	41,531,605	2,886,424,449	1.81%
Less: Allowance for impairment losses	(42,321,662)	(8,106,617)	(28,839,082)	(79,267,361)	
	2,791,992,380	2,472,185	12,692,523	2,807,157,088	

Notes:

(i) As at 31 December 2017, the loans and advances of the Group for which allowance was individually assessed amounted to RMB 45,971 million (31 December 2016: RMB41,532 million). As at 31 December 2017, the secured and unsecured portion of these loans and advances were RMB 27,777 million (31 December 2016: RMB22,591 million) and RMB 18,194 million (31 December 2016: RMB18,941 million), respectively. As at 31 December 2017, the fair value of pledge and collateral held against these loans and advances amounted to RMB 22,199 million (31 December 2016: RMB18,643 million). As at 31 December 2017, the allowance for impairment losses from individual assessment made against these loans and advances were RMB 32,207 million (31 December 2016: RMB28,839 million).

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

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

6 Notes to the consolidated financial statements (Continued)

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

(c) Movements of allowance for impairment losses

The Group

	Loans and advances for which allowance is collectively assessed	Impaired loans and advances: for which allowance is collectively assessed	Impaired loans and advances: for which allowance is individually assessed	Total
At 1 January 2017	42,321,662	8,106,617	28,839,082	79,267,361
Charge for the year:				
- Impairment allowance on loans charged	11,382,199	6,405,784	37,379,826	55,167,809
- Reversal of impairment for the year	(106,974)	(1,062,531)	(3,515,833)	(4,685,338)
Unwinding of discount on allowance	-	-	(554,405)	(554,405)
Write-offs	-	(5,539,926)	(29,760,621)	(35,300,547)
Recovery of loans and advances written off in previous year	-	1,066,046	400,401	1,466,447
Changes of exchange rate	(22,410)	(372)	(581,868)	(604,650)
At 31 December 2017	53,574,477	8,975,618	32,206,582	94,756,677

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

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

6 Notes to the consolidated financial statements (Continued)

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

(d) Analysis of overdue loans by overdue period

	31 December 2017				
	Overdue within 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
Unsecured loans	6,739,002	7,623,825	766,550	424,267	15,553,644
Guaranteed loans	8,543,116	9,741,426	8,814,452	1,464,675	28,563,669
Secured loans					
- Loans secured by collateral	14,168,350	13,614,024	12,221,862	471,879	40,476,115
- Pledged loans	3,391,597	2,200,558	2,145,317	195,806	7,933,278
	32,842,065	33,179,833	23,948,181	2,556,627	92,526,706

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

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

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

6 Notes to the consolidated financial statements (Continued)

(9) Available-for-sale financial assets

The Group

	31 December 2017	31 December 2016
Debt securities	473,572,734	402,121,749
Certificates of deposit and certificates of interbank deposit	40,947,824	116,050,009
Wealth management products issued by financial institutions	20,856,461	15,702,941
Equity investments	10,976,530	10,311,705
Investment funds	122,440,428	23,592,549
	668,793,977	567,778,953
Less: allowance for impairment losses(Note 6(20))	(1,381,581)	(772,492)
	667,412,396	567,006,461

The Company

	31 December 2017	31 December 2016
Wealth management products issued by financial institutions	10,249,206	9,322,172
Equity investments	3,822,089	1,058,639
	14,071,295	10,380,811

(10) Held-to-maturity investments

The Group

	31 December 2017	31 December 2016
Debt securities	218,635,786	218,367,902
Others	67,000	27,000
	218,702,786	218,394,902
Less: allowance for impairment losses(Note 6(20))	-	(1,766)
	218,702,786	218,393,136

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

6 Notes to the consolidated financial statements (Continued)

(11) Investments classified as receivables

The Group

	31 December 2017	31 December 2016
Trust investment plans	133,132,786	130,236,204
Investment management products managed by securities companies	269,368,632	455,412,542
Wealth management products issued by financial institutions	139,020,001	458,390,001
Others	860,859	1,159,480
	542,382,278	1,045,198,227
Less: allowance for impairment losses(Note 6(20))	(3,397,121)	(1,908,652)
	538,985,157	1,043,289,575

As at 31 December 2017, certain of the Group's investments with an aggregate amount of RMB 97,023 million (31 December 2016: RMB147,499 million) were managed by certain subsidiaries and related parties of the Group.

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

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments

The Group

	31 December 2017	31 December 2016
Investments in joint ventures (note (b))	9,804,727	7,623,863
Investments in associates (note (c))	51,975,219	47,726,629
	61,779,946	55,350,492
Less: allowance for impairment losses (Note 6(20))		
- Joint ventures	(1,174,911)	(1,256,948)
- Associates	(1,973,696)	(2,070,574)
	(3,148,607)	(3,327,522)
	58,631,339	52,022,970

The Company

	31 December 2017	31 December 2016
Investments in subsidiaries (note (a))	184,501,169	183,664,011
Investments in joint ventures (note (b))	3,563,727	3,197,296
Investments in associates (note (c))	27,607,254	25,504,039
Less: impairment loss		
- Subsidiaries	(662,271)	(662,271)
	215,009,879	211,703,075

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

	31 December 2017	31 December 2016
CITIC Bank	120,142,372	120,142,372
CITIC Urban Development & Operation Co., Ltd.	7,860,000	7,860,000
CITIC Trust Co., Ltd.	13,281,374	13,281,374
CITIC Industrial Investment Group Corp., Ltd.	5,884,723	5,884,723
CITIC Heavy Industries	3,657,012	3,657,012
CITIC Environment Investment Group Co., Limited	3,453,584	2,642,425
Others	30,222,104	30,196,105
	184,501,169	183,664,011

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

The Group

	31 December 2017	31 December 2016
Material joint ventures (note (i))	3,563,727	3,024,792
Immaterial joint ventures (note (ii))	6,241,000	4,599,071
	9,804,727	7,623,863
Less: allowance for impairment losses	(1,174,911)	(1,256,948)
	8,629,816	6,366,915

The Company

	31 December 2017	31 December 2016
Material joint ventures (note (i))	3,563,727	3,024,792
Immaterial joint ventures (note (ii))	-	172,504
	3,563,727	3,197,296

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

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

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

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

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

	CITIC-Prudential Life	
	31 December 2017	31 December 2016
Total assets	64,305,504	54,671,906
Including: Cash and deposits	2,262,411	4,626,777
Total liabilities	(59,426,842)	(50,871,114)
Net assets	4,878,662	3,800,792
Group's share of net assets	2,439,331	1,900,396
Others	1,124,396	1,124,396
Carrying amount of investments in joint ventures	3,563,727	3,024,792
Operating income	14,113,850	9,844,633
Income tax expenses	(369,767)	(213,857)
Net profit	1,051,151	700,059
Other comprehensive income	26,719	(217,210)
Total comprehensive income	1,077,870	482,849
Dividends received from joint ventures during the year	-	-

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

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

The Group

	31 December 2017	31 December 2016
Aggregate carrying amount of investments	5,066,089	3,342,123
Aggregate amount of share of		
- Net profit	457,891	537,984
- Other comprehensive (loss)/income	(729)	733
- Total comprehensive income	457,162	538,717

The Company

	31 December 2017	31 December 2016
Aggregate carrying amount of investments	-	172,504
Aggregate amount of share of		
- Net profit	22,549	22,035
- Other comprehensive income	-	(4,936)
- Total comprehensive income	22,549	17,099

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

The Group

	31 December 2017	31 December 2016
Material associates (note (i))	29,925,181	28,784,079
Immaterial associates (note (ii))	22,050,038	18,942,550
	51,975,219	47,726,629
Less: allowance for impairment losses	(1,973,696)	(2,070,574)
	50,001,523	45,656,055

The Company

	31 December 2017	31 December 2016
Material associates (note (i))	25,819,832	24,691,875
Immaterial associates (note (ii))	1,787,422	812,164
	27,607,254	25,504,039

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

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

Name	Principal place of business	Place of registration	Registered principal activities	Registered capital in thousands	Registered capital Currency	Percentage of equity attributable to the Group direct / indirect
CITIC Securities Co., Ltd. ("CITIC Securities")*	Mainland China	Mainland China	Securities related services	12,116,908	RMB	16.50%
MMG South America Management Co., Ltd. ("MMG")	Hong Kong	Hong Kong	Resources and energy	3,618,000	USD	15.00%

* CITIC Securities is also the material associates of the Company, which holds 16.50% equity interests in CITIC Securities.

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

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

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

	CITIC Securities		MMG	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Total assets	625,574,644	597,438,839	76,525,605	80,913,988
Including: Cash and deposits	126,689,478	166,589,812	4,617,533	1,662,105
Total liabilities	(472,432,085)	(451,650,170)	(49,156,614)	(55,656,938)
Net assets	153,142,559	145,788,669	27,368,991	25,257,050
Group's share of net assets	24,716,843	23,773,145	4,105,349	3,788,558
Others	1,102,989	1,222,376	-	-
Carrying amount of investments in associates	25,819,832	24,995,521	4,105,349	3,788,558
Fair value of investments in associates which have quoted market prices	36,115,713	32,418,760	-	-
Operating income	43,291,634	38,001,923	19,871,836	8,144,480
Financial expenses	-	-	(2,611,688)	(1,141,117)
Income tax expenses	(4,196,311)	(3,281,419)	(2,022,367)	(495,641)
Net profit	11,977,470	10,981,140	3,164,473	1,030,534
Other comprehensive loss	(220,466)	(818,683)	-	-
Total comprehensive income	11,757,004	10,162,457	3,164,473	1,030,534
Dividends received from associates during the year	699,751	999,848	-	-

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

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

6 Notes to the consolidated financial statements (Continued)

(12) Long-term equity investments (Continued)

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

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

The Group

	31 December 2017	31 December 2016
Aggregate carrying amount of investments	20,076,342	16,871,976
Aggregate amount of share of		
- Net loss	(660,072)	(538,729)
- Other comprehensive (loss)/income	(23,172)	288,964
- Total comprehensive loss	(683,244)	(249,765)

The Company

	31 December 2017	31 December 2016
Aggregate carrying amount of investments	1,787,422	812,164
Aggregate amount of share of		
- Net profit/(loss)	874,144	(1,254,776)
- Other comprehensive income/(loss)	6,967	(9,769)
- Total comprehensive income/(loss)	881,111	(1,264,545)

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

6 Notes to the consolidated financial statements (Continued)

(13) Investment properties

The Group

	2017	2016
At 1 January	4,003,390	5,086,392
Additions	66,637	28,097
Disposal	(3,612)	(18,934)
Transfers	(50,574)	(346,790)
Disposal of subsidiaries	(205,727)	(957,120)
Changes in fair value of investment properties	407,537	155,173
Exchange difference	(12,945)	56,572
At 31 December	4,204,706	4,003,390

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

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

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

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

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

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

Investment properties were revalued as at 31 December 2017 and 2016 by the following independent professionally qualified valuers. The management of the Group had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

6 Notes to the consolidated financial statements (Continued)

(13) Investment properties (Continued)

Properties located in	Valuers in 2017
Mainland China and Hong Kong	Prudential Surveyors International Limited Beijing K&Z Real Estate Consult Co., Ltd. China United Assets Appraisal Group
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

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

For disclosure information of fair value, please refer to Note 6(48).

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

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets

The Group

	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Others	Total
Cost						
Balance at 1 January 2016(Restated)	24,029,516	19,076,771	10,257,731	4,790,095	1,390,342	59,544,455
Additions	3,000,966	873,467	1,162,344	65,098	130,987	5,232,862
Disposal of subsidiaries	(805,263)	(29,954)	(70,777)	(152,931)	(111,035)	(1,169,960)
Transfers from construction in progress	860,840	678,335	10,498	3,524	17,939	1,571,136
Disposals	(174,777)	(274,709)	(399,121)	(107,287)	(83,584)	(1,039,478)
Exchange difference	167,312	369,214	76,684	(2,267)	10,901	621,844
Balance at 31 December 2016(Restated)	27,078,594	20,693,124	11,037,359	4,596,232	1,355,550	64,760,859
Additions	4,632,242	848,600	971,094	72,607	14,070	6,538,613
Disposal of subsidiaries	(161,521)	(4,719)	(4,913)	(5,241)	-	(176,394)
Transfers from construction in progress	704,785	990,785	40,576	2,012	41,896	1,780,054
Disposals	(63,729)	(242,958)	(165,474)	(54,170)	(28,403)	(554,734)
Exchange difference	(48,805)	(212,534)	(89,770)	(3,002)	(8,309)	(362,420)
Balance at 31 December 2017	32,141,566	22,072,298	11,788,872	4,608,438	1,374,804	71,985,978
Less: Accumulated depreciation						
Balance at 1 January 2016(Restated)	(5,863,642)	(6,664,123)	(6,035,625)	(1,572,578)	(403,201)	(20,539,169)
Charge for the year	(949,755)	(1,395,882)	(1,222,160)	(303,885)	(69,931)	(3,941,613)
Disposal of subsidiaries	193,631	21,663	48,995	127,576	71,404	463,269
Written back on disposal	51,651	200,355	279,775	99,119	57,234	688,134
Exchange difference	(46,360)	(124,866)	(59,763)	2,364	(1,141)	(229,766)
Balance at 31 December 2016(Restated)	(6,614,475)	(7,962,853)	(6,988,778)	(1,647,404)	(345,635)	(23,559,145)
Charge for the year	(991,135)	(1,247,442)	(1,335,422)	(289,669)	(55,414)	(3,919,082)
Disposal of subsidiaries	49,385	2,962	4,135	3,754	-	60,236
Written back on disposal	6,476	127,594	145,392	44,666	3,723	327,851
Exchange difference	34,881	62,142	70,598	450	277	168,348
Balance at 31 December 2017	(7,514,868)	(9,017,597)	(8,104,075)	(1,888,203)	(397,049)	(26,921,792)

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

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets (Continued)

The Group (Continued)

	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Others	Total
Less: Allowance for impairment Losses (Note 6(20))						
Balance at 1 January 2016	(159,623)	(2,585,410)	(1,097)	(237)	(4,375)	(2,750,742)
Charge for the year	(5,964)	(220,005)	(2,127)	(167)	(2,430)	(230,693)
Written back on disposal	-	11,066	531	50	76	11,723
Disposal of subsidiaries	25,361	682	1,539	260	-	27,842
Exchange difference	(5,894)	(153,912)	(10)	-	-	(159,816)
Balance at 31 December 2016	(146,120)	(2,947,579)	(1,164)	(94)	(6,729)	(3,101,686)
Charge for the year	-	(508,585)	(16)	-	-	(508,601)
Written back on disposal	1,292	9,259	13	15	2,218	12,797
Disposal of subsidiaries	44,086	-	-	-	-	44,086
Exchange difference	5,976	159,727	-	-	-	165,703
Balance at 31 December 2017	(94,766)	(3,287,178)	(1,167)	(79)	(4,511)	(3,387,701)
Net carrying amount						
At 31 December 2017	24,531,932	9,767,523	3,683,630	2,720,156	973,244	41,676,485
At 31 December 2016(Restated)	20,317,999	9,782,692	4,047,417	2,948,734	1,003,186	38,100,028

As at 31 December 2017, the Group was in the process of applying the ownership certificate in respect of certain premises of RMB 2,951 million (31 December 2016: RMB3,887 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

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

6 Notes to the consolidated financial statements (Continued)

(14) Fixed assets (Continued)

The Company

	Plant & buildings	Office & other equipment	Motor vehicles	Total
Cost				
Balance at 1 January 2016	638,758	55,080	20,352	714,190
Additions	-	5,806	-	5,806
Disposals	(35)	(6,574)	(240)	(6,849)
Balance at 31 December 2016	638,723	54,312	20,112	713,147
Additions	-	957	-	957
Disposals	-	(220)	(4,544)	(4,764)
Balance at 31 December 2017	638,723	55,049	15,568	709,340
Less: Accumulated depreciation				
Balance at 1 January 2016	(7,621)	(43,223)	(18,608)	(69,452)
Charge for the year	(30,340)	(4,728)	(952)	(36,020)
Written back on disposal	-	6,251	222	6,473
Balance at 31 December 2016	(37,961)	(41,700)	(19,338)	(98,999)
Charge for the year	(30,339)	(4,764)	-	(35,103)
Written back on disposal	-	208	4,317	4,525
Balance at 31 December 2017	(68,300)	(46,256)	(15,021)	(129,577)
Net carrying amount				
At 31 December 2017	570,423	8,793	547	579,763
At 31 December 2016	600,762	12,612	774	614,148

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

6 Notes to the consolidated financial statements (Continued)

(15) Construction in Progress

The Group

Cost	
Balance at 1 January 2016(Restated)	6,816,053
Additions	5,456,864
Including: capitalised interest	223,309
Transfers to fixed assets	(1,571,136)
Disposal of subsidiaries	(743,075)
Decrease	(262,749)
Exchange difference	(102,108)
Balance at 31 December 2016(Restated)	9,593,849
Additions	5,679,295
Including: capitalised interest	201,678
Transfers to fixed assets	(1,780,054)
Disposal of subsidiaries	-
Decrease	(541,793)
Exchange difference	(48,034)
Balance at 31 December 2017	12,903,263
Less: Allowance for impairment losses(Note 6(20))	
Balance at 1 January 2016	(86,617)
Charge for the year	(63,253)
Written back on disposal	-
Disposal of subsidiaries	4,995
Exchange difference	97
Balance at 31 December 2016	(144,778)
Charge for the year	-
Written back on disposal	-
Disposal of subsidiaries	-
Exchange difference	(427)
Balance at 31 December 2017	(145,205)
Net carrying amount	
At 31 December 2017	12,758,058
At 31 December 2016(Restated)	9,449,071

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

6 Notes to the consolidated financial statements (Continued)

(16) Intangible assets

	Land use rights	Mining assets	Roads and operating rights	Others	Total
Cost					
Balance at 1 January 2016(Restated)	12,895,560	823,445	9,487,823	5,585,389	28,792,217
Additions	774,340	3,115	8,709	1,184,264	1,970,428
Disposal of subsidiaries	(765,939)	-	-	(25,726)	(791,665)
Disposals	(711,032)	(21,286)	(471)	(1,127,366)	(1,860,155)
Exchange difference	2,919	54,915	-	27,822	85,656
Balance at 31 December 2016(Restated)	12,195,848	860,189	9,496,061	5,644,383	28,196,481
Additions	398,982	43,119	7,121	1,353,784	1,803,006
Disposal of subsidiaries	-	-	-	(418,857)	(418,857)
Disposals	(1,873)	-	(9,970)	(292,751)	(304,594)
Exchange difference	10,775	(57,919)	(99)	(33,352)	(80,595)
Balance at 31 December 2017	12,603,732	845,389	9,493,113	6,253,207	29,195,441
Less: Accumulated amortisation					
Balance at 1 January 2016(Restated)	(860,696)	(168,390)	(641,716)	(2,298,716)	(3,969,518)
Charge for the year	(213,598)	(4,372)	(174,849)	(669,597)	(1,062,416)
Disposal of subsidiaries	28,332	-	-	13,295	41,627
Written back on disposal	4,149	-	152	897,999	902,300
Exchange difference	206	(11,606)	-	(25,851)	(37,251)
Balance at 31 December 2016(Restated)	(1,041,607)	(184,368)	(816,413)	(2,082,870)	(4,125,258)
Charge for the year	(246,523)	(21,585)	(177,263)	(516,044)	(961,415)
Disposal of subsidiaries	-	-	-	175,579	175,579
Written back on disposal	226	-	-	100,946	101,172
Exchange difference	(1,656)	12,863	-	(38,633)	(27,426)
Balance at 31 December 2017	(1,289,560)	(193,090)	(993,676)	(2,361,022)	(4,837,348)
Less: Allowance for impairment losses (Note 6(20))					
Balance at 1 January 2016	-	(428,729)	-	(143,126)	(571,855)
Charge for the year	-	-	-	-	-
Written back on disposal	-	-	-	125,761	125,761
Disposal of subsidiaries	-	-	-	-	-
Exchange difference	-	(29,031)	-	(2,506)	(31,537)
Balance at 31 December 2016	-	(457,760)	-	(19,871)	(477,631)
Charge for the year	-	-	-	(2,406)	(2,406)
Written back on disposal	-	-	-	19,870	19,870
Disposal of subsidiaries	-	-	-	-	-
Exchange difference	-	29,988	-	(51)	29,937
Balance at 31 December 2017	-	(427,772)	-	(2,458)	(430,230)
Net carrying amount					
At 31 December 2017	11,314,172	224,527	8,499,437	3,889,727	23,927,863
At 31 December 2016(Restated)	11,154,241	218,061	8,679,648	3,541,642	23,593,592

As at 31 December 2017, the Group had no ownership certificate in respect of certain land use rights that was in the process of applying (31 December 2016: Nil).

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

6 Notes to the consolidated financial statements (Continued)

(17) Goodwill

The Group

Cost	
Balance at 1 January 2016	7,878,963
Additions	465,701
Exchange difference	366,975
Balance at 31 December 2016	8,711,639
Disposal	(102,608)
Exchange difference	(26,502)
Balance at 31 December 2017	8,582,529
Less: Allowance for impairment losses	
Balance at 1 January 2016	(285,207)
Additions	(30,879)
Exchange difference	(17,975)
Balance at 31 December 2016	(334,061)
Disposal	19,773
Exchange difference	18,566
Balance at 31 December 2017	(295,722)
Net carrying amount	
At 31 December 2017	8,286,807
At 31 December 2016	8,377,578

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

	31 December 2017	31 December 2016
Resources and energy	1,116,871	1,231,255
Financial services	1,275,848	1,340,416
Manufacturing	740,808	739,030
Real estates	106,458	106,458
Others	5,046,822	4,960,419
	8,286,807	8,377,578

Based on management's impairment assessment, no impairment loss was recognised for the year ended 31 December 2017 (2016: RMB 30.88 million).

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities

Non-offset deferred tax assets and deferred tax liabilities:

The Group

	Deferred tax assets					
	Balance at 1 January 2017 (Restated)	Credited/(charged) to profit or loss	Charged to equity	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2017
Tax losses	15,326	(10,589)	-	-	-	4,737
Accrued expenses	1,620,016	773,668	(2,953)	-	(32,716)	2,358,015
Impairment loss on assets other than fixed assets and intangible assets	13,691,209	4,552,543	-	-	(36,215)	18,207,537
Fair value changes of financial instruments	15,017	227,599	2,848,910	-	(383)	3,091,143
Fixed assets and intangible assets	384,060	(41,597)	-	-	24,190	366,653
Others	243,670	96,065	(49,408)	-	20,281	310,608
	15,969,298	5,597,689	2,796,549	-	(24,843)	24,338,693

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

	Deferred tax assets					
	Balance at 1 January 2016 (Restated)	Credited/(charged) to profit or loss	Charged to equity	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2016 (Restated)
Tax losses	261,968	(135,816)	-	(110,802)	(24)	15,326
Accrued expenses	1,317,321	382,223	(761)	(73,838)	(4,929)	1,620,016
Impairment loss on assets other than fixed assets and intangible assets	10,037,423	3,673,965	537	(35,127)	14,411	13,691,209
Fair value changes of financial instruments	236,814	(10,982)	(215,590)	-	4,775	15,017
Fixed assets and intangible assets	275,385	84,678	-	-	23,997	384,060
Others	1,110,969	(443,018)	(240,056)	(154,044)	(30,181)	243,670
	13,239,880	3,551,050	(455,870)	(373,811)	8,049	15,969,298

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

	Deferred tax liabilities					
	Balance at 1 January 2017	Charged to profit or loss	Credited to equity	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2017
Fair value changes of financial instruments	(629,524)	(197,176)	(70,605)	-	7,620	(889,685)
Fixed assets and intangible assets	(485,440)	50,334	-	-	(3,066)	(438,172)
Revaluation of Investment properties	(630,201)	(99,465)	-	-	25,898	(703,768)
Others	(1,610,391)	1,023,161	3,762	-	(5,905)	(589,373)
	(3,355,556)	776,854	(66,843)	-	24,547	(2,620,998)

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Group

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

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

The Company

	Deferred tax liabilities			
	Balance at 1 January 2017	Charged to equity	Credited/(charged) to profit or loss	Balance at 31 December 2017
Fair value changes of financial instruments	(86,397)	283,666	(520,906)	(323,637)
Others	(128,872)	-	(75,610)	(204,482)
	(215,269)	283,666	(596,516)	(528,119)

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

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

The Group

	31 December 2017	31 December 2016 (Restated)
Deferred tax assets	23,921,974	14,578,545
Deferred tax liabilities	(2,204,279)	(1,964,803)
	21,717,695	12,613,742

The Company

	31 December 2017	31 December 2016
Deferred tax liabilities	(528,119)	(215,269)

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

6 Notes to the consolidated financial statements (Continued)

(18) Deferred tax assets and liabilities (Continued)

(b) Deferred tax assets not recognized

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

The Group

	31 December 2017	31 December 2016 (Restated)
Deductible temporary differences	2,530,334	1,908,808
Tax losses	5,800,343	4,158,717
	8,330,677	6,067,525

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2017, tax losses amounting to RMB 5,726 million (31 December 2016: RMB 4,051 million) that can be carried forward against future taxable income are expiring within 5 years.

(c) Deferred tax liabilities not recognized

As at 31 December 2017 and 2016, the Group has not recognised any temporary differences relating to the undistributed profits of certain subsidiaries as the Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future.

(19) Borrowing from central bank

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

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

6 Notes to the consolidated financial statements (Continued)

(20) Provisions for impairment

As at 31 December 2017, the movements of allowance for impairment losses of the Group are set out as follows:

				Decrease				
	Note	Balance at 1 January 2017 (Restated)	Charge for the year	Reversal	Recovery of write-off/(write-off)	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2017
Deposits and placements with banks and non-bank financial institutions	6(1),6(2)	42,514	-	(31,665)	-	-	(10,164)	685
Trade and other receivables	6(5)	6,250,299	9,667,443	(1,353,323)	(3,924,071)	(744,257)	(157,386)	9,738,705
Inventories	6(6)	2,367,863	168,456	(820,015)	(75,583)	-	(48,037)	1,592,684
Loans and advances to customers and other parties	6(8)	79,267,361	55,167,809	(4,685,338)	(35,300,547)	-	307,392	94,756,677
Available-for-sale financial assets	6(9)	772,492	756,974	(102,313)	(37,422)	(2,000)	(6,150)	1,381,581
Held-to-maturity investments	6(10)	1,766	-	(1,653)	-	-	(113)	-
Investments classified as receivables	6(11)	1,908,652	1,618,103	(299,064)	-	-	169,430	3,397,121
Long-term equity investments	6(12)	3,327,522	3,734	-	-	(52)	(182,597)	3,148,607
Fixed assets	6(14)	3,101,686	508,601	-	(12,797)	(44,086)	(165,703)	3,387,701
Construction in Progress	6(15)	144,778	-	-	-	-	427	145,205
Intangible assets	6(16)	477,631	2,406	-	(19,870)	-	(29,937)	430,230
Others		3,357,125	725,037	(85,656)	(863,629)	(29,850)	96,734	3,199,761
		101,019,689	68,618,563	(7,379,027)	(40,233,919)	(820,245)	(26,104)	121,178,957

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

6 Notes to the consolidated financial statements (Continued)

(20) Provisions for impairment (Continued)

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

	Note	Balance at 1 January 2016 (Restated)	Charge for the year	Decrease: Reversal	Decrease: Recovery of write-off/(write-off)	Disposal of subsidiaries	Exchange difference and others	Balance at 31 December 2016 (Restated)
Deposits and placements with banks and non-bank financial institutions	6(1),6(2)	8,128	33,816	-	570	-	-	42,514
Trade and other receivables	6(5)	4,107,633	6,839,168	(614,553)	(3,294,319)	(965,966)	178,336	6,250,299
Inventories	6(6)	2,955,040	474,966	(742,966)	(23,151)	(336,222)	40,196	2,367,863
Loans and advances to customers and other parties	6(8)	63,911,222	48,626,473	(2,802,566)	(30,952,486)	-	484,718	79,267,361
Available-for-sale financial assets	6(9)	714,429	692,241	(6,760)	(298,379)	(361,945)	32,906	772,492
Held-to-maturity investments	6(10)	40,784	1,744	-	(40,774)	-	12	1,766
Investments classified as receivables	6(11)	997,050	1,394,451	(482,000)	(849)	-	-	1,908,652
Long-term equity investments	6(12)	3,214,243	4,610	-	(70,071)	(3,169)	181,909	3,327,522
Fixed assets	6(14)	2,750,742	230,693	-	(11,723)	(27,842)	159,816	3,101,686
Construction in Progress	6(15)	86,617	63,253	-	-	(4,995)	(97)	144,778
Intangible assets	6(16)	571,855	-	-	(125,761)	-	31,537	477,631
Others		2,841,193	1,884,549	(69,930)	(309,035)	(1,036,662)	47,010	3,357,125
		82,198,936	60,245,964	(4,718,775)	(35,125,978)	(2,736,801)	1,156,343	101,019,689

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

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

6 Notes to the consolidated financial statements (Continued)

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

The Group

	31 December 2017	31 December 2016
Banks	49,408,110	63,722,646
Non-bank financial institutions	25,933,269	20,000,000
	75,341,379	83,722,646

Analysed by remaining maturity:

	31 December 2017	31 December 2016
Within 3 months	37,186,164	53,942,850
Between 3 months and 1 year	38,122,655	29,779,796
Over 1 year	32,560	-
	75,341,379	83,722,646

(22) Trade and other payables

The Group

	31 December 2017	31 December 2016 (Restated)
Bills payables	2,089,700	1,098,249
Trade payables	35,129,187	32,144,616
Advances from customers	7,945,342	5,161,610
Other payables (note (a))	49,393,662	61,065,914
Interest payables	40,556,829	38,337,740
Dividends payables	6,403,184	3,561,044
Others	3,116,364	7,787,982
	144,634,268	149,157,155

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

6 Notes to the consolidated financial statements (Continued)

(22) Trade and other payables (Continued)

The Company

	31 December 2017	31 December 2016
Other payables (note (a))	9,529,220	8,278,500
Interest payables	743,369	692,812
Dividends payables	5,745,000	3,539,000
	16,017,589	12,510,312

(a) Other payables

The Group

	31 December 2017	31 December 2016 (Restated)
Related parties	9,823,654	6,002,933
Third parties	39,570,008	55,062,981
	49,393,662	61,065,914

The Company

	31 December 2017	31 December 2016
Subsidiaries	1,984,049	5,291,529
Related parties	7,503,322	2,964,616
Third parties	41,849	22,355
	9,529,220	8,278,500

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

6 Notes to the consolidated financial statements (Continued)

(23) Financial assets sold under repurchase agreements

The Group

Analysis by types of counterparties:

	31 December 2017	31 December 2016
The People's Bank of China	90,063,073	85,415,205
Banks	44,436,860	34,857,334
Non-bank financial institutions	-	69,490
	134,499,933	120,342,029

Analysis by types of collateral:

	31 December 2017	31 December 2016
Debt securities	82,084,820	91,287,090
Discounted bills	52,415,113	29,054,939
	134,499,933	120,342,029

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2017, legal title of these collateral pledged has not been transferred to counterparties.

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

6 Notes to the consolidated financial statements (Continued)

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

The Group

	31 December 2017	31 December 2016 (Restated)
Demand deposits		
- Corporate customers	1,636,141,268	1,660,915,144
- Personal customers	234,960,743	232,960,141
	1,871,102,011	1,893,875,285
Time and call deposits		
- Corporate customers	1,223,018,361	1,390,211,862
- Personal customers	298,477,691	325,053,114
	1,521,496,052	1,715,264,976
Deposits from banks and non-bank financial institutions	797,991,403	981,423,773
Outward remittance and remittance payables	6,177,792	7,237,624
	4,196,767,258	4,597,801,658

Deposits from customers include pledged deposit for the following items:

The Group

	31 December 2017	31 December 2016
Bank acceptances	195,308,088	213,623,763
Letters of credit	9,288,811	9,624,012
Guarantees	24,941,311	25,822,233
Others	108,829,761	148,797,642
	338,367,971	397,867,650

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

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable

The Group

	31 December 2017	31 December 2016 (Restated)
Short-term employee benefits (note (a))	13,072,888	13,567,382
Post-employment benefits-Defined contribution plans (note (b))	184,356	186,073
Termination benefits	151,900	103,358
Other long-term employee benefits	1,756,353	1,197,180
	15,165,497	15,053,993

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

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(a) Short-term employee benefits

	Balance at 1 January 2017 (Restated)	Accrued	Paid	Disposal of subsidiaries	Balance at 31 December 2017
Salaries, bonuses and allowances	11,975,895	25,209,474	(25,627,283)	(21,776)	11,536,310
Staff welfare	180,358	1,437,151	(1,433,301)	-	184,208
Social insurance					
- Medical insurance	101,065	1,656,562	(1,648,862)	(171)	108,594
- Work-related injury insurance	3,938	18,709	(18,546)	(5)	4,096
- Maternity insurance	966	15,702	(15,584)	(14)	1,070
Housing funds	54,662	1,590,571	(1,603,856)	-	41,377
Labour union fee, staff and workers' education fee	1,199,140	487,349	(581,594)	(839)	1,104,056
Short-term paid absences	-	5,956	(5,956)	-	-
Other short-term employee benefits	51,358	484,058	(442,239)	-	93,177
	13,567,382	30,905,532	(31,377,221)	(22,805)	13,072,888

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

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(a) Short-term employee benefits (Continued)

	Balance at 1 January 2016 (Restated)	Accrued	Paid	Disposal of subsidiaries	Balance at 31 December 2016 (Restated)
Salaries, bonuses and allowances	11,825,818	22,383,775	(22,099,888)	(133,810)	11,975,895
Staff welfare	182,747	1,744,503	(1,745,128)	(1,764)	180,358
Social insurance					
- Medical insurance	67,013	1,467,759	(1,434,215)	508	101,065
- Work-related injury insurance	3,838	17,819	(17,623)	(96)	3,938
- Maternity insurance	1,056	15,499	(15,542)	(47)	966
Housing funds	64,227	1,562,971	(1,572,301)	(235)	54,662
Labour union fee, staff and workers' education fee	1,054,360	731,168	(574,489)	(11,899)	1,199,140
Short-term paid absences	3,801	2,509	(6,310)	-	-
Other short-term employee benefits	57,939	403,950	(409,171)	(1,360)	51,358
	13,260,799	28,329,953	(27,874,667)	(148,703)	13,567,382

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

6 Notes to the consolidated financial statements (Continued)

(25) Employee benefits payable (Continued)

(b) Post-employment benefits – defined contribution plans

	Balance at 1 January 2017	Accrued	Paid	Disposal of subsidiaries	Balance at 31 December 2017
Basic pension insurance	16,242	2,059,412	(2,033,157)	(324)	42,173
Unemployment insurance	3,005	65,997	(65,437)	(17)	3,548
Annuity payment and supplementary pension	19,752	755,339	(754,817)	-	20,274
Others	147,074	44,045	(72,758)	-	118,361
	186,073	2,924,793	(2,926,169)	(341)	184,356

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

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

6 Notes to the consolidated financial statements (Continued)

(26) Bank and other loans

Analysis by types of collaterals:

The Group

	31 December 2017	31 December 2016 (Restated)
Bank loans		
- Unsecured loans	22,257,069	31,185,491
- Loans pledged with assets	10,377,046	8,817,374
- Guaranteed loans	2,353,910	574,915
	34,988,025	40,577,780
Other loans		
- Unsecured loans	5,882,504	5,969,875
- Loans pledged with assets	2,440,018	882,779
- Guaranteed loans	109,525	109,525
	8,432,047	6,962,179
	43,420,072	47,539,959

As at 31 December 2017, certain of the Group's cash and deposits, trade and other receivables, fixed assets and intangible assets with an aggregate carrying amount of RMB 33.88 billion (31 December 2016: RMB 18.05 billion) was pledged to secure loans granted to the Group.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 6(47)(c). As at 31 December 2017, none of the covenants relating to drawn down facilities have been breached (31 December 2016: Nil).

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

6 Notes to the consolidated financial statements (Continued)

(26) Bank and other loans (Continued)

Analysis by currencies:

The Group

	31 December 2017	31 December 2016 (Restated)
RMB	16,325,970	20,448,078
US$	11,247,948	14,798,380
HK$	2,009,311	186,566
Other currencies	13,836,843	12,106,935
	43,420,072	47,539,959

The maturity analysis of loans is as follows:

The Group

	31 December 2017	31 December 2016 (Restated)
Within one year (inclusive) or on demand	15,257,618	17,084,989
Between one and two years (inclusive)	5,967,830	6,546,700
Between two and five years (inclusive)	9,622,803	11,409,697
Over five years	12,571,821	12,498,573
	43,420,072	47,539,959

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

6 Notes to the consolidated financial statements (Continued)

(27) Debt instruments issued

The Group

	31 December 2017	31 December 2016
Corporate bonds issued	19,263,867	18,627,978
Notes issued	122,880,489	58,067,913
Subordinated bonds issued	73,727,630	76,242,400
Certificates of deposit issued	2,849,296	9,492,682
Certificates of interbank deposits issued	270,096,285	269,922,874
	488,817,567	432,353,847

The Company

	31 December 2017	31 December 2016
Corporate bonds issued	15,967,619	14,460,964
Notes issued	26,843,546	26,779,843
	42,811,165	41,240,807

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

6 Notes to the consolidated financial statements (Continued)

(27) Debt instruments issued (Continued)

The maturity analysis of debt instruments issued is as follows:

The Group

	31 December 2017	31 December 2016
Within one year (inclusive) or on demand	301,253,932	285,634,134
Between one and two years (inclusive)	5,911,993	22,144,860
Between two and five years (inclusive)	114,756,750	37,053,662
Over five years	66,894,892	87,521,191
	488,817,567	432,353,847

The Company

	31 December 2017	31 December 2016
Within one year (inclusive) or on demand	8,996,625	4,498,200
Between one and two years (inclusive)	3,946,000	4,989,874
Between two and five years (inclusive)	19,900,921	16,832,719
Over five years	9,967,619	14,920,014
	42,811,165	41,240,807

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

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

6 Notes to the consolidated financial statements (Continued)

(28) Provisions

The Group

	Balance at 1 January 2017	Charge for the year	Payments during the year	Reversal	Reclassification	Exchange difference	Balance at 31 December 2017
Environment restoration expenditures	207,939	20,938	(10,820)	-	-	(1,033)	217,024
Others	1,282,037	247,043	(335,567)	(25,099)	1,324,484	(4,826)	2,488,072
	1,489,976	267,981	(346,387)	(25,099)	1,324,484	(5,859)	2,705,096

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

(29) Paid-in capital

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

	31 December 2017		31 December 2016	
	Amount	%	Amount	%
CITIC Limited	139,000,000	100%	139,000,000	100%

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

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

	Balance at 1 January 2017	Issue of new shares	Balance at 31 December 2017
Paid-in capital	139,000,000	-	139,000,000

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

6 Notes to the consolidated financial statements (Continued)

(30) Capital reserve

The Group

	31 December 2017	31 December 2016 (Restated)
Capital premium (note (a))	38,952,484	39,778,740
Others	532,823	550,921
	39,485,307	40,329,661

The Company

	31 December 2017	31 December 2016
Capital premium (note (a))	48,285,720	48,285,720
Others	1,328,531	1,983,201
	49,614,251	50,268,921

Notes:

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

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

6 Notes to the consolidated financial statements (Continued)

(31) Other comprehensive income

The Group

	31 December 2017			31 December 2016(Restated)		
	Before tax amount	Tax expense	Net-of-tax amount	Before tax amount	Tax expense	Net-of-tax amount
Share of the other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	93,198	-	93,198	(179,221)	-	(179,221)
Gains or losses arising from changes in fair value of available-for-sale financial assets	(8,188,762)	1,146,075	(7,042,687)	49,008	(800,107)	(751,099)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	1,705,192	(622,081)	1,083,111	1,261,944	(487,878)	774,066
Translation differences arising on translation of foreign currency financial statements	(268,713)	-	(268,713)	1,589,712	-	1,589,712
Others	(775,644)	(74,644)	(850,288)	(801,991)	(74,644)	(876,635)
	(7,434,729)	449,350	(6,985,379)	1,919,452	(1,362,629)	556,823

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

6 Notes to the consolidated financial statements (Continued)

(31) Other comprehensive income (Continued)

The Company

	31 December 2017			31 December 2016		
	Before tax amount	Tax expense	Net-of-tax amount	Before tax amount	Tax expense	Net-of-tax amount
Share of the other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	675,288	-	675,288	458,858	-	458,858
Gains or losses arising from changes in fair value of available-for-sale financial assets	(593,186)	212,119	(381,067)	565,534	(71,547)	493,987
	82,102	212,119	294,221	1,024,392	(71,547)	952,845

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

6 Notes to the Consolidated Financial Statements (Continued)

(32) Surplus reserve

The Group and the Company

	Note	Balance at 1 January 2017	Additions	Balance at 31 December 2017
Statutory surplus reserve	34(a)	5,982,516	1,409,721	7,392,237

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

(33) General reserve

The Group

	Note	Balance at 1 January 2017	Additions	Balance at 31 December 2017
General reserve	34(b)	36,105,518	512,324	36,617,842

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

6 Notes to the Consolidated Financial Statements (Continued)

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

(a) Appropriation to statutory surplus reserve

In accordance with the Articles of Association and relevant laws and regulations, the Company is required to make appropriations to statutory surplus reserve based on 10% of net profit for the year ended 31 December 2017.

(b) Appropriation to general reserve

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

(c) Retained earnings as at the balance sheet date

As at 31 December 2017, the consolidated retained earnings attributable to owners' of the Company included an appropriation of RMB 16,302 million (31 December 2016: RMB 12,742 million) to surplus reserve made by the subsidiaries.

(d) Profit distribution for the year ended 31 December 2017

In accordance with the resolution at the Board of Directors' 20th meeting, dated on 28 December 2017, the Company proposed a dividend in the amount of RMB 5,745 million to the parent company.

Further details of appropriation of profits for the year ended 31 December 2017 are set out in Note 6(51).

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

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income

The Group

	2017	2016 (Restated)
Operating income from non-financial services business		
- Sales of goods	73,935,082	65,096,037
- Services rendered to customers	8,391,097	11,173,462
- Revenue from construction contracts	14,543,304	8,435,917
Net interest income (note (a))	101,125,835	107,525,906
Net fee and commission income (note (b))	51,335,595	46,654,457
Investment income from financial services business	14,666,132	6,507,094
Other income from financial services business	3,807,604	1,325,944
	267,804,649	246,718,817

The Company

	2017	2016
Interest income from loans to customers	504,994	1,469,534
Fee and commission income	24,523	141,573
Losses arising from changes in fair value	2,928	67,123
Investment income from financial services business		
- Associates/joint ventures accounted for under the equity method	3,314,029	835,569
- Equity investment accounted for under the cost method	9,125,560	14,037,372
- Gain on disposal	(36,945)	(1,420,388)
Other income from financial services business	4,348,859	269,304
	17,283,948	15,400,087

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

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income (Continued)

(a) Net interest income

The Group

	2017	2016 (Restated)
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	10,920,553	9,555,191
Placements with banks and non-bank financial institutions	6,221,747	3,729,804
Financial assets held under resale agreements	1,206,659	921,574
Investments classified as receivables	35,984,842	46,393,659
Loans and advances to customers and other parties	141,679,754	132,705,718
Investments in debt securities	26,052,453	21,603,992
Others	103,979	5,113
	222,169,987	214,915,051
Interest expenses arising from:		
Borrowing from central banks	(6,148,474)	(2,686,349)
Deposits from banks and non-bank financial institutions	(36,895,915)	(32,629,287)
Placements from banks and non-bank financial institutions	(3,017,008)	(1,470,819)
Financial assets sold under repurchase agreements	(2,691,276)	(860,693)
Deposits from customers	(52,958,804)	(55,309,662)
Debt instruments issued	(19,182,022)	(14,051,366)
Others	(150,653)	(380,969)
	(121,044,152)	(107,389,145)
Net interest income	101,125,835	107,525,906

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

6 Notes to the Consolidated Financial Statements (Continued)

(35) Operating income (Continued)

(b) Net fee and commission income

The Group

	2017	2016
Consultancy and advisory fees	4,253,871	5,830,542
Bank card fees	30,453,504	19,285,095
Settlement and clearing fees	1,214,427	1,396,268
Commission for wealth management services	5,535,933	7,114,342
Agency fees and commission	4,418,628	6,153,147
Guarantee fees	2,101,312	2,384,477
Trustee commission and fees	7,789,929	6,836,175
Others	440,822	747,367
	56,208,426	49,747,413
Fee and commission expenses	(4,872,831)	(3,092,956)
Net fee and commission income	51,335,595	46,654,457

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

6 Notes to the Consolidated Financial Statements (Continued)

(36) Operating costs

The Group

	2017	2016 (Restated)
Costs of goods sold	66,448,990	58,321,383
Costs of services rendered	4,973,881	8,094,463
Costs of construction contracts	11,897,070	7,104,059
	83,319,941	73,519,905

(37) Profit before income tax

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

The Group

	2017	2016 (Restated)
Staff costs	35,746,001	35,039,258
Property management fees	1,162,521	1,070,373
Depreciation	3,740,220	3,883,924
Amortisation	1,750,407	1,936,906
Operating lease charges	4,029,360	3,987,213
Professional fees	550,272	817,675
	46,978,781	46,735,349

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

6 Notes to the Consolidated Financial Statements (Continued)

(38) Financial expenses

The Group

	2017	2016 (Restated)
Non-financial services business		
Interest expenses from loans and payables	3,867,195	5,714,175
Less: borrowing costs capitalised	(276,774)	(2,225,023)
Net interest expenses	3,590,421	3,489,152
Interest income from deposits and receivables	(755,257)	(1,259,851)
Net exchange losses	157,596	798,596
Other financial expenses	257,213	97,602
	3,249,973	3,125,499

The Company

	2017	2016
Interest expenses	2,092,657	2,486,663
Interest income from deposits	(107,894)	(314,842)
Other financial expenses	70,968	73,039
	2,055,731	2,244,860

Capitalisation rates applied to funds borrowed are 4.51%-5.70% per annum for the year ended 31 December 2017 (2016: capitalisation rate of 4.75%-5.70%).

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

6 Notes to the Consolidated Financial Statements (Continued)

(39) Impairment losses

The Group

	2017	2016 (Restated)
Deposits and placements with banks and non-bank financial institutions	(31,665)	33,816
Trade and other receivables	8,314,120	6,224,615
Inventories	(651,559)	(268,000)
Loans and advances to customers and other parties	50,482,471	45,823,907
Available-for-sale financial assets	654,661	685,481
Held-to-maturity investments	(1,653)	1,744
Investments classified as receivables	1,319,039	912,451
Long-term equity investments	3,734	4,610
Fixed assets	508,601	230,693
Construction in progress	-	63,253
Intangible assets	2,406	-
Others	639,381	1,814,619
	61,239,536	55,527,189

(40) Gain from changes in fair value

The Group

	2017	2016
Investment properties	377,205	140,718
Financial assets at fair value through profit or loss	(30,196)	4,446
Derivative financial instruments	(791,280)	38,186
	(444,271)	183,350

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

6 Notes to the Consolidated Financial Statements (Continued)

(41) Investment income

The Group

	2017	2016
Long-term equity investments		
- Associates/joint ventures accounted for under the equity method	2,689,825	982,968
- Gain on disposal	4,649,553	11,449,852
Others	1,435,329	855,956
	8,774,707	13,288,776

(42) Assets disposal gain/(loss)

The Group

	2017	2016
(Losses)/gain on disposal of fixed assets	(15,321)	85,385
Gain on disposal of intangible assets	11,788	19,318
Gains from disposal of repossessed assets	9,036	391
	5,503	105,094

The Company

	2017	2016
Gain/(losses) on disposal of fixed assets	1,064	(340)

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

6 Notes to the Consolidated Financial Statements (Continued)

(43) Income tax expense

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

The Group

	2017	2016 (Restated)
Current income tax expense	18,997,812	18,211,058
Deferred income tax	(6,374,543)	(2,373,635)
	12,623,269	15,837,423

The Company

	2017	2016
Current income tax expense	-	-
Deferred income tax	595,485	(165,175)
	595,485	(165,175)

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

The Group

	2017	2016 (Restated)
Profit before income tax	72,557,228	70,599,449
Income tax expense calculated at statutory tax rate of 25%	18,139,307	17,649,862
Effect of different tax rates applicable to certain subsidiaries	(607,650)	(395,931)
Tax effect of non-deductible expenses	515,459	1,011,323
Tax effect of share of results of associates and joint ventures	(1,514,749)	(695,783)
Tax effect of other non-taxable income	(4,525,255)	(3,824,828)
Deductible temporary difference and tax losses not recognised as deferred tax	623,698	2,216,738
Others	(7,541)	(123,958)
	12,623,269	15,837,423

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

6 Notes to the Consolidated Financial Statements (Continued)

(43) Income tax expense (Continued)

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

The Company

	2017	2016
Profit before income tax	14,692,688	12,478,119
Income tax expense calculated at statutory tax rate of 25%	3,673,172	3,119,530
Tax effect of non-deductible expenses	7,522	3,847
Tax effect of dividend distribution from subsidiaries	(2,281,390)	(3,509,343)
Tax effect of share of results of associates and joint ventures	(828,507)	(208,893)
Tax effect of other non-taxable income	(349,386)	(16,902)
Deductible temporary difference and tax losses not recognised as deferred tax	364,795	5,464
Others	9,279	441,122
	595,485	(165,175)

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

6 Notes to the Consolidated Financial Statements (Continued)

(44) Other comprehensive income

The Group

	2017	2016 (Restated)
Items that may be reclassified to profit or loss		
Share of other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss	28,060	34,728
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	221,985	-
	250,045	34,728
Gains arising from changes in fair value of available-for-sale financial assets	(11,633,089)	(7,756,683)
Less: Tax effect	2,875,602	2,172,645
Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(326,118)	(1,927,465)
	(9,083,605)	(7,511,503)
Effective hedging portion of losses arising from cash flow hedging instruments	756,668	748,428
Less: Tax effect	(227,001)	(224,528)
Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(4,271)	-
	525,396	523,900
Translation differences arising on translation of foreign currency financial statements and others	(2,805,176)	2,053,985
	(11,113,340)	(4,898,890)

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

6 Notes to the Consolidated Financial Statements (Continued)

(44) Other comprehensive income (Continued)

The Company

	2017	2016
Items that may be reclassified to profit or loss		
Share of other comprehensive income of the equity-accounted investee	(5,455)	(269,674)
Less: Net amounts previously recognised in other comprehensive loss/(income) transferred to profit or loss in the current year	221,885	(956)
	216,430	(270,630)
Gains arising from changes in fair value of available-for-sale financial assets	(711,783)	183,767
Less: Tax effect	171,932	(42,161)
Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(335,203)	-
	(875,054)	141,606
	(658,624)	(129,024)

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

6 Notes to the Consolidated Financial Statements (Continued)

(45) Supplementary information to cash flow statement

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

The Group

	2017	2016 (Restated)
Net profit	59,933,959	54,762,026
Add: Impairment losses	61,239,536	55,527,189
Depreciation of fixed assets	3,740,220	3,883,924
Amortisation of intangible assets	1,750,407	1,936,906
Gain on disposal of fixed assets, intangible assets and other long-term assets	(5,503)	(105,094)
Gain from changes in fair value	444,271	(183,350)
Financial expenses	2,835,164	2,229,301
Investment income	(10,660,163)	(14,527,955)
Net movement in deferred tax assets/liabilities	(6,374,543)	(2,373,635)
(Increase)/decrease in inventories	(404,270)	49,011,340
Decrease/ (increase) in operating receivables	342,656,145	(381,594,479)
(Decrease)/increase in operating payables	(377,035,113)	473,262,729
Net cash flows from operating activities	78,120,110	241,828,902

The Company

	2017	2016
Net profit	14,097,203	12,643,294
Add: Depreciation of fixed assets	35,103	36,020
Impairment losses	(101,760)	(58,069)
(Gain)/loss on disposal of fixed assets	(1,064)	340
Loss from change in fair value	(2,928)	(67,123)
Financial expenses	2,031,066	2,599,028
Investment income	(7,141,752)	610,485
Net change in deferred tax liabilities	596,516	(165,175)
Decrease in operating receivables	2,047,945	1,099,947
Decrease in operating payables	(4,815,494)	(6,130,247)
Net cash flows from operating activities	6,744,835	10,568,500

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

6 Notes to the Consolidated Financial Statements (Continued)

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

(b) Change in cash and cash equivalents:

The Group

	2017	2016 (Restated)
Cash at the end of the year	27,488,700	27,380,945
Less: cash at the beginning of the year	(27,380,945)	(25,921,726)
Add: cash equivalents at the end of the year	363,658,781	398,807,016
Less: cash equivalents at the beginning of the year	(398,807,016)	(243,518,627)
Net (decrease)/increase in cash and cash equivalents	(35,040,480)	156,747,608

The Company

	2017	2016
Cash and cash equivalents at the end of the year	14,058,669	13,470,864
Less: cash and cash equivalents at the beginning of the year	(13,470,864)	(15,777,831)
Net increase/(decrease) in cash and cash equivalents	587,805	(2,306,967)

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

6 Notes to the Consolidated Financial Statements (Continued)

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

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

The Group

	31 December 2017	31 December 2016 (Restated)
Cash at bank and on hand		
- Cash on hand	6,765,238	7,499,625
- Bank deposits on demand	20,723,462	19,881,320
- Deposits due over three months	223,508	1,873,561
- Cash with restricted use	955,555	4,583,391
Cash equivalents		
- Surplus deposit reserve funds	89,288,020	58,854,588
- Investments in debt securities due within three months	51,911,007	51,271,410
- Deposits with banks and non-bank financial institutions due within three months	143,382,219	225,523,049
- Placements with banks and non-bank financial institutions due within three months	79,077,535	63,157,969
Closing balance of cash and cash equivalents	392,326,544	432,644,913
Less: deposits due over three months	(223,508)	(1,873,561)
Less: cash with restricted use	(955,555)	(4,583,391)
Closing balance of cash and cash equivalents available on demand	391,147,481	426,187,961

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

6 Notes to the Consolidated Financial Statements (Continued)

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

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

The Company

	31 December 2017	31 December 2016
Cash at bank and on hand		
- Cash on hand	52	3
- Bank deposits on demand	14,058,617	13,470,861
- Deposits due over three months	5,142,337	2,386,845
Closing balance of cash	19,201,006	15,857,709
Less: deposits due over three months	(5,142,337)	(2,386,845)
Closing balance of cash available on demand	14,058,669	13,470,864

(d) Disposal of subsidiaries

	31 December 2017	31 December 2016
Total assets	4,910,590	109,042,326
Total liabilities	(5,617,896)	(99,641,322)
Non-controlling interests	(217,930)	(915,227)
Net (liabilities)/assets disposed	(925,236)	8,485,777
Total consideration	757,432	19,660,910
Release of other comprehensive income relating to interests in disposed subsidiaries	-	158,238
Remeasurement at fair value of retained interest in former subsidiaries	2,000,000	-
Gains on disposal of subsidiaries	3,682,668	11,333,371

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

Cash proceeds received	822,153	102,697
Less: cash and cash equivalents disposed	(480,396)	(9,950,129)
	341,757	(9,847,432)

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting

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

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

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

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

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

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

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

(a) Segment results, assets and liabilities

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

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

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

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

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

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

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

2017

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Operating income from external customers	167,036,811	40,010,045	30,634,565	12,710,279	1,275,967	15,242,140	894,842	-	267,804,649
Inter-segment operating income	(141,579)	6,619	-	413,117	101,122	133,200	351,156	(863,635)	-
Segment operating income	166,895,232	40,016,664	30,634,565	13,123,396	1,377,089	15,375,340	1,245,998	(863,635)	267,804,649
Income from investments in associates and joint ventures	-	1,749,863	65,457	10,473	172,109	691,923	-	-	2,689,825
Interest income from deposits and receivables	-	171,978	213,444	186,196	267,542	69,927	281,029	(434,859)	755,257
Net interest expenses	-	(393,637)	(451,859)	(41,771)	(294,605)	(746,714)	(2,405,698)	743,863	(3,590,421)
Depreciation and amortisation	(2,829,409)	(606,580)	(937,315)	(131,587)	(47,717)	(900,635)	(37,384)	-	(5,490,627)
Impairment losses	(57,179,490)	(541,400)	(95,671)	(756,745)	(129,948)	(1,294,784)	(1,241,498)	-	(61,239,536)
Profit/(loss) before income tax	60,038,485	1,899,869	1,298,123	1,736,537	1,579,191	8,403,345	(2,431,427)	33,105	72,557,228
Income tax	(10,303,182)	(174,907)	(216,524)	(236,762)	(465,310)	(1,135,361)	(80,861)	(10,362)	(12,623,269)
Profit/(loss) for the year	49,735,303	1,724,962	1,081,599	1,499,775	1,113,881	7,267,984	(2,512,288)	22,743	59,933,959
- Attributable to owners of the company	33,817,767	1,614,404	1,036,709	1,501,160	904,680	6,684,215	(2,468,972)	15,488	43,105,451
- Attributable to non-controlling interests	15,917,536	110,558	44,890	(1,385)	209,201	583,769	(43,316)	7,255	16,828,508

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

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

2017 (Continued)

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Segment assets	5,786,638,420	34,081,755	41,638,938	38,558,784	36,365,435	69,125,733	83,592,202	(88,254,751)	6,001,746,516
Including:									
Investments in associates	27,657,667	11,185,778	476,316	309,798	275,832	9,213,627	882,505	-	50,001,523
Investments in joint ventures	5,318,465	765,643	-	-	1,297,778	1,247,930	-	-	8,629,816
Segment liabilities	(5,314,639,759)	(20,335,367)	(28,601,341)	(28,108,258)	(27,328,639)	(38,432,118)	(71,517,945)	87,789,107	(5,441,174,320)
Including:									
Bank and other loans	(5,998,322)	(10,644,811)	(10,666,106)	(1,059,065)	(6,038,331)	(17,912,903)	(7,228,489)	16,127,955	(43,420,072)
Debt instruments issued	(442,395,155)	-	(2,199,704)	-	-	(1,411,543)	(42,811,165)	-	(488,817,567)

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

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

2016(Restated)

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Operating income from external customers	162,614,993	32,787,596	23,468,213	9,422,151	10,282,835	7,531,923	611,106	-	246,718,817
Inter-segment operating income	(131,705)	1,914,898	-	269,387	84,759	215,995	1,317,728	(3,671,062)	-
Segment operating income	162,483,288	34,702,494	23,468,213	9,691,538	10,367,594	7,747,918	1,928,834	(3,671,062)	246,718,817
Income/(loss) from investments in associates and joint ventures	-	365,998	29,564	39,833	(50,217)	597,790	-	-	982,968
Interest income from deposits and receivables	-	326,218	154,369	211,721	504,965	88,946	446,288	(472,656)	1,259,851
Net interest expenses	-	(357,198)	(377,936)	(25,704)	(872,910)	(858,147)	(2,760,442)	1,763,185	(3,489,152)
Depreciation and amortisation	(2,723,840)	(814,746)	(803,415)	(134,553)	(261,140)	(1,043,713)	(39,423)	-	(5,820,830)
Impairment losses	(52,869,049)	(328,044)	(541,655)	662,448	(2,507,702)	56,933	(120)	-	(55,527,189)
Profit/(loss) before income tax	61,212,009	522,666	(374,379)	1,667,097	7,786,222	654,515	(717,200)	(151,481)	70,599,449
Income tax	(13,840,502)	(228,352)	(283,291)	(253,456)	(704,514)	(413,996)	(106,357)	(6,955)	(15,837,423)
Profit/(loss) for the year	47,371,507	294,314	(657,670)	1,413,641	7,081,708	240,519	(823,557)	(158,436)	54,762,026
- Attributable to owners of the company	32,574,362	345,830	(167,782)	1,415,142	6,705,477	(133,743)	(823,557)	(158,436)	39,757,293
- Attributable to non-controlling interests	14,797,145	(51,516)	(489,888)	(1,501)	376,231	374,262	-	-	15,004,733

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

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

2016 (Restated) (Continued)

	Financial services	Resources and energy	Manufacturing	Engineering contracting	Real estate	Others	Operations Management	Elimination	Total
Segment assets	6,017,877,055	39,670,989	38,515,496	32,914,278	40,894,027	49,782,900	89,390,474	(85,381,832)	6,223,663,387
Including:									
Investments in associates	26,654,687	10,134,618	407,463	415,611	201,430	7,778,182	64,064	-	45,656,055
Investments in joint ventures	3,577,639	155,592	-	-	1,495,435	1,138,249	-	-	6,366,915
Segment liabilities	(5,578,528,574)	(27,498,575)	(26,132,002)	(23,775,027)	(32,390,101)	(32,809,525)	(71,546,941)	85,122,616	(5,707,558,129)
Including:									
Bank and other loans	(2,651,504)	(12,470,485)	(9,293,584)	(1,141,000)	(9,136,096)	(16,937,561)	(7,454,914)	11,545,185	(47,539,959)
Debt instruments issued	(386,946,026)	-	(3,094,568)	-	-	(1,072,446)	(41,240,807)	-	(432,353,847)

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

6 Notes to the Consolidated Financial Statements (Continued)

(46) Segment reporting (Continued)

(b) Geographic information

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

	Revenue from external customers		Reportable segment assets	
	2017	2016 (Restated)	31 December 2017	31 December 2016 (Restated)
Mainland China	215,770,150	224,295,339	5,613,303,615	5,889,404,102
Hong Kong and Macau	30,577,254	4,103,037	355,015,150	313,602,481
Overseas	21,457,245	18,320,441	33,427,751	20,656,804
	267,804,649	246,718,817	6,001,746,516	6,223,663,387

(c) Major customers

Operating income from each individual customer of the Group is below 10% of the Group's total operating income for the year ended 31 December 2017.

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management

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

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

(a) Credit risk

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

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

(I) Maximum credit risk exposure

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

The Group

	31 December 2017	31 December 2016 (Restated)
Deposits with central banks, banks and non-bank financial institutions	740,841,562	802,889,750
Placements with banks and non-bank financial institutions	171,650,383	167,207,891
Financial assets at fair value through profit or loss	64,657,636	67,135,340
Derivative financial assets	66,203,044	47,604,014
Financial assets held under resale agreements	54,625,933	173,190,986
Loans and advances to customers and other parties	3,115,806,170	2,807,157,088
Available-for-sale financial assets	514,470,293	518,039,069
Held-to-maturity investments	218,702,786	218,393,136
Investments classified as receivables	538,985,157	1,043,289,575
Other financial assets	107,014,631	103,890,434
	5,592,957,595	5,948,797,283
Credit commitments and guarantees provided	1,125,225,566	1,103,801,372
Maximum credit risk exposure	6,718,183,161	7,052,598,655

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

(II) Distribution by credit exposure is as follows:

The Group

	31 December 2017				
	Loans and advances to customers and other parties	Due from central banks, banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivables
Impaired					
Individually assessed					
Gross balance	45,971,359	685	-	137,570	742,125
Allowance for impairment loss	(32,206,582)	(685)	-	(50,265)	(303,263)
	13,764,777	-	-	87,305	438,862
Collectively assessed					
Gross balance	11,393,359	-	-	-	-
Allowance for impairment loss	(8,975,618)	-	-	-	-
	2,417,741	-	-	-	-
Overdue but not impaired (note (i))					
Gross balance	40,473,690	-	-	-	75,901
Within which:					
- Within 3 months	30,811,928	-	-	-	75,901
- Between 3 months and 1 year	9,513,872	-	-	-	-
- Over 1 year	147,890	-	-	-	-
Allowance for impairment loss	(9,698,471)	-	-	-	(1,518)
	30,775,219	-	-	-	74,383
Neither overdue nor impaired					
Gross balance	3,112,724,439	912,491,945	54,625,933	794,399,647	541,564,252
Allowance for impairment loss (note (ii))	(43,876,006)	-	-	-	(3,092,340)
	3,068,848,433	912,491,945	54,625,933	794,399,647	538,471,912
Net balance	3,115,806,170	912,491,945	54,625,933	794,486,952	538,985,157

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group (Continued)

	31 December 2016(Restated)				
	Loans and advances to customers and other parties	Due from central banks, banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivables
Impaired					
Individually assessed					
Gross balance	41,531,605	32,598	-	61,013	28,125
Allowance for impairment loss	(28,839,082)	(8,698)	-	(31,020)	(14,063)
	12,692,523	23,900	-	29,993	14,062
Collectively assessed					
Gross balance	10,578,802	-	-	-	-
Allowance for impairment loss	(8,106,617)	-	-	-	-
	2,472,185	-	-	-	-
Overdue but not impaired (note (i))					
Gross balance	45,403,452	-	-	-	132,611
Within which:					
- Within 3 months	34,667,006	-	-	-	132,611
- Between 3 months and 1 year	10,736,446	-	-	-	-
- Over 1 year	-	-	-	-	-
Allowance for impairment loss	(8,401,974)	-	-	-	(2,652)
	37,001,478	-	-	-	129,959
Neither overdue nor impaired					
Gross balance	2,788,910,590	970,107,557	173,190,986	801,388,547	1,045,037,491
Allowance for impairment loss (note (ii))	(33,919,688)	(33,816)	-	(103,435)	(1,891,937)
	2,754,990,902	970,073,741	173,190,986	801,285,112	1,043,145,554
Net balance	2,807,157,088	970,097,641	173,190,986	801,315,105	1,043,289,575

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

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

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

As at 31 December 2017, the loans and advances to customers and other parties of the Group which were overdue but not impaired were RMB 40,474 million (31 December 2016: RMB 48,860 million). The secured portion and unsecured portion of these loans and advances to customers and other parties were RMB 23,877 million (31 December 2016: RMB 33,486 million) and RMB 16,597 million (31 December 2016: RMB 15,374 million) respectively. The fair value of pledge and collaterals held against these loans and advances to customers and other parties amounted to RMB 33,484 million (31 December 2016: RMB 41,139 million).

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

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group

	31 December 2017			31 December 2016(Restated)		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
- Manufacturing	315,575,894	10%	138,650,525	382,261,126	14%	199,967,424
- Wholesale and retail	193,817,934	6%	103,102,327	238,545,302	8%	146,673,863
- Real estate	337,462,363	11%	275,124,955	299,112,643	10%	248,888,546
- Rental and business services	222,758,514	7%	134,765,194	181,611,975	6%	116,791,409
- Transportation, storage and postal services	152,850,660	5%	79,120,070	161,976,135	6%	84,728,338
- Water, environment and public utility management	180,015,570	6%	87,938,431	149,920,938	5%	77,909,223
- Construction	82,938,096	3%	31,511,779	90,632,665	3%	39,682,147
- Production and supply of electric power, gas and water	70,750,349	2%	32,915,402	60,045,908	2%	25,186,872
- Public management and social organisations	18,936,116	1%	5,768,877	19,846,062	1%	4,426,954
- Others	295,046,168	9%	123,234,241	270,773,138	9%	111,856,260
	1,870,151,664	60%	1,012,131,801	1,854,725,892	64%	1,056,111,036
Personal loans	1,231,583,684	37%	859,513,155	956,605,423	33%	695,631,295
Discounted bills	108,827,499	3%	-	75,093,134	3%	-
	3,210,562,847	100%	1,871,644,956	2,886,424,449	100%	1,751,742,331

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group

	31 December 2017			31 December 2016(Restated)		
	Gross balance	%	Loans and advances secured by collateral	Gross balance	%	Loans and advances secured by collateral
Mainland China	3,038,859,540	94%	1,805,312,570	2,712,552,504	94%	1,683,211,198
Hong Kong and Macau	145,944,476	5%	50,517,035	157,148,898	5%	59,700,891
Overseas	25,758,831	1%	15,815,351	16,723,047	1%	8,830,242
	3,210,562,847	100%	1,871,644,956	2,886,424,449	100%	1,751,742,331

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

The Group

	31 December 2017		31 December 2016	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	23,245,497	0.72%	17,233,891	0.60%
- Rescheduled loans and advances overdue more than 3 months	19,858,666	0.62%	14,679,797	0.51%

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(a) Credit risk (Continued)

(VI) Offsetting

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

As at 31 December 2017, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2016: Nil).

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(b) Market risk

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

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

(I) Interest rate risk

(i) Financial asset-liability gap

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

The Group

	31 December 2017					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year to 5 years	More than 5 years	Total
Total financial assets	392,538,402	2,585,162,797	1,106,848,461	1,444,702,022	234,611,038	5,763,862,720
Total financial liabilities	(210,196,648)	(3,688,517,634)	(1,042,210,564)	(390,387,161)	(47,600,843)	(5,378,912,850)
Financial asset-liability gap	182,341,754	(1,103,354,837)	64,637,897	1,054,314,861	187,010,195	384,949,870

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(b) Market risk (Continued)

(I) Interest rate risk (Continued)

(i) Financial asset-liability gap (Continued)

The Group (Continued)

	31 December 2016(Restated)					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year to 5 years	More than 5 years	Total
Total financial assets	265,664,530	2,658,967,338	1,639,847,344	1,233,193,494	210,065,785	6,007,738,491
Total financial liabilities	(158,330,475)	(3,815,887,499)	(1,178,978,810)	(426,697,212)	(74,980,136)	(5,654,874,132)
Financial asset-liability gap	107,334,055	(1,156,920,161)	460,868,534	806,496,282	135,085,649	352,864,359

(ii) Effective interest rate

The Group

	31 December 2017		31 December 2016(Restated)	
	Effective Interest rate	RMB'000	Effective Interest rate	RMB'000
Assets				
Cash and deposits	1.56%-2.21%	747,606,800	1.40%-1.52%	810,389,375
Placements with banks and non-bank financial institutions	3.07%	171,650,383	2.56%	167,207,891
Financial assets held under resale agreements	2.89%	54,625,933	2.30%	173,190,986
Loans and advances to customers and other parties	4.61%	3,115,806,170	4.82%	2,807,157,088
Investments classified as receivables	4.25%	538,985,157	4.01%	1,043,289,575
Investments (note (i))	3.28%	1,020,601,941	3.41%	907,032,098
Others		352,470,132		315,396,374
		6,001,746,516		6,223,663,387

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(b) Market risk (Continued)

(I) Interest rate risk (Continued)

(ii) Effective interest rate (Continued)

The Group

	31 December 2017		31 December 2016(Restated)	
	Effective Interest rate	RMB'000	Effective Interest rate	RMB'000
Liabilities				
Borrowing from central bank	3.13%	238,082,461	3.02%	184,050,000
Deposits from banks and non-bank financial institutions	3.75%	797,991,403	2.81%	981,423,773
Placements from banks and non-bank financial institutions	2.85%	75,341,379	2.10%	83,722,646
Financial assets sold under repurchase agreements	2.91%	134,499,933	2.42%	120,342,029
Deposits from customers	1.59%	3,398,775,855	1.68%	3,616,377,885
Bank and other loans	0.33%-6.7%	43,420,072	0.33%-7.8%	47,539,959
Debt instruments issued	2.47%-6.13%	488,817,567	3.20%-5.20%	432,353,847
Others		264,245,650		241,747,990
		5,441,174,320		5,707,558,129

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

(iii) Sensitivity analysis

As at 31 December 2017, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by RMB 10,549 million (31 December 2016: decrease or increase by RMB 8,113 million).

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(b) Market risk (Continued)

(II) Currency risk

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

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

The Group

	31 December 2017				
	RMB	US$	HK$	Others	Total
Total financial assets	5,311,401,832	265,999,969	152,626,300	33,834,619	5,763,862,720
Total financial liabilities	(4,909,065,889)	(283,129,561)	(131,135,788)	(55,581,612)	(5,378,912,850)
Financial asset-liability gap	402,335,943	(17,129,592)	21,490,512	(21,746,993)	384,949,870

The Group

	31 December 2016(Restated)				
	RMB	US$	HK$	Others	Total
Total financial assets	5,484,269,059	352,643,067	137,535,446	33,290,919	6,007,738,491
Total financial liabilities	(5,161,594,823)	(309,229,364)	(129,742,204)	(54,307,741)	(5,654,874,132)
Financial asset-liability gap	322,674,236	43,413,703	7,793,242	(21,016,822)	352,864,359

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of RMB against US$, HK$ and other currencies as at 31 December 2017 would increase or decrease the Group's profit before taxation by 162 million (31 December 2016: decrease or increase by RMB 311 million).

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(c) Liquidity risk

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

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

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

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

The Group

	31 December 2017						
	Repayable on demand	Within 3 months	Between 3 month and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
Total financial assets	264,614,711	1,064,759,743	1,134,342,953	1,490,392,484	1,159,577,521	650,175,308	5,763,862,720
Total financial liabilities	(2,287,664,846)	(1,523,585,826)	(1,088,056,789)	(409,621,427)	(66,768,414)	(3,215,548)	(5,378,912,850)
Financial asset-liability gap	(2,023,050,135)	(458,826,083)	46,286,164	1,080,771,057	1,092,809,107	646,959,760	384,949,870

	31 December 2016(Restated)						
	Repayable on demand	Within 3 months	Between 3 month and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
Total financial assets	243,368,432	1,403,165,743	1,747,639,448	1,140,303,838	922,807,725	550,453,305	6,007,738,491
Total financial liabilities	(2,437,223,611)	(1,496,190,624)	(1,209,573,752)	(416,844,086)	(91,000,841)	(4,041,218)	(5,654,874,132)
Financial asset-liability gap	(2,193,855,179)	(93,024,881)	538,065,696	723,459,752	831,806,884	546,412,087	352,864,359

The cost of franchise right is the fair value at the date of acquisition and is subsequently amortised over the remaining franchise term pertaining to the term of MFAs.

	31 December 2017						
	Repayable on demand	Within 3 months	Between 3 month and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
Total financial assets	263,216,830	1,078,728,358	1,231,651,375	1,832,408,018	1,645,818,977	652,564,158	6,704,387,716
Total financial liabilities	(2,284,807,514)	(1,514,201,291)	(1,113,568,536)	(457,552,273)	(75,085,328)	(3,215,548)	(5,448,430,490)
Financial asset-liability gap	(2,021,590,684)	(435,472,933)	118,082,839	1,374,855,745	1,570,733,649	649,348,610	1,255,957,226

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

6 Notes to the Consolidated Financial Statements (Continued)

(47) Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

The Group

	31 December 2017			
	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Acceptances	427,599,843	70,959	-	427,670,802
Credit card commitments	310,314,921	-	-	310,314,921
Guarantees	123,455,953	87,493,712	1,168,936	212,118,601
Loan commitments	17,435,236	24,539,912	28,857,939	70,833,087
Letters of credit	86,906,379	2,182,620	-	89,088,999
Total	965,712,332	114,287,203	30,026,875	1,110,026,410

The Group

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value

(a) Fair value measurement

(I) Fair value hierarchy

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

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

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

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

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value(Continued)

(a) Fair value measurement (Continued)

(I) Fair value hierarchy (Continued)

The Group

	31 December 2017	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss	75,855,420	13,798,993	62,048,437	7,990
Derivative financial assets	66,203,044	-	65,471,417	731,627
Available-for-sale financial assets	651,891,430	60,616,944	581,053,255	10,221,231
Investment properties	4,204,706	-	-	4,204,706
Total assets measured at fair value on a recurring basis	798,154,600	74,415,937	708,573,109	15,165,554
Liabilities				
Derivative financial liabilities	(65,295,254)	-	(65,294,933)	(321)

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

As at 31 December 2017, the Group did not have any assets or liabilities measured at fair value on a non-recurring basis (31 December 2016: Nil).

During the year ended 31 December 2017, there were no transfers, between Level 1 and Level 2 of the Group's above assets and liabilities which are measured at fair value on a recurring basis (31 December 2016: Nil). The Group recognises transfers between different levels at the balance sheet date during which such transfers are made.

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value(Continued)

(a) Fair value measurement (Continued)

(II) Level 2 fair value measurement

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

For the year ended 31 December 2017, there were no changes in valuation techniques for the recurring Level 2 fair value measurements (31 December 2016: Nil).

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value(Continued)

(a) Fair value measurement (Continued)

(III) Level 3 fair value measurement

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

	2017					
	Assets					Liabilities
	Financial assets at fair value through profit or loss	Derivatives financial assets	Available-for-sale financial assets	Investment properties	Total	Derivatives financial liabilities
At 1 January 2017	28,555	2,067	13,923,283	4,003,390	17,957,295	(2,067)
Total (losses)/gains:						
- in profit or loss	(16,288)	(1,343)	(718,162)	423,249	(312,544)	701
- in other comprehensive income	-	731,306	269,125	-	1,000,431	-
Net settlements	(4,277)	(403)	(3,253,015)	(221,933)	(3,479,628)	1,045
At 31 December 2017	7,990	731,627	10,221,231	4,204,706	15,165,554	(321)
Total (losses)/gains for the year included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(16,288)	(1,343)	(718,162)	423,249	(312,544)	701

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value (Continued)

(a) Fair value measurement (Continued)

(III) Level 3 fair value measurement (Continued)

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value (Continued)

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

	31 December 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	218,702,786	212,596,958	897,350	211,632,608	67,000
Investments classified as receivables	538,985,157	533,669,214	-	92,967,133	440,702,081
	757,687,943	746,266,172	897,350	304,599,741	440,769,081
Financial liabilities					
Debt instruments issued					
- Corporate bonds issued	19,263,867	19,263,866	2,199,704	17,064,162	-
- Notes issued	122,880,489	121,289,312	315,000	120,974,312	-
- Subordinated bonds issued	73,727,630	76,246,158	5,531,122	70,715,036	-
- Certificates of deposits (not for trading purpose)	2,849,296	2,849,080	-	2,849,080	-
- Certificates of interbank deposit issued	270,096,285	265,071,146	-	265,071,146	-
	488,817,567	484,719,562	8,045,826	476,673,736	-

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

6 Notes to the Consolidated Financial Statements (Continued)

(48) Fair value (Continued)

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(49) Capital management

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

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

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2017 (31 December 2016: Nil).

(50) Commitments and contingent liabilities

(a) Credit commitments

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

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

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

The Group

	31 December 2017	31 December 2016
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	13,643,448	8,445,758
With an original maturity of 1 year or above	57,189,639	66,490,576
	70,833,087	74,936,334
Guarantees	212,118,601	174,820,696
Letters of credit	89,088,999	86,680,297
Acceptances	427,670,802	535,204,428
Credit card commitments	310,314,921	215,844,559
	1,110,026,410	1,087,486,314

Credit commitments analysed by credit risk weighted amount

	31 December 2017	31 December 2016
Credit risk weighted amount on credit commitments	351,475,306	337,215,836

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

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

The Company

	31 December 2017	31 December 2016
Guarantees	7,899,510	6,897,365
Others	-	-
	7,899,510	6,897,365

Note:

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

(ii) As at 31 December 2017 and 2016, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(b) Redemption commitment for treasury bonds

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

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

	31 December 2017	31 December 2016
Redemption commitment for treasury bonds	11,492,000	12,722,610

As at 31 December 2017, the original maturities of these bonds vary from one to five years (31 December 2016: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

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

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(c) Guarantees provided

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

The Group

	31 December 2017	31 December 2016
Related parties(note)	14,265,186	15,494,048
Third parties	933,970	821,010
	15,199,156	16,315,058

The Company

	31 December 2017	31 December 2016
Subsidiaries	-	3,913,560
Related parties(note)	14,064,186	15,479,648
	14,064,186	19,393,208

Note:

As at 31 December 2017, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Company that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2017 amounting to RMB 5 billion (31 December 2016: RMB 5.3 billion). The guarantees are being transferred to China Overseas which has provided counter guarantees to the Group (Note 6(52)(c)(II)).

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As at 31 December 2017, the Group's counter guarantees issued to related parties were Nil (31 December 2016: Nil). And the Group's counter guarantees issued to third parties of the Group were Nil (31 December 2016: Nil).

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(d) Outstanding litigations and disputes

(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 was 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.

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(e) Capital commitments

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

The Group

	31 December 2017	31 December 2016 (Restated)
Contracted for	15,201,507	11,743,874

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

6 Notes to the Consolidated Financial Statements (Continued)

(50) Commitments and contingent liabilities (Continued)

(f) Operating lease commitments

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

The Group

	31 December 2017	31 December 2016
Within 1 year (inclusive)	3,048,843	3,090,695
Between 1 and 2 years (inclusive)	3,040,848	2,579,321
Between 2 and 3 years (inclusive)	2,381,200	2,207,503
Over 3 years	5,812,535	6,047,280
	14,283,426	13,924,799

6 Notes to the Consolidated Financial Statements (Continued)

(51) Non-adjusting post balance sheet date events

(a) Profit distribution

On 28 March 2018, the board of directors of the Company suggest not make profit distribution to owners for the year ended 31 December 2017.

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

6 Notes to the Consolidated Financial Statements (Continued)

(52) Related party relationships and transactions

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

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

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

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

(I) Transaction amounts with related parties:

The Group

	2017	2016 (Restated)
Sales of goods	706,753	734,419
Purchase of goods	2,221,087	2,046,687
Net interest expenses	221,545	578,014
Net fee and commissions expenses	680,589	801,842
Income from supplementary services	114,652	110,769
Expenses for supplementary services	817,477	639,311
Interest income from deposits and receivables	83,814	138,287
Business and administrative expenses	221,542	101,828

The Company

	2017	2016
Interest income from loans	504,994	1,469,533
Net fee and commissions expenses	20,010	141,573
Interest income from deposits	65,349	69,635
Interest expenses	-	248,722
Business and administrative expenses	-	1,462

Note:

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

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

6 Notes to the Consolidated Financial Statements (Continued)

(52) Related party relationships and transactions (Continued)

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

(I) Transaction amounts with related parties (Continued):

Note(Continued):

(iii) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement) wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(iv) The company sold the Group's interest in certain residential real estate projects in the PRC to China Overseas by its parent company CITIC Limited in 2016. The transaction above was entrusted to CITIC Limited on behalf of the company and CITIC Pacific to sell and settle with China Overseas (Note 6(54)).

(v) CITIC Limited, the parent of the Company, transferred part of long-term receivables due from of its subsidiary, CITIC Mining International Limited, of US$2.4 billion in aggregation (approximately RMB 15.7 billion) to three of the Company's subsidiaries through its subsidiary Castle Metro Limited in 2017.

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

6 Notes to the Consolidated Financial Statements (Continued)

(52) Related party relationships and transactions (Continued)

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

(II) The balances with related parties as at the balance sheet date are set out as follows:

The Group

	31 December 2017	31 December 2016 (Restated)
Trade and other receivables	21,252,084	23,004,648
Loans and advances to customers and other parties	19,356,877	15,634,535
Placements with banks and non-bank institutions	1,488,602	692,968
Cash and deposits	666,152	2,279,755
Financial assets at fair value through profit or loss	191,513	127,575
Derivative financial instruments and other assets	632,626	661,292
Available-for-sale financial assets	3,386,186	842,332
Trade and other payables	18,593,039	16,886,850
Deposits from customers, banks and non-bank institutions	69,779,102	35,608,516
Derivative financial instruments and other liabilities	80,184	278,940
Bank and other loans	5,929,024	6,149,101
Debt instruments issued	1,110,215	-
Off-balance sheet items		
Guarantees provided	14,265,186	15,494,048
Guarantees received	7,007,636	7,679,475
Entrusted funds	12,254,416	8,180,110
Funds raised from investors of non-principle guaranteed wealth management products	31,020	6,000

The Company

	31 December 2017	31 December 2016
Trade and other receivables	31,459,121	26,569,650
Loans and advances to customers and other parties	8,865,759	11,044,002
Cash and deposits	19,113,214	18,586,567
Derivative financial instruments and other assets	-	2,495
Trade and other payables	15,232,371	11,637,272
Derivative financial instruments and other liabilities	1,370,674	1,315,300
Guarantees provided	14,064,186	19,393,208

6 Notes to the Consolidated Financial Statements (Continued)

(52) Related party relationships and transactions (Continued)

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

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

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

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

(III) Relationships with the related parties under the transactions stated in 6(52)(c)(I) and 6(52)(c)(II) above

Company Name	Relationship with the Group
CITIC Group	Ultimate holding company
CITIC Limited	Parent company
CITIC Pacific Special Steel Co., Ltd.	Controlled by the parent company
CITIC Pacific Mining Management Pty Ltd.	Controlled by the parent company
Castle Metro Limited	Controlled by the parent company
CITIC Polaris Limited	Controlled by the ultimate holding company
CITIC Asset Management Co., Ltd.	Controlled by the ultimate holding company
CITIC-Prudential Life Insurance Co., Ltd.	Jointly controlled by the Group
CITIC Securities	Significantly influenced by the Group
CITIC Real Estate Co., Ltd.	Significantly influenced by the Group
CITIC Futures Company Limited	Significantly influenced by the Group
Guangdong Honglianjiuwu Information Industry Co., Ltd.	Significantly influenced by the Group

6 Notes to the Consolidated Financial Statements (Continued)

(53) Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed securities and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

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

6 Notes to the Consolidated Financial Statements (Continued)

(53) Structured entities (Continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2017						
Carrying amount	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Total	Guarantees	Maximum loss exposure
Wealth management products issued by banks	-	-	13,887,926	139,020,000	152,907,926	-	152,907,926
Investment management products managed by non-bank financial institutions	-	-	340,650	269,188,287	269,528,937	-	269,528,937
Trust investment plans	-	-	4,748,577	129,753,594	134,502,171	-	134,502,171
Asset-backed securities	-	34,234,225	16,877,031	-	51,111,256	-	51,111,256
Investment funds	2,000,669	-	122,120,281	304,643	124,425,593	-	124,425,593
	2,000,669	34,234,225	157,974,465	538,266,524	732,475,883	-	732,475,883

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

6 Notes to the Consolidated Financial Statements (Continued)

(53) Structured entities (Continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2016						
Carrying amount	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Total	Guarantees	Maximum loss exposure
Wealth management products issued by banks	-	-	11,035,796	458,390,000	469,425,796	-	469,425,796
Investment management products managed by non-bank financial institutions	-	-	963,750	455,363,610	456,327,360	-	456,327,360
Trust investment plans	-	-	2,465,723	126,307,728	128,773,451	-	128,773,451
Asset-backed securities	-	1,526,555	9,746,698	-	11,273,253	-	11,273,253
Investment funds	1,000,075	-	22,213,208	980,000	24,193,283	-	24,193,283
	1,000,075	1,526,555	46,425,175	1,041,041,338	1,089,993,143	-	1,089,993,143

6 Notes to the Consolidated Financial Statements (Continued)

(53) Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 31 December 2017, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was RMB 3,119.4 billion (31 December 2016: RMB 2,381.4 billion).

As at 31 December 2017, the carrying amounts of management fee receivables recognised in the balance sheet were 700 million (31 December 2016: RMB500 million).

As at 31 December 2017, the amount of placements and financial assets held under resale agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB 70,500 million (31 December 2016: RMB 62,000 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December for 2017 is RMB 596.6 billion (2016: RMB 742 billion).

During the year ended 31 December 2017, the maximum exposure of the placements and financial assets held under resale agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB 72,400 million (2016: RMB 57,400 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2017, the amount of fee and commission income recognised from the abovementioned structured entities sponsored by the Group was RMB 9,700 million (2016: RMB 11,400 million).

6 Notes to the Consolidated Financial Statements (Continued)

(53) Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Securitisation transactions and loans transfers

For the year ended 31 December 2017, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of the financial assets sold under repurchase agreements are set forth in Note 6(23). Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2017 totalled RMB 175,600 million are set forth below (2016: RMB119,100 million) .

During the year ended 31 December 2017, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of RMB 127,300 million (2016: RMB 49,200 million), of which RMB 126,400 million (2016: RMB44,700 million) were qualified for full de-recognition. The balance of RMB 900 million (2016: RMB4,500 million) was in respect of non-performing loans transferred.

The Group concluded that it had continuing involvement in these assets as at 31 December 2017 based on the related criteria set forth in Note 3(12) and Note 3(27). As at 31 December 2017, the Group continued to recognise assets of RMB 800 million (31 December 2016: RMB 700 million) under loans and advances to customers and other parties together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 6(8)).

During the year ended 31 December 2017, the Group also through other types of transactions transferred loans of book value before impairment of RMB 48,300 million (2016: RMB70,000 million), of which RMB 38,700 million represented non-performing loans (2016: RMB54,000 million). The Group carried out assessment based on the criteria as detailed in Note 3(12) and Note 3(27) and concluded that these transferred assets qualified for full de-recognition (Note 6(8)(c)).

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

6 Notes to the Consolidated Financial Statements (Continued)

(54) Discontinued operations

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

The disposed residential real estate projects in the PRC mentioned above meet the condition of discontinued operation, and their operating results are as follows:

	2016
Revenue of discontinued operations	7,809,450
Less: Costs and expenses of discontinued operations	(11,204,295)
Total profit of discontinued operations	(3,394,845)
Less: Income taxes of discontinued operations	(418,089)
Net profit of discontinued operations before net disposal loss	(3,812,934)
Net disposal gain	11,240,653
Net profit of discontinued operations	7,427,719
Attributable to: owners of the Company	7,451,738

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

6 Notes to the Consolidated Financial Statements (Continued)

(55) Business combinations involving entities under common control

On 29 September 2017, CITIC Metal Group Limited ("CITIC Metal"), an indirect wholly-owned subsidiary of the group, and Star Thrive, an indirect wholly-owned subsidiary of CITIC Group (which is a special purpose vehicle holding 76.37% equity interest in Jinzhou Titanium) entered into the New Share Subscription Agreement, pursuant to which CITIC Metal agreed to subscribe for 60% of the enlarged share capital of Star Thrive at a consideration of HK$1,326 million (RMB 1,150 million). On 29 September 2017 ("the Acquisition Date"), the transaction under the New Share Subscription Agreement was completed. The Group's share of the net asset of Star Thrive was RMB 1,030 million. The Acquisition represents a business combination under common control as Star Thrive and the Company were ultimately controlled by CITIC Group both before and after the Acquisition, and that control is not transitory.

The assets and liabilities of Star Thrive at the acquisition date are as follows:

	Carrying amount	
	Acquisition date	31 December 2016
Cash at bank and on hand	1,253,198	112,685
Receivables	298,366	200,323
Inventories	142,908	85,435
Fixed assets	640,737	356,275
Intangible assets	272,753	219,674
Deferred tax assets	10,312	13,883
Other assets	11,676	400,711
Less: Payables	(382,982)	(323,072)
Tax payable	(18,775)	(275,131)
Borrowings	(279,681)	(9,763)
Other liabilities	(35,578)	(45,698)
Owners' equity	1,912,934	735,322
Less: Minority interests	(195,708)	(184,436)
The equity attributable to owners of the Company	1,717,226	550,886

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

6 Notes to the Consolidated Financial Statements (Continued)

(55) Business combinations involving entities under common control (Continued)

The revenue, net profit and cash flows of Star Thrive for the year 2016 and the period from 1 January 2017 to the acquisition date are as follows:

	From 1 January 2017 to the acquisition date	2016
Total revenue	638,282	721,167
Net profit	29,125	48,962
Cash flows from operating activities	86,597	190,597
Net cash flows	54,606	(13,099)

(56) Major transactions with non-controlling interests

Dilution of interests in a subsidiary without loss of control

In September 2017, CBI issued new shares to five investors, raising RMB 7,847 million in total. Upon the issuance of new shares, equity interests indirectly owned by CITIC Bank in CBI reduced from 100% to 75% The Group recognised an increase in non-controlling interests of RMB 7,624 million and an increase in equity attributable to shareholders of the Company of RMB 223 million.

The effect of changes in the ownership interest of CBI on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2017
Increase in carrying amount of non-controlling interests	7,624,020
Consideration received from non-controlling interests	(7,847,000)
Gain on disposal within equity	(222,980)