CITIC Limited
中國中信股份有限公司

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

For the first six months of 2019, CITIC Limited achieved a profit attributable to ordinary shareholders of HK$33.5 billion, 9% more than the same period in 2018. This increase was mainly driven by the solid performance of CITIC Bank, a first time profit at Sino Iron and a substantial rise in profit in the special steel business. At the end of June, we had HK$26.7 billion in cash and available facilities.

The board recommends an interim dividend payment of HK$0.18 per share, which is HK$0.03 more than the same period last year.

Business Performance

The financial services segment recorded HK$25.5 billion in profit, 5% more than the corresponding period in 2018. The increase was primarily driven by the contribution from CITIC Bank. Benefiting from the easing of credit in the first half of the year, the bank's net interest income rose 15% year-on-year as assets grew and net interest margin widened. Non-interest income grew by 14% and now makes up 38.7% of total revenue. CITIC Bank continued to focus on managing asset quality, with a lower NPL ratio of 1.72% at the end of the review period. CITIC Trust's profit increased 35%, driven by growth in its proprietary business. Premiums at CITIC-Prudential Life grew substantially over the period; however, profit was flat owing to a provision made on an investment. CITIC Securities outperformed its peers and recorded a 16% higher profit than the first half of last year.

In the non-financial segment, the manufacturing business achieved a profit of HK$3.5 billion, a 46% rise over the same period in 2018, due to a substantial increase in profit at our special steel and heavy industry businesses. CITIC Pacific Special Steel saw a rise of 61% in profit, thanks to the strong performance of its four plants. This was particularly true of Qingdao Special Steel, which doubled its profit following comprehensive improvements to its operations—including raw material procurement, the product mix, quality and cost controls—since the acquisition of the plant in late 2017. CITIC Heavy Industries saw a substantial profit growth of 50%, supported by improvements in the heavy machinery and related businesses as well as the continuing contribution from its specialty robotics business. Profit at CITIC Dicastal decreased by 16%, mainly due to the slowdown in major automotive markets worldwide, especially in mainland China, and the impact of tariffs levied by the United States.

The resources and energy business recorded a 64% increase in profit to HK$2.1 billion, as our Australian magnetite iron ore mine, Sino Iron, recorded its first profit. This was made possible by a strong iron ore price and ongoing efforts to reduce operating costs. Nevertheless, threats to long-term viability remain, including the need to secure critical life-of-mine approvals as well as related tenure. CITIC Resources, on the other hand, recorded a 32% lower profit as a result of reduced oil, aluminium and coal prices. CITIC Metal's profit was 24% less than the same period last year, mainly due to the underperformance of the Peruvian copper mine in which it has a 15% interest.

In the engineering and contracting business, profit was HK$703 million, the same as the first half of last year. This was driven mainly by contributions from municipal and national network security projects in Wuhan, the Algerian East-West Expressway, and investment gains. New projects were signed during the period for the first time in Cambodia, including 12 rice processing and storage facilities in 10 provinces and cities. In China's domestic market, a number of sewage treatment projects were secured that leverage our expertise in this area.

Our property business recorded a profit of HK$3.5 billion, which was 25% lower than the same period last year. This profit was mainly derived from our 10% holding in China Overseas Land and Investment, contribution from our large integrated development in the Lu Jiazui financial district of Shanghai and the delivery of units at Kadooria, a luxury residential development in Hong Kong. Our other businesses continued to make contributions towards our profit and cash flow.

Building Resilience

The growth of our bottom line reflects the overall strength of our business as a diversified platform. But like any company operating on a global scale today, we are also exposed to various headwinds: a slowing Chinese economy, ongoing China-US trade tensions and persisting geopolitical uncertainties. Against this backdrop, it has become more important than ever to focus on building and sustaining our fundamentals and strategically positioning our businesses to be competitive over the long term. There are many examples of how we are applying this principle in our operations, but two stand out in particular: CITIC Dicastal and CITIC Pacific Special Steel.

In an effort to expand its global reach, CITIC Dicastal decided in 2015 to build a manufacturing plant in Michigan in the United States in order to geographically diversify its network of production facilities. The plant has since become a critical addition to the business's international assembly capacity. This year, the first phase of Dicastal's plant in Morocco became operational, further strengthening the company's ability to serve customers around the world. These plants are also helping to mitigate the impact of the China-US trade dispute on the business. Investments such as these, together with the company's diligent cost controls and commitment to intelligent manufacturing, are bolstering its long-term competitiveness in an increasingly complex and challenging global market.

Similarly, the acquisitions of Qingdao Special Steel and Jingjiang Special Steel have broadened our geographical and product coverage in the industry, enabling the business not only to sustain but further its leading position in the segment. Our expanded resources are also promoting synergies and economies of scale in special steel.

As a conglomerate, CITIC Limited manages a collection of businesses. We are keenly aware that the market pegs our valuation to their estimated values. Our goal is to achieve a value greater than the sum of our parts. Beyond our efforts to deepen our operating resilience and make shrewd investments, it is equally important that we continue to identify, nurture, manage and ultimately realise the value of our businesses by introducing the right ones to the capital markets or bringing in strategic partners during critical growth periods.

In terms of unlocking value through the capital markets, the restructuring of our steel business under Shenzhen-listed Daye Special Steel has received all relevant approvals and is expected to be completed before the year end. In early July, we also successfully listed CITIC Press Corporation on the ChiNext board of the Shenzhen Stock Exchange. Value-enhancing exercises such as these not only enable our businesses to gain greater access to the capital necessary for pursuing future growth opportunities. They will also raise the standards of corporate governance for our operating companies as they evolve their disclosure and transparency practices. We have had many similar experiences in the past. Many companies that we have listed have increased in value several times from their initial market valuation and can now raise capital more cheaply. This is as valuable to the operating companies as it is to CITIC Limited.

We also have many unlisted, wholly owned businesses with strong market positioning and long-term outlooks. We will be supporting their development by bringing in strategic partners who can uniquely contribute expertise, knowledge and networks. In doing so, we will also be realising the value of our investments in these businesses. CITIC Dicastal, as we just announced, will be doing exactly this.

In Conclusion

I am sure most of you have been watching the current situation in Hong Kong. I have been deeply concerned and saddened by the disruption and instability these events have caused and their impact on the city that we call home. Respect for the rule of law and adherence to the fundamental principle of 'one country, two systems' are key to Hong Kong's long-term prosperity. CITIC, as always, is fully committed to the development and stability of this vibrant city and world-class financial centre.

As we look ahead, we will continue to navigate an increasingly complex trading environment. I am proud of and grateful for all the people who have stayed focused on the work at hand. Our businesses remain solid, sustainably positioned and oriented for long-term success.

Chang Zhenming
Chairman
Hong Kong, 29 August 2019

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$ million***	*HK$ million*
Interest income		**147,706**	139,019
Interest expenses		**(80,245)**	(76,806)
Net interest income	*4(a)*	**67,461**	62,213
Fee and commission income		**38,294**	32,300
Fee and commission expenses		**(3,365)**	(2,986)
Net fee and commission income	*4(b)*	**34,929**	29,314
Sales of goods and services	*4(c)*	**165,233**	155,244
Other revenue	*4(d)*	**9,553**	11,552
		174,786	166,796
Total revenue		**277,176**	258,323
Cost of sales and services		**(135,753)**	(126,526)
Other net income		**2,165**	3,067
Expected credit losses		**(39,877)**	(31,696)
Impairment losses		**(311)**	(249)
Other operating expenses		**(47,938)**	(46,859)
Net valuation gain on investment properties		**342**	543
Share of profits of associates, net of tax		**4,394**	4,030
Share of profits of joint ventures, net of tax		**2,185**	1,312
Profit before net finance charges and taxation		**62,383**	61,945
Finance income		**1,355**	805
Finance costs		**(6,544)**	(6,153)
Net finance charges	5	**(5,189)**	(5,348)
Profit before taxation	6	**57,194**	56,597
Income tax	7	**(10,024)**	(11,797)
Profit for the period		**47,170**	44,800

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$ million***	*HK$ million*
Profit for the period		**47,170**	44,800
Attributable to:			
– Ordinary shareholders of the Company		**33,518**	30,668
– Holders of perpetual capital securities		**–**	336
– Non-controlling interests		**13,652**	13,796
Profit for the period		**47,170**	44,800
Earnings per share for profit attributable to ordinary shareholders of the Company during the period:			
Basic and diluted earnings per share (HK$)	*9*	**1.15**	1.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Profit for the period	**47,170**	44,800
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on financial assets at fair value through other comprehensive income	**100**	4,365
Loss allowance on financial assets at fair value through other comprehensive income	**383**	142
Cash flow hedge: net movement in the hedging reserve	**(398)**	239
Share of other comprehensive loss of associates and joint ventures	**(734)**	(374)
Exchange differences on translation of financial statements and others	**(4,252)**	(7,383)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income	**351**	(730)
Other comprehensive loss for the period, net of tax	**(4,550)**	(3,741)
Total comprehensive income for the period	**42,620**	41,059
Attributable to:		
– Ordinary shareholders of the Company	**29,932**	27,726
– Holders of perpetual capital securities	**–**	336
– Non-controlling interests	**12,688**	12,997
Total comprehensive income for the period	**42,620**	41,059

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	Note	**30 June 2019** *HK$ million* **(Unaudited)**	31 December 2018 *HK$ million* (Audited)
Assets			
Cash and deposits		**595,044**	832,968
Placements with banks and non-bank financial institutions		**195,279**	200,030
Derivative financial instruments		**21,808**	37,294
Trade and other receivables		**182,483**	111,057
Contract assets		**12,661**	11,068
Inventories		**61,987**	58,087
Financial assets held under resale agreements		**53,768**	12,955
Loans and advances to customers and other parties	*10*	**4,260,898**	4,024,401
Investments in financial assets	*11*		
– Financial assets at amortised cost		**1,060,889**	899,348
– Financial assets at fair value through profit or loss		**395,544**	395,259
– Debt investments at fair value through other comprehensive income		**629,150**	582,899
– Equity investments at fair value through other comprehensive income		**8,284**	6,921
Interests in associates		**117,885**	116,631
Interests in joint ventures		**41,108**	38,620
Fixed assets		**168,585**	189,647
Investment properties		**32,950**	32,579
Right-of-use assets		**48,159**	N/A
Intangible assets		**13,971**	14,387
Goodwill		**22,859**	22,885
Deferred tax assets		**53,841**	50,011
Other assets		**29,235**	23,666
Total assets		**8,006,388**	7,660,713

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2019

	Note	**30 June 2019 *HK$ million* (Unaudited)**	31 December 2018 *HK$ million* (Audited)
Liabilities			
Borrowing from central banks		**270,424**	327,629
Deposits from banks and non-bank financial institutions		**961,412**	888,966
Placements from banks and non-bank financial institutions		**69,538**	129,163
Financial liabilities at fair value through profit or loss		**234**	1,468
Derivative financial instruments		**23,399**	37,676
Trade and other payables		**164,256**	171,093
Contract liabilities		**24,564**	18,535
Financial assets sold under repurchase agreements		**50,154**	138,589
Deposits from customers	*12*	**4,572,686**	4,159,924
Employee benefits payables		**19,546**	22,705
Income tax payable		**10,107**	11,551
Bank and other loans	*13*	**151,263**	156,678
Debt instruments issued	*14*	**788,713**	745,031
Lease liabilities		**27,711**	N/A
Provisions		**9,124**	9,713
Deferred tax liabilities		**9,190**	8,756
Other liabilities		**15,259**	22,576
Total liabilities		**7,167,580**	6,850,053
Equity			
Share capital		**381,710**	381,710
Reserves		**199,013**	176,835
Total ordinary shareholders' funds		**580,723**	558,545
Non-controlling interests		**258,085**	252,115
Total equity		**838,808**	810,660
Total liabilities and equity		**8,006,388**	7,660,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

CITIC Limited (the "Company") was incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group").

These condensed unaudited consolidated interim accounts (the "Accounts") are presented in millions of Hong Kong dollars ("HK$"), unless otherwise stated.

The financial information relating to the year ended 31 December 2018 that is included in the Accounts as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is abstracted from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2 BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Accounts should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted in the preparation of the Accounts are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new standards and amendments:

HKFRS 16	Leases[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments [2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [2]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement [2]
Annual Improvements to HKFRS Standards 2015–2017 Cycle [2]	

(1) The impact of the adoption of the new standards is disclosed in Note 2(b).

(2) Adoption of the amendments and interpretation does not have a significant impact on the Accounts.

2 BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation(Continued)

The Group has not applied the following amendments to standards and new standards which are not yet effective for the financial year beginning on or after 1 January 2019 and which have not been early adopted in the Accounts:

HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material [2]
HKFRS 3 (Amendments)	Definition of a Business [2]
Revised Conceptual Framework for Financial Reporting [2]	
HKFRS 17	Insurance Contracts [3]

(1) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has not been determined.
(2) Effective for the annual periods beginning on or after 1 January 2020.
(3) Effective for the annual periods beginning on or after 1 January 2021.

None of the above amendments to standards and new standards are expected to have a significant effect on the consolidated financial statements of the Group.

(b) Changes in significant accounting policies

HKFRS 16 Leases

The Group leases various fixed assets. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of fixed assets were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use ("ROU") asset and a corresponding liability by the lessee at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in significant accounting policies (Continued)

HKFRS 16 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019, including a decrease of retained earnings of HK$162 million.

ROU assets of the Group were measured on a retrospective basis or at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

2 BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in significant accounting policies (Continued)

HKFRS 16 Leases (Continued)

Measurement of lease liabilities

	HK$ million
Operating lease commitments disclosed as at 31 December 2018	28,607
Discounted using the lessee's incremental borrowing rate of at the date of initial application *(note)*	27,211
Add: finance lease liabilities recognised as at 31 December 2018	259
Less: short-term leases recognised on a straight-line basis as expense	(199)
Less: low-value leases recognised on a straight-line basis as expense	–
Less: contracts reassessed as service agreements	(474)
Add: adjustments as a result of a different treatment of extension and termination options	1,080
Others	(285)
Lease liability recognised as at 1 January 2019	27,592

Note:

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 3.10% to 6.00%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The ROU assets should be adjusted according to the loss reserve amount included in the balance sheet before the initial application date;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- The lease term may be determined on the basis of the actual exercise of the option before the initial application date and other latest information.

3 SEGMENT REPORTING

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for six months ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June 2019								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Revenue from external customers	111,903	47,858	59,607	7,907	1,892	47,969	40	–	277,176
Inter-segment revenue	(249)	2,885	106	1	70	440	18	(3,271)	–
Reportable segment revenue	111,654	50,743	59,713	7,908	1,962	48,409	58	(3,271)	277,176
Disaggregation of revenue:									
– Net interest income	67,171	–	–	–	–	–	50	240	67,461
– Net fee and commission income	34,937	–	–	–	–	–	1	(9)	34,929
– Sales of goods	–	49,681	58,499	8	738	38,395	–	(2,930)	144,391
– Services rendered to customers – construction contracts	–	–	40	7,709	–	529	–	(9)	8,269
– Services rendered to customers – others	–	1,062	1,174	191	1,224	9,485	–	(563)	12,573
– Other revenue	9,546	–	–	–	–	–	7	–	9,553
Share of profits/(losses) of associates, net of tax	1,626	541	137	(23)	1,991	(43)	165	–	4,394
Share of profits of joint ventures, net of tax	388	738	5	–	661	393	–	–	2,185
Finance income *(Note 5)*	–	223	265	362	303	77	741	(616)	1,355
Finance costs *(Note 5)*	–	(1,058)	(616)	(45)	(351)	(1,186)	(4,007)	719	(6,544)
Depreciation and amortisation *(Note 6(b))*	(3,433)	(1,494)	(1,940)	(102)	(114)	(3,292)	(13)	–	(10,388)
Expected credit losses	(39,848)	(5)	(2)	3	1	(26)	–	–	(39,877)
Impairment losses	(271)	(5)	(19)	–	–	(16)	–	–	(311)
Profit/(loss) before taxation	44,384	2,864	4,901	950	4,020	2,733	(2,696)	38	57,194
Income tax	(7,096)	(411)	(905)	(263)	(357)	(713)	(272)	(7)	(10,024)
Profit/(loss) for the period	37,288	2,453	3,996	687	3,663	2,020	(2,968)	31	47,170
Attributable to:									
– Ordinary shareholders of the Company	25,515	2,093	3,514	703	3,540	1,093	(2,968)	28	33,518
– Non-controlling interests	11,773	360	482	(16)	123	927	–	3	13,652

	As at 30 June 2019								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	7,410,031	133,267	133,974	58,494	157,921	162,172	189,514	(238,985)	8,006,388
Including:									
Interests in associates	41,908	19,145	1,137	1,131	38,904	14,491	1,169	–	117,885
Interests in joint ventures	9,131	6,384	191	–	18,454	6,948	–	–	41,108
Reportable segment liabilities	6,795,868	178,476	78,454	44,387	92,676	96,725	217,325	(336,331)	7,167,580
Including:									
Bank and other loans *(note)*	3,777	38,120	27,563	3,289	10,967	38,015	69,056	(40,268)	150,519
Debt instruments issued *(note)*	688,755	–	144	–	–	3,850	116,556	(27,900)	781,405

Note: The amount is the principal excluding interest accrued.

3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2018								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Revenue from external customers	103,068	34,994	61,125	4,015	5,270	49,822	29	–	258,323
Inter-segment revenue	(220)	2,065	111	63	3,123	624	–	(5,766)	–
Reportable segment revenue	102,848	37,059	61,236	4,078	8,393	50,446	29	(5,766)	258,323
Share of profits/(losses) of associates, net of tax	1,167	695	51	54	2,169	(134)	28	–	4,030
Share of profits of joint ventures, net of tax	200	694	18	–	31	369	–	–	1,312
Finance income *(Note 5)*	–	159	188	177	166	71	680	(636)	805
Finance costs *(Note 5)*	–	(1,040)	(680)	(22)	(303)	(903)	(3,711)	506	(6,153)
Depreciation and amortisation *(Note 6(b))*	(1,728)	(1,405)	(2,109)	(68)	(106)	(2,011)	(30)	–	(7,457)
Expected credit losses	(31,707)	22	(33)	1	62	(41)	–	–	(31,696)
Impairment losses	1	(88)	(113)	–	–	(49)	–	–	(249)
Profit/(loss) before taxation	44,228	2,084	3,391	739	6,395	4,836	(3,920)	(1,156)	56,597
Income tax	(8,664)	(358)	(752)	(40)	(1,165)	(996)	(95)	273	(11,797)
Profit/(loss) for the period	35,564	1,726	2,639	699	5,230	3,840	(4,015)	(883)	44,800
Attributable to:									
– Ordinary shareholders of the Company	24,256	1,279	2,406	704	4,747	2,498	(4,339)	(883)	30,668
– Non-controlling interests and holders of perpetual capital securities	11,308	447	233	(5)	483	1,342	324	–	14,132

	As at 31 December 2018								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	7,067,565	131,842	134,882	55,432	154,631	151,071	171,453	(206,163)	7,660,713
Including:									
Interests in associates	41,925	19,227	996	867	38,366	14,237	1,013	–	116,631
Interests in joint ventures	8,442	6,409	139	–	17,548	6,082	–	–	38,620
Reportable segment liabilities	6,476,405	175,525	80,894	43,306	92,267	80,208	201,570	(300,122)	6,850,053
Including:									
Bank and other loans *(note)*	5,898	40,885	31,923	2,657	9,402	34,825	67,778	(37,778)	155,590
Debt instruments issued *(note)*	628,169	–	144	–	–	3,849	106,561	–	738,723

Note: The amount is the principal excluding interest accrued.

3 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

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

	Revenue from external customers		Reportable segment assets	
	Six months ended 30 June		**30 June**	31 December
	2019	2018	**2019**	2018
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Mainland China	**227,714**	212,973	**7,369,312**	7,011,809
Hong Kong, Macau and Taiwan	**23,835**	28,351	**523,034**	534,766
Overseas	**25,627**	16,999	**114,042**	114,138
	277,176	258,323	**8,006,388**	7,660,713

4 REVENUE

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

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

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

4 REVENUE (CONTINUED)

(a) Net interest income

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Interest income arising from *(note)*:		
Deposits with central banks, banks and non-bank financial institutions	**4,383**	6,452
Placements with banks and non-bank financial institutions	**3,960**	5,419
Financial assets held under resale agreements	**513**	801
Investments in financial assets		
– Financial assets at amortised cost	**22,632**	19,125
– Debt investments at fair value through other comprehensive income ("FVOCI")	**11,282**	10,015
Loans and advances to customers and other parties	**104,851**	97,135
Others	**85**	72
	147,706	139,019
Interest expenses arising from:		
Borrowing from central banks	**(4,871)**	(4,942)
Deposits from banks and non-bank financial institutions	**(14,422)**	(17,209)
Placements from banks and non-bank financial institutions	**(2,233)**	(2,067)
Financial assets sold under repurchase agreements	**(919)**	(1,392)
Deposits from customers	**(44,405)**	(37,074)
Debt instruments issued	**(12,982)**	(13,973)
Lease liabilities	**(294)**	N/A
Others	**(119)**	(149)
	(80,245)	(76,806)
Net interest income	**67,461**	62,213

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK$195 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$135 million).

4 REVENUE (CONTINUED)

(b) Net fee and commission income

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Guarantee and advisory fees	**2,857**	3,386
Bank card fee	**24,428**	19,313
Settlement and clearing fees	**843**	849
Agency fees and commission	**3,950**	3,005
Trustee commission and fees	**6,152**	5,404
Others	**64**	343
	38,294	32,300
Fee and commission expenses	**(3,365)**	(2,986)
Net fee and commission income	**34,929**	29,314

(c) Sales of goods and services

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Sales of goods	**144,391**	136,645
Services rendered to customers		
– Revenue from construction contracts	**8,269**	4,482
– Revenue from other services	**12,573**	14,117
	165,233	155,244

(d) Other revenue

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Net trading gain *(note (i))*	**3,109**	4,304
Net gain on investments in financial assets under financial services segment	**6,484**	3,775
Net (loss)/gain from securitisation of financial assets	**(19)**	3,769
Others	**(21)**	(296)
	9,553	11,552

4 REVENUE (CONTINUED)

(d) Other revenue (Continued)

(i) Net trading gain

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Trading profit:		
– securities and certificates of deposits	**1,579**	2,900
– foreign currencies	**1,385**	1,680
– derivatives	**145**	(276)
	3,109	4,304

5 NET FINANCE CHARGES

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Finance costs		
– Interest on bank and other loans	**3,310**	3,123
– Interest on debt instruments issued	**2,844**	2,958
– Interest and finance charges paid/payable for lease liabilities	**332**	N/A
	6,486	6,081
Less: interest expense capitalised	**(90)**	(88)
	6,396	5,993
Other finance charges	**148**	160
	6,544	6,153
Finance income	**(1,355)**	(805)
	5,189	5,348

6 PROFIT BEFORE TAXATION

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

(a) Staff costs

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Salaries and bonuses	**23,931**	22,127
Contributions to defined contribution retirement schemes	**2,285**	2,301
Others	**4,271**	4,249
	30,487	28,677

(b) Other items

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Amortisation	**1,168**	1,262
Depreciation *(note)*	**9,220**	6,195
Lease charges *(note)*	**875**	4,066
Tax and surcharges	**1,296**	1,318
Property management fees	**601**	565
Non-operating expenses	**275**	144
Professional fees	**546**	515
	13,981	14,065

Note:

Since 1 January 2019, according to HKFRS 16, ROU assets are depreciated on a straight-line basis, while short-term and low-value leases are recorded at lease charges.

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Current tax – Mainland China		
Provision for enterprise income tax	**12,785**	9,756
Land appreciation tax	**9**	141
	12,794	9,897
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**615**	1,017
Current tax – Overseas		
Provision for the period	**136**	71
	13,545	10,985
Deferred tax		
Origination and reversal of temporary differences	**(3,521)**	812
	10,024	11,797

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2019 is 16.5% (six months ended 30 June 2018: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the six months ended 30 June 2019 is 25% (six months ended 30 June 2018: 25%).

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

8 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
2018 Final dividend paid: HK$0.26 (2017 Final: HK$0.25) per share	**7,563**	7,273
2019 Interim dividend proposed: HK$0.18 (2018 Interim: HK$0.15) per share	**5,236**	4,364

9 EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$33,518 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$30,668 million) calculated as follows:

	Six months ended 30 June	
	2019	2018
	HK$ million	*HK$ million*
Profit attributable to ordinary shareholders of the Company	**33,518**	30,668
Weighted average number of ordinary shares (in million)	**29,090**	29,090

Diluted earnings per share for the six months ended 30 June 2019 and 2018 are same as basic earnings per share. As at 30 June 2019, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 30 June 2019 (30 June 2018: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2019 are HK$1.15 (six months ended 30 June 2018: HK$1.05).

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

	30 June 2019 *HK$ million*	31 December 2018 *HK$ million*
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	**2,168,496**	2,106,071
– Discounted bills	**3,919**	169,204
– Finance lease receivables	**53,632**	54,574
	2,226,047	2,329,849
Personal loans:		
– Residential mortgages	**834,395**	734,315
– Business loans	**233,473**	222,252
– Credit cards	**568,633**	505,013
– Personal consumption	**236,573**	232,656
	1,873,074	1,694,236
	4,099,121	4,024,085
Accrued interest	**10,337**	10,016
	4,109,458	4,034,101
Less: allowance for impairment losses	**(128,585)**	(119,857)
Carrying amount of loans and advances to customers and other parties at amortised cost	**3,980,873**	3,914,244
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	**170**	156
– Discounted bills	**279,855**	110,001
Carrying amount of loans and advances to customers and other parties at FVOCI	**280,025**	110,157
	4,260,898	4,024,401
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	**(372)**	(151)

11 INVESTMENTS IN FINANCIAL ASSETS

	30 June 2019 *HK$ million*	31 December 2018 *HK$ million*
Financial assets at amortised cost		
Debt securities	**466,492**	438,361
Investment management products managed by securities companies	**392,446**	262,905
Trust investment plans	**185,387**	178,161
Certificates of deposit and certificates of interbank deposit	**8,559**	13,018
Wealth management products	**–**	1,198
Investments in creditor's rights on assets	**581**	583
Others	**409**	445
	1,053,874	894,671
Accrued interest	**12,591**	9,644
	1,066,465	904,315
Less: allowance for impairment losses	**(5,576)**	(4,967)
	1,060,889	899,348
Financial assets at fair value through profit or loss ("FVPL")		
Debt securities	**72,742**	86,115
Including: Designated at FVPL	**–**	60
Investment management products managed by securities companies	**2,903**	3,413
Trust investment plans	**5,486**	36,911
Certificates of deposit and certificates of interbank deposit	**22,976**	19,074
Wealth management products	**2,934**	1,946
Investment funds	**274,210**	233,132
Equity investment	**14,246**	14,572
Others	**47**	96
	395,544	395,259
Debt investments at FVOCI		
Debt securities	**613,652**	560,392
Certificates of deposit and certificates of interbank deposit	**7,282**	14,431
Others	**595**	380
	621,529	575,203
Accrued interest	**7,621**	7,696
	629,150	582,899
Equity investments at FVOCI		
Equity investment	**7,748**	6,504
Investment funds	**536**	417
	8,284	6,921
	2,093,867	1,884,427

12 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	30 June 2019 HK$ million	31 December 2018 HK$ million
Demand deposits		
– Corporate customers	**1,865,238**	1,725,834
– Personal customers	**325,942**	300,114
	2,191,180	2,025,948
Time and call deposits		
– Corporate customers	**1,707,244**	1,577,529
– Personal customers	**627,661**	513,066
	2,334,905	2,090,595
Outward remittance and remittance payables	**9,084**	5,504
Accrued interest	**37,517**	37,877
	4,572,686	4,159,924

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Bank acceptances	**191,260**	186,106
Letters of credit	**9,776**	7,115
Guarantees	**21,396**	24,831
Others	**118,982**	125,116
	341,414	343,168

13 BANK AND OTHER LOANS

(a) Types of loans

	30 June 2019 *HK$ million*	31 December 2018 *HK$ million*
Bank loans		
Unsecured loans	**100,793**	101,708
Loan pledged with assets	**23,822**	24,144
Guaranteed loans	**–**	308
	124,615	126,160
Other loans		
Unsecured loans	**24,227**	25,709
Loan pledged with assets	**1,677**	3,721
	25,904	29,430
	150,519	155,590
Accrued interest	**744**	1,088
	151,263	156,678

(b) Maturity of loans

	30 June 2019 *HK$ million*	31 December 2018 *HK$ million*
Bank and other loans are repayable:		
– Within 1 year or on demand	**41,030**	37,937
– Between 1 and 2 years	**37,585**	35,222
– Between 2 and 5 years	**34,672**	44,709
– Over 5 years	**37,232**	37,722
	150,519	155,590
Accrued interest	**744**	1,088
	151,263	156,678

14 DEBT INSTRUMENTS ISSUED

	30 June 2019 *HK$ million*	31 December 2018 *HK$ million*
Corporate bonds issued	**99,812**	85,196
Notes issued	**116,671**	119,367
Subordinated bonds issued	**140,921**	141,485
Certificates of deposit issued	**3,118**	3,141
Certificates of interbank deposit issued	**406,506**	389,534
Convertible corporate bonds	**14,377**	–
	781,405	738,723
Accrued interest	**7,308**	6,308
	788,713	745,031
Analysed by remaining maturity:		
– Within 1 year or on demand	**497,132**	400,682
– Between 1 and 2 years	**30,761**	114,852
– Between 2 and 5 years	**61,818**	58,997
– Over 5 years	**191,694**	164,192
	781,405	738,723
Accrued interest	**7,308**	6,308
	788,713	745,031

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES

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

(a) Investigation into 2008 forex incident

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

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

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(a) Investigation into 2008 forex incident (Continued)

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

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

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

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

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

(b) Mineralogy Pty Ltd. ("Mineralogy") Disputes

Each of Sino Iron Pty Ltd ("Sino Iron") and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to develop and operate the Group's Sino Iron project in Western Australia ("Sino Iron Project") and to take and process one billion tonnes each of magnetite ore for that purpose.

Option Agreement Dispute

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

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. (“Mineralogy”) Disputes (Continued)

Option Agreement Dispute (Continued)

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

Notwithstanding the making of these declarations, Mineralogy and Mr. Palmer have not taken the actions necessary to permit completion of the transaction resulting from the Company’s exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia in relation to the Option Agreement (“Proceeding CIV 1514/2016”) to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. On 26 February 2018, Justice K Martin granted leave for Cape Preston Resource Holdings Pty Ltd to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose.

In its amended defence and counterclaim, Mineralogy makes allegations of breach, repudiation, frustration and termination of the Option Agreement on various grounds, among other allegations. Mr. Palmer filed his own defence, which repeats and relies on the matters pleaded by Mineralogy in its defence. Mineralogy’s counterclaim seeks damages of US$205,000,000 (which it says is the purchase consideration for the further company) and damages equating to the royalties that would have been payable by the further company to Mineralogy on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate.

The CITIC Parties have made an application for a separate trial of preliminary issues in this proceeding. The application is scheduled for a half-day hearing on 11 October 2019.

No trial date has been set for this proceeding.

Royalty Component B Dispute

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which (“Royalty Component B”) is payable on products produced and calculated by reference to “prevailing published annual FOB prices” (expressed in US dollars per dry metric tonne unit) for Brazilian pellets and Mount Newman fines. In Proceeding CIV 1808/2013 (originally commenced in the Supreme Court of New South Wales but transferred to the Supreme Court of Western Australia), Mineralogy pursued a claim against Sino Iron and Korean Steel seeking payment of sums in respect of Royalty Component B on products produced up to 31 March 2017, damages for alleged breaches of the MRSLAs and certain other relief. In that proceeding, Mineralogy also pursued a claim against the Company pursuant to a guarantee given under the Fortescue Coordination Deed (“FCD”), one of the project agreements for the Sino Iron Project.

The CITIC Parties’ position was that, among other things, because of the cessation of the Annual Benchmark Pricing System (“Benchmark”) in early 2010, there was no longer any “prevailing published annual FOB price” (“Disputed Phrase”) for the relevant products, and therefore it was no longer possible to calculate Royalty Component B. Mineralogy’s position was that the Disputed Phrase was not limited to a reference to Benchmark prices and Royalty Component B was ascertainable by using published data, undertaking certain calculations and making certain adjustments.

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. ("Mineralogy") Disputes (Continued)

Royalty Component B Dispute (Continued)

The trial in Proceeding CIV 1808/2013 ran for 10 sitting days from 14 June 2017. Justice K Martin delivered his reasons for decision on 24 November 2017, finding in favour of Mineralogy, including as to the proper construction of the Disputed Phrase and the calculation of Royalty Component B.

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

On 12 January 2018, Sino Iron paid to Mineralogy the judgment sums of US$82,409,227.91, including US$7,702,492.91 interest, plus interest on that amount, in accordance with Justice K Martin's final orders on behalf of itself. Sino Iron paid the same amount on behalf of Korean Steel. Since that time and up to the date final orders were made by the Western Australian Supreme Court of Appeal, the CITIC Parties have continued to pay Royalty Component B to Mineralogy each quarter in accordance with the judgment of Justice K Martin.

The CITIC Parties appealed the consolidation orders and final orders made by Justice K Martin. These appeals were heard on 4 and 5 December 2018 by the Court of Appeal of the Supreme Court of Western Australia. President Buss and Justices of Appeal Murphy and Beech delivered their judgment in the appeal on 21 May 2019. The CITIC Parties were largely unsuccessful in the appeal. While the Court of Appeal allowed certain limited parts of the CITIC Parties' appeal, the Court's construction of the Disputed Phrase, which was the key issue for determination, was "broadly consistent" with the decision of Justice K Martin at first instance. Among other things, the Court of Appeal found that the Disputed Phrase should be construed as referring to the "prevailing published export market price" for Mount Newman fines and Brazilian pellets for the preceding quarter. The Court of Appeal also dismissed the CITIC Parties' appeal against the consolidation orders.

The CITIC Parties paid Royalty Component B to Mineralogy for the quarter ending 30 June 2019 in accordance with the judgment of the Court of Appeal.

On 26 July 2019, the CITIC Parties filed an Application for Special Leave to Appeal to the High Court of Australia in respect of the judgment delivered by the Court of Appeal. The High Court has not yet determined whether to grant that application.

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. ("Mineralogy") Disputes (Continued)

FCD Indemnity Disputes

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

(i) Queensland Nickel FCD Indemnity Claim

On 29 June 2017, the final day of the trial of Proceeding CIV 1808/2013, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia ("Proceeding CIV 2072/2017") claiming damages in the sum of AUD2,324,000,000 (now reduced by an amended statement of claim to AUD1,806,438,000). This amount is alleged to represent the reduction in the value of the assets of the joint venture business carried on by the Queensland Nickel group of companies controlled by Mr. Palmer. The joint venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of Royalty Component B, Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the joint venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

After commencing this proceeding, Mr. Palmer joined Mineralogy as a second plaintiff and Sino Iron and Korean Steel as second and third defendants.

On 16 April 2018, the CITIC Parties filed an Amended Defence, which pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

Following the completion of pleadings, on 31 May 2018 the Court made orders relating to the discovery of documents by Mineralogy and Mr. Palmer. Mineralogy and Mr. Palmer did not seek discovery from the CITIC Parties. Mineralogy and Mr. Palmer proposed that various issues concerning the scope of the indemnity in the FCD be determined on a preliminary basis before discovery is given. The CITIC Parties opposed that course on the basis that a preliminary determination of issues would have limited utility and would lead to a disjointed proceeding.

On 5 November 2018, Justice K Martin heard the plaintiffs' application for an order that there be a preliminary determination of issues. On 25 January 2019, the Court handed down its ruling rejecting the plaintiffs' application. However, the Court did identify a different preliminary issue that it may be prepared to entertain. Neither party chose to pursue this preliminary issue. There continues to be differences between the parties as to the relevance of the categories of discoverable documents sought by the CITIC Parties. The issue will be determined by Justice K Martin following a hearing scheduled on 22 October 2019.

No trial date has been set for this proceeding.

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. (“Mineralogy”) Disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 1267/2018”) in which it claims damages in the sum of AUD2,675,400,000. The statement of claim pleads that Mineralogy had agreed to provide:

(a) from December 2009, funding; and

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

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

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

On 24 April 2018, the CITIC Parties filed and served their defence, which is in similar terms to their defence in Proceeding CIV 2072/2017. The CITIC Parties have pleaded a number of defences including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

Following the completion of pleadings, on 31 May 2018 the Court made orders relating to the discovery of documents by Mineralogy. Mineralogy did not seek discovery from the CITIC Parties. Mineralogy proposed that various issues concerning the scope of the indemnity in the FCD be determined on a preliminary basis before discovery is given. The CITIC Parties opposed that course on the basis that a preliminary determination of issues would have limited utility and would lead to a disjointed proceeding.

On 5 November 2018, Justice K Martin heard Mineralogy’s application for an order that there be a preliminary determination of issues. On 25 January 2019, the Court handed down its ruling rejecting Mineralogy’s application. However, the Court did identify a different preliminary issue that it may be prepared to entertain. Neither party chose to pursue this preliminary issue. There continues to be differences between the parties as to the relevance of the categories of discoverable documents sought by the CITIC Parties. The issue will be determined by Justice K Martin following a hearing scheduled on 22 October 2019.

No trial date has been set for this proceeding.

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. ("Mineralogy") Disputes (Continued)

Tenure claim

The continued operation of the Sino Iron Project requires it to expand beyond the footprint it currently occupies. The need for expansion is primarily driven by the need to accommodate waste rock and tailings, which are necessary by-products of the mining process. The mining tenements upon which the Sino Iron Project is currently conducted, and those into which the CITIC Parties wish to expand in order to continue operation, are all held by Mineralogy. Without an expanded footprint, it will be necessary to suspend operations at the Sino Iron Project.

The CITIC Parties commenced a proceeding against Mineralogy and Mr. Palmer in the Federal Court of Australia ("Proceeding WAD 471/2018") in relation to the failure and refusal of Mineralogy to:

– submit Mine Continuation Proposals for the Sino Iron Project to the State under the State Agreement;

– grant further necessary tenure for the Sino Iron Project;

– take steps to secure the re-purposing of general purpose leases for the Sino Iron Project; and

– submit a Programme of Works for the Sino Iron Project to the State.

The CITIC Parties bring claims for breach of contract, of unconscionable conduct under the Australian Consumer Law, and in estoppel. Mr. Palmer is sued as an accessory to the unconscionable conduct claim. The CITIC Parties seek orders requiring Mineralogy to take the four steps listed above, and to pay the CITIC Parties damages for its failure and refusal to do so. Damages are also sought from Mr. Palmer. The State is joined to the proceeding as a necessary party, because it is a party to the State Agreement, but no relief is sought against it.

Mineralogy and Mr. Palmer made a cross-vesting application in which they sought orders that Proceeding WAD 471/2018 be transferred to the Supreme Court of Western Australia. On 17 May 2019, Justice Banks-Smith determined that it was appropriate for this proceeding to be transferred to the Supreme Court of Western Australia. The proceeding was admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 ("Proceeding CIV 1915/2019").

At a Strategic Conference held on 16 August 2019, Justice K Martin made certain orders, including an order listing the matter for a two day mediation on 16 and 17 October 2019 before Registrars of the Supreme Court.

No trial date has been set for this proceeding.

Minimum Production Royalty Dispute

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by:

(a) an act, matter or thing outside their control;

(b) Mineralogy doing, or failing to do an act (under the MRSLAs or otherwise); or

(c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. ("Mineralogy") Disputes (Continued)

Minimum Production Royalty Dispute (Continued)

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate ("Minimum Production Royalty"). The Minimum Production Royalty has been the subject of earlier proceedings, including Proceeding CIV 1808/2013 and also Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017 (the latter two proceedings having been subsequently discontinued by Mineralogy).

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd ("SIH") in the Supreme Court of Western Australia ("Proceeding CIV 3129/2018"), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer plead that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3(a) of the MRSLAs), and accordingly became liable to pay the Minimum Production Royalty by 21 April 2013. Mineralogy seeks relief, including:

(a) orders that each of Sino Iron and Korean Steel pay Mineralogy AUD6,865,985 plus US$87,104,633, plus default interest;

(b) an order that CITIC Limited pay Mineralogy AUD13,731,970 plus US$174,209,266, plus interest (pursuant to the guarantee under the FCD);

(c) orders for specific performance of the MRSLAs and the FCD; and

(d) a declaration that Sino Iron and Korean Steel have acted in breach of their obligation of good faith.

In the event that Mineralogy is estopped or precluded from seeking the above relief in Proceeding CIV 3129/2018, Mr. Palmer seeks payment by the Company of US$187,941,236 pursuant to the guarantee and indemnity in the FCD.

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim, on grounds including that it is an abuse of process. That application has been listed for hearing on 25 September 2019.

Site Remediation Fund Dispute

Under clause 20.5 of the MRSLAs, Mineralogy may require Sino Iron and Korean Steel to provide reasonable security for the performance of their obligations under clause 20 of the MRSLAs, relating to the protection of the environment and rehabilitation following Mine Closure. Such security is to be provided by way of contributions by Sino Iron and Korean Steel into a Site Remediation Fund. Clause 20.6 of the MRSLAs provides for the operation of the Site Remediation Fund, and requires that:

(a) Mineralogy will establish the Site Remediation Fund, which will be maintained in a separate interest-bearing trust account, designated as a trust account, and Sino Iron and Korean Steel will make contributions into the Site Remediation Fund; and

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(b) Mineralogy Pty Ltd. (“Mineralogy”) Disputes (Continued)

Site Remediation Fund Dispute (Continued)

(b) for each Operating Year, Mineralogy will “determine an annual charge on account of future Site Remediation Costs … having regard to Mineralogy’s best prevailing estimate of the amount of future Site Remediation Costs … and the number of years remaining until Mine Closure”.

On 22 October 2018, Mineralogy commenced a proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 2840/2018”) concerning the Site Remediation Fund. Mineralogy claims that the CITIC Parties are required to contribute AUD529,378,207 into the Site Remediation Fund established under the MRSLAs, as security for the performance of their obligations relating to the protection of the environment and rehabilitation.

While the CITIC Parties acknowledge their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they dispute the amount claimed by Mineralogy. Among other arguments, the CITIC Parties consider that the amount demanded by Mineralogy is not an “annual charge” as required by clause 20.6(e) of the MRSLAs. Further, the CITIC Parties do not consider that the amount demanded is a “best prevailing estimate” of future site remediation costs, as required by clause 20.6(e) of the MRSLAs.

The CITIC Parties have filed a defence and counterclaim in Proceeding CIV 2840/2018 seeking, among other things, orders appointing a new trustee in place of Mineralogy and a declaration that the annual charge to be made by Sino Iron and Korean Steel in the operating year commencing on 1 July 2018 is AUD6,000,000 or such other amount determined by the Court.

The matter has been referred to mediation by the Court which has been listed for 30 October 2019. The Court has also made programming orders concerning the scope, timing and format of discovery. The matter is scheduled for a directions hearing on 25 October 2019.

No trial date has been set for this proceeding.

(c) Metallurgical Corporation of China (“MCC”) claim

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Sino Iron Project. The fixed price contract amount was US$3.4 billion.

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

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

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(c) Metallurgical Corporation of China ("MCC") claim (Continued)

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

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 30 June 2019.

FINANCIAL REVIEW AND ANALYSIS

In HK$ million	**Six months ended 30 June 2019**	2018	Increase/ (Decrease)
Revenue	**277,176**	258,323	18,853
Profit before taxation	**57,194**	56,597	597
Profit attributable to ordinary shareholders	**33,518**	30,668	2,850
Basic earnings per share (HK$)	**1.15**	1.05	0.10
Diluted earnings per share (HK$)	**1.15**	1.05	0.10
Dividend per share (HK$)	**0.18**	0.15	0.03
Net cash generated from operating activities	**11,770**	11,427	343
Capital expenditure	**10,026**	17,349	(7,323)

	As at 30 June 2019	As at 31 December 2018	Increase/ (Decrease)
Total assets	**8,006,388**	7,660,713	345,675
Total liabilities	**7,167,580**	6,850,053	317,527
Total ordinary shareholders' funds	**580,723**	558,545	22,178

Profit/(loss) and assets by business

	Profit/(loss)		**Assets**	
In HK$ million	**Six months ended 30 June 2019**	2018	**As at June 30 2019**	As at 31 December 2018
Financial services	**37,288**	35,564	**7,410,031**	7,067,565
Resources and energy	**2,453**	1,726	**133,267**	131,842
Manufacturing	**3,996**	2,639	**133,974**	134,882
Engineering contracting	**687**	699	**58,494**	55,432
Real estate	**3,663**	5,230	**157,921**	154,631
Others	**2,020**	3,840	**162,172**	151,071
Underlying business operations	**50,107**	49,698	**8,055,859**	7,695,423
Operation management	**(2,968)**	(4,015)		
Elimination	**31**	(883)		
Profit attributable to non-controlling interests and holders of perpetual capital securities	**13,652**	14,132		
Profit attributable to ordinary shareholders	**33,518**	30,668		

Revenue by business

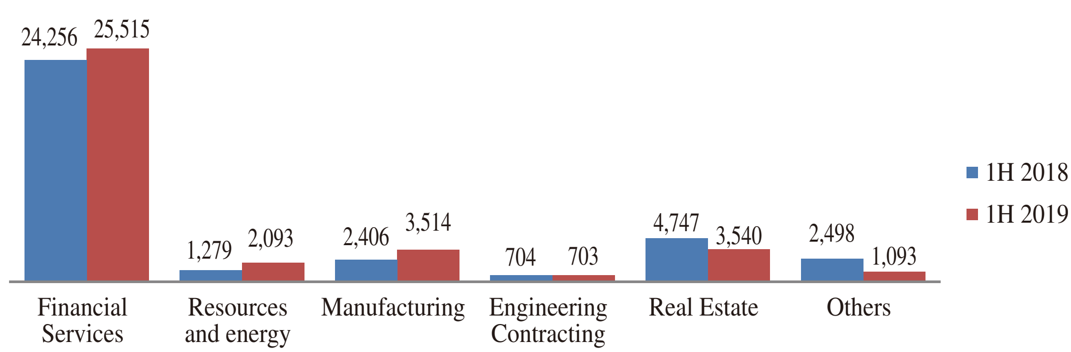
In HK$ million	Six months ended 30 June **2019**	2018	Increase/(Decrease) Amount	%
Financial services	**111,903**	103,068	8,835	8.6%
Resources and energy	**47,858**	34,994	12,864	37%
Manufacturing	**59,607**	61,125	(1,518)	(2.5%)
Engineering contracting	**7,907**	4,015	3,892	97%
Real estate	**1,892**	5,270	(3,378)	(64%)
Others	**47,969**	49,822	(1,853)	(3.7%)

Revenue by nature

In HK$ million	Six months ended 30 June **2019**	2018	Increase/(Decrease) Amount	%
Net interest income	**67,461**	62,213	5,248	8.4%
Net fee and commission income	**34,929**	29,314	5,615	19%
Sales of goods and services	**165,233**	155,244	9,989	6.4%
– Sales of goods	**144,391**	136,645	7,746	5.7%
– Revenue from construction contracts	**8,269**	4,482	3,787	84%
– Revenue from other services	**12,573**	14,117	(1,544)	(11%)
Other revenue	**9,553**	11,552	(1,999)	(17%)

Profit Attributable to Ordinary Shareholders by Business

In HK$ million



Capital Expenditures

In HK$ million	**Six months ended 30 June 2019**	2018	Increase/(Decrease) Amount	%
Financial services	**1,763**	1,734	29	1.7%
Resources and energy	**614**	835	(221)	(26%)
Manufacturing	**2,944**	6,479	(3,535)	(55%)
Engineering contracting	**908**	1,010	(102)	(10%)
Real estate	**225**	1,016	(791)	(78%)
Others	**3,572**	6,275	(2,703)	(43%)
Total	**10,026**	17,349	(7,323)	(42%)

Group Financial Position

In HK$ million	**As at 30 June 2019**	As at 31 December 2018	Increase/(Decrease) Amount	%
Total assets	**8,006,388**	7,660,713	345,675	4.5%
Loans and advances to customers and other parties	**4,260,898**	4,024,401	236,497	5.9%
Investments in financial assets	**2,093,867**	1,884,427	209,440	11%
Cash and deposits	**595,044**	832,968	(237,924)	(29%)
Placements with banks and non-bank financial institutions	**195,279**	200,030	(4,751)	(2.4%)
Trade and other receivables	**182,483**	111,057	71,426	64%
Fixed assets	**168,585**	189,647	(21,062)	(11%)
Total liabilities	**7,167,580**	6,850,053	317,527	4.6%
Deposits from customers	**4,572,686**	4,159,924	412,762	9.9%
Deposits from banks and non-bank financial institutions	**961,412**	888,966	72,446	8.1%
Debt instruments issued	**788,713**	745,031	43,682	5.9%
Borrowing from central banks	**270,424**	327,629	(57,205)	(17%)
Trade and other payables	**164,256**	171,093	(6,837)	(4.0%)
Bank and other loans	**151,263**	156,678	(5,415)	(3.5%)
Total ordinary shareholders' funds	**580,723**	558,545	22,178	4.0%

Loans and advances to customers and other parties

As at 30 June 2019, the net loans and advances to customers and other parties of the Group was HK$4,260,898 million, an increase of HK$236,497 million, increased 5.9% compared with 31 December 2018. The proportion of loans and advances to customers and other parties to total assets was 53.2%, an increase of 0.7% compared with 31 December 2018.

In HK$ million	**As at 30 June 2019**	As at 31 December 2018	Increase/(Decrease) Amount	%
Loans and advances to customers and other parties at amortised cost				
Corporate loans	**2,222,128**	2,160,645	61,483	2.8%
Discounted bills	**3,919**	169,204	(165,285)	(98%)
Personal loans	**1,873,074**	1,694,236	178,838	11%
Accrued interest	**10,337**	10,016	321	3.2%
Total loans and advances to customers and other parties at amortised cost	**4,109,458**	4,034,101	75,357	1.9%
Impairment allowances	**(128,585)**	(119,857)	(8,728)	(7.3%)
Carrying amount of loans and advances to customers and other parties at amortised cost	**3,980,873**	3,914,244	66,629	1.7%
Loans and advances to customers and other parties at FVOCI				
Corporate loans	**170**	156	14	9.0%
Discounted bills	**279,855**	110,001	169,854	154%
Carrying amount of loans and advances to customers and other parties at FVOCI	**280,025**	110,157	169,868	154%
Net loans and advances to customers and other parties	**4,260,898**	4,024,401	236,497	5.9%

Investments in financial assets

As at 30 June 2019, the Investments in financial assets of the Group was HK$2,093,867 million, an increase of HK$209,440 million, increased 11% compared with 31 December 2018. The proportion of Investments in financial assets to total assets was 26.2%, an increase of 1.6% compared with 31 December 2018.

(a) Analysed by types

In HK$ million	**As at 30 June 2019**	As at 31 December 2018	Increase/(Decrease) Amount	%
Debt securities	**1,152,886**	1,084,868	68,018	6.3%
Investment management products managed by securities companies	**395,349**	266,318	129,031	48%
Investment funds	**274,746**	233,549	41,197	18%
Trust investment plans	**190,873**	215,072	(24,199)	(11%)
Certificates of deposit and certificates of interbank deposit	**38,817**	46,523	(7,706)	(17%)
Equity investment	**21,994**	21,076	918	4.4%
Wealth management products	**2,934**	3,144	(210)	(6.7%)
Investments in creditor's rights on assets	**581**	583	(2)	(0.3%)
Others	**1,051**	921	130	14%
Subtotal	**2,079,231**	1,872,054	207,177	11%
Accrued interest	**20,212**	17,340	2,872	17%
Less: allowance for impairment losses	**(5,576)**	(4,967)	(609)	(12%)
Total	**2,093,867**	1,884,427	209,440	11%

(b) Analysed by measurement category

In HK$ million	**As at 30 June 2019**	As at 31 December 2018	Increase/(Decrease) Amount	%
Financial assets at amortised cost	**1,060,889**	899,348	161,541	18%
Financial assets at FVPL	**395,544**	395,259	285	0.1%
Debt investments at FVOCI	**629,150**	582,899	46,251	7.9%
Equity investments at FVOCI	**8,284**	6,921	1,363	20%
Total	**2,093,867**	1,884,427	209,440	11%

Deposits from customers

As at 30 June 2019, deposits from customers of the financial institutions under the Group were HK$4,572,686 million, an increase of HK$412,762 million, 9.9% compared with 31 December 2018. The proportion of deposits from customers to total liabilities was 63.8%, an increase of 3.1% compared with 31 December 2018.

In HK$ million	**As at 30 June 2019**	As at 31 December 2018	Increase/(Decrease) Amount	%
Corporate deposits				
Time deposits	**1,707,244**	1,577,529	129,715	8.2%
Demand deposits	**1,865,238**	1,725,834	139,404	8.1%
Subtotal	**3,572,482**	3,303,363	269,119	8.1%
Personal deposits				
Time deposits	**627,661**	513,066	114,595	22%
Demand deposits	**325,942**	300,114	25,828	8.6%
Subtotal	**953,603**	813,180	140,423	17%
Outward remittance and remittance payables	**9,084**	5,504	3,580	65%
Accrued interest	**37,517**	37,877	(360)	(1.0%)
Total	**4,572,686**	4,159,924	412,762	9.9%

RISK MANAGEMENT

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

Financial Risk

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

Asset and liability management

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

1. Debt

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

As at 30 June 2019, consolidated debt of CITIC Limited(1) was HK$931,924 million, including loans of HK$150,519 million and debt instruments issued(2) of HK$781,405 million. Debt of CITIC Bank(3) accounted for HK$656,207 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK$4,505 million and available committed facilities from banks of HK$22,200 million.

The details of debt are as follows:

As at 30 June 2019	*HK$ million*
Consolidated debt of CITIC Limited	931,924
Among which: Debt of CITIC Bank	656,207

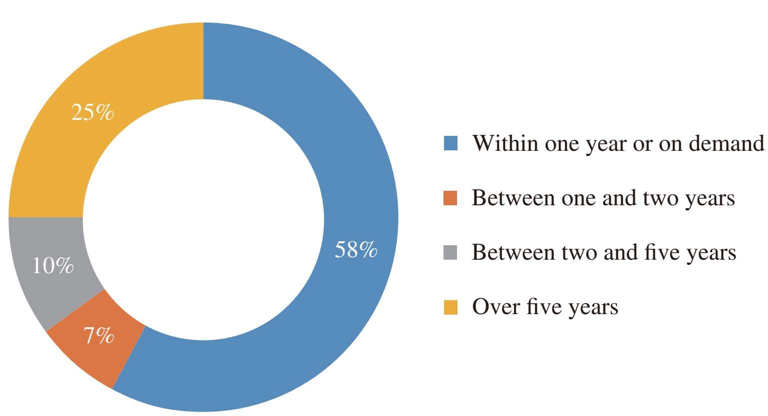
Note:

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

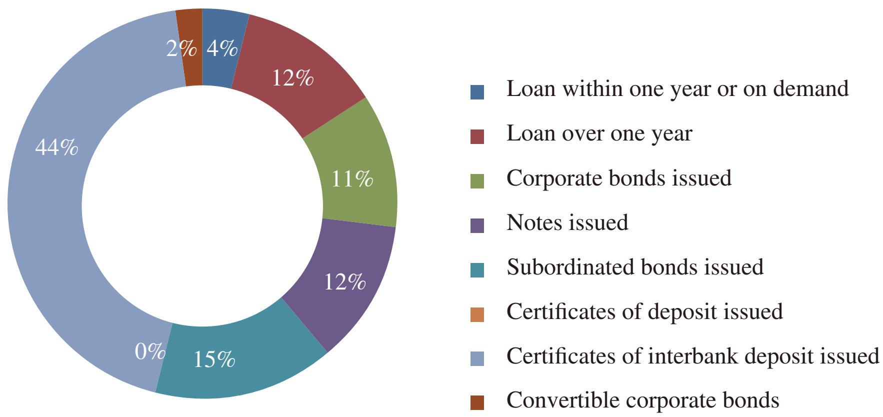
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

(3) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued and convertible corporate bonds that has been subscribed by another subsidiary of the group.

Consolidated debt by maturity as at 30 June 2019



Consolidated debt by type as at 30 June 2019



The debt to equity ratio of CITIC Limited as at 30 June 2019 is as follows:

In HK$ million	**Consolidated**
Debt	931,924
Total equity[4]	838,808
Debt to equity ratio	111%

Note:

(4) Total consolidated equity is based on the "total equity" in the Consolidated Balance Sheet.

2. *Liquidity risk management*

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

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

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

3. *Credit ratings*

	Standard & Poor's	Moody's
30 June 2019	BBB+/Stable	A3/Stable

Treasury risk management

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

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

CITIC Limited manages the above risks by using appropriate financial derivatives or other means, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKFRS 9 in performing treasury risk management responsibilities. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

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

1. *Interest rate risk*

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

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

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

2. *Currency risk*

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

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

3. *Counterparty risk for financial products*

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

4. *Commodity risk*

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

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

5. *Market price risk*

CITIC Limited holds investments in financial assets classified as Derivative financial instruments or Investments in financial assets in the consolidated balance sheet. To control price risks arising from such investments, the Group actively monitors the price changes and diversifies the relevant investment risks through appropriate asset allocation.

Economic Environment

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

As China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. The global economy is still on the way of recovery, but the performances in main economic entities and regions are divergent, and challenges from trade friction and other aspects are increasing. The growth prospect is with uncertainty. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on its operational results, financial condition and profitability.

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

HUMAN RESOURCES

Protecting Employees' Rights and Interests

During the period, we complied fully with relevant laws, regulations and policies, including those concerning labour contracts. We are committed to protecting the lawful rights and interests of our staff to build harmonious relationships with them. In our recruitment and career development practices, we provide equal opportunities for all, based on individual merit and overall fairness, without regard to race, gender, religion, ethnicity, nationality or physical disability. We also prohibit child and forced labour in all of our operations.

We and our subsidiaries have established a competitive remuneration policy, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism puts equal emphasis on market competitiveness and fairness, and correlates salary with performance. During the period, we continued to optimise our performance appraisal and remuneration systems to help the Company achieve better performance. In addition, we made further improvements to our staff benefits schemes, including insurance and policies on working hours and rest periods. As required by the Hong Kong SAR Government, we made contributions to the Mandatory Provident Fund for all staff based in Hong Kong and provided full coverage of basic social insurance for our mainland staff according to the requirements of local governments.

Developing our Staff

We have established five teams comprising senior management, industry leaders, advanced technology specialists and skilled professionals, international staff and outstanding young executives. This team functions as a talent pool for supporting the Company's development. We have also strengthened our approach to talent development in line with our own corporate culture and specific training requirements.

In line with our people-oriented philosophy, and capitalising on the strength of our integrated network, we arrange for staff postings, internal rotations and exchanges between our headquarters and subsidiaries and among our subsidiaries in different sectors. These are also arranged between CITIC and provincial and municipal governments as well as strategic partner companies. By organising these programmes, we are able to enrich the experience of our employees and allow them to improve their professional knowledge and skills.

Caring for CITIC Employees

The quality of life of our employees is one of our greatest concerns. To improve employees' sense of achievement and belonging, we have taken various measures including providing awards and recognition, giving publicity, organizing cultural and sports activities, and staff visit at special time points and offering regular support and caring.

CORPORATE GOVERNANCE

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found in CITIC Limited's Annual Report 2018 and on CITIC Limited's website at www.citic.com.

CITIC Limited has applied the principles and complied with all the code provisions of the corporate governance code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2019.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit and risk management committee of the board reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 in conjunction with the management and CITIC Limited's external auditor. The committee consists of five non-executive directors of whom three are independent.

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of HK$0.18 per share (2018: HK$0.15 per share) for the year ending 31 December 2019, payable on Friday, 4 October 2019 to shareholders whose names appear on CITIC Limited's register of members on Thursday, 19 September 2019. The register of members of CITIC Limited will be closed from Tuesday, 17 September 2019 to Thursday, 19 September 2019, both days inclusive, during which period no transfer of shares will be effected. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 16 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the six months ended 30 June 2019.

FORWARD LOOKING STATEMENTS

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

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

HALF-YEAR REPORT AND FURTHER INFORMATION

A copy of the announcement is posted on CITIC Limited's website (www.citic.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The Half-Year Report 2019 will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 10 September 2019.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 29 August 2019

As at the date of this announcement, the executive directors of CITIC Limited are Mr Chang Zhenming (Chairman), Mr Wang Jiong and Ms Li Qingping; the non-executive directors of CITIC Limited are Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhuyu, Mr Peng Yanxiang, Mr Liu Zhongyuan and Mr Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Mr Shohei Harada and Mr Gregory Lynn Curl.