# 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 2020

### CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

The last half year has been extraordinary. The worldwide outbreak of COVID-19 triggered one of the greatest economic shocks in decades. Consumer and business activity has been brought to a halt, and six months later, many countries remain in the grip of the pandemic. The scale and nature of the disruption confronting us and others in so many industries is simply unprecedented.

As I discussed earlier this year, we anticipated a very tough 2020 and our results reflect the challenges we are facing across our operations. For the first six months of the year, CITIC Limited's profit attributable to ordinary shareholders was HK$27 billion, including HK$2.4 billion from the sale of our 22% stake in the McDonald's business in mainland China and Hong Kong. The profit was down 19% against the same period in 2019. Excluding the Renminbi to HK Dollar conversion effect, profit fell 16%. At the end of June, CITIC Limited had HK$38 billion in cash and available facilities.

The board recommends an interim dividend payment of HK$0.10 per share, which is HK$0.08 less than the same period last year. The reduction in dividend reflects the lower profit for the period and the challenging outlook for the remainder of 2020.

## BUSINESS PERFORMANCE

The financial services segment recorded HK$21.9 billion in profit contribution, 14% less than the corresponding period in 2019. Higher provisions made at CITIC Bank and CITIC Trust were a key factor in the profit decline, reflecting the impact of the pandemic and slower economic growth. Profits at CITIC Bank and CITIC Trust were RMB25.5 billion and RMB1.1 billion, a respective decrease of 9.8% and 35% year-on-year.

Operationally, CITIC Bank's net interest income grew 5.6% as total assets increased during the period. However, net interest margin narrowed as the bank transitioned to a loan prime rate that reflects lower prevailing market rates. The bank also lowered lending rates to provide support to corporate customers impacted by the pandemic and the overall macroeconomic environment. Conversely, non-interest income increased by 18% mainly due to higher gain on investments. CITIC-Prudential Life achieved a profit growth of 67% to RMB777 million, driven by a rise in premium income as well as higher investment income. CITIC Securities' profit rose 38% to RMB8.9 billion.

In the non-financial segment, profit contribution from the manufacturing business was HK$2.8 billion. The 20% decline from a year ago is largely attributable to CITIC Limited's reduced shareholdings in CITIC Pacific Special Steel and CITIC Dicastal. Operationally, unanticipated supply chain disruptions negatively impacted this segment, particularly CITIC Dicastal. However, CITIC Pacific Special Steel delivered a stable performance and CITIC Heavy Industries recorded a profit increase.

CITIC Pacific Special Steel was able to achieve a profit of RMB2.75 billion, on par with the same period last year, despite the rising cost of raw materials, particularly iron ore and coke, as well as reduced demand from overseas markets and lower product prices. The business increased sales by successfully cultivating new customers in the domestic market, rapidly adjusting the product mix to reduce reliance on underperforming industries and executing ground-level controls to reduce operating costs, all of which contributed to its solid performance.

Profit at CITIC Dicastal declined 45% to RMB276 million in the first half of the year. Sales of aluminium wheels fell 15% to 21.48 million units, primarily due to a sharp decline in sales to international markets where the product mix is weighted towards the premium segment. The company's profitability was also negatively affected by a loss from its casting business, mainly as a result of temporary production suspensions at the KSM facility in Germany during the COVID-19 outbreak.

At CITIC Heavy Industries, profit increased by 77% to RMB169 million driven by the solid performance of the heavy machinery and its related services businesses. The company's special robotics business also contributed to the bottom line.

The resources and energy business contributed HK$706 million, a decrease of 66%. This was mainly due to a HK$431 million loss recorded at CITIC Resources resulting from the sharp decline in the price of crude oil. CITIC Metal's operational performance was also impacted by lower commodity prices, particularly copper and ferroniobium; profit, however, increased by 18% to HK$695 million as a result of higher investment income. Our Australian magnetite iron ore mine maintained its profitability for the reporting period due to a buoyant iron ore price, consistent production and ongoing efforts to reduce operating costs. Securing timely and necessary life-of-mine approvals remains a priority and is critical to the long-term sustainability of the project.

In engineering contracting, profit was HK$380 million, 46% lower year-on-year as COVID-19 affected project development. In the first half of 2020, new contracts signed by both operating companies totalled RMB15 billion, with about half in the domestic market. The largest is a CITIC Construction contract to build a fertiliser processing facility and related infrastructure, including a power station, in Belarus.

Profit contribution from the property business was HK$3.5 billion, matching the result in the same period last year. Profit included our 10% holding in China Overseas Land and Investment, rental income from mainland China and Hong Kong investment properties, and the booking of residential units sold and delivered in the Kadooria and Discovery Bay developments in Hong Kong. Additionally, there was a revaluation gain from an increased shareholding in a property in Shanghai.

## PREPARING FOR A NEW NORMAL

The last six months were a singularly challenging period, and we continue to contend with a great deal of uncertainty. Whole business sectors have been upended and, in some, the impetus for structural change is accelerating. While our grounding in fundamental industries shelters us from some of the most radical forces of disruption, we must prepare for a period of sustained turbulence and lasting transformation. It is therefore essential that we focus on enhancing operational discipline and mitigating risks as we strengthen our ability to quickly act on emerging opportunities.

As such, we are redoubling our efforts to economise our operations and drive stringent cost controls across the entire organisation. I am also leading an initiative to elevate our risk assessment and management practices at every level of the company. Our objective is to make our businesses leaner and more agile, capable of thriving in even the toughest business environment.

At the same time, we will continue to monitor the competitive landscape, assessing ways to build the business and enhance our position across our many supply chains. Now, more than ever, we need to unlock the unique advantages of the CITIC platform and drive greater synergy among our businesses. Volatility can create opportunities; we must be ready for them.

As global trade remains constricted in the face of the ongoing spread of the novel coronavirus, the path to recovery is likely to be long and arduous. We conduct business globally, and our full-year results will reflect this reality. However, we are cautiously optimistic that we will be well-served by our operations in China, since the majority of our business is driven by the strength of the domestic economy. As China recovers, so will we. We are especially encouraged by the country's 3.2% GDP growth in the second quarter, as well as improvements in investment, consumption and industrial output, following successful efforts to contain COVID-19.

This year has been a test of the true mettle of our people and organisation. I am proud of our efforts and grateful for everyone's dedication. Our businesses remain sustainably positioned, and we are as focused as ever on delivering long-term value for you.

Thank you for your continued trust and support.

**Zhu Hexin**
*Chairman*
Beijing, 28 August 2020

## CONSOLIDATED INCOME STATEMENT
## FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Note | Unaudited<br>Six months ended 30 June<br>**2020**<br>***HK$ million*** | <br><br>2019<br>*HK$ million* |
|---|---|---|---|
| Interest income | | **156,070** | 152,510 |
| Interest expenses | | **(82,984)** | (80,245) |
| **Net interest income** | *4(a)* | **73,086** | 72,265 |
| Fee and commission income | | **33,581** | 33,490 |
| Fee and commission expenses | | **(2,865)** | (3,365) |
| **Net fee and commission income** | *4(b)* | **30,716** | 30,125 |
| Sales of goods and services | *4(c)* | **138,794** | 165,233 |
| Other revenue | *4(d)* | **13,206** | 9,553 |
| | | **152,000** | 174,786 |
| **Total revenue** | | **255,802** | 277,176 |
| Cost of sales and services | | **(116,566)** | (135,753) |
| Other net income | | **3,913** | 2,165 |
| Expected credit losses | | **(53,025)** | (39,877) |
| Impairment losses | | **(1,318)** | (311) |
| Other operating expenses | | **(42,377)** | (47,938) |
| Net valuation (loss)/gain on investment properties | | **(110)** | 342 |
| Share of profits of associates, net of tax | | **4,836** | 4,394 |
| Share of profits of joint ventures, net of tax | | **501** | 2,185 |
| **Profit before net finance charges and taxation** | | **51,656** | 62,383 |
| Finance income | | **1,037** | 1,355 |
| Finance costs | | **(6,149)** | (6,544) |
| **Net finance charges** | *5* | **(5,112)** | (5,189) |
| **Profit before taxation** | *6* | **46,544** | 57,194 |
| Income tax | *7* | **(8,635)** | (10,024) |
| **Profit for the period** | | **37,909** | 47,170 |

**CONSOLIDATED INCOME STATEMENT (CONTINUED)**
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***HK$ million*** | *HK$ million* |
| **Profit for the period** | | **37,909** | 47,170 |
| **Attributable to:** | | | |
| – Ordinary shareholders of the Company | | **27,014** | 33,518 |
| – Non-controlling interests | | **10,895** | 13,652 |
| **Profit for the period** | | **37,909** | 47,170 |
| **Earnings per share for profit attributable to ordinary shareholders of the Company during the period:** | | | |
| Basic and diluted earnings per share *(HK$)* | *9* | **0.93** | 1.15 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***HK$ million*** | *HK$ million* |
| **Profit for the period** | | **37,909** | 47,170 |
| **Other comprehensive loss for the period** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Fair value changes on debt instruments at fair value through other comprehensive income | | **(1,768)** | 100 |
| Loss allowance on debt instruments at fair value through other comprehensive income | | **472** | 383 |
| Cash flow hedge: net movement in the hedging reserve | | **(813)** | (398) |
| Share of other comprehensive loss of associates and joint ventures | | **(853)** | (734) |
| Exchange differences on translation of financial statements and others | | **(15,888)** | (4,252) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Reclassification of owner-occupied property as investment property: revaluation gain | | **59** | – |
| Fair value changes on investments in equity instruments designated at fair value through other comprehensive income | | **37** | 351 |
| **Other comprehensive loss for the period** | | **(18,754)** | (4,550) |
| **Total comprehensive income for the period** | | **19,155** | 42,620 |
| **Attributable to:** | | | |
| – Ordinary shareholders of the Company | | **14,027** | 29,932 |
| – Non-controlling interests | | **5,128** | 12,688 |
| **Total comprehensive income for the period** | | **19,155** | 42,620 |

**CONSOLIDATED BALANCE SHEET**
**AS AT 30 JUNE 2020**

| | *Note* | **30 June 2020** *HK$ million* **(Unaudited)** | 31 December 2019 *HK$ million* (Audited) |
|---|---|---|---|
| **Assets** | | | |
| Cash and deposits | | **676,484** | 740,434 |
| Placements with banks and non-bank financial institutions | | **240,636** | 226,686 |
| Derivative financial instruments | | **27,602** | 19,580 |
| Trade and other receivables | | **160,077** | 167,427 |
| Contract assets | | **12,419** | 11,504 |
| Inventories | | **67,225** | 54,735 |
| Financial assets held under resale agreements | | **41,913** | 11,117 |
| Loans and advances to customers and other parties | *10* | **4,491,615** | 4,366,639 |
| Investments in financial assets | *11* | | |
| – Financial assets at amortised cost | | **1,042,784** | 1,040,997 |
| – Financial assets at fair value through profit or loss | | **381,286** | 403,776 |
| – Debt investments at fair value through other comprehensive income | | **809,877** | 701,936 |
| – Equity investments at fair value through other comprehensive income | | **7,514** | 7,020 |
| Assets classified as held for sale | | **–** | 28,819 |
| Interests in associates | | **124,943** | 123,345 |
| Interests in joint ventures | | **41,645** | 40,963 |
| Fixed assets | | **147,979** | 150,075 |
| Investment properties | | **37,013** | 37,555 |
| Right-of-use assets | | **34,902** | 36,494 |
| Intangible assets | | **11,896** | 11,977 |
| Goodwill | | **20,450** | 21,203 |
| Deferred tax assets | | **69,680** | 58,729 |
| Other assets | | **29,312** | 28,913 |
| **Total assets** | | **8,477,252** | 8,289,924 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)
## AS AT 30 JUNE 2020

| | Note | **30 June 2020** *HK$ million* **(Unaudited)** | 31 December 2019 *HK$ million* (Audited) |
|---|---|---|---|
| **Liabilities** | | | |
| Borrowing from central banks | | **138,191** | 268,256 |
| Deposits from banks and non-bank financial institutions | | **1,089,543** | 1,061,380 |
| Placements from banks and non-bank financial institutions | | **82,370** | 107,400 |
| Financial liabilities at fair value through profit or loss | | **6,860** | 1,436 |
| Derivative financial instruments | | **29,672** | 20,763 |
| Trade and other payables | | **148,032** | 148,908 |
| Contract liabilities | | **25,285** | 21,380 |
| Financial assets sold under repurchase agreements | | **118,064** | 127,766 |
| Deposits from customers | *12* | **4,892,771** | 4,541,841 |
| Employee benefits payables | | **28,127** | 33,357 |
| Income tax payable | | **12,149** | 13,989 |
| Bank and other loans | *13* | **152,353** | 151,312 |
| Debt instruments issued | *14* | **805,806** | 823,964 |
| Lease liabilities | | **16,524** | 17,435 |
| Liabilities directly associated with assets classified as held for sale | | **–** | 20,674 |
| Provisions | | **11,542** | 11,155 |
| Deferred tax liabilities | | **10,276** | 9,963 |
| Other liabilities | | **15,131** | 14,454 |
| **Total liabilities** | | **7,582,696** | 7,395,433 |
| **Equity** | | | |
| Share capital | | **381,710** | 381,710 |
| Reserves | | **215,253** | 209,816 |
| **Total ordinary shareholders' funds** | | **596,963** | 591,526 |
| Non-controlling interests | | **297,593** | 302,965 |
| **Total equity** | | **894,556** | 894,491 |
| **Total liabilities and equity** | | **8,477,252** | 8,289,924 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2019 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 extracted 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 2019 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

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 2019, 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 2019, except for the following amendments which became effective for the first time for the financial year beginning on or after 1 January 2020:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 3 (Amendments) | Definition of a Business |
| Revised Conceptual Framework for Financial Reporting | Revised Conceptual Framework for Financial Reporting |
| HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) | Hedge accounting |

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

The Group has not applied the following new standard which is not yet effective for the financial year beginning on or after 1 January 2020 and which have not been early adopted in the Accounts:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts (1) |

(1) Effective for the annual periods beginning on or after 1 January 2023.

HKFRS17 is expected to have no significant effect on the consolidated financial statements of the Group.

## 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 2020 and 2019 is set out below:

| | Six months ended 30 June 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 116,984 | 46,340 | 42,548 | 7,736 | 2,934 | 39,234 | 26 | – | 255,802 |
| Inter-segment revenue | 37 | 3,694 | 531 | 221 | 85 | 425 | 42 | (5,035) | – |
| **Reportable segment revenue** | 117,021 | 50,034 | 43,079 | 7,957 | 3,019 | 39,659 | 68 | (5,035) | 255,802 |
| **Disaggregation of revenue:** | | | | | | | | | |
| – Net interest income *(Note 4(a))* | 73,098 | – | – | – | – | – | 57 | (69) | 73,086 |
| – Net fee and commission income *(Note 4(b))* | 30,721 | – | – | – | – | – | 1 | (6) | 30,716 |
| – Sales of goods *(Note 4(c))* | – | 49,342 | 42,120 | 17 | 1,022 | 29,634 | – | (4,154) | 117,981 |
| – Services rendered to customers-construction contracts *(Note 4(c))* | – | – | 352 | 7,922 | – | 1,077 | – | (220) | 9,131 |
| – Services rendered to customers-others *(Note 4(c))* | – | 692 | 607 | 18 | 1,997 | 8,948 | – | (580) | 11,682 |
| – Other revenue *(Note 4(d))* | 13,202 | – | – | – | – | – | 10 | (6) | 13,206 |
| Share of profits/(losses) of associates, net of tax | 1,959 | 134 | 169 | (110) | 2,363 | (152) | 473 | – | 4,836 |
| Share of profits/(losses) of joint ventures, net of tax | 505 | (161) | 10 | – | (87) | 234 | – | – | 501 |
| Finance income *(Note 5)* | – | 101 | 87 | 270 | 307 | 124 | 697 | (549) | 1,037 |
| Finance costs *(Note 5)* | – | (770) | (459) | (48) | (229) | (1,105) | (4,269) | 731 | (6,149) |
| Depreciation and amortisation *(Note 6)* | (3,416) | (1,443) | (1,836) | (95) | (214) | (3,069) | (29) | – | (10,102) |
| Expected credit losses | (52,921) | 6 | (31) | – | 3 | (82) | – | – | (53,025) |
| Impairment losses | (548) | (632) | 19 | – | – | (157) | – | – | (1,318) |
| **Profit/(loss) before taxation** | 37,787 | 1,078 | 4,197 | 502 | 4,411 | 3,118 | (4,533) | (16) | 46,544 |
| Income tax *(Note 7)* | (5,749) | (384) | (828) | (146) | (713) | (652) | (156) | (7) | (8,635) |
| **Profit/(loss) for the period** | 32,038 | 694 | 3,369 | 356 | 3,698 | 2,466 | (4,689) | (23) | 37,909 |
| Attributable to: | | | | | | | | | |
| – Ordinary shareholders of the Company | 21,948 | 706 | 2,809 | 380 | 3,528 | 2,355 | (4,689) | (23) | 27,014 |
| – Non-controlling interests | 10,090 | (12) | 560 | (24) | 170 | 111 | – | – | 10,895 |

| | As at 30 June 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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** | 7,900,819 | 135,226 | 110,528 | 56,716 | 172,681 | 139,128 | 199,467 | (237,313) | 8,477,252 |
| Including: | | | | | | | | | |
| Interests in associates | 41,806 | 21,459 | 5,314 | 1,120 | 39,599 | 14,147 | 1,498 | – | 124,943 |
| Interests in joint ventures | 9,926 | 6,077 | 223 | – | 20,713 | 4,706 | – | – | 41,645 |
| **Reportable segment liabilities** | 7,221,508 | 184,851 | 65,722 | 42,796 | 90,695 | 71,558 | 246,946 | (341,380) | 7,582,696 |
| Including: | | | | | | | | | |
| Bank and other loans *(Note 13) (note)* | 3,687 | 38,649 | 21,470 | 3,037 | 12,519 | 32,815 | 78,814 | (39,229) | 151,762 |
| Debt instruments issued *(Note 14) (note)* | 696,642 | 766 | – | – | – | 3,829 | 127,281 | (27,696) | 800,822 |

*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 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 *(Note 4(a))* | 71,975 | – | – | – | – | – | 50 | 240 | 72,265 |
| – Net fee and commission income *(Note 4(b))* | 30,133 | – | – | – | – | – | 1 | (9) | 30,125 |
| – Sales of goods *(Note 4(c))* | – | 49,681 | 58,499 | 8 | 738 | 38,395 | – | (2,930) | 144,391 |
| – Services rendered to customers-construction contracts *(Note 4(c))* | – | – | 40 | 7,709 | – | 529 | – | (9) | 8,269 |
| – Services rendered to customers-others *(Note 4(c))* | – | 1,062 | 1,174 | 191 | 1,224 | 9,485 | – | (563) | 12,573 |
| – Other revenue *(Note 4(d))* | 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)* | (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 *(Note 7)* | (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 31 December 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** | 7,703,980 | 134,304 | 117,240 | 59,030 | 166,404 | 162,893 | 191,563 | (245,490) | 8,289,924 |
| Including: | | | | | | | | | |
| Interests in associates | 42,267 | 21,549 | 5,262 | 1,102 | 38,577 | 13,013 | 1,575 | – | 123,345 |
| Interests in joint ventures | 9,871 | 6,293 | 197 | – | 20,341 | 4,261 | – | – | 40,963 |
| **Reportable segment liabilities** | 7,027,882 | 181,491 | 65,243 | 44,648 | 90,368 | 96,214 | 234,079 | (344,492) | 7,395,433 |
| Including: | | | | | | | | | |
| Bank and other loans *(Note 13) (note)* | 3,927 | 39,055 | 20,070 | 3,021 | 11,190 | 30,817 | 83,783 | (41,185) | 150,678 |
| Debt instruments issued *(Note 14) (note)* | 725,589 | 670 | 141 | – | – | 3,845 | 115,644 | (27,860) | 818,029 |

*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 Six months ended 30 June | | Reportable segment assets | |
|---|---|---|---|---|
| | | | **30 June** | 31 December |
| | **2020** | 2019 | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* |
| Mainland China | **217,434** | 227,714 | **7,843,661** | 7,643,658 |
| Hong Kong, Macau and Taiwan | **19,287** | 23,835 | **515,647** | 538,872 |
| Overseas | **19,081** | 25,627 | **117,944** | 107,394 |
| | **255,802** | 277,176 | **8,477,252** | 8,289,924 |

## 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 (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 2020 HK$ million | Six months ended 30 June 2019 HK$ million |
|---|---|---|
| **Interest income arising from *(note)*:** | | |
| Deposits with central banks, banks and non-bank financial institutions | **5,091** | 4,383 |
| Placements with banks and non-bank financial institutions | **2,864** | 3,960 |
| Financial assets held under resale agreements | **534** | 513 |
| Investments in financial assets | | |
| – Financial assets at amortised cost | **22,026** | 22,632 |
| – Debt investments at fair value through other comprehensive income (“FVOCI”) | **11,359** | 11,282 |
| Loans and advances to customers and other parties | **114,193** | 109,655 |
| Others | **3** | 85 |
| | **156,070** | 152,510 |
| **Interest expenses arising from:** | | |
| Borrowing from central banks | **(3,997)** | (4,871) |
| Deposits from banks and non-bank financial institutions | **(13,678)** | (14,422) |
| Placements from banks and non-bank financial institutions | **(1,519)** | (2,233) |
| Financial assets sold under repurchase agreements | **(1,156)** | (919) |
| Deposits from customers | **(50,790)** | (44,405) |
| Debt instruments issued | **(11,484)** | (12,982) |
| Lease liabilities | **(265)** | (294) |
| Others | **(95)** | (119) |
| | **(82,984)** | (80,245) |
| **Net interest income** | **73,086** | 72,265 |

*Note:*

Interest income includes interest income accrued on credit-impaired financial assets of HK$191 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$195 million).

## 4 REVENUE (CONTINUED)

### (b) Net fee and commission income

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Guarantee and advisory fees | **2,786** | 2,857 |
| Bank card fee | **17,573** | 19,624 |
| Settlement and clearing fees | **750** | 843 |
| Agency fees and commission | **5,175** | 3,950 |
| Trustee commission and fees | **7,210** | 6,152 |
| Others | **87** | 64 |
| | **33,581** | 33,490 |
| Fee and commission expenses | **(2,865)** | (3,365) |
| Net fee and commission income | **30,716** | 30,125 |

### (c) Sales of goods and services

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Sales of goods | **117,981** | 144,391 |
| Services rendered to customers | | |
| – Revenue from construction contracts | **9,131** | 8,269 |
| – Revenue from other services | **11,682** | 12,573 |
| | **138,794** | 165,233 |

## 4 REVENUE (CONTINUED)

### (d) Other revenue

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Net trading gain *(note (i))* | **2,473** | 3,109 |
| Net gain on investments in financial assets under financial services segment | **10,641** | 6,484 |
| Net gain/(loss) from securitisation of financial assets | **1** | (19) |
| Others | **91** | (21) |
| | **13,206** | 9,553 |

#### *(i) Net trading gain*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Trading profit: | | |
| – debt securities and certificates of deposits | **1,320** | 1,579 |
| – foreign currencies | **1,149** | 1,385 |
| – derivatives | **4** | 145 |
| | **2,473** | 3,109 |

## 5 NET FINANCE CHARGES

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Finance costs | | |
| – Interest on bank and other loans | **2,962** | 3,310 |
| – Interest on debt instruments issued | **3,002** | 2,844 |
| – Interest and finance charges paid for lease liabilities | **299** | 332 |
| | **6,263** | 6,486 |
| Less: interest expense capitalised | **(250)** | (90) |
| | **6,013** | 6,396 |
| Other finance charges | **136** | 148 |
| | **6,149** | 6,544 |
| Finance income | **(1,037)** | (1,355) |
| | **5,112** | 5,189 |

## 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Salaries and bonuses | **19,604** | 23,611 |
| Contributions to defined contribution retirement schemes | **1,406** | 2,285 |
| Others | **3,399** | 4,591 |
| | **24,409** | 30,487 |

### (b) Other items

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Amortisation | **1,050** | 1,168 |
| Depreciation *(note)* | **9,052** | 9,220 |
| Lease charges *(note)* | **344** | 875 |
| Tax and surcharges | **1,333** | 1,296 |
| Property management fees | **522** | 601 |
| Non-operating expenses | **284** | 275 |
| Professional fees | **373** | 546 |
| | **12,958** | 13,981 |

*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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| **Current tax – Mainland China** | | |
| Provision for enterprise income tax | **18,930** | 12,785 |
| Land appreciation tax | **(5)** | 9 |
| | **18,925** | 12,794 |
| **Current tax – Hong Kong** | | |
| Provision for Hong Kong profits tax | **298** | 615 |
| **Current tax – Overseas** | | |
| Provision for the period | **105** | 136 |
| | **19,328** | 13,545 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(10,693)** | (3,521) |
| | **8,635** | 10,024 |

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2020 is 16.5% (six months ended 30 June 2019: 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 2020 is 25% (six months ended 30 June 2019: 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| 2019 Final dividend paid: HK$0.285 (2018 Final: HK$0.26) per share | **8,291** | 7,563 |
| 2020 Interim dividend proposed: HK$0.10 (2019 Interim: HK$0.18) per share | **2,909** | 5,236 |

## 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$27,014 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$33,518 million) calculated as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$ million*** | *HK$ million* |
| Profit attributable to ordinary shareholders of the Company | **27,014** | 33,518 |
| Weighted average number of ordinary shares *(in million)* | **29,090** | 29,090 |

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are same as basic earnings per share. As at 30 June 2020, 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 2020 (30 June 2019: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2020 are HK$0.93 (six months ended 30 June 2019: HK$1.15).

## 10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

| | **30 June 2020** *HK$ million* | 31 December 2019 *HK$ million* |
|---|---|---|
| **Loans and advances to customers and other parties at amortised cost** | | |
| Corporate loans: | | |
| – Loans | **2,253,447** | 2,153,473 |
| – Discounted bills | **5,506** | 7,995 |
| – Finance lease receivables | **41,617** | 48,004 |
| | **2,300,570** | 2,209,472 |
| Personal loans: | | |
| – Residential mortgages | **913,216** | 867,018 |
| – Credit cards | **526,720** | 574,535 |
| – Personal consumption | **215,671** | 232,268 |
| – Business loans | **258,395** | 253,525 |
| | **1,914,002** | 1,927,346 |
| | **4,214,572** | 4,136,818 |
| Accrued interest | **12,939** | 11,388 |
| | **4,227,511** | 4,148,206 |
| Less: allowance for impairment losses | **(153,939)** | (134,001) |
| Carrying amount of loans and advances to customers and other parties at amortised cost | **4,073,572** | 4,014,205 |
| **Loans and advances to customers and other parties at FVPL** | | |
| Personal loans | | |
| – Residential mortgages | **7,713** | 7,719 |
| **Loans and advances to customers and other parties at FVOCI** | | |
| Corporate loans: | | |
| – Loans | **3,599** | 1,029 |
| – Discounted bills | **406,731** | 343,686 |
| Carrying amount of loans and advances to customers and other parties at FVOCI | **410,330** | 344,715 |
| **Total carrying amount of loans and advances** | **4,491,615** | 4,366,639 |
| Allowance for impairment losses on loans and advances to customers and other parties at FVOCI | **(494)** | (521) |

## 11 INVESTMENTS IN FINANCIAL ASSETS

| | **30 June 2020** *HK$ million* | 31 December 2019 *HK$ million* |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Debt securities | **734,009** | 645,126 |
| Investment management products managed by securities companies | **130,269** | 208,896 |
| Trust investment plans | **179,371** | 183,442 |
| Certificates of deposit and certificates of interbank deposit | **178** | 111 |
| Wealth management products | **33** | 33 |
| Investments in creditor's rights on assets | **559** | 570 |
| Others | **377** | 409 |
| | **1,044,796** | 1,038,587 |
| Accrued interest | **13,250** | 11,080 |
| | **1,058,046** | 1,049,667 |
| Less: allowance for impairment losses | **(15,262)** | (8,670) |
| | **1,042,784** | 1,040,997 |
| **Financial assets at fair value through profit or loss ("FVPL")** | | |
| Debt securities | **60,614** | 50,399 |
| Including: Designated at FVPL | **–** | – |
| Investment management products managed by securities companies | **2,573** | 3,159 |
| Trust investment plans | **3,934** | 7,395 |
| Certificates of deposit and certificates of interbank deposit | **35,592** | 52,236 |
| Wealth management products | **8,976** | 4,124 |
| Investment funds | **251,445** | 267,812 |
| Equity investment | **18,152** | 18,576 |
| Others | **–** | 75 |
| | **381,286** | 403,776 |
| **Debt investments at FVOCI** | | |
| Debt securities | **667,083** | 688,554 |
| Certificates of deposit and certificates of interbank deposit | **4,553** | 5,433 |
| Investment management products managed by securities companies | **131,089** | – |
| | **802,725** | 693,987 |
| Accrued interest | **7,152** | 7,949 |
| | **809,877** | 701,936 |
| Allowance for impairment losses on debt investments at FVOCI | **(2,410)** | (1,820) |
| **Equity investments at FVOCI** | | |
| Equity investment | **7,189** | 6,602 |
| Investment funds | **325** | 418 |
| | **7,514** | 7,020 |
| | **2,241,461** | 2,153,729 |

## 12 DEPOSITS FROM CUSTOMERS

### (a) Types of deposits from customers

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| **Demand deposits** | | |
| – Corporate customers | **1,919,646** | 1,862,591 |
| – Personal customers | **337,847** | 307,582 |
| | **2,257,493** | 2,170,173 |
| **Time and call deposits** | | |
| – Corporate customers | **1,886,387** | 1,653,630 |
| – Personal customers | **692,843** | 672,759 |
| | **2,579,230** | 2,326,389 |
| Outward remittance and remittance payables | **11,721** | 7,227 |
| Accrued interest | **44,327** | 38,052 |
| | **4,892,771** | 4,541,841 |

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

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| Bank acceptances | **205,942** | 192,095 |
| Letters of credit | **10,783** | 13,122 |
| Guarantees | **11,647** | 23,879 |
| Others | **108,299** | 104,172 |
| | **336,671** | 333,268 |

## 13 BANK AND OTHER LOANS

### (a) Types of loans

| | **30 June 2020** *HK$ million* | 31 December 2019 *HK$ million* |
|---|---|---|
| **Bank loans** | | |
| Unsecured loans | **106,324** | 106,021 |
| Loan pledged with assets | **17,343** | 16,430 |
| | **123,667** | 122,451 |
| **Other loans** | | |
| Unsecured loans | **27,237** | 27,177 |
| Loan pledged with assets | **858** | 1,050 |
| | **28,095** | 28,227 |
| | **151,762** | 150,678 |
| Accrued interest | **591** | 634 |
| | **152,353** | 151,312 |

## 13 BANK AND OTHER LOANS (CONTINUED)

### (b) Maturity of loans

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| **Bank loans** | | |
| – Within 1 year or on demand | **44,593** | 38,632 |
| – Between 1 and 2 years | **13,682** | 17,392 |
| – Between 2 and 5 years | **38,062** | 39,479 |
| – Over 5 years | **27,330** | 26,948 |
| | **123,667** | 122,451 |
| **Other loans** | | |
| – Within 1 year or on demand | **7,279** | 6,599 |
| – Between 1 and 2 years | **12,652** | 13,446 |
| – Between 2 and 5 years | **3,011** | 3,065 |
| – Over 5 years | **5,153** | 5,117 |
| | **28,095** | 28,227 |
| | **151,762** | 150,678 |
| Accrued interest | **591** | 634 |
| | **152,353** | 151,312 |

## 14 DEBT INSTRUMENTS ISSUED

| | **30 June 2020** *HK$ million* | 31 December 2019 *HK$ million* |
|---|---|---|
| Corporate bonds issued | **115,157** | 99,913 |
| Notes issued | **75,651** | 113,592 |
| Subordinated bonds issued | **80,455** | 97,196 |
| Certificates of deposit issued | **194** | 3,109 |
| Certificates of interbank deposit issued | **515,195** | 489,886 |
| Convertible corporate bonds | **14,170** | 14,333 |
| | **800,822** | 818,029 |
| Accrued interest | **4,984** | 5,935 |
| | **805,806** | 823,964 |
| Analysed by remaining maturity: | | |
| – Within 1 year or on demand | **550,387** | 605,729 |
| – Between 1 and 2 years | **25,004** | 19,912 |
| – Between 2 and 5 years | **117,318** | 51,306 |
| – Over 5 years | **108,113** | 141,082 |
| | **800,822** | 818,029 |
| Accrued interest | **4,984** | 5,935 |
| | **805,806** | 823,964 |

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued for the six months ended 30 June 2020 (six months ended 30 June 2019: 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) 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 the Company 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.

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 their most recent statement of claim, dated 19 March 2018, the CITIC Parties and Cape Preston Resource Holdings Pty Ltd seek declarations that the Option Agreement remains in full force and effect and that the Option Agreement only terminates automatically if CITIC did not exercise any option before the expiry of the option period (i.e. 31 March 2016). The plaintiffs also seek an order for specific performance of the Option Agreement by Mineralogy and Mr. Palmer and an order that Mineralogy and Mr. Palmer complete the first option by taking the steps required by the Option Agreement to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore.

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

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***Option Agreement Dispute (Continued)***

On 26 February 2020, Justice K Martin ordered there be no further amendments to the pleadings without the leave of the Court. On 27 May 2020, Justice K Martin heard Mineralogy's application for leave to amend its defence and counterclaim to introduce, among other things, a claim that the Joint Development Agreement ("JDA") is in force and effect. The JDA is one of the project agreements for the Sino Iron Project. Justice K Martin reserved his decision on proposed amendments introducing the JDA pending determination of the CITIC Parties' strike out application of 18 May 2020 in the Mine Continuation Proposals/Tenure proceeding.

In its latest 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 relies on the matters pleaded by Mineralogy. Mineralogy's counterclaim seeks damages of US$205,000,000 (which it says is the purchase consideration for the further company), 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, and damages for the value of the lost opportunity to receive royalties payable on the additional one billion tonnes of ore.

The CITIC Parties, Mineralogy and Mr. Palmer must complete discovery by 31 August 2020.

The proceeding has been listed for a ten day trial, commencing on 7 December 2020. The trial is limited to issues of liability only.

***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 Fortescue Coordination Deed ("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 in 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 the royalty on products produced by Sino Iron and Korean Steel ("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.

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

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***FCD Indemnity Disputes (Continued)***

*(i) Queensland Nickel FCD Indemnity Claim (Continued)*

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.

On 14 February 2020, Mineralogy and Mr. Palmer provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. Mineralogy and Mr. Palmer provided further discovery on 23 July 2020.

A directions hearing is listed for 14 September 2020.

No trial date has been set for this proceeding.

*(ii) Palmer Petroleum FCD Indemnity Claim*

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia ("Proceeding CIV 1267/2018") in which it claims damages in the sum of AUD2,675,400,000. 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 Sino Iron and Korean Steel 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.

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

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***FCD Indemnity Disputes (Continued)***

*(ii) Palmer Petroleum FCD Indemnity Claim (Continued)*

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.

On 14 February 2020, Mineralogy provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. The CITIC Parties are waiting for Mineralogy to provide a list of further discovery in the prescribed form, which was due on 24 July 2020.

A directions hearing is listed for 14 September 2020.

No trial date has been set for this proceeding.

***Mine Continuation Proposals / Tenure Dispute***

The continued operation of the Sino Iron Project requires it to extend beyond the footprint it currently occupies. The need for extension 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 extend in order to continue operation, are all held by Mineralogy. Without an increased 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:

(a) submit Mine Continuation Proposals for the Sino Iron Project to the State of Western Australia under the State Agreement;

(b) grant further necessary tenure for the Sino Iron Project;

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

(d) submit a Programme of Works for the Sino Iron Project to the State of Western Australia.

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

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***Mine Continuation Proposals / Tenure Dispute (Continued)***

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 of Western Australia 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").

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments allege breaches of various project agreements, and that Mineralogy and Mr. Palmer have allocated parts of certain tenements to other projects. On 23 March 2020, the CITIC Parties filed their reply.

On 24 April 2020, the CITIC Parties filed an application to strike out aspects of Mineralogy's further amended defence. On 18 May 2020, Justice K Martin heard the CITIC Parties' application and reserved his decision.

A directions hearing is listed for 3 September 2020.

The CITIC Parties, Mineralogy and Mr. Palmer are due to give discovery by 30 September 2020.

No trial date has been set for this proceeding.

***Minimum Production Royalty Disputes***

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)

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***Minimum Production Royalty Disputes (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, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

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 pleaded 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 sought 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 the Company 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 was estopped or precluded from seeking the above relief in Proceeding CIV 3129/2018, Mr. Palmer also sought 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 was an abuse of process. That application was heard on 25 September 2019. Justice K Martin delivered his reasons on 13 February 2020, finding in favour of the CITIC Parties. His Honour found that Proceeding CIV 3129/2018 was an abuse of process of the court by Mineralogy and Mr. Palmer and on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

On 4 March 2020, Mineralogy and Mr. Palmer filed notices of appeal against the decision by Justice K Martin to permanently stay Proceeding CIV 3129/2018. The appeals are Proceedings CACV 27/2020 and CACV 29/2020 respectively. Both appeals have been listed for a two day appeal hearing, commencing on 22 March 2021.

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

### (a) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

***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

(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 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.

Mediation took place in late 2019, but was unsuccessful.

The CITIC Parties, Mineralogy and Mr. Palmer have completed discovery. The parties are required to file and serve lay, expert and documentary evidence over the course of July to September 2020.

A directions hearing is listed for 3 September 2020.

The proceeding has been listed for a five day trial commencing on 16 November 2020, with the following week reserved if needed for the trial.

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

### (b) 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.

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 2020.

## FINANCIAL REVIEW AND ANALYSIS

| *In HK$ million* | **Six months ended 30 June** | | Increase/ (Decrease) |
|---|---|---|---|
| | **2020** | 2019 | % |
| Revenue | **255,802** | 277,176 | (7.7%) |
| Profit before taxation | **46,544** | 57,194 | (19%) |
| Profit attributable to ordinary shareholders | **27,014** | 33,518 | (19%) |
| Basic earnings per share *(HK$)* | **0.93** | 1.15 | (19%) |
| Diluted earnings per share *(HK$)* | **0.93** | 1.15 | (19%) |
| Dividend per share *(HK$)* | **0.10** | 0.18 | (44%) |
| Net cash generated from operating activities | **73,458** | 11,770 | 524% |
| Capital expenditure | **10,683** | 10,026 | 6.6% |

| | **As at 30 June 2020** | As at 31 December 2019 | Increase/ (Decrease) % |
|---|---|---|---|
| Total assets | **8,477,252** | 8,289,924 | 2.3% |
| Total liabilities | **7,582,696** | 7,395,433 | 2.5% |
| Total ordinary shareholders' funds | **596,963** | 591,526 | 0.9% |

**Profit/(loss) and assets by business**

| | Profit/(loss) | | Assets | |
|---|---|---|---|---|
| | | | **As at** | As at |
| | **Six months ended 30 June** | | **30 June** | 31 December |
| *In HK$ million* | **2020** | 2019 | **2020** | 2019 |
| Financial services | **32,038** | 37,288 | **7,900,819** | 7,703,980 |
| Resources and energy | **694** | 2,453 | **135,226** | 134,304 |
| Manufacturing | **3,369** | 3,996 | **110,528** | 117,240 |
| Engineering contracting | **356** | 687 | **56,716** | 59,030 |
| Real estate | **3,698** | 3,663 | **172,681** | 166,404 |
| Others | **2,466** | 2,020 | **139,128** | 162,893 |
| **Total** | **42,621** | 50,107 | **8,515,098** | 8,343,851 |
| Operation management | **(4,689)** | (2,968) | | |
| Elimination | **(23)** | 31 | | |
| Profit attributable to non-controlling interests | **10,895** | 13,652 | | |
| Profit attributable to ordinary shareholders | **27,014** | 33,518 | | |

**Revenue by business**

| | Six months ended 30 June | | Increase/(Decrease) | |
|---|---|---|---|---|
| *In HK$ million* | **2020** | 2019 | Amount | % |
| Financial services | **116,984** | 111,903 | 5,081 | 4.5% |
| Resources and energy | **46,340** | 47,858 | (1,518) | (3.2%) |
| Manufacturing | **42,548** | 59,607 | (17,059) | (29%) |
| Engineering contracting | **7,736** | 7,907 | (171) | (2.2%) |
| Real estate | **2,934** | 1,892 | 1,042 | 55% |
| Others | **39,234** | 47,969 | (8,735) | (18%) |

### Revenue by nature

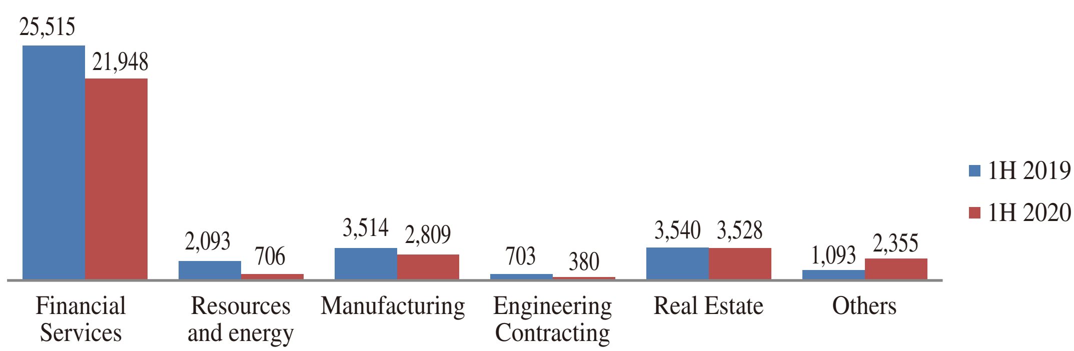
| *In HK$ million* | Six months ended 30 June **2020** | 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| Net interest income | **73,086** | 72,265 | 821 | 1.1% |
| Net fee and commission income | **30,716** | 30,125 | 591 | 2.0% |
| Sales of goods and services | **138,794** | 165,233 | (26,439) | (16%) |
| – Sales of goods | **117,981** | 144,391 | (26,410) | (18%) |
| – Revenue from construction contracts | **9,131** | 8,269 | 862 | 10% |
| – Revenue from other services | **11,682** | 12,573 | (891) | (7.1%) |
| Other revenue | **13,206** | 9,553 | 3,653 | 38% |

*Note:*

Since 2019, CITIC Bank reclassified the instalment cash income of credit cards from fee income to interest income. Financial indicators related to net interest income and net non-interest income were restated.

### Profit Attributable to Ordinary Shareholders by Business

*In HK$ million*



## Capital Expenditures

| *In HK$ million* | **Six months ended 30 June** **2020** | 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| Financial services | **1,657** | 1,763 | (106) | (6.0%) |
| Resources and energy | **789** | 614 | 175 | 29% |
| Manufacturing | **2,448** | 2,944 | (496) | (17%) |
| Engineering contracting | **196** | 908 | (712) | (78%) |
| Real estate | **63** | 225 | (162) | (72%) |
| Others | **5,530** | 3,572 | 1,958 | 55% |
| **Total** | **10,683** | 10,026 | 657 | 6.6% |

## Group Financial Position

| *In HK$ million* | **As at 30 June 2020** | As at 31 December 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| **Total assets** | **8,477,252** | 8,289,924 | 187,328 | 2.3% |
| Loans and advances to customers and other parties | **4,491,615** | 4,366,639 | 124,976 | 2.9% |
| Investments in financial assets | **2,241,461** | 2,153,729 | 87,732 | 4.1% |
| Cash and deposits | **676,484** | 740,434 | (63,950) | (8.6%) |
| Placements with banks and non-bank financial institutions | **240,636** | 226,686 | 13,950 | 6.2% |
| Trade and other receivables | **160,077** | 167,427 | (7,350) | (4.4%) |
| Fixed assets | **147,979** | 150,075 | (2,096) | (1.4%) |
| **Total liabilities** | **7,582,696** | 7,395,433 | 187,263 | 2.5% |
| Deposits from customers | **4,892,771** | 4,541,841 | 350,930 | 7.7% |
| Deposits from banks and non-bank financial institutions | **1,089,543** | 1,061,380 | 28,163 | 2.7% |
| Debt instruments issued | **805,806** | 823,964 | (18,158) | (2.2%) |
| Bank and other loans | **152,353** | 151,312 | 1,041 | 0.7% |
| Trade and other payables | **148,032** | 148,908 | (876) | (0.6%) |
| Borrowing from central banks | **138,191** | 268,256 | (130,065) | (48%) |
| **Total ordinary shareholders' funds** | **596,963** | 591,526 | 5,437 | 0.9% |

### Loans and advances to customers and other parties

As at 30 June 2020, the net loans and advances to customers and other parties of the Group was HK$4,491,615 million, an increase of HK$124,976 million, increased 2.9% compared with 31 December 2019. The proportion of loans and advances to customers and other parties to total assets was 52.98%, an increase of 0.31 percentage point compared with 31 December 2019.

| *In HK$ million* | **As at 30 June 2020** | As at 31 December 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| **Loans and advances to customers and other parties measured at amortised cost** | | | | |
| Corporate loans | **2,295,064** | 2,201,477 | 93,587 | 4.3% |
| Discounted bills | **5,506** | 7,995 | (2,489) | (31%) |
| Personal loans | **1,914,002** | 1,927,346 | (13,344) | (0.7%) |
| Accrued interest | **12,939** | 11,388 | 1,551 | 14% |
| **Total loans and advances to customers and other parties measured at amortised cost** | **4,227,511** | 4,148,206 | 79,305 | 1.9% |
| Impairment allowances | **(153,939)** | (134,001) | (19,938) | (15%) |
| **Carrying amount of loans and advances to customers and other parties measured at amortised cost** | **4,073,572** | 4,014,205 | 59,367 | 1.5% |
| **Loans and advances to customers and other parties at FVPL** | | | | |
| Personal loans | **7,713** | 7,719 | (6.0) | (0.1%) |
| **Loans and advances to customers and other parties at FVOCI** | | | | |
| Corporate loans | **3,599** | 1,029 | 2,570 | 250% |
| Discounted bills | **406,731** | 343,686 | 63,045 | 18% |
| **Carrying amount of loans and advances to customers and other parties at FVOCI** | **410,330** | 344,715 | 65,615 | 19% |
| **Total carrying amount of loans and advances** | **4,491,615** | 4,366,639 | 124,976 | 2.9% |

**Investments in financial assets**

As at 30 June 2020, the Investments in financial assets of the Group was HK$2,241,461 million, an increase of HK$87,732 million, increased 4.1% compared with 31 December 2019. The proportion of Investments in financial assets to total assets was 26.44%, an increase of 0.46 percentage point compared with 31 December 2019.

***(a) Analysed by types***

| *In HK$ million* | **As at 30 June 2020** | As at 31 December 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| Debt securities | **1,461,706** | 1,384,079 | 77,627 | 5.6% |
| Investment management products managed by securities companies | **263,931** | 212,055 | 51,876 | 24% |
| Investment funds | **251,770** | 268,230 | (16,460) | (6.1%) |
| Trust investment plans | **183,305** | 190,837 | (7,532) | (3.9%) |
| Certificates of deposit and certificates of interbank deposit | **40,323** | 57,780 | (17,457) | (30%) |
| Equity investment | **25,341** | 25,178 | 163 | 0.6% |
| Wealth management products | **9,009** | 4,157 | 4,852 | 117% |
| Investments in creditor's rights on assets | **559** | 570 | (11) | (1.9%) |
| Others | **377** | 484 | (107) | (22%) |
| **Subtotal** | **2,236,321** | 2,143,370 | 92,951 | 4.3% |
| **Accrued interest** | **20,402** | 19,029 | 1,373 | 7.2% |
| **Less: allowance for impairment losses** | **(15,262)** | (8,670) | (6,592) | (76%) |
| **Total** | **2,241,461** | 2,153,729 | 87,732 | 4.1% |

***(b) Analysed by measurement attribution***

| *In HK$ million* | **As at 30 June 2020** | As at 31 December 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| Financial assets at amortised cost | **1,042,784** | 1,040,997 | 1,787 | 0.2% |
| Financial assets at FVPL | **381,286** | 403,776 | (22,490) | (5.6%) |
| Debt investments at FVOCI | **809,877** | 701,936 | 107,941 | 15% |
| Equity investments at FVOCI | **7,514** | 7,020 | 494 | 7.0% |
| **Total** | **2,241,461** | 2,153,729 | 87,732 | 4.1% |

### Deposits from customers

As at 30 June 2020, total deposits from customers of the financial institutions under the Group was HK$4,892,771 million, an increase of HK$350,930 million, or 7.7% compared with 31 December 2019. The proportion of deposits from customers to total liabilities was 64.53%, an increase of 3.11 percentage point compared with 31 December 2019.

| *In HK$ million* | **As at 30 June 2020** | As at 31 December 2019 | Increase/(Decrease) Amount | % |
|---|---|---|---|---|
| Corporate deposits | | | | |
| Time deposits | **1,886,387** | 1,653,630 | 232,757 | 14% |
| Demand deposits | **1,919,646** | 1,862,591 | 57,055 | 3.1% |
| **Subtotal** | **3,806,033** | 3,516,221 | 289,812 | 8.2% |
| Personal deposits | | | | |
| Time deposits | **692,843** | 672,759 | 20,084 | 3.0% |
| Demand deposits | **337,847** | 307,582 | 30,265 | 9.8% |
| **Subtotal** | **1,030,690** | 980,341 | 50,349 | 5.1% |
| **Outward remittance and remittance payables** | **11,721** | 7,227 | 4,494 | 62% |
| **Accrued interest** | **44,327** | 38,052 | 6,275 | 16% |
| **Total** | **4,892,771** | 4,541,841 | 350,930 | 7.7% |

## 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 2020, consolidated debt of CITIC Limited(1) was HK$952,584 million, including loans of HK$151,762 million and debt instruments issued(2) of HK$800,822 million. Debt of CITIC Bank(3) accounted for HK$665,535 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK$11,690 million and available committed facilities of HK$26,600 million.

The details of debt are as follows:

| **As at 30 June 2020** | *HK$ million* |
|---|---|
| Consolidated debt of CITIC Limited | 952,584 |
| Among which: Debt of CITIC Bank | 665,535 |

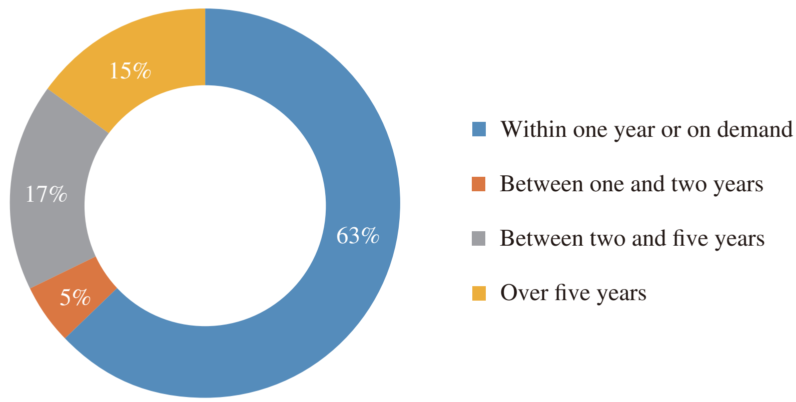
*Note:*

(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;

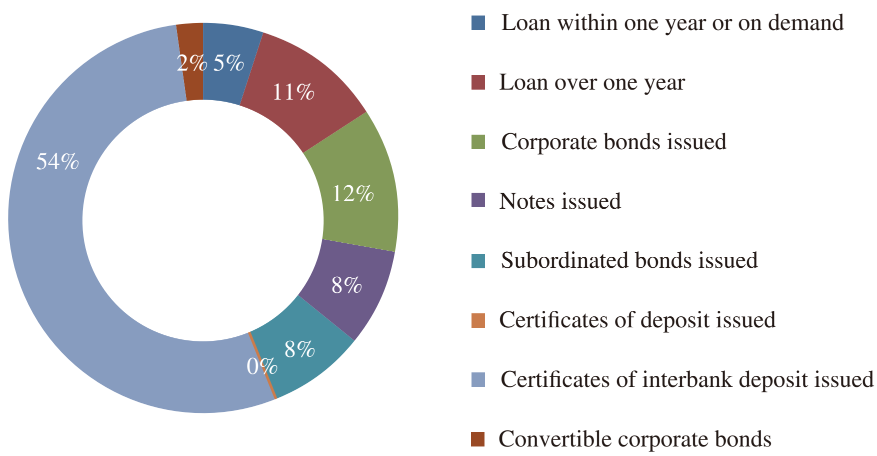
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

(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 2020




## Consolidated debt by type as at 30 June 2020




The debt to equity ratio of CITIC Limited as at 30 June 2020 is as follows:

| *In HK$ million* | **Consolidated** |
|---|---|
| Debt | 952,584 |
| Total equity[(4)] | 894,556 |
| Debt to equity ratio | 106% |

*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 2020 | 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.

COVID-19 continues spreading around the world, causing tremendous impacts on both economic and social development. In the meanwhile, 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**

Adhering to the rules of talent development and growth, we promote the strategy of "Strengthening the enterprise through talents and giving priority to talents", coordinate the construction of "Four Major Projects" and "Five Teams", strengthen the platform construction of high-level talent introduction and cultivation, and therefore have successfully applied for the authority of reviewing senior accredited professional titles of the fields of engineering, economics and accounting, to recommend and select special talents with an aim to provide solid talent guarantee and intellectual support for the Company's development. We also strengthen our approach to talent cultivation with highlighting our unique features, continuously improve the construction of the training system, build up a strong training guarantee mechanism, and insist on serving the overall situation and provide all staff with training based on demands and classification.

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 requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other related regulations. Details of our corporate governance practices can be found in CITIC Limited's Annual Report 2019 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 2020.

## 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 2020 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 ("2020 Interim Dividend") of HK$0.10 per share (2019: HK$0.18 per share) for the year ending 31 December 2020, payable on Tuesday, 3 November 2020 to shareholders whose names appear on CITIC Limited's register of members on Friday, 18 September 2020. The register of members of CITIC Limited will be closed from Wednesday, 16 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares will be effected. To qualify for the 2020 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 Tuesday, 15 September 2020.

The 2020 Interim Dividend will be payable in cash to each shareholder in HK Dollars ("HKD") unless an election is made to receive the same in Renminbi ("RMB").

Shareholders will be given the option to elect to receive all (but not part) of the 2020 Interim Dividend in RMB at the exchange rate of HKD1.0:RMB0.891494, being the average benchmark exchange rate of HKD to RMB as published by the People's Bank of China during the five business days immediately before 28 August 2020. If shareholders elect to receive the 2020 Interim Dividend in RMB, such dividend will be paid to shareholders at RMB0.0891494 per share. To make such election, shareholders should complete the Dividend Currency Election Form which is expected to be despatched to shareholders in late September 2020 as soon as practicable after the record date of 18 September 2020 to determine shareholders' entitlement to the 2020 Interim Dividend, and return it to CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 13 October 2020.

Shareholders who are minded to elect to receive all (but not part) of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on 3 November 2020 at the shareholders' own risk.

If no election is made by a shareholder or no duly completed Dividend Currency Election Form in respect of that shareholder is received by CITIC Limited's Share Registrar by 4:30 p.m. on 13 October 2020, such shareholder will automatically receive the 2020 Interim Dividend in HKD. All dividend payments in HKD will be made in the usual ways on 3 November 2020.

If shareholders wish to receive the 2020 Interim Dividend in HKD in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the dividend payment.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 10 April 2020, CITIC Limited fully redeemed the USD500 million 6.375% notes under the Medium Term Note Programme upon maturity. These notes were issued on 10 April 2013 and listed on The Stock Exchange of Hong Kong Limited.

Save as disclosed above, 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 2020.

## 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 2020 will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 9 September 2020.

By Order of the Board
**CITIC Limited**
**Zhu Hexin**
*Chairman*

Beijing, 28 August 2020

*As at the date of this announcement, the executive directors of CITIC Limited are Mr Zhu Hexin (Chairman), Mr Xi Guohua and Ms Li Qingping; the non-executive directors of CITIC Limited are Mr Song Kangle, Mr Liu Zhuyu, Mr Peng Yanxiang, Ms Yu Yang, 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.*