中信
CITIC

CITIC Limited
中國中信股份有限公司

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

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

It's been an eventful few months. When I wrote to you in February, we were CITIC Pacific. Now we are CITIC Limited, the biggest conglomerate in China after acquiring the businesses of CITIC Group.

This complex transaction could not have been completed without your support. I thank our CITIC Pacific shareholders for their overwhelming approval of the acquisition, and I extend a warm welcome to our new shareholders. Together, we are in for an exciting ride.

In this letter, I want to tell you briefly about how we got to this point, before outlining the important tasks ahead. Then, I will explain how the extraordinary events of the last few months are in fact a continuation of the themes I wrote about in my last letter. The name of our company has changed, but our corporate values and mandate to generate returns for you are stronger than ever.

I will begin with a summary of CITIC Pacific's financial and business performance for the first six months of 2014, prior to the completion of the transaction with CITIC Group. In this report, we have also provided brief consolidated financials of the assets we acquired. When we report our full year 2014 results, you will see detailed financial reporting for the new CITIC Limited.

Financial Results of First Six Months of 2014

CITIC Pacific, in the first six months of the year, recorded HK$2,005 million of profit attributable to ordinary shareholders. This compares with HK$2,046 million in the same period last year if HK$2,417 million one-time gains in 2013 are excluded. Our operating businesses achieved a substantial increase in profitability in comparison with the first six months of last year, underpinned by their solid performance, in particular special steel and property.

Our iron ore businesses incurred a loss at about the same level as the first six months of last year. Operationally, production line one has been producing quality iron ore concentrate, however, it has yet to reach the desired capacity. So far, we have sold and shipped 1.4 million tonnes of iron ore concentrate to our own steel plants as well as other steel manufacturers in China. After a component of the grinding mill was replaced, the second line is now in trial production. For an industrial activity of this scale and complexity, work on improving the lines' reliability and efficiency will continue to be a focus for our operations team. Work on the remaining four production lines is also proceeding satisfactorily.

Our financial situation is also healthy. Since the announcement of our company's purchase of CITIC Group's businesses, the markets have recognised the enhanced credit worthiness and inherent strength of the enlarged company. Over HK$6 billion has been arranged through our medium-term note programme.

You will remember that I said to you before that so long as CITIC Pacific is making a profit we will pay you a dividend. This will not change under CITIC Limited.

As a result of us being bigger, we now have a much enlarged shareholding base. However, the dividend for the first half of this year will be paid from CITIC Pacific's profit only, not from the enlarged CITIC Limited. We know a dividend is important to shareholders, so the board has decided to pay HK$1.5 cents per share as an interim dividend. Our full year results for 2014 will include profit from the acquired businesses. The board will then review the dividend payment when it meets early next year.

The Right Time for a Big Move

Perhaps you were surprised by our decision to acquire the businesses of CITIC Group, which transformed us from a company mainly focused on special steel, iron ore and property into one with over four times the equity and with a substantial financial services arm, a resources and energy business, manufacturing, engineering contracting, and a much bigger and broader property portfolio. Today, CITIC Limited is the ideal vehicle through which to invest in China. Our listed and unlisted businesses not only mirror the Chinese economy but are run by a team with the acumen, experience and insight to choose and capitalise on the right opportunities.

How did this come about?

It's no secret that CITIC Group had been contemplating a public debut as a way of reforming the group and taking it to the next level of global professional standards. The first step we took was to form a joint stock limited company in late 2011. We then transferred substantially all of the assets of the CITIC Group to this company.

We thought about possible next steps and strategies. The team began to converge on a big and bold idea — why do an initial public offering when we could leverage the international experience and particularly the proven established governance framework of CITIC Pacific and bring the two companies together? Why create more complexity if a simple, elegant solution is right in front of us?

And so we reflected, stepped back and thought — WHY NOT? After the shock faded at the audacity of such a plan, it seemed completely logical.

We realised this was the right time for a big move

- *The right time in China's development.* Chinese companies have matured and become more global — CITIC being one of the prime examples — and the Chinese leadership by encouraging state owned companies to be bolder under a programme of reform and internationalisation, makes this move possible.
- *The right time in CITIC Group's development*. As Lou Gerstner showed in his book about IBM, *Who Says Elephants Can't Dance?*, huge companies that wish to manage complexity and guard against bureaucratic stagnation need to change with the times and embrace modern models, and that is what we are ready to do.
- *The right time for CITIC Pacific*. With over 25 years of hard-won experience operating in Hong Kong and abroad, CITIC Pacific has built a strong governance framework that can be extended to benefit the enlarged group. CITIC Pacific shareholders can enjoy a stronger capital base and enhanced earnings as well as diversity and greater synergy with other group businesses.

The simple truth is this — *it was the right time for a big move*. We decided that we would be better off having almost all of CITIC's businesses under a unified umbrella.

The pieces were in place, and so the plan was launched. We sent you a weighty tome — a circular of over 700 pages — to ensure you were fully informed and comfortable with what we were proposing.

People were sceptical that we could execute such a bold plan within such an ambitious time frame. But here we are, less than five months after we first announced our intentions, with the deal complete.

We're grateful that you showed such support and trust in our judgement and voted in favour. Thank you again.

Why this Conglomerate is Poised to Create Value

We are proud to be a substantial conglomerate alongside others in the world, but what makes us strong and unique is that we are China-focused. There is no company quite like ours. You might ask whether conglomerates are out of fashion. Our answer is that this structure makes sense for CITIC. From access to opportunities, relationships and funding to efficient internal capital and resource allocation, these are all advantages of investing in this conglomerate. We will strive to prove this to you over time, in qualitative and quantitative ways, and expect to be measured and valued by the profits and returns we generate.

In particular, we foresee that we can offer you access to growth opportunities and unlisted assets in China that you would not otherwise have. In addition to the fundamental management task of making existing businesses even better and more profitable, we believe we can create value through acquisitions and disposals. We will take a prudent but strategic approach to capital allocation, capital efficiency and cash flow management, while at the same time focusing on areas that align with China's growth. Being a large diversified conglomerate offers us all these opportunities.

While each of our group companies will remain focused on what it does best, overall diversification will help us reduce investment risk. A downturn suffered by one subsidiary, for instance, can be counterbalanced by stability, or even expansion, in another division. Through this structure, we aim to preserve and increase shareholder value.

How You Will Benefit from the New CITIC

We believe that the benefits you are gaining from our transformation are significant.

Some of these are immediately clear:

- Financially, our equity has grown over four times and our range of businesses greatly expanded. Our profitability will be greater, return on equity will be enhanced, our credit rating should improve, and we will have more access to funding. All of this will give us the confidence and resources to invest and develop.
- You are holding a well-crafted, actively managed, unique proxy for China. China is experiencing a dramatic transformation. By owning our shares, you own a piece of China's future in sectors well matched to China's strategic growth and development.

Some benefits of the deal might not be so readily obvious:

- We acknowledge that we diluted your shareholding when we consummated this deal. This dilution was inevitable to get the transaction done. Your piece of the pie might be smaller, but it is arguably more valuable. You now own shares in a much bigger company with an exciting outlook for growth.

- Our diligent efforts to bring in the right kind of new investors, who share our long-term view, were successful. Our position in the Hang Seng Index has been elevated and share liquidity improved. Over time, we expect the number of investors and the size of our public float to increase even further, but in the meantime we are taking more care than ever to ensure we have the right systems and checks in place to guard your rights and listen to your views.
- We have the chance to renovate and do some housekeeping. As you know, combining two houses together offers a chance to upgrade, modernise, even knock walls down and change the footprint of a place. We are glad to have this catalyst to renovate and we are geared up for the challenge, determined that it will make us more valuable.

The Tasks Ahead

With the deal now complete, our attention is on the much bigger task of integrating the two companies. We are all CITIC companies, but I promise you we do not underestimate the integration challenge, nor can we downplay the differences between the culture and management styles of mainland China and Hong Kong.

We are approaching this as if it were a global post-merger integration, and we want to exemplify best practices. We are also open to learning from our other subsidiaries. CITIC Securities, for example, has successfully integrated CLSA, an international broker of fine reputation, and worked to bridge cultural differences.

We know it will take time, and we hope you will be patient.

Some of the key tasks ahead are:

Governance and risk management. We are fully aware that not all of our businesses and subsidiaries are at the same stage in their governance and risk management practices. This is why it is important that we extend CITIC Pacific's governance framework to the rest of the group companies and align management practices among them all, while recognising compliance differences in different listing locations. We want to raise our game even higher. I will urge our board to be open to market influence and investor voices, to act swiftly and emulate the best global standards.

Organisation and business integration. We now have some complementary businesses, and we need to look closely at the best way of organising them. But we won't rush, and even the more predictable combinations will receive thoughtful consideration before decisions are made. We believe that integrating businesses is not just about streamlining the number of entities under our umbrella, but also about maximising efficiencies and spelling out how different units will cooperate with one another and who is accountable to whom.

Systems and process excellence. In order to compete with our world-class peers, our operational and information systems need to be efficient and timely. CITIC Pacific has become one of the earliest among large companies in Hong Kong to release its financial results. But, just because we are bigger now certainly doesn't mean we have an excuse to be slower. We are resolved to continually modernise without compromising speed or precision, including streamlining and speeding up financial reporting. Let me share my personal goal with you: CITIC Limited should be at the forefront of disseminating timely financial results to our investors.

Talent management. In the new CITIC Limited, I can see more and more opportunities for employees' career development, with cross-over to other subsidiaries and geographical locations made easier than ever before. We are committed to organising our management and talent into a clear structure. Aside from providing our employees with opportunities to grow, we also need mechanisms that incentivise them. In fact, I am exploring ways for our employees to own our stock so that everyone's interests and incentives are aligned to create value.

Brand management. CITIC is already a household name in China. We want it to become a well-recognised brand internationally as well. We want to be seen as the bold vanguard of internationally progressive Chinese companies, but people need to know what we stand for, and we must guard our brand and reputation carefully. There is work still to be done.

Clearly, the above tasks cannot be done by me alone and I certainly don't have all the answers. Moreover, my style is not to be an autocrat. Of course, I will need to depend on all our leaders to do their part. I will delegate to them, and I will need to build trust among them. Fortunately, I have an outstanding team from CITIC Pacific and across CITIC Group, and together we will get the answers to questions and find solutions to challenging circumstances.

What We have Learned, and the CITIC Way

We have over 30 years of domestic and international experience — and this has served us well. While CITIC Pacific is not the only part of the new CITIC Limited that has international experience, it is probably the most experienced.

In my February letter, I wrote about some of the takeaways and experiences CITIC Pacific had while building our iron ore mine in Australia. These have wider implications for the entire group as well, and it is these themes that will continue to guide us now that we are CITIC Limited.

Philosophically and strategically, the key valuable lessons which we fully intend to pass on and incorporate in the new corporate culture are these:

- *Local knowledge and expertise is critical in getting to know the lay of the land.*
- *Trust bridges cultural differences, opening up a world of opportunities.*
- *It's important that all parties share a joint vision and similar expectations, act responsibly and lead by example.*
- *Engaging with the public builds understanding.*
- *Risk management is critical.*
- *Meeting global standards inspires pride.*

All of these apply to every single business we own and nearly any cross-border business activity.

We are proud to be leading the way in the broader story of the reform of Chinese state owned enterprises, and we will continue to pursue INNOVATION, position our company to benefit from China's REFORM, and embrace OPENNESS, which means competing in open markets without needing government support and to adopt international best practice in everything we do.

We always emphasise our values of integrity, creativity, cohesion, harmony, dedication, and excellence. This is the 'CITIC Way'.

Our Commitment to You

Some of you may remember that I am an avid Go player. Go, a board game with black and white pieces that originated in ancient China, is one of the most popular games in the world today. This game is a good lens through which to look at life and business.

I will challenge the team to internalise some of the strategic principles of Go to build CITIC Limited into a winning company. These principles include building strong, flexible structures, balancing expansion and growth with prudence, getting the timing right, learning from mistakes, and recognising the strengths and weaknesses of our competitors.

In our game, the pivotal move has already been made — the transaction itself. You've now got direct exposure to a range of top China businesses. At this point, the strategic and tactical possibilities for our company are endless.

You can count on me, our management team, our board, and all our employees to rise to this challenge. I look forward to reporting back to you again on our progress when we announce our first annual results for CITIC Limited.

Thank you as always for your support and long-term view.

Chang Zhenming
Chairman
29 August 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	2014 HK$m	2013 HK$m
Revenue	2	46,685	41,291
Cost of sales		(40,524)	(36,295)
Gross profit		6,161	4,996
Other income and net gains	3	770	852
Distribution and selling expenses		(1,747)	(1,541)
Other operating expenses		(2,608)	(2,313)
Change in fair value of investment properties		388	599
Profit from consolidated activities	2&4	2,964	2,593
Share of results of			
Joint ventures	2	1,428	1,582
Associated companies	2	651	145
Profit before net finance charges and taxation		5,043	4,320
Finance charges		(2,132)	(1,362)
Finance income		327	258
Net finance charges	5	(1,805)	(1,104)
Profit before taxation		3,238	3,216
Taxation	6	(272)	(266)
Profit for the period from continuing operations		2,966	2,950
Profit for the period from discontinued operations	12	-	2,102
Profit for the period		2,966	5,052
Attributable to:			
Ordinary shareholders of the Company	2	2,005	4,463
Holders of perpetual capital securities		562	304
Non-controlling interests		399	285
		2,966	5,052

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	2014 HK$m	2013 HK$m
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations		2,005	2,380
Discontinued operations		-	2,083
		2,005	4,463
Earnings per share for profit attributable to ordinary shareholders of the Company during the period (HK$)	8		
Basic earnings per share from:			
Continuing operations		0.55	0.65
Discontinued operations		-	0.57
		0.55	1.22
Diluted earnings per share from:			
Continuing operations		0.55	0.65
Discontinued operations		-	0.57
		0.55	1.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	2014 HK$m	2013 HK$m
Profit for the period	2,966	5,052
Other comprehensive income (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of associated companies and joint ventures	(4)	-
Surplus on revaluation of properties transferred from self- use properties to investment properties	-	130
	(4)	130
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(228)	1,291
Fair value changes from other financial assets	158	(73)
Share of other comprehensive income of associated companies and joint ventures	(40)	36
Exchange translation differences	(666)	1,012
Reserve released on disposal/ deemed disposal of an interest in a joint venture	(22)	(206)
Reserve released on disposal of interest in a subsidiary company	-	(9)
	(798)	2,051
Other comprehensive income for the period, net of tax	(802)	2,181
Total comprehensive income for the period	2,164	7,233
Total comprehensive income for the period attributable to:		
Ordinary shareholders of the Company	1,265	6,642
Holders of perpetual capital securities	562	304
Non-controlling interests	337	287
	2,164	7,233
Total comprehensive income for the period attributable to ordinary shareholders of the Company arising from:		
Continuing operations	1,265	4,559
Discontinued operations	-	2,083
	1,265	6,642

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2014

	Note	30 June 2014 HK$m	31 December 2013 HK$m
Non-current assets			
Property, plant and equipment		111,892	109,480
Investment properties		15,235	14,932
Properties under development		10,624	10,779
Leasehold land – operating lease		2,671	2,633
Joint ventures		21,561	22,647
Associated companies		8,320	7,668
Other financial assets		483	294
Intangible assets		19,202	18,802
Deferred tax assets		3,402	2,868
Derivative financial instruments	11	25	36
Non-current deposits and prepayments		4,815	3,748
		198,230	193,887
Current assets			
Properties under development		1,944	881
Properties held for sale		2,944	3,729
Other assets held for sale		136	3,848
Inventories		15,901	14,660
Derivative financial instruments	11	120	50
Debtors, accounts receivable, deposits and prepayments	9	17,764	15,654
Cash and bank deposits		31,331	35,070
		70,140	73,892
Current liabilities			
Bank loans, other loans and overdrafts			
- secured		1,610	1,426
- unsecured		28,751	25,713
Creditors, accounts payable, deposits and accruals	10	26,717	28,717
Derivative financial instruments	11	73	151
Provisions		555	130
Provision for taxation		1,173	1,139
Liabilities of a company to be disposed classified as held for sale		-	43
		58,879	57,319
Net current assets		11,261	16,573
Total assets less current liabilities		209,491	210,460
Non-current liabilities			
Long term borrowings		91,376	93,591
Deferred tax liabilities		3,993	3,918
Derivative financial instruments	11	2,910	2,546
Provisions and deferred income		2,438	2,092
		100,717	102,147
Net assets		108,774	108,313

CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)
AS AT 30 JUNE 2014

	Note	30 June 2014 HK$m	31 December 2013 HK$m
Equity			
Share capital: nominal value	7(a)	-	1,460
Share premium	7(c)	-	36,533
Capital redemption reserve	7(c)	-	29
Share capital and other statutory capital reserves		38,022	38,022
Perpetual capital securities		13,833	13,838
Reserves		49,884	48,991
Proposed dividend	7(b)	374	912
Total ordinary shareholders' funds and perpetual capital securities		102,113	101,763
Non-controlling interests in equity		6,661	6,550
Total equity		108,774	108,313

NOTES TO THE FINANCIAL STATEMENTS

1 General information and significant accounting policies

(a) General information

Pursuant to the special resolution of the Company passed by the shareholders on 3 June 2014, subsequent to the completion of the Company's acquisition of CITIC Corporation Limited (formerly known as CITIC Limited)(see note 13) and the issue of the Certificate of Change of Name by the Registrar of Companies on 26 August 2014, the name of the Company has been changed from CITIC Pacific Limited to CITIC Limited with effect from 26 August 2014.

(b) Significant accounting policies

These condensed unaudited consolidated interim accounts ("the Accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2013 other than the following amendments which became effective in 2014 are relevant to the Group :

Standard No.	**Title**
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 39 (Amendment)	Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting

Adoption of the above amendments does not have a significant impact on the Accounts.

2 Segment information

(a) Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities

Six months ended 30 June 2014

	Special Steel	Iron Ore	Property		Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Change in fair value of investment properties	Group total
			Mainland China	Hong Kong								
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Revenue	21,848	475	1,743	103	10	412	22,094	-	-	-	-	46,685
Profit/(loss) from consolidated activities	1,420	(544)	412	484	(11)	283	797	-	40	(305)	388	2,964
Share of results of joint ventures	(12)	-	62	-	928	140	-	160	150	-	-	1,428
Share of results of associated companies	23	-	-	268	-	-	8	-	8	-	344	651
Finance income	24	-	103	-	9	3	9	-	-	179	-	327
Finance charges (Note)	(393)	(930)	(82)	-	-	-	(131)	-	-	(596)	-	(2,132)
Group total	1,062	(1,474)	495	752	926	426	683	160	198	(722)	732	3,238
Segment allocations *	(4)	-	4	81	-	-	(81)	-	-	-	-	-
Segment profit/(loss)	1,058	(1,474)	499	833	926	426	602	160	198	(722)	732	3,238
Taxation	(214)	407	(141)	(21)	(52)	(47)	(124)	-	(3)	(8)	(69)	(272)
Profit/(loss) for the period	844	(1,067)	358	812	874	379	478	160	195	(730)	663	2,966
Attributable to:												
Ordinary shareholders of the Company	773	(1,067)	345	812	874	309	236	160	195	(1,292)	660	2,005
Holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	562	-	562
Non- controlling interests	71	-	13	-	-	70	242	-	-	-	3	399
	844	(1,067)	358	812	874	379	478	160	195	(730)	663	2,966
The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:												
Depreciation	1,301	107	107	15	1	2	260	-	-	3	-	1,796
Amortization of leasehold land-operating lease	18	-	6	3	-	-	5	-	-	-	-	32
Amortization of intangible assets	-	1	-	-	-	62	25	-	-	-	-	88
Impairment losses	50	-	-	-	-	-	-	-	-	-	-	50

Note: Finance charges included inter-company interest charged by Corporate.
* Segment allocations arising from property leases between segments are based on arms' length rentals.

2 Segment information (Continued)

(a) Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities (continued)

Six months ended 30 June 2013

	Special Steel	Iron Ore	Property: Mainland China	Property: Hong Kong	Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Revenue	20,471	130	1,138	147	7	405	18,936	-	57	-	-	41,291	523	41,814
Profit/(loss) from consolidated activities	1,407	(869)	300	122	19	279	706	-	9	21	599	2,593	2,071	4,664
Share of results of joint ventures	128	-	(9)	-	903	131	9	312	94	-	14	1,582	-	1,582
Share of results of associated companies	38	-	-	13	-	-	5	-	6	-	83	145	33	178
Finance income	19	1	99	-	12	1	10	-	-	116	-	258	-	258
Finance charges (Note)	(463)	(608)	(33)	-	(1)	-	(108)	-	(1)	(148)	-	(1,362)	-	(1,362)
Group total	1,129	(1,476)	357	135	933	411	622	312	108	(11)	696	3,216	2,104	5,320
Segment allocations *	(4)	(1)	5	81	-	-	(81)	-	-	-	-	-	-	-
Segment profit/(loss)	1,125	(1,477)	362	216	933	411	541	312	108	(11)	696	3,216	2,104	5,320
Taxation	(99)	423	(177)	(17)	(61)	(46)	(157)	-	12	(61)	(83)	(266)	(2)	(268)
Profit/(loss) for the period	1,026	(1,054)	185	199	872	365	384	312	120	(72)	613	2,950	2,102	5,052
Attributable to:														
Ordinary shareholders of the Company	967	(1,054)	218	199	872	297	217	312	120	(376)	608	2,380	2,083	4,463
Holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	304	-	304	-	304
Non- controlling interests	59	-	(33)	-	-	68	167	-	-	-	5	266	19	285
	1,026	(1,054)	185	199	872	365	384	312	120	(72)	613	2,950	2,102	5,052

The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:

	Special Steel	Iron Ore	Property: Mainland China	Property: Hong Kong	Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
Depreciation	1,206	102	101	7	-	2	248	-	-	3	-	1,669	25	1,694
Amortization of leasehold land-operating lease	17	-	8	11	-	-	5	-	-	-	-	41	-	41
Amortization of intangible assets	-	2	-	-	-	60	22	-	-	-	-	84	-	84
Impairment losses	1	-	-	-	-	-	2	-	-	-	-	3	-	3

Notes: Finance charges included inter-company interest charged by Corporate.
* Segment allocations arising from property leases between segments are based on arms' length rentals.

2 Segment information (Continued)

(a) Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities (Continued)
An analysis of the Group's revenue by geographical area is as follows:

	Six months ended 30 June 2014 HK$m	2013 HK$m
By geographical area		
Mainland China	35,450	31,402
Hong Kong	5,779	5,495
Other countries	5,456	4,394
	46,685	41,291

2 Segment information (Continued)

(b) Assets and liabilities

An analysis of the Group's segment assets and liabilities by operating segment is as follows:

As at 30 June 2014

	Special Steel HK$m	Iron Ore HK$m	Property: Mainland China HK$m	Property: Hong Kong HK$m	Energy HK$m	Tunnels HK$m	Dah Chong Hong HK$m	CITIC Telecom HK$m	Other investments HK$m	Corporate HK$m	Segment assets/ (liabilities) total HK$m
Segment assets#	58,253	93,276	40,111	6,939	3,592	926	20,984	-	477	13,931	238,489
Investments in joint ventures	293	-	5,215	-	6,943	1,176	416	3,945	3,573	-	21,561
Investments in associated companies	430	-	-	7,565	-	-	296	-	29	-	8,320
Total assets	58,976	93,276	45,326	14,504	10,535	2,102	21,696	3,945	4,079	13,931	268,370
Segment liabilities#											
-others	(12,670)	(5,719)	(11,134)	(277)	(504)	(130)	(4,732)	-	(28)	(2,665)	(37,859)
-external borrowings	(13,643)	(29,513)	(792)	-	-	-	(7,382)	-	-	(70,407)	(121,737)
Total net assets	32,663	58,044	33,400	14,227	10,031	1,972	9,582	3,945	4,051	(59,141)	108,774
Additions of non-current assets* (other than financial instruments and deferred tax assets)	1,248	4,559	1,265	60	-	-	532	-	-	2	7,666

2 Segment information (Continued)

(b) Assets and liabilities (continued)

An analysis of the Group's segment assets and liabilities by operating segment is as follows: (continued)

As at 31 December 2013

			Property								
	Special Steel HK$m	Iron Ore HK$m	Mainland China HK$m	Hong Kong HK$m	Energy HK$m	Tunnels HK$m	Dah Chong Hong HK$m	CITIC Telecom HK$m	Other investments HK$m	Corporate HK$m	Segment assets/ (liabilities) total HK$m
Segment assets#	57,709	88,134	40,328	10,116	2,304	923	20,977	-	280	16,693	237,464
Investments in joint ventures	308	-	5,798	-	7,480	1,260	426	3,893	3,482	-	22,647
Investments in associated companies	412	-	-	7,002	-	-	224	-	30	-	7,668
Total assets	58,429	88,134	46,126	17,118	9,784	2,183	21,627	3,893	3,792	16,693	267,779
Segment liabilities#											
-others	(13,465)	(5,249)	(11,422)	(702)	(484)	(123)	(4,830)	-	(26)	(2,435)	(38,736)
-external borrowings	(13,346)	(30,379)	(776)	-	-	-	(7,424)	-	-	(68,805)	(120,730)
Total net assets	31,618	52,506	33,928	16,416	9,300	2,060	9,373	3,893	3,766	(54,547)	108,313
Additions of non-current assets* (other than financial instruments and deferred tax assets)	2,773	9,142	3,418	143	1	-	1,178	-	-	9	16,664

Corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the group treasury function and are not allocated to individually reportable segments.
* Non-current assets are amounts expected to be recovered more than twelve months after the period end.
# Segment assets and segment liabilities are presented with intercompany balances eliminated.

3 Other income and net gains

	Six months ended 30 June	
	2014 HK$m	2013 HK$m
Other income		
Commission income, subsidy income, rebates and others	401	431
Dividend income from other financial assets		
- Listed shares	8	5
	409	436
Net gains		
Net exchange (loss)/gain	(122)	38
Net gain from disposal of a subsidiary company	400	-
Net gain from disposal/deemed disposal of a joint venture	46	362
Net gain from other financial assets	30	-
Others	7	16
	361	416
	770	852

4 Profit from consolidated activities

	Six months ended 30 June	
	2014 HK$m	2013 HK$m
The profit from consolidated activities is arrived at after charging:		
Continuing operations		
Cost of inventories/properties sold	35,765	32,282
Depreciation and amortisation	1,916	1,794
Write-down of inventories	163	81
Reversal of write-down of inventories	(190)	(153)
Impairment losses on trade and other receivables	12	2
Impairment losses on property, plant and equipment	38	1
Discontinued operations		
Depreciation and amortisation	-	25

5 Net finance charges

	Six months ended 30 June	
	2014 HK$m	2013 HK$m
Finance charges		
Interest expense	2,887	2,813
Amount capitalised	(840)	(1,395)
	2,047	1,418
Other finance charges	109	76
Other financial instruments		
Fair value gain	(37)	(2)
Ineffectiveness on cash flow hedges	13	(130)
	2,132	1,362
Finance income		
Interest income	(327)	(258)
	1,805	1,104

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the period. Tax outside Hong Kong is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	Six months ended 30 June	
	2014 HK$m	2013 HK$m
Continuing operations		
Current taxation		
Hong Kong profits tax	138	115
Tax outside Hong Kong	547	438
Deferred taxation		
Changes in fair value of investment properties	68	85
Origination and reversal of other temporary differences	(481)	(372)
	272	266
Discontinued operations		
Current taxation		
Hong Kong profits tax	-	4
Deferred taxation		
Origination and reversal of other temporary differences	-	(2)
	-	2

7 Capital and dividends

(a) Share capital

As at 31 December 2013, 6,000,000,000 ordinary shares, with par value of HK$0.4 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

As at 30 June 2014, the Company had 3,649,444,160 ordinary shares in issue. Pursuant to the completion of the acquisition as disclosed in note 13, 21,253,879,470 new ordinary shares were issued on 25 August 2014. As at the date of this announcement, the Company in total had 24,903,323,630 issued ordinary shares.

(b) Dividends

	Six months ended 30 June	
	2014	2013
	HK$m	HK$m
2013 Final dividend paid: HK$0.25 (2012: HK$0.30) per share	912	1,095
2014 Interim dividend proposed: HK$0.015 (2013: HK$0.10) per share (Note)	374	365

Note: The amount of 2014 proposed interim dividend is based on the 24,903,323,630 (2013: 3,649,444,160) ordinary shares in issue as at the date of this announcement.

(c) Share premium and capital redemption reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital (see note 7(a)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

8 Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to ordinary shareholders of HK$2,005 million (six months ended 30 June 2013: HK$4,463 million). The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary shareholders of the Company adjusted for the effect of the conversion of dilutive potential ordinary shares of subsidiary companies, which the effect is not material to the Group.

The basic earnings per share is based on the number of 3,649,444,160 shares in issue during the period (six months ended 30 June 2013: 3,649,444,160 shares in issue). The diluted earnings per share for 2014 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the period ended 30 June 2014.

9 Debtors, accounts receivable, deposits and prepayments

	30 June 2014 HK$m	31 December 2013 HK$m
Trade debtors and bills receivable aged:		
- Within 1 year	7,503	7,059
- Over 1 year	86	69
	7,589	7,128
Accounts receivable, deposits and prepayments	10,175	8,526
	17,764	15,654

Note:

(i) Trade debtors are net of provisions and the ageing is classified based on invoice date.

(ii) Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair values.

(iv) Accounts receivable, deposits and prepayments include amounts due from joint ventures of HK$1 million (31 December 2013: HK$Nil), dividend receivable from joint ventures of HK$3,224 million (31 December 2013: HK$1,899 million), and amounts due from associated companies of HK$3 million (31 December 2013: HK$47 million), which are unsecured, interest free and recoverable on demand.

10 Creditors, accounts payable, deposits and accruals

	30 June 2014 HK$m	31 December 2013 HK$m
Trade creditors and bills payable aged:		
- Within 1 year	10,964	10,905
- Over 1 year	247	302
	11,211	11,207
Accounts payable, deposits and accruals	15,506	17,510
	26,717	28,717

Note: The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair values.

11 Derivative financial instruments

	30 June 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities
	HK$m	HK$m	HK$m	HK$m
Qualified for hedge accounting – cash flow hedges				
- Interest-rate instruments	-	2,813	-	2,421
- Forward foreign exchange instruments	43	1	-	88
	43	2,814	-	2,509
Not qualified for hedge accounting				
- Interest-rate instruments	100	167	80	179
- Forward foreign exchange instruments	2	2	6	9
	102	169	86	188
	145	2,983	86	2,697
Less: current portion				
- Interest-rate instruments	75	71	44	54
- Forward foreign exchange instruments	45	2	6	97
	120	73	50	151
Non-current portion	25	2,910	36	2,546

12 Discontinued operations

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, an ultimate holding company, on 18 December 2012 to dispose of 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

Analysis of the profit of discontinued operations is as follows:

	June 2013
	HK$m
Revenue	523
Expenses	(507)
Share of results of joint venture and associated company	33
Profit before tax of discontinued operations	49
Taxation	(2)
Profit for the period from discontinued operations	47
Net gain on disposal	2,055
	2,102
Profit for the period from discontinued operations attributable to:	
Ordinary shareholders of the Company	2,083
Non-controlling interests	19
	2,102

13 Post balance sheet events

On 25 August 2014 CITIC Pacific Limited purchased a company holding substantially all the businesses of the CITIC Group Corporation. The latter are described in a circular to shareholders dated 14 May 2014 where the acquired businesses are referred to as the "Target Group".

CITIC Pacific Limited changed its name to CITIC Limited and the company purchased changed its name to CITIC Corporation Limited.

On completion 21,253,879,470 new ordinary shares were issued by CITIC Limited at a price of HKD13.48: 17,301,765,470 were issued to the CITIC Group Corporation, and 3,952,114,000 were issued to independent third parties. As of the date of this report the CITIC Group Corporation owns 77.90% of CITIC Limited's HKD324,524 million equity share capital and 24,903 million shares.

The directors of CITIC Corporation Limited have prepared unaudited financial information for the six months to 30 June 2014. It reports total revenue of RMB118,399 million equivalent to HK$149,502 million and profit attributable to equity shareholders of RMB19,006million equivalent to HK$23,999 million.

FINANCIAL REVIEW AND ANALYSIS

Group Debt and Liquidity

The debt and leverage of CITIC Limited and its subsidiaries as at 30 June 2014 as compared with 31 December 2013 and 30 June 2013 is as follows:

in HK$ million	**30 June 2014**	31 December 2013	30 June 2013
Total debt	**121,992**	121,144	118,697
Cash and bank deposits	**31,331**	35,070	33,685
Net debt	**90,661**	86,074	85,012

Leverage (Net debt to Total capital*)	**47%**	46%	46%

* Total capital = Total ordinary shareholders' funds and perpetual capital securities + Net debt

The denomination of CITIC Limited and its subsidiaries' total debt and cash and bank deposit balances by currency as at 30 June 2014 is summarised as follows:

		Denomination				
in HK$ million equivalent	**Total**	HK$	US$	RMB	JPY	Others
Total debt in original currency	**121,992**	19,504	87,101	14,118	653	616
Total debt after conversion	**121,992**	20,008	87,343	14,118	149	374
Cash and bank deposits	**(31,331)**	(4,556)	(8,452)	(18,017)	(55)	(251)
Net debt / (cash) after conversion	**90,661**	15,452	78,891	(3,899)	94	123

As at 30 June 2014, CITIC Limited had a total of HK$80.4 billion of assets pledged for various facilities. Iron ore assets of HK$74.4 billion were pledged under its financing documents. Twelve ships with carrying value of HK$5.1 billion for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$0.9 billion were pledged to secure banking facilities, which mainly related to Dah Chong Hong's mainland China business.

Maturity Profile of Outstanding Debt

The maturity profile of the debt outstanding as at 30 June 2014 is as follows:

in HK$ million	Total outstanding debt	Maturing in these years					
		2014	2015	2016	2017	2018	2019 and beyond
Corporate	**70,584**	4,400	20,517	8,197	3,206	9,158	25,106
Subsidiaries	**51,408**	13,370	6,164	3,977	3,416	3,322	21,159
Total	**121,992**	17,770	26,681	12,174	6,622	12,480	46,265

CITIC Limited actively seeks to diversify its funding sources so as not to be reliant on any one market. Our policy is to diversify the sources of funding as much as possible through the increasing use of the capital market to supplement bank borrowings and to maintain a mix of staggered maturities to minimise refinancing risk.

Available Sources of Finance

In addition to the cash and deposits balance of HK$31.3 billion as at 30 June 2014, CITIC Limited had available loan and trade facilities of HK$29.1 billion, of which HK$15.4 billion was undrawn committed banking facilities.

The following table summarises CITIC Limited and its subsidiaries' funding by type of bank facility:

in HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Committed facilities				
Loans for more than one year to maturity	74,862	60,471	14,391	49%
Loans with maturity below one year	20,725	19,725	1,000	4%
	95,587	80,196	15,391	53%
Uncommitted facilities				
Money market lines and short-term facilities	18,558	10,281	8,277	28%
Trade facilities	9,093	3,635	5,458	19%
	27,651	13,916	13,735	47%
Total	**123,238**	**94,112**	**29,126**	**100%**

In addition, CITIC Limited has established cooperative agreements with major banks in mainland China under which CITIC Limited can apply for credit facilities for projects in mainland China. The banks' approval is required on a project-by-project basis.

Capital Commitments and Contingent Liabilities

CITIC Limited's contingent liabilities as at 30 June 2014 had not significantly changed from the position as at 31 December 2013.

The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group with Mineralogy Pty Ltd ("Mineralogy") in connection with the Sino Iron Project in Western Australia contain a clause that, unless certain exceptions apply, each subsidiary is to pay an amount if either of them produces less than six million tonnes of iron ore by March 2013. Under such clause, if the conditions for payment are met and the exceptions are not applicable, the amount payable is calculated by reference to the royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate. Due to changes in the iron ore market it is no longer possible to calculate one component of the royalty (ie, Royalty Component B). In its 2013 Financial report Mineralogy stated that it agrees that it is also not possible to calculate the minimum royalty amount. However, since April 2014, Mineralogy has adopted the position that it is possible to determine Royalty Component B.

Neither of the subsidiary companies produced six million tonnes of iron concentrate by March 2013. In early 2013, Mineralogy commenced court proceedings seeking an order that the minimum royalty was payable by the Group. Mineralogy subsequently amended its case to seek a declaration that the Mining Right and Site Lease Agreements were terminated due to the legal doctrine of frustration. In April 2014, Mineralogy advised it withdrew its allegation that the Mining Right and Site Lease Agreements were terminated and sought leave from the court to reinstate its claim for the minimum royalty. Before leave was obtained from the court, Mineralogy changed its position a further time. Mineralogy's new statement of claim in these proceedings no longer seeks orders from the court that any Group Company must pay the minimum royalty. In June 2014, Mineralogy took steps to attempt to compel the Company subsidiaries to join with it to refer the Q1, 2014 Mineralogy Royalty payment, which Mineralogy disputes, to Expert Determination. The latest statement of claim seeks orders to require the Company subsidiaries to participate in the Expert Determination process and also raises claims in connection with various obligations to provide information in the Mining Right and Site Lease Agreements. The Company subsidiaries maintain that the dispute is not appropriate for Expert Determination for various reasons including the fact that Royalty Component B cannot be calculated, and the Company subsidiaries have complied with any information requests that have been validly made. As noted above, Mineralogy's own Special Purpose Financial Report for the year ended 30 June 2013 refers to the derecognition of 'the minimum royalty receivable and associated deferred revenue'.

Since the date of the last audited accounts, the Group has reviewed its liability for the minimum royalty having regard to the current circumstances. Following this review, the Group has decided that it is no longer necessary to include a provision for the minimum royalty in the accounts.

As at 30 June 2014, the contracted capital commitments of CITIC Limited and its subsidiary companies were approximately HK$6 billion.

Risk Management

Risk Management Framework

Overall risk management starts with the board of directors. The board has established asset and liability management, audit, executive, investment, nomination and remuneration committees whose activities play important roles in the overall control of various risks faced by CITIC Limited.

The asset and liability management committee ("ALCO") was set up by the board to oversee and monitor the financial risk exposures of CITIC Limited. At each meeting, the board receives reports of the financial results and the financial positions of CITIC Limited, both current and projected. Written reports are provided to directors on all businesses identical to those reviewed by management at executive committee meetings. ALCO's major functions are asset and liability management and treasury risk management.

Financial Risk Management

Asset and Liability Management

One of the main functions of ALCO is asset and liability management. CITIC Limited's investments in different businesses are financed by a mixture of long-term debt, short-term debt and equity including perpetual capital securities. CITIC Limited manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is targeted to match the characteristics of our underlying business.

Liquidity Risk Management

Liquidity risk is in essence managed alongside asset and liability management. The objective of liquidity risk management is to ensure that CITIC Limited always has sufficient cash to meet its liabilities and has the flexibility to respond to opportunities by making sure that undrawn committed facilities are available to meet future funding and working capital requirements.

CITIC Limited's liquidity management procedures involve regularly projecting cash flows in major currencies and considering the level of liquid assets and new financings necessary to meet these cash flow requirements. Every month, cash flow projections for three years are reviewed and revised by business units and ALCO, and financing actions are taken accordingly.

Treasury Risk Management

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

- Foreign exchange risk
- Interest rate risk
- Counterparty risk
- Commodity risk

Financial derivatives may be used to assist in the management of the above risks. It is CITIC Limited's policy not to enter into derivative transactions for speculative purposes. The use of derivative instruments is currently restricted by ALCO to interest rate swaps, cross currency swaps, plain vanilla forward foreign exchange contracts and thermal coal commodity futures. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged in economic terms and / or under accounting rules.

CITIC Limited has engaged Reval Inc. ("Reval"), a derivative risk management and hedge accounting solutions firm, to provide a system supported by consulting services to better monitor its derivatives portfolio and ensure compliance with the latest accounting standards. The valuations of the derivatives portfolio as at 30 June 2014 are in compliance with HKFRS 13, which is effective since 1 January 2013. The system provided by Reval has been upgraded to generate the valuations that were used in the compilation of this report. In addition, in December 2013 the group treasury department started to adopt the Treasury & Risk Management System called "Integrity", offered by SunGard Data Systems Inc. ("SunGard") to facilitate its operations and risk management of all treasury related activities.

Foreign Exchange Risk

CITIC Limited has major operations in Hong Kong, mainland China and Australia whose functional currencies are Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"). Entities within CITIC Limited are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. CITIC Limited is subject to the risk of loss or profit due to changes in USD, RMB and Australian dollar ("AUD") exchange rates. There are also exposures to the Japanese Yen ("JPY") (from operations and assets related to DCH), Euro ("EUR") (from equipment and product purchases) and other currencies.

CITIC Limited's material currency exposures arise from the following:

(1) USD denominated debt
(2) RMB denominated debt
(3) expenditure relating to its iron ore mining operations in Australia and steel operations in mainland China
(4) purchases of raw materials by steel operations in mainland China
(5) purchases of finished products for sale by DCH, and
(6) investment in mainland China and Australia

We strive to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. Our policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure. CITIC Limited uses forward contracts and cross currency swaps to manage its foreign exchange risk. Hedging is only considered for firm commitments and highly probable forecast transactions.

The consolidated financial statement is presented in HKD, which is the CITIC Limited group's presentation currency and CITIC Limited's functional and presentation currency. Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is not a cash exposure.

Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, the Australian mining operation has adopted a policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge part of its forecast future AUD expenditures up to one year ahead. As at 30 June 2014, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$202 million outstanding with maturities up to April 2015.

Being CITIC Limited's investment in businesses with functional currency denominated in USD, the iron ore business including shipping had USD gross assets of HK$90 billion as at 30 June 2014. Correspondingly, CITIC Limited had HK$87.1 billion equivalent of US dollar debt, of which HK$45.8 billion equivalent was designated as a net investment hedge to minimise foreign currency exposure in the profit and loss account in the event of movements in the HKD/USD exchange rate.

Businesses in mainland China had RMB gross assets of approximately HK$136 billion as at 30 June 2014, offset by debts and other liabilities of HK$45 billion. This gave CITIC Limited an RMB net asset exposure of HK$91 billion as at 30 June 2014.

Interest Rate Risk

CITIC Limited's interest rate risk arises primarily from debt. Borrowings at variable rates expose CITIC Limited to cash flow interest rate risk, whilst borrowings at fixed rates expose CITIC Limited to accounting fair value interest rate risk. In the current low interest rate environment, CITIC Limited manages the ratio of fixed/ floating debt to achieve a balance between minimising our interest expense and protecting against large increases in interest rates.

This risk is managed by considering the whole portfolio of interest bearing assets and liabilities. The net desired position is then managed by borrowing fixed rate or through the use of interest rate swaps, which have the economic effect of converting floating rate borrowings into fixed rate borrowings.

The appropriate ratio of fixed/floating interest rate risk for CITIC Limited is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Limited's business and investments. The ratio of floating rate to the total borrowings of the portfolio for CITIC Limited was 55% as at 30 June 2014.

CITIC Limited's overall weighted all-in cost of borrowing (including interest paid or accrued, fees and hedging costs or profits from interest rate swaps contracts) for the first half of 2014 was approximately 4.5% compared with 4.5% for the same period of 2013.

Counterparty Risk

CITIC Limited keeps a large amount of cash deposits at financial institutions. To mitigate the risk of non-recovery of cash deposits or financial instrument gains, CITIC Limited deals mostly with international financial institutions with a credit rating of A- (S&P) or A3 (Moody's). Special authorisations are given by ALCO for mainland Chinese institutions, many of which do not have international credit ratings. In the great majority of cases, a maximum deposit limit is set that does not exceed the amount borrowed from the same institution.

Deposits are safe, liquid, interest-bearing and consistent with treasury and business purpose needs. Management monitors market developments, reviews the list of approved counterparties and closely monitors their credit quality, and revises deposit limits on an on-going basis.

The group treasury department is responsible for allocating and monitoring the limits with the list of approved financial institutions. Management does not expect any losses from non-performance by our financial counterparties.

Commodity Risk

CITIC Limited purchases and produces commodities across its various businesses; it has exposure to commodity price risks such as gas, coal and iron ore.

CITIC Limited has entered into long-term supply contracts for certain inputs, such as gas for the Australian mining operations and coal for its power generation business to manage some of its raw material exposure. CITIC Limited's businesses such as the manufacture of iron ore for its special steel operations, the ownership of ships to manage freight costs and production of coal to its power generation business are also exposed to commodity price risks as a result of on-going changing demand in these markets. Whilst CITIC Limited views that naturally offsetting are being achieved to a certain extent across its different business sectors, continual risk management review is being performed to ensure commodity risks are well understood within its business strategies.

Due to the delay in the commissioning of the production lines for the Australian mining operations, the projected delivery of natural gas under certain gas supply contracts for the mining operations has, in aggregate, exceeded the current needs of the project. To manage these contracts and to minimise any adverse financial implications, the iron ore operation has entered into commercial agreements to dispose and/or swap and/or bank a portion of the excess gas to other parties. CITIC Limited will continue to evaluate and implement appropriate strategies to manage its gas portfolio in view of its requirements and market development.

CITIC Limited starts using financial instruments to hedge its commodity exposures under its energy business in mainland China. Thermal coal futures are being used to hedge the coal price by its power generation business in economic terms. However many other commodity exposures in the Group cannot be hedged effectively because there is always no effective forward market for the product or there is insufficient liquidity in the markets. As at 30 June 2014, CITIC Limited did not have significant exposure to commodity derivatives.

Business, Operational, Other External Risks and Uncertainties

Apart from the financial risk reported in the earlier section, CITIC Limited's businesses are all subject to other business, operational, external risks and uncertainties. The executive committee of CITIC Limited, other management committees as well as risk management functions at the business / subsidiary level are responsible for ongoing monitoring and management of these risks, of which certain key risks are reported below.

Economic risks

CITIC Limited's businesses are all subject to the risks of negative developments in the economies in which they operate, which may be affected by global trends. The results of most of our businesses are closely linked to the success of the economy of mainland China as a whole, as well as the economies of Hong Kong and other cities. The sales of special steel are substantially to customers in China, as are the vehicles and other products of Dah Chong Hong; Sino Iron is expected to sell its output to steel mills in China, and our electricity is sold exclusively to users in mainland China. Our property developments are primarily in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented that affect the whole economy, or sections of it, may adversely affect our business for periods of time.

In addition to their effects on our customers, changes to the global or local economies or regulations may adversely affect our relationship banks, joint venture partners, suppliers of goods (including principals with whom we have agency relationships), raw materials or power, and others on which our business depends.

Competitive markets

Some of our businesses, particularly special steel, property, telecommunications and vehicle and other product sales, operate in highly competitive markets. Failure to compete in terms of product specification, service quality, reliability or price may adversely affect us. The iron ore market price is set primarily by international supply and demand, and if a surplus of supply occurs it could adversely affect the results of our business.

Regulation

CITIC Limited's business mainly operates under three different systems of law, regulation and business practice: Australia, China and Hong Kong. Each has its own characteristics and may be subject to changes of substance or interpretation that could adversely affect our business. These may include tariffs, trade barriers, licenses, approvals, health and safety and environmental regulations, emission controls, taxation, exchange controls, employment legislation, and other matters. The electric power business is subject to price regulation, and if tariffs are not permitted to rise with cost increases, our results could be adversely affected.

The special steel, iron ore mining and power businesses are inherently likely to pollute the environment and may be subject to stringent licensing terms and regulations. Failure to adhere to these licensing terms and regulations may result in penalties or, in extreme cases, an inability to operate. The licensing terms or regulations may be changed at short notice, and it may be difficult to comply in a timely fashion causing an adverse effect on our business.

Capital expenditure

The nature of CITIC Limited's business is capital intensive, involving the construction and commissioning of major civil works and mechanical equipment. There may be difficulties in achieving this on time and within budget resulting from inherent performance, disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events.

Natural disasters or events, terrorism and disease

Our business could be affected by events such as earthquakes, typhoons, cyclones or adverse weather conditions, or acts or threats of terrorism, or the outbreak of highly contagious disease, and could also be affected either directly or indirectly through reductions in the supply of essential goods or services or reduced economic activity on a local, regional or global scale.

CITIC Limited continues to strive for excellence in strengthening its risk management framework to fully cover the major risk types faced by its businesses. Taking our Australian mining operation as an example, a risk management function has been set up under the Sino Iron financial director to oversee the business's operational risk under a well defined risk standard and framework. Regular risk assessment workshops are conducted with different operation departments (e.g. mining, power, desalination plant) to identify any key risks in their respective areas. These are then analysed and escalated to management for proper attention as appropriate. A continual risk control improvement plan on these key risk items is actively being followed up to ensure they are appropriately managed. Alongside this established operational risk management process, insurance risk reviews are also conducted regularly within each business to make sure that existing insurance policies reflect and match the respective business risk profile.

Significant changes to the risk profile of CITIC Limited

On 25 August 2014 CITIC Pacific Limited purchased a company holding substantially all the businesses of CITIC Group Corporation. CITIC Pacific Limited changed its name to CITIC Limited and the company purchased changed its name to CITIC Corporation Limited. The newly acquired businesses will be gradually integrated into the risk management processes of the continuing business. A full description and analysis will be provided in the 2014 annual report. The businesses being acquired are described extensively starting on page 201 in a circular to shareholders dated 14 May 2014 that is available at www.citic.com, and the relevant financial information begins on page 350 of the circular, including reported total assets of RMB3,966 billion and total equity attributable to equity shareholders of RMB225 billion as at 31 December 2013. Pro-forma financial information of the enlarged group is stated on page II-1.

This transaction will expand the company's breadth and scale, strengthen its capital base, and enhance its earnings profile. Challenges will be faced by the company's management in terms of risk management associated with businesses newly acquired. Further strengthening of the risk management framework to cover the expanded business is one of the key priorities for the rest of 2014.

HUMAN RESOURCES

As at 30 June 2014, the Company employed a total of 36,235 employees (30 June 2013: 34,364) at its headquarters in Hong Kong and principal subsidiaries worldwide.

The Company considers its engaged workforce as critical asset to support its business success and therefore invests ample resources in attracting, rewarding and nurturing talented employees as well as promoting work-life balance to enhance employee engagement. As a responsible employer, the Company is committed to providing equal opportunity with respect to all human resources-related matters, maintaining fair and consistent human resources policies and standards, offering healthy and safe working environment and upholding high ethical standards in the workplace.

The Company continues its commitment to grooming its talents through a broad range of learning and development initiatives at all levels. In the first half of the year, a number of skills & professional training, management development programmes, and sharing and learning sessions were organised according to the identified development needs of its employees within the Company. In April and June, the key leadership development programme, namely CITIC Pacific Leadership Development Programme (CPLDP) was held for the fourth cohort of senior managers of the Company. To further drive the positive learning momentum, 2 reinforcement training modules have been added to enrich the programme. Besides developing its own employees, the Company has extended its training support to the children of its employees by organizing training classes in this summer.

Corporate Social Responsibility

The Company continued its contributions to the community through a wide range of volunteer and sponsorship initiatives during the year. In the first half of the year, the Company participated in the following charitable events:

- The “Skip Lunch Day 2014”in March organized by the Community Chest of Hong Kong to raise fund for its “Services for Street Sleepers, Residents in Cage Home and Cubicles” .

- The red pocket re-use program “利利是是, 封完再封” in March organized by Greeners Action to support environmental protection.

- The “HSBC Pok Oi Cycle for Millions 2014” in April organized by Pok Oi Hospital. The Company sponsored 2 corporate teams, the “Caring People Team” from the Head office and “DCH Volunteer Team” from Dah Chong Hong to participate in the charity cycling event to raise fund for the Pok Oi Hospital for developing its social and community services and promoting cycling in Hong Kong.

- The “Oxfam Rice Sale” in May organized by the Hong Kong Oxfam. The Company sponsored a fund raising booth and sent 33 volunteers from its “Caring People Team” to participate in the Oxfam Rice Sale.

- In June, volunteers from its “Caring People Team” visited “The Farm for Healthy Ageing” of Hong Kong Young Women's Christian Association (YWCA) to experience organic farming and provide volunteer services by taking out the weeds from the farmland; assisting in the hoeing works and making eco-friendly vases for the YWCA as gifts.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices. Details of our corporate governance practices can be found in the Company's Annual Report 2013 and on the Company's website www.citic.com. In anticipation of completion of the acquisition of CITIC Limited (now known as CITIC Corporation Limited ("CITIC Corporation")) which would create a substantially enlarged Group, training programme on corporate governance practices and relevant Hong Kong regulatory requirements with specifically tailored sessions for senior management and employees of the CITIC Corporation group has commenced.

Currently the board has set up the following committees:

- An executive committee for communicating the direction and priorities of the Company and sharing information with and amongst senior executives about the Company's key developments and business issues. This committee is chaired by the president (an executive director) and its membership includes the chief financial officer (an executive director), one other executive director, two executive vice presidents, leaders of major businesses in the Group and leaders of key head office functions.

- An investment committee to consider the strategy and planning of the Company and to review investment proposals. The committee is chaired by the chairman of the board; the other members are the president (an executive director), chief financial officer (an executive director) and two executive vice presidents.

- An asset and liability management committee ("ALCO") to review the financial position of the Company and set limits as appropriate on its financial risk exposures during the financial risk management process. ALCO reviews and sets limits on exposure in relation to the Group's asset and liability structure, counterparties, currencies, interest rates, commitments and contingent liabilities. It also reviews and approves financing plans, approves the use of new financial products and establishes hedging policies. Chaired by the chief financial officer (an executive director), the committee comprises two executive vice presidents, the group financial controller, the group treasurer, and the executives with responsibility for treasury, treasury risk management and financial control.

- An audit committee to assist the board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting obligations. The committee oversees the relationship with the external auditors, reviews and monitors the effectiveness of the internal audit function, and reviews the Company's policies and practices on corporate governance. The committee comprises three non-executive directors, two of whom are independent non-executive directors having the relevant professional qualification and expertise in financial reporting matters.

- A remuneration committee to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The committee comprises two independent non-executive directors and a non-executive director.

- A nomination committee to determine the policy for the nomination of directors and set out the nomination procedures, process and criteria to select and recommend candidates for directorship, which take into consideration all aspects of diversity. It also reviews the structure, size, composition and diversity of the board. The committee is chaired by the chairman of the board; the other members consist of one non-executive director and three independent non-executive directors.

- A special committee to deal with matters relating to the investigations of the Company by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force. The committee comprises the president (an executive director), a non-executive director and an independent non-executive director.

Save as disclosed below, the Company has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2014. In respect of code provision A.6.7 of the CG Code, Mr Carl Yung Ming Jie (non-executive director), Mr André Desmarais (former non-executive director who retired at the annual general meeting of the Company held on 14 May 2014 ("AGM")) and Dr Xu Jinwu (independent non-executive director), were not able to attend the AGM. Mr Carl Yung Ming Jie was ill while Mr André Desmarais and Dr Xu Jinwu were away from Hong Kong due to other engagements. Mr Peter Kruyt, the alternate director to Mr André Desmarais, attended the AGM. Mr Carl Yung Ming Jie (non-executive director), Mr Gregory Lynn Curl and Dr Xu Jinwu (both independent non-executive directors), were not able to attend the extraordinary general meeting of the Company held on 3 June 2014 as all of them had other engagements.

Reference is made to the Company's announcement dated 25 August 2014. Mr Gregory Lynn Curl has been re-designated from an independent non-executive director to a non-executive director of the Company with effect from 25 August 2014. Following his re-designation, the number of independent non-executive directors falls below one-third of the number of members on the board required under Rule 3.10A of the Listing Rules. The Company will identify suitable candidate(s) within three months from 25 August 2014 in compliance with Rule 3.11 of the Listing Rules. Further announcement will be made as and when appropriate.

The audit committee of the board reviewed the Half-Year Report with the management and the Company's internal and external auditors and recommended its adoption by the board.

The interim financial information is prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*. It has been reviewed by the Company's independent auditor KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of HK$0.015 per share (2013: HK$0.10 per share) for the year ending 31 December 2014, payable on Friday, 10 October 2014 to shareholders whose names appear on the Company's register of members on Tuesday, 30 September 2014. The register of members of the Company will be closed from Thursday, 25 September 2014 to Tuesday, 30 September 2014, both days inclusive, during which period no share transfer will be effected. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 24 September 2014.

SHARE CAPITAL

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2014.

FORWARD LOOKING STATEMENTS

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

HALF-YEAR REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citic.com) and the Stock Exchange's website (www.hkex.com.hk). The full Half-Year Report will be made available on the websites of the Company and the Stock Exchange around 15 September 2014.

By Order of the Board
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 29 August 2014

As at the date of this announcement, the executive directors of the Company are Messrs Chang Zhenming (Chairman), Zhang Jijing, Vernon Francis Moore, Liu Jifu and Zeng Chen; the non-executive directors of the Company are Messrs Ju Weimin, Yin Ke, Gregory Lynn Curl and Carl Yung Ming Jie; and the independent non-executive directors of the Company are Messrs Alexander Reid Hamilton, Francis Siu Wai Keung and Dr. Xu Jinwu.