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 2021

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Amidst the complex operational environment of the first half of 2021, CITIC Limited leveraged market recovery opportunities to resume normal business operations. During this period, CITIC Limited recorded profit attributable to ordinary shareholders of HK$44.2 billion, an increase of 64% against the same period in 2020 and a historic high. The financial services business realised a solid profit growth of 32% while our non-financial business quickly rebounded to deliver a profit growth of 130%, highlighting the advantages we have as a conglomerate. As of 30 June, CITIC Limited had HK$37.7 billion in cash and available facilities.

The board recommends an interim dividend payment of HK$0.15 per share, which is HK$0.05 more than the same period last year.

BUSINESS REVIEW

In the beginning of 2021, as China entered into its 14th Five Year Plan, CITIC announced an updated strategic vision to build a lasting enterprise and solidify the CITIC brand's strong market position. CITIC will embrace a new paradigm of growth and focus on five strategic business segments, which include comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. In the first half of the year, our businesses achieved more than half of our performance goals, marking a strong beginning and a solid foundation for achievement of our development objectives.

Our comprehensive financial services segment continued to support the real economy, with all businesses in the segment delivering solid performance. I'm pleased to share that our financial holding company application was the first to have been accepted by The People's Bank of China and development efforts are moving forward on all fronts. During the reporting period, CITIC Bank focused on promoting a capital-light business and realised an 18% increase in fee income and a 13.7% increase in net profit, along with marked improvements in the bank's asset quality and overall operational effectiveness. Both NPL balance and NPL ratio decreased for the first time in nearly ten years. At CITIC Securities, net profit increased by 37% and the business maintained its leading market position in key metrics, including its number one lead underwriting ranking in equity and debt. CITIC Trust advanced its business transformation and expanded its product offering to include standardised securities investments and family trust. Its net profit increased 88%. CITIC-Prudential Life focused on higher value business and recorded a 57% increase in profit. Its increase in premium income was one of the highest in the industry.

The advanced intelligent manufacturing segment continued its technological advancement and realised a strong net profit increase of 86%. During the period, CITIC Dicastal accelerated the implementation of its digital strategy. The "Lighthouse" project is in the final stages of accreditation, and the second phase of the Moroccan plant achieved full production, adding annual production capacity of 3 million aluminium wheels. With increased demand for lightweight vehicles due to the revival of domestic and international automotive markets, CITIC Dicastal's profit increased by 81%. During the same period, CITIC Heavy Industries' transformation programme achieved solid results with strong momentum in new business streams. For example, its offshore wind power and specialised mining robots businesses both attained high speed growth.

The advanced materials segment continued to reduce operating costs and improve efficiency. Benefiting from the rise in commodity prices, the segment recorded a substantial increase of 280% in net profit. The Sino Iron project's effective operating rate is now at an advanced level equal to similar mines as it continued to increase production and recorded a significant rise in profit during the period. CITIC Pacific Special Steel delivered a net profit increase of 52% due to continuous efforts to strengthen its operations and management, optimise its product portfolio and adopt innovative technologies to reduce material consumption. At CITIC Metal, profit increased substantially by 153%, primarily due to the solid performance of its commodities trading and investment businesses. The company's Ivanhoe copper mine in the Democratic Republic of the Congo also commenced production ahead of schedule. CITIC Resources delivered a turnaround profit, driven by improved management of the oil production business as well as debt structure optimisation.

The new consumption segment recorded a turnaround profit with an increase of HK$822 million, supported by our solid business foundations and customer-centric philosophy, along with the revitalisation of consumer markets. Dah Chong Hong delivered a solid profit as the result of a strong recovery in its motor business as it continued to optimise its vehicle brand and dealership portfolio. Net profit at CITIC Press jumped 52%, as the retail business explored new operational models and established an online-offline membership system. CITIC Telecom International recorded a stable profit and became the first provider in Macau with full outdoor and indoor 5G network coverage.

Our new-type urbanisation segment actively participates in the country's regional development strategy. Sales from projects in mainland China and Hong Kong were satisfactory and rental income was solid. The construction and engineering business focused on the domestic market and saw a steady increase in new contracts with the construction of key projects, such as Chongli Ice Town, progressing well. Excluding a provision made for overseas projects affected by the pandemic, the operating profit of the segment recorded a year-on-year increase of 24%.

STRENGTHENING FUNDAMENTALS, ENHANCING MANAGEMENT

To further improve the quality and efficiency of our businesses, we are emphasising integration, collaboration and expansion as strategic drivers. During the period, we rolled out several key initiatives to improve our overall operational fitness. These efforts will help to strengthen our businesses and support our long-term development.

As a conglomerate, fostering synergy and collaboration is essential to achieve our full potential. As such, we have focused on enhancing our structure to enable collaboration not only among businesses in each segment, but also across segments. In the first half of 2021, we provided RMB768.9 billion of co-financing and achieved RMB56.5 billion in organisational cross-sales. To encourage further collaboration, we have established an internal assessment system to facilitate and recognise synergy development efforts. Outside the organisation, we have been expanding our network, promoting strategic partnerships and enhancing the scale and depth of our collaboration with partners. These efforts have already improved our ability to win new projects and enhanced our overall competitiveness.

While the economic environment still faces uncertainties, in order to improve our risk resilience, we continued to move forward with cost reduction and revenue expansion initiatives to transform operational performance pressure into motivation to achieve high quality growth. Additionally, we have implemented a thorough risk management enhancement programme that touches on every aspect of our business, embracing the principle that effective risk management protects earnings. The benefits of this fully comprehensive risk management system have already been demonstrated and will continue to safeguard the organisation.

EMBRACING A GREENER GROWTH PARADIGM

In 2020 China announced new targets to achieve peak CO_2 emissions and carbon neutrality, a clear demonstration of its dedication to promote the country's sustainable development, address climate change and build a greener future for all of mankind. To support these goals, we are leveraging both our financial and non-financial businesses to give new purpose to our development strategy and the five business segments. We will use the full range of licences in our financial business to provide support to our non-financial businesses as they transition to lower carbon emission operations. Meanwhile, environmental impacts and other considerations will be central to all new business development.

Although the market faces continued challenges and the ongoing pandemic, as long as we work together towards a common goal, taking a step-by-step approach in the implementation of our 14th five-year plan, I believe our vision will be realised. We are committed to building a lasting enterprise, solidifying the CITIC brand's positioning and creating long term value for our shareholders. As the classic Chinese poem reminds us, "Don't be afraid of shifting clouds."

Thank you for your continued trust and support.

Zhu Hexin
Chairman
Beijing, 27 August 2021

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$ million***	*HK$ million*
Interest income		**184,307**	165,996
Interest expenses		**(93,473)**	(82,984)
Net interest income	*4(a)*	**90,834**	83,012
Fee and commission income		**29,107**	23,559
Fee and commission expenses		**(2,803)**	(2,769)
Net fee and commission income	*4(b)*	**26,304**	20,790
Sales of goods and services	*4(c)*	**220,712**	138,794
Other revenue	*4(d)*	**15,071**	13,206
		235,783	152,000
Total revenue		**352,921**	255,802
Cost of sales and services		**(190,106)**	(116,566)
Other net income		**3,781**	3,913
Expected credit losses		**(58,838)**	(53,025)
Impairment losses		**(676)**	(1,318)
Other operating expenses		**(42,380)**	(42,377)
Net valuation (loss) on investment properties		**(224)**	(110)
Share of profits of associates, net of tax		**6,689**	4,836
Share of profits of joint ventures, net of tax		**1,330**	501
Profit before net finance charges and taxation		**72,497**	51,656
Finance income		**1,424**	1,037
Finance costs		**(4,784)**	(6,149)
Net finance charges	*5*	**(3,360)**	(5,112)
Profit before taxation	*6*	**69,137**	46,544
Income tax	*7*	**(10,448)**	(8,635)
Profit for the period		**58,689**	37,909

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$ million***	*HK$ million*
Profit for the period		**58,689**	37,909
Attributable to:			
– Ordinary shareholders of the Company		**44,175**	27,014
– Non-controlling interests		**14,514**	10,895
Profit for the period		**58,689**	37,909
Earnings per share for profit attributable to ordinary shareholders of the Company during the period:			
Basic and diluted earnings per share *(HK$)*	*9*	**1.52**	0.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Profit for the period	**58,689**	37,909
Other comprehensive gain/(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	**555**	(1,768)
Loss allowance changes on debt instruments at fair value through other comprehensive income	**(247)**	472
Cash flow hedge: net movement in the hedging reserve	**403**	(813)
Share of other comprehensive gain/(loss) of associates and joint ventures	**200**	(853)
Exchange differences on translation of financial statements and others	**10,630**	(15,888)
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	**(12)**	37
Other comprehensive gain/(loss) for the period	**11,529**	(18,754)
Total comprehensive income for the period	**70,218**	19,155
Attributable to:		
– Ordinary shareholders of the Company	**52,060**	14,027
– Non-controlling interests	**18,158**	5,128
Total comprehensive income for the period	**70,218**	19,155

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

	Note	**30 June 2021** *HK$ million* **(Unaudited)**	31 December 2020 *HK$ million* (Audited)
Assets			
Cash and deposits		**704,169**	755,386
Placements with banks and non-bank financial institutions		**169,753**	198,513
Derivative financial instruments		**30,559**	47,804
Trade and other receivables		**191,289**	169,723
Contract assets		**16,585**	13,619
Inventories		**100,866**	80,370
Financial assets held under resale agreements		**118,984**	143,029
Loans and advances to customers and other parties	*10*	**5,535,826**	5,206,155
Investments in financial assets	*11*		
– Financial assets at amortised cost		**1,310,077**	1,156,496
– Financial assets at fair value through profit or loss		**653,358**	528,293
– Debt investments at fair value through other comprehensive income		**780,219**	860,255
– Equity investments at fair value through other comprehensive income		**9,056**	8,023
Interests in associates		**145,985**	131,040
Interests in joint ventures		**52,368**	50,287
Fixed assets		**170,552**	167,840
Investment properties		**38,407**	38,455
Right-of-use assets		**38,542**	37,915
Intangible assets		**15,859**	15,877
Goodwill		**21,205**	21,133
Deferred tax assets		**80,758**	74,164
Other assets		**45,941**	36,451
Total assets		**10,230,358**	9,740,828

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2021

	Note	**30 June 2021** *HK$ million* **(Unaudited)**	31 December 2020 *HK$ million* (Audited)
Liabilities			
Borrowing from central banks		**292,287**	266,611
Deposits from banks and non-bank financial institutions		**1,311,503**	1,370,439
Placements from banks and non-bank financial institutions		**88,655**	74,308
Financial liabilities at fair value through profit or loss		**4,118**	12,423
Derivative financial instruments		**31,190**	49,808
Trade and other payables		**181,335**	160,943
Contract liabilities		**30,140**	28,092
Financial assets sold under repurchase agreements		**85,140**	94,774
Deposits from customers	*12*	**5,643,341**	5,427,694
Employee benefits payables		**31,022**	36,176
Income tax payable		**12,235**	13,448
Bank and other loans	*13*	**173,676**	163,604
Debt instruments issued	*14*	**1,173,519**	973,858
Lease liabilities		**19,750**	18,267
Provisions		**14,917**	15,172
Deferred tax liabilities		**11,938**	11,444
Other liabilities		**16,696**	15,125
Total liabilities		**9,121,462**	8,732,186
Equity			
Share capital		**381,710**	381,710
Reserves		**333,358**	292,566
Total ordinary shareholders' funds		**715,068**	674,276
Non-controlling interests		**393,828**	334,366
Total equity		**1,108,896**	1,008,642
Total liabilities and equity		**10,230,358**	9,740,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

CITIC Limited (the "Company") was incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, new-type urbanisation.

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 2020 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 2020 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 2020, 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 2020, except for the following amendments which became effective for the first time for the financial year beginning on or after 1 January 2021:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions (1)
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments) (2)

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

2 BASIS OF PREPARATION(CONTINUED)

The Group has not applied the following new standard which is not yet effective for the financial year beginning on or after 1 January 2021 and which have not been early adopted in the Accounts:

HKAS 16 (Amendments)	Property, Plant and Equipment [(1)]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework [(1)]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract [(1)]
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018–2020 [(1)]
Accounting Guideline 5	Merger Accounting for Common Control Combinations [(1)]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current [(2)]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause [(2)]
HKFRS 17	Insurance Contracts [(2)]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [(3)]

(1) Effective for the annual periods beginning on or after 1 January 2022.

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

(3) In December 2015 the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

3 SEGMENT REPORTING

The Group has presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, new-type urbanisation. The Group has made strategic adjustment based on the 14th Five-Year Plan. The segment reports for the comparison period are restated accordingly. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these five reportable segments are as follows:

– Comprehensive financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Advanced intelligent manufacturing: this segment includes manufacturing of heavy machineries, specialised robotics, aluminium wheels, aluminium casting parts and other products.

– Advanced materials: this segment includes exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore, as well as manufacturing of special steels.

– New consumption: this segment includes motor and food and consumer products business, telecommunication services, publication services, modern agriculture, and others.

– New-type urbanisation: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, environmental services and others.

3 SEGMENT REPORTING (CONTINUED)

(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 2021 and 2020 is set out below:

Six months ended 30 June 2021

	Comprehensive financial services *HK$ million*	Advanced intelligent manufacturing *HK$ million*	Advanced materials *HK$ million*	New consumption *HK$ million*	New-type urbanisation *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Revenue from external customers	132,245	23,071	142,504	32,885	22,195	21	–	352,921
Inter-segment revenue	(5)	103	273	55	450	78	(954)	–
Reportable segment revenue	**132,240**	**23,174**	**142,777**	**32,940**	**22,645**	**99**	**(954)**	**352,921**
Disaggregation of revenue:								
– Net interest income *(Note 4(a))*	90,882	–	–	–	–	55	(103)	90,834
– Net fee and commission income *(Note 4(b))*	26,311	–	–	–	–	–	(7)	26,304
– Sales of goods *(Note 4(c))*	–	22,810	140,728	25,481	2,644	–	(365)	191,298
– Services rendered to customers-construction contracts *(Note 4(c))*	–	245	–	–	15,756	–	(148)	15,853
– Services rendered to customers-others *(Note 4(c))*	–	119	2,049	7,459	4,245	31	(342)	13,561
– Other revenue *(Note 4(d))*	15,047	–	–	–	–	13	11	15,071
Share of profits/(losses) of associates, net of tax	3,514	2	573	(11)	2,575	36	–	6,689
Share of profits of joint ventures, net of tax	557	3	340	104	303	23	–	1,330
Finance income *(Note 5)*	–	54	215	43	1,110	368	(366)	1,424
Finance costs *(Note 5)*	–	(164)	(912)	(313)	(632)	(3,361)	598	(4,784)
Depreciation and amortisation *(Note 6(b))*	(3,908)	(690)	(3,649)	(1,214)	(820)	(32)	–	(10,313)
Expected credit losses	(56,561)	(84)	(26)	(15)	(2,140)	(12)	–	(58,838)
Impairment losses	(49)	(61)	(23)	(73)	1	(471)	–	(676)
Profit/(loss) before taxation	**48,497**	**851**	**16,186**	**1,528**	**3,923**	**(1,856)**	**8**	**69,137**
Income tax *(Note 7)*	(7,043)	(109)	(1,654)	(346)	(585)	(703)	(8)	(10,448)
Profit/(loss) for the period	**41,454**	**742**	**14,532**	**1,182**	**3,338**	**(2,559)**	**–**	**58,689**
Attributable to:								
– Ordinary shareholders of the Company	29,052	344	13,402	791	3,145	(2,559)	–	44,175
– Non-controlling interests	12,402	398	1,130	391	193	–	–	14,514

As at 30 June 2021

	Comprehensive financial services *HK$ million*	Advanced intelligent manufacturing *HK$ million*	Advanced materials *HK$ million*	New consumption *HK$ million*	New-type urbanisation *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	**9,578,001**	**57,608**	**260,769**	**75,602**	**319,719**	**162,349**	**(223,690)**	**10,230,358**
Including:								
Interests in associates	56,018	476	25,060	10,431	52,266	1,734	–	145,985
Interests in joint ventures	15,675	626	7,203	1,941	25,214	1,709	–	52,368
Reportable segment liabilities	**8,731,794**	**35,869**	**254,281**	**37,111**	**150,390**	**243,057**	**(331,040)**	**9,121,462**
Including:								
Bank and other loans *(Note 13) (note)*	6,645	13,896	56,604	8,173	45,213	85,741	(43,067)	173,205
Debt instruments issued *(Note 14) (note)*	1,079,297	–	2,404	3,498	364	112,896	(31,185)	1,167,274

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 2020 (restated)							
	Comprehensive financial services *HK$ million*	Advanced intelligent manufacturing *HK$ million*	Advanced materials *HK$ million*	New consumption *HK$ million*	New-type urbanisation *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Revenue from external customers	116,984	2,896	86,020	35,415	14,454	33	–	255,802
Inter-segment revenue	37	129	130	41	296	42	(675)	–
Reportable segment revenue	117,021	3,025	86,150	35,456	14,750	75	(675)	255,802
Disaggregation of revenue:								
–Net interest income *(Note 4(a))*	83,024	–	–	–	–	57	(69)	83,012
– Net fee and commission income *(Note 4(b))*	20,795	–	–	–	–	1	(6)	20,790
– Sales of goods *(Note 4(c))*	–	2,626	84,984	28,699	1,920	–	(248)	117,981
– Services rendered to customers-construction contracts *(Note 4(c))*	–	352	–	–	8,992	–	(213)	9,131
– Services rendered to customers-others *(Note 4(c))*	–	47	1,166	6,757	3,838	7	(133)	11,682
– Other revenue *(Note 4(d))*	13,202	–	–	–	–	10	(6)	13,206
Share of profits/(losses) of associates, net of tax	1,959	120	504	(24)	2,110	167	–	4,836
Share of profits/(losses) of joint ventures, net of tax	505	–	(151)	64	35	48	–	501
Finance income *(Note 5)*	–	68	125	47	633	713	(549)	1,037
Finance costs *(Note 5)*	–	(155)	(1,097)	(711)	(648)	(4,266)	728	(6,149)
Depreciation and amortisation *(Note 6(b))*	(3,416)	(152)	(3,223)	(2,584)	(697)	(30)	–	(10,102)
Expected credit losses	(52,921)	(29)	3	(96)	18	–	–	(53,025)
Impairment losses	(548)	–	(612)	(158)	–	–	–	(1,318)
Profit/(loss) before taxation	37,787	263	5,216	438	5,303	(2,473)	10	46,544
Income tax *(Note 7)*	(5,749)	(9)	(1,207)	(452)	(1,049)	(162)	(7)	(8,635)
Profit/(loss) for the period	32,038	254	4,009	(14)	4,254	(2,635)	3	37,909
Attributable to:								
– Ordinary shareholders of the Company	21,948	185	3,530	(31)	4,014	(2,635)	3	27,014
– Non-controlling interests	10,090	69	479	17	240	–	–	10,895

	As at 31 December 2020							
	Comprehensive financial services *HK$ million*	Advanced intelligent manufacturing *HK$ million*	Advanced materials *HK$ million*	New consumption *HK$ million*	New-type urbanisation *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	9,113,747	58,719	239,155	76,157	309,736	161,818	(218,504)	9,740,828
Including:								
Interests in associates	47,156	1,050	22,361	10,151	48,360	1,962	–	131,040
Interests in joint ventures	14,878	7	7,144	1,875	24,742	1,641	–	50,287
Reportable segment liabilities	8,353,514	39,574	250,098	38,529	138,696	236,525	(324,750)	8,732,186
Including:								
Bank and other loans *(Note 13) (note)*	2,382	15,867	53,753	10,301	39,217	82,529	(40,878)	163,171
Debt instruments issued *(Note 14) (note)*	872,734	–	772	3,496	360	121,736	(30,567)	968,531

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
	2021	2020	**2021**	2020
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Mainland China	**304,389**	217,434	**9,528,692**	9,078,635
Hong Kong, Macau and Taiwan	**26,155**	19,287	**571,241**	543,279
Overseas	**22,377**	19,081	**130,425**	118,914
	352,921	255,802	**10,230,358**	9,740,828

4 REVENUE

As a multi-industry conglomerate, the Group is principally engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

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	
	2021	2020
	HK$ million	*HK$ million*
Interest income arising from *(note)*:		
Deposits with central banks, banks and non-bank financial institutions	**5,091**	5,091
Placements with banks and non-bank financial institutions	**2,745**	2,864
Financial assets held under resale agreements	**583**	534
Investments in financial assets		
– Financial assets at amortised cost	**23,221**	22,026
– Debt investments at fair value through other comprehensive income (“FVOCI”)	**12,716**	11,359
Loans and advances to customers and other parties	**139,947**	124,119
Others	**4**	3
	184,307	165,996
Interest expenses arising from:		
Borrowing from central banks	**(4,107)**	(3,997)
Deposits from banks and non-bank financial institutions	**(17,113)**	(13,678)
Placements from banks and non-bank financial institutions	**(1,551)**	(1,519)
Financial assets sold under repurchase agreements	**(1,122)**	(1,156)
Deposits from customers	**(54,337)**	(50,790)
Debt instruments issued	**(14,926)**	(11,484)
Lease liabilities	**(272)**	(265)
Others	**(45)**	(95)
	(93,473)	(82,984)
Net interest income	**90,834**	83,012

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK$298 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$191 million).

4 REVENUE (CONTINUED)

(b) Net fee and commission income

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Guarantee and advisory fees	**3,102**	2,786
Bank card fee	**9,343**	7,551
Settlement and clearing fees	**1,171**	750
Agency fees and commission	**4,554**	5,175
Trustee commission and fees	**10,746**	7,210
Others	**191**	87
	29,107	23,559
Fee and commission expenses	**(2,803)**	(2,769)
Net fee and commission income	**26,304**	20,790

(c) Sales of goods and services

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Sales of goods	**191,298**	117,981
Services rendered to customers		
– Revenue from construction contracts	**15,853**	9,131
– Revenue from other services	**13,561**	11,682
	220,712	138,794

4 REVENUE (CONTINUED)

(d) Other revenue

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Net trading gain *(note (i))*	**4,534**	2,473
Net gain on investments in financial assets under financial services segment	**9,927**	10,641
Net (loss)/gain from securitisation of financial assets	**(7)**	1
Others	**617**	91
	15,071	13,206

(i) Net trading gain

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Trading profit:		
– debt securities and certificates of deposits	**2,904**	1,320
– foreign currencies	**1,509**	1,149
– derivatives	**121**	4
	4,534	2,473

5 NET FINANCE CHARGES

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Finance costs		
– Interest on bank and other loans	**1,919**	2,962
– Interest on debt instruments issued	**2,916**	3,002
– Interest and finance charges paid for lease liabilities	**120**	299
	4,955	6,263
Less: interest expense capitalised	**(339)**	(250)
	4,616	6,013
Other finance charges	**168**	136
	4,784	6,149
Finance income	**(1,424)**	(1,037)
	3,360	5,112

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	
	2021	2020
	HK$ million	*HK$ million*
Salaries and bonuses	**21,438**	19,604
Contributions to defined contribution retirement schemes	**2,559**	1,406
Others	**5,861**	4,159
	29,858	25,169

(b) Other items

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Amortisation	**1,206**	1,050
Depreciation	**9,107**	9,052
Lease charges	**289**	344
Tax and surcharges	**1,621**	1,333
Property management fees	**434**	522
Non-operating expenses	**231**	284
Professional fees	**482**	373
	13,370	12,958

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Current tax – Mainland China		
Provision for enterprise income tax	**15,190**	18,930
Land appreciation tax	**205**	(5)
	15,395	18,925
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**648**	298
Current tax – Overseas		
Provision for the period	**39**	105
	16,082	19,328
Deferred tax		
Origination and reversal of temporary differences	**(5,634)**	(10,693)
	10,448	8,635

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2021 is 16.5% (six months ended 30 June 2020: 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 2021 is 25% (six months ended 30 June 2020: 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	
	2021	2020
	HK$ million	*HK$ million*
2020 Final dividend paid: HK$0.388 (2019 Final: HK$0.285) per share	**11,287**	8,291
2021 Interim dividend proposed: HK$0.15 (2020 Interim: HK$0.10) per share	**4,364**	2,909

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$44,175 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$27,014 million) calculated as follows:

	Six months ended 30 June	
	2021	2020
	HK$ million	*HK$ million*
Profit attributable to ordinary shareholders of the Company	**44,175**	27,014
Weighted average number of ordinary shares *(in million)*	**29,090**	29,090

Diluted earnings per share for the six months ended 30 June 2021 and 2020 are same as basic earnings per share. As at 30 June 2021, 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 2021 (30 June 2020: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2021 are HK$1.52(six months ended 30 June 2020: HK$0.93).

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

	30 June 2021 *HK$ million*	31 December 2020 *HK$ million*
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	**2,713,512**	2,543,662
– Discounted bills	**10,493**	7,947
– Finance lease receivables	**65,056**	51,910
	2,789,061	2,603,519
Personal loans:		
– Residential mortgages	**1,146,117**	1,088,732
– Credit cards	**610,866**	576,969
– Personal consumption	**279,709**	243,052
– Business loans	**345,757**	337,643
	2,382,449	2,246,396
	5,171,510	4,849,915
Accrued interest	**15,660**	15,182
	5,187,170	4,865,097
Less: allowance for impairment losses	**(166,814)**	(156,218)
Carrying amount of loans and advances to customers and other parties at amortised cost	**5,020,356**	4,708,879
Loans and advances to customers and other parties at fair value through profit or loss ("FVPL")		
Personal loans		
– Residential mortgages	**–**	8,465
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	**33,357**	3,203
– Discounted bills	**482,113**	485,608
Carrying amount of loans and advances to customers and other parties at FVOCI	**515,470**	488,811
Total carrying amount of loans and advances	**5,535,826**	5,206,155
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	**(814)**	(653)

11 INVESTMENTS IN FINANCIAL ASSETS

	30 June 2021 *HK$ million*	31 December 2020 *HK$ million*
Financial assets at amortised cost		
Debt securities	**975,858**	838,502
Investment management products managed by securities companies	**73,083**	83,946
Trust investment plans	**277,750**	231,843
Certificates of deposit and certificates of interbank deposit	**1,994**	5,606
Investments in creditor's rights on assets	**97**	96
Others	**487**	1,803
	1,329,269	1,161,796
Accrued interest	**14,976**	12,162
	1,344,245	1,173,958
Less: allowance for impairment losses	**(34,168)**	(17,462)
	1,310,077	1,156,496
Financial assets at FVPL		
Debt securities	**108,279**	68,495
Investment management products managed by securities companies	**7,234**	3,338
Trust investment plans	**3,155**	3,960
Certificates of deposit and certificates of interbank deposit	**39,441**	59,329
Wealth management products	**2,749**	6,532
Investment funds	**471,772**	367,787
Equity investment	**19,800**	18,546
Others	**928**	306
	653,358	528,293
Debt investments at FVOCI		
Debt securities	**754,633**	806,506
Certificates of deposit and certificates of interbank deposit	**5,235**	5,192
Investment management products managed by securities companies	**13,024**	40,751
	772,892	852,449
Accrued interest	**7,327**	7,806
	780,219	860,255
Allowance for impairment losses on debt investments at FVOCI	**(2,747)**	(3,148)
Equity investments at FVOCI		
Equity investment	**8,661**	7,639
Investment funds	**395**	384
	9,056	8,023
	2,752,710	2,553,067

12 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	30 June 2021	31 December 2020
	HK$ million	*HK$ million*
Demand deposits		
– Corporate customers	**2,261,119**	2,258,627
– Personal customers	**423,455**	388,658
	2,684,574	2,647,285
Time and call deposits		
– Corporate customers	**2,149,251**	1,991,042
– Personal customers	**740,679**	726,173
	2,889,930	2,717,215
Outward remittance and remittance payables	**13,689**	10,763
Accrued interest	**55,148**	52,431
	5,643,341	5,427,694

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

	30 June 2021	31 December 2020
	HK$ million	*HK$ million*
Bank acceptances	**252,115**	265,419
Letters of credit	**20,214**	13,112
Guarantees	**16,595**	13,399
Others	**123,758**	124,564
	412,682	416,494

13 BANK AND OTHER LOANS

(a) Types of loans

	30 June 2021	31 December 2020
	HK$ million	*HK$ million*
Bank loans		
Unsecured loans	**121,905**	116,984
Loan pledged with assets	**19,406**	17,842
	141,311	134,826
Other loans		
Unsecured loans	**28,926**	27,517
Loan pledged with assets	**2,968**	828
	31,894	28,345
	173,205	163,171
Accrued interest	**471**	433
	173,676	163,604

13 BANK AND OTHER LOANS (CONTINUED)

(b) Maturity of loans

	30 June 2020 *HK$ million*	31 December 2019 *HK$ million*
Bank loans		
– Within 1 year or on demand	**43,303**	47,714
– Between 1 and 2 years	**28,656**	17,394
– Between 2 and 5 years	**40,587**	42,471
– Over 5 years	**28,765**	27,247
	141,311	134,826
Other loans		
– Within 1 year or on demand	**17,271**	13,549
– Between 1 and 2 years	**3,019**	3,024
– Between 2 and 5 years	**6,400**	6,398
– Over 5 years	**5,204**	5,374
	31,894	28,345
	173,205	163,171
Accrued interest	**471**	433
	173,676	163,604

14 DEBT INSTRUMENTS ISSUED

	30 June 2021 *HK$ million*	31 December 2020 *HK$ million*
Corporate bonds issued	**105,603**	112,959
Notes issued	**84,100**	60,208
Subordinated bonds issued	**136,030**	134,526
Certificates of deposit issued	**1,475**	–
Certificates of interbank deposit issued	**824,061**	645,179
Convertible corporate bonds	**16,005**	15,659
	1,167,274	968,531
Accrued interest	**6,245**	5,327
	1,173,519	973,858
Analysed by remaining maturity:		
– Within 1 year or on demand	**851,937**	668,965
– Between 1 and 2 years	**48,858**	22,547
– Between 2 and 5 years	**114,441**	116,344
– Over 5 years	**152,038**	160,675
	1,167,274	968,531
Accrued interest	**6,245**	5,327
	1,173,519	973,858

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 2021 (six months ended 30 June 2020: 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 ("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.

Mineralogy and Mr. Palmer had previously made allegations of breach, repudiation, frustration and termination of the Option Agreement in their respective defences. However, shortly before the trial, on 22 September 2020, Mineralogy and Mr. Palmer abandoned those pleas, and said that they were willing to complete the first option, but on the basis that the further company had to be Balmoral Iron Pty Ltd. ("Balmoral Iron"). On 29 November 2020, the Company accepted the nomination of Balmoral Iron on the basis of certain representations and subject to certain conditions concerning guarantees, indemnities and warranties which had been proffered by Mineralogy and Mr. Palmer in the preceding weeks.

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

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

Option Agreement Dispute (Continued)

As the issues in dispute had narrowed, the principal remaining issue for determination at trial was the form of the Takeover Agreement and the project agreements to be entered into by Balmoral Iron.

On 30 March 2021, Justice K Martin delivered his reasons for decision. His Honour made various findings, including that Mineralogy had long been in breach of its first option performance obligations and that it was appropriate to make orders for specific performance. Among other things his Honour determined that the Option Agreement envisaged some permissible amendments to the Takeover Agreement and project agreements, but any amendments needed to be "benign, necessary and minimal".

Final orders for specific performance were made by Justice K Martin on 6 May 2021. Those orders annexed the Takeover Agreement and project agreements to be entered into by Balmoral Iron. The Takeover Agreement was signed and exchanged on 27 May 2021 and Cape Preston Resource Holdings Pty Ltd. has applied for Foreign Investment Review Board approval of the acquisition, which is required before completion.

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 AUD1,800,438,000). 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 September 2020, Justice K Martin ordered that:

(a) this proceeding be heard together with Proceeding CIV 1267/2018; and

(b) damages be determined separately and subsequently to liability.

On 3 March 2021, Mineralogy and Mr. Palmer filed an application for leave to amend their statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy and Mr. Palmer's view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

By Court orders made on 4 August 2021, the CITIC Parties are required to file and serve an amended defence in this proceeding by 22 October 2021, and Mineralogy and Mr. Palmer are required to file and serve any amended reply by 3 December 2021. The proceeding is to be listed for a strategic conference before the Case Manager at a date to be fixed in December 2021.

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 funding to 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)

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

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

On 14 September 2020, Justice K Martin ordered that:

(a) this proceeding be heard together with Proceeding CIV 2072/2017; and

(b) damages be determined separately and subsequently to liability.

On 3 March 2021, Mineralogy filed an application for leave to amend its statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy to agree to alter the contractual relationship between the parties. In Mineralogy's view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

By Court orders made on 4 August 2021, the CITIC Parties are required to file and serve an amended defence in this proceeding by 22 October 2021, and Mineralogy is required to file and serve any amended reply by 3 December 2021. The proceeding is to be listed for a strategic conference before the Case Manager at a date to be fixed in December 2021.

No trial date has been set for this proceeding.

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

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

Mine Continuation Proposals 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"). Following a cross-vesting application by the defendants, the proceeding was transferred to the Supreme Court of Western Australia and admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 ("Proceeding CIV 1915/2019"). The proceeding relates 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.

The CITIC Parties brought 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 those things. 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.

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments alleged 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 17 September 2020, following a successful application by the CITIC Parties to strike out aspects of Mineralogy's further amended defence, Mineralogy filed a second further amended defence to remove the defences that were struck out.

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

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

Mine Continuation Proposals Dispute (Continued)

On 5 January 2021, Mineralogy and Mr. Palmer filed an application to permanently stay the proceeding, alleging that the proceeding had been brought for an illegitimate or collateral purpose (namely, to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties) and was an abuse of process.

On 26 February 2021, the CITIC Parties filed an application to summarily dismiss or strike out Mineralogy and Mr. Palmer's permanent stay application. On 12 April 2021, Mineralogy and Mr. Palmer amended their points of claim. Among other things, those amendments sought alternative relief that Proceeding CIV 1915/2019 should be permanently stayed to the extent it raises matters the subject of issue, Anshun or abuse of process estoppels arising by reason of judgments in past proceedings between the parties concerning the Port of Cape Preston and the CITIC Parties' port terminal facilities (in which the CITIC Parties were wholly successful).

The CITIC Parties' application to summarily dismiss or strike out Mineralogy's and Mr. Palmer's permanent stay application was heard by Chief Justice Quinlan on 15 and 21 April 2021. On 28 May 2021, Chief Justice Quinlan summarily dismissed the permanent stay application and the application for discovery within that application. His Honour rejected all the grounds advanced by Mineralogy and Mr. Palmer in support of the permanent stay application, including finding that there was no reasonably arguable basis for Mineralogy and Mr. Palmer to argue Proceeding CIV 1915/2019 should be stayed as an abuse of process.

Mineralogy and Mr. Palmer appealed the decision of Chief Justice Quinlan to dismiss the permanent stay application but, on 1 July 2021, discontinued those appeals.

On 30 June 2021, Mineralogy and Mr. Palmer filed a chamber summons seeking a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtain approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the specific performance orders or injunctions sought by the CITIC Parties. However, on 15 July 2021, Mineralogy and Mr. Palmer advised the CITIC Parties' solicitors that they do not intend to pursue that application.

Mineralogy and Mr. Palmer were required to file and serve any amended defence by 6 August 2021. On 17 August 2021, Mineralogy filed a third further amended defence and Mr. Palmer filed a second further amended defence.

On 6 August 2021, Mineralogy and Mr. Palmer filed a chamber summons seeking orders that the CITIC Parties produce unredacted or complete copies of documents that were redacted or not produced by the CITIC Parties during discovery on the basis of legal professional privilege. The chamber summons is listed for a directions hearing before Justice K Martin on 30 August 2021 and is provisionally listed for a special appointment before Justice K Martin on 6 October 2021.

On 23 June 2021, the proceeding was provisionally listed for a trial before Justice K Martin from 31 January 2022 to 29 April 2022.

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

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

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 their best endeavours to obtain such approvals in a timely manner).

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. In the event that Mineralogy and Mr. Palmer were unsuccessful against Sino Iron and Korean Steel, Mineralogy and Mr. Palmer also pursued a separate claim against the Company pursuant to the guarantee and indemnity in the FCD.

Mineralogy sought relief including an order that the Company pay Mineralogy AUD13,731,970 plus US$174,209,266, plus interest (pursuant to the guarantee under the FCD). In the event that Mineralogy was estopped or precluded from seeking 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. 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.

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

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

Minimum Production Royalty Disputes (Continued)

On 4 March 2020, Justice K Martin's decision to permanently stay Proceeding CIV 3129/2018 was appealed by Mineralogy ("Proceeding CACV 27/2020") and Mr. Palmer ("Proceeding CACV 29/2020"). Mineralogy and Mr. Palmer argued, among other things, that it was not open to Justice K Martin to find that the commencement of Proceeding CIV 3129/2018 was an abuse of process.

On 25 June 2021, the Court of Appeal dismissed Proceeding CACV 27/2020. The Court considered that Mineralogy's claim in Proceeding CIV 3129/2018 was an abuse of process, because allowing Mineralogy to prosecute the proceeding would serve to bring the administration of justice into disrepute. The Court of Appeal also dismissed Mr. Palmer's appeal in Proceeding CACV 29/2020. The Court agreed that Mr. Palmer's claim failed to disclose a reasonably arguable cause of action. Given the effect of Mr. Palmer's claim would have been to avoid the Court's stay of Proceeding CIV 3129/2018, that claim was also found to have brought the administration of justice into disrepute, and to have comprised an abuse of process.

On 23 July 2021, Mineralogy ("Proceeding P 23/2021") and Mr. Palmer ("Proceeding P 24/2021") filed applications with the High Court of Australia seeking special leave to appeal against the decision of the Court of Appeal in Proceeding CACV 27/2020 and Proceeding CACV 29/2020. On 13 August 2021, the CITIC Parties filed responsive submissions in Proceeding P 23/2021 and Proceeding P 24/2021. On 23 August 2021, Mineralogy filed its reply in Proceeding P 23/2021 and, on 20 August 2021, Mr. Palmer filed his reply submissions in Proceeding P 24/2021.

The High Court of Australia has not yet determined the applications by Mineralogy and Mr. Palmer for special leave to appeal.

Site Remediation Fund Disputes

(i) 2018 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".

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

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

Site Remediation Fund Disputes (Continued)

(i) 2018 Site Remediation Fund Dispute (Continued)

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 claimed that the CITIC Parties were 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. The CITIC Parties filed a defence and counterclaim in Proceeding CIV 2840/2018 seeking, among other things, orders appointing an independent trustee in place of Mineralogy.

While the CITIC Parties have always acknowledged their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they disputed the amount claimed by Mineralogy. Among other arguments, the CITIC Parties considered that the amount demanded by Mineralogy was not an "annual charge" as required by clause 20.6(e) of the MRSLAs. Further, the CITIC Parties did not consider that the amount demanded was a "best prevailing estimate" of future site remediation costs, as required by clause 20.6(e) of the MRSLAs.

The trial took place between 16 and 24 November 2020. On 24 February 2021, Justice K Martin published his reasons for decision. His Honour held that Mineralogy's claim should be dismissed, and that the CITIC Parties' counterclaim should also be dismissed. His Honour found, consistent with the submissions of the CITIC Parties, that the formulation of an "annual charge" pursuant to clause 20.6(e) requires Mineralogy to take its best prevailing estimate, subtract the amount already in the Site Remediation Fund, and then divide that amount by the number of years remaining until mine closure.

On 10 June 2021, Mineralogy appealed Justice K Martin's decision to dismiss Mineralogy's claim in Proceeding CIV 2840/2018 ("Proceeding CACV 42/2021"). On 23 August 2021, the CITIC Parties filed and served their respondents' answer to the appellant's case.

No date has been set for the hearing of the appeal in Proceeding CACV 42/2021.

(ii) 2021/22 Site Remediation Fund contributions sought by Mineralogy

Separately, the CITIC Parties received a purported annual charge for the 2021–2022 Operating Year from Mineralogy seeking payment of AUD580,504,721 into the Site Remediation Fund by 31 December 2021. The CITIC Parties have sought further information from Mineralogy in relation to that determination and are considering their response to it in light of the requirements of the MRSLAs and the decision of Justice K Martin in Proceeding CIV 2840/2018.

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 these 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 of 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 2021.

FINANCIAL REVIEW AND ANALYSIS

HK$ million	**Six months ended 30 June**		Increase/ (Decrease)
	2021	2020	%
Revenue	**352,921**	255,802	38%
Profit before taxation	**69,137**	46,544	49%
Net profit	**58,689**	37,909	55%
Net Profit attributable to ordinary shareholders	**44,175**	27,014	64%
Basic earnings per share *(HK$)*	**1.52**	0.93	64%
Diluted earnings per share *(HK$)*	**1.52**	0.93	64%
Dividend per share *(HK$)*	**0.15**	0.10	50%
Net cash generated from operating activities	**(226,732)**	73,458	(409%)
Capital expenditure	**19,080**	10,683	79%

	As at 30 June 2021	As at 31 December 2020	Increase/ (Decrease) %
Total assets	**10,230,358**	9,740,828	5.0%
Total liabilities	**9,121,462**	8,732,186	4.5%
Total ordinary shareholders’ funds	**715,068**	674,276	6.0%

Major indicators by business

Revenue from external customers

HK$ million	**Six months ended 30 June** **2021**	2020	Increase/(Decrease) Amount	%	% (excluding the effect of currency translation on a comparable basis)
Comprehensive financial services	**132,245**	116,984	15,261	13%	4.1%
Advanced intelligent manufacturing	**23,071**	2,896	20,175	697%	45%
Advanced materials	**142,504**	86,020	56,484	66%	59%
New consumption	**32,885**	35,415	(2,530)	(7.1%)	17%
New-type urbanisation	**22,195**	14,454	7,741	54%	42%

Note: The comparable basis refers to the assumption that CITIC Dicastal's financial statements in the advanced intelligent manufacturing segment were consolidated for the half year of 2020, while McDonald's China financial statements in the new consumption segment not consolidated for the half year of 2020 were consisted with the half year of 2021.

Profit

HK$ million	**Six months ended 30 June** **2021**	2020	Increase/(Decrease) Amount	%	% (excluding the effect of currency translation on a comparable basis)
Comprehensive financial services	**41,454**	32,038	9,416	29%	19%
Advanced intelligent manufacturing	**742**	254	488	192%	56%
Advanced materials	**14,532**	4,009	10,523	262%	208%
New consumption	**1,182**	(14)	1,196	Turn loss to profit	Turn loss to profit
New-type urbanisation	**3,338**	4,254	(916)	(22%)	(23%)

Note: The comparable basis refers to the assumption that CITIC Dicastal's financial statements in the advanced intelligent manufacturing segment were consolidated for the half year of 2020, while McDonald's China financial statements in the new consumption segment not consolidated for the half year of 2020 were consisted with the half year of 2021.

Profit attributable to ordinary shareholders

	Six months ended 30 June		Increase/(Decrease)		
HK$ million	**2021**	2020	Amount	%	% (excluding the effect of currency translation)
Comprehensive financial services	**29,052**	21,948	7,104	32%	26%
Advanced intelligent manufacturing	**344**	185	159	86%	71%
Advanced materials	**13,402**	3,530	9,872	280%	254%
New consumption	**791**	(31)	822	Turn loss to profit	Turn loss to profit
New-type urbanisation	**3,145**	4,014	(869)	(22%)	(23%)

Assets

	Six months ended 30 June		Increase/(Decrease)		
HK$ million	**2021**	2020	Amount	%	% (excluding the effect of currency translation)
Comprehensive financial services	**9,578,001**	9,113,747	464,254	5.1%	3.9%
Advanced intelligent manufacturing	**57,608**	58,719	(1,111)	(1.9%)	(3.0%)
Advanced materials	**260,769**	239,155	21,614	9.0%	8.5%
New consumption	**75,602**	76,157	(555)	(0.7%)	(1.5%)
New-type urbanisation	**319,719**	309,736	9,983	3.2%	2.6%

Revenue by nature

HK$ million	**Six months ended 30 June** **2021**	2020	Increase/(Decrease) Amount	%
Net interest income	**90,834**	83,012	7,822	9.4%
Net fee and commission income	**26,304**	20,790	5,514	27%
Sales of goods and services	**220,712**	138,794	81,918	59%
– Sales of goods	**191,298**	117,981	73,317	62%
– Revenue from construction contracts	**15,853**	9,131	6,722	74%
– Revenue from other services	**13,561**	11,682	1,879	16%
Other revenue	**15,071**	13,206	1,865	14%

Note: The CITIC Bank reclassified the installment income of credit card based consumption from fee income to interest income as of 2020, and financial indicators related to interest income and non-interest income during the comparable periods were restated.

Capital Expenditures

HK$ million	**Six months ended 30 June** **2021**	2020	Increase/(Decrease) Amount	%
Comprehensive financial services	**8,274**	1,657	6,617	399%
Advanced intelligent manufacturing	**537**	194	343	177%
Advanced materials	**5,775**	3,063	2,712	89%
New consumption	**730**	1,556	(826)	(53%)
New-type urbanisation	**3,764**	4,213	(449)	(11%)
Total	**19,080**	10,683	8,397	79%

Group Financial Position

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(decrease) Amount	%
Total assets	**10,230,358**	9,740,828	489,530	5.0%
Loans and advances to customers and other parties	**5,535,826**	5,206,155	329,671	6.3%
Investments in financial assets	**2,752,710**	2,553,067	199,643	7.8%
Cash and deposits	**704,169**	755,386	(51,217)	(6.8%)
Trade and other receivables	**191,289**	169,723	21,566	13%
Fixed assets	**170,552**	167,840	2,712	1.6%
Placements with banks and non-bank financial institutions	**169,753**	198,513	(28,760)	(15%)
Total liabilities	**9,121,462**	8,732,186	389,276	4.5%
Deposits from customers	**5,643,341**	5,427,694	215,647	4.0%
Deposits from banks and non-bank financial institutions	**1,311,503**	1,370,439	(58,936)	(4.3%)
Debt instruments issued	**1,173,519**	973,858	199,661	21%
Borrowing from central banks	**292,287**	266,611	25,676	10%
Trade and other payables	**181,335**	160,943	20,392	13%
Bank and other loans	**173,676**	163,604	10,072	6.2%
Total ordinary shareholders' funds	**715,068**	674,276	40,792	6.0%

Loans and advances to customers and other parties

As at 30 June 2021, the net loans and advances to customers and other parties of the Group was HK$5,535,826 million, an increase of HK$329,671 million, increased 6.3% compared with 31 December 2020. The proportion of loans and advances to customers and other parties to total assets was 54.11%, an increase of 0.66% compared with 31 December 2020.

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(decrease) Amount	%
Loans and advances to customers and other parties measured at amortised cost				
Corporate loans	**2,778,568**	2,595,572	182,996	7.1%
Discounted bills	**10,493**	7,947	2,546	32%
Personal loans	**2,382,449**	2,246,396	136,053	6.1%
Accrued interest	**15,660**	15,182	478	3.1%
Total loans and advances to customers and other parties measured at amortised cost	**5,187,170**	4,865,097	322,073	6.6%
Impairment allowances	**(166,814)**	(156,218)	(10,596)	(6.8%)
Carrying amount of loans and advances to customers and other parties measured at amortised cost	**5,020,356**	4,708,879	311,477	6.6%
Loans and advances to customers and other parties at fair value through other comprehensive income				
Personal loans	**–**	8,465	(8,465)	(100%)
Loans and advances to customers and other parties measured at fair value through other comprehensive income				
Corporate loans	**33,357**	3,203	30,154	941%
Discounted bills	**482,113**	485,608	(3,495)	(0.7%)
Carrying amount of loans and advances to customers and other parties measured at fair value through other comprehensive income	**515,470**	488,811	26,659	5.5%
Net loans and advances to customers and other parties	**5,535,826**	5,206,155	329,671	6.3%

Investments in financial assets

As at 30 June 2021, the Investments in financial assets of the Group was HK$2,752,710 million, an increase of HK$199,643 million, increased 7.8% compared with 31 December 2020. The proportion of Investments in financial assets to total assets was 26.91%, an increase of 0.7% compared with 31 December 2020.

(a) Analysed by types

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(decrease) Amount	%
Debt securities	**1,838,770**	1,713,503	125,267	7.3%
Investment management products managed by securities companies	**93,341**	128,035	(34,694)	(27%)
Investment funds	**472,167**	368,171	103,996	28%
Trust investment plans	**280,905**	235,803	45,102	19%
Certificates of deposit and certificates of interbank deposit	**46,670**	70,127	(23,457)	(33%)
Equity investment	**28,461**	26,185	2,276	8.7%
Wealth management products	**2,749**	6,532	(3,783)	(58%)
Investments in creditor's rights on assets	**97**	96	1	1.0%
Others	**1,415**	2,109	(694)	(33%)
Subtotal	**2,764,575**	2,550,561	214,014	8.4%
Accrued interest	**22,303**	19,968	2,335	12%
Less: allowance for impairment losses	**(34,168)**	(17,462)	(16,706)	(96%)
Total	**2,752,710**	2,553,067	199,643	7.8%

(b) Analysed by measurement attribution

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(decrease) Amount	%
Financial assets at amortised cost	**1,310,077**	1,156,496	153,581	13%
Financial assets at FVPL	**653,358**	528,293	125,065	24%
Debt investments at FVOCI	**780,219**	860,255	(80,036)	(9.3%)
Equity investments at FVOCI	**9,056**	8,023	1,033	13%
Total	**2,752,710**	2,553,067	199,643	7.8%

Deposits from customers

As at 30 June 2021, total deposits from customers of the financial institutions under the Group was HK$5,643,341 million, an increase of HK$215,647 million, or 4.0% compared with 31 December 2020. The proportion of deposits from customers to total liabilities was 61.87%, an increase of 0.29% compared with 31 December 2020.

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(decrease) Amount	%
Corporate deposits				
Time deposits	**2,149,251**	1,991,042	158,209	7.9%
Demand deposits	**2,261,119**	2,258,627	2,492	0.1%
Subtotal	**4,410,370**	4,249,669	160,701	3.8%
Personal deposits				
Time deposits	**740,679**	726,173	14,506	2.0%
Demand deposits	**423,455**	388,658	34,797	9.0%
Subtotal	**1,164,134**	1,114,831	49,303	4.4%
Outward remittance and remittance payables	**13,689**	10,763	2,926	27%
Accrued interest	**55,148**	52,431	2,717	5.2%
Total	**5,643,341**	5,427,694	215,647	4.0%

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 2021, consolidated debt of CITIC Limited(1) was HK$1,340,479 million, including loans of HK$173,205 million and debt instruments issued(2) of HK$1,167,274 million. Debt of CITIC Bank(3) accounted for HK$1,048,112 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK$4,849 million and available committed facilities of HK$32,801 million.

The details of debt are as follows:

As at 30 June 2021	*HK$ million*
Consolidated debt of CITIC Limited	1,340,479
Among which: Debt of CITIC Bank	1,048,112

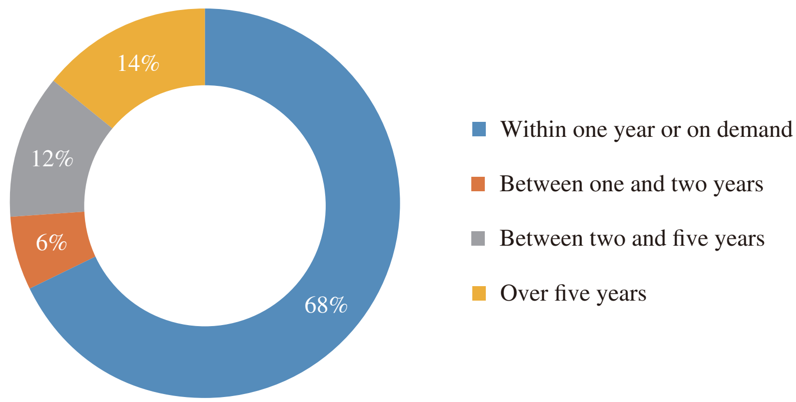
Note:

(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;

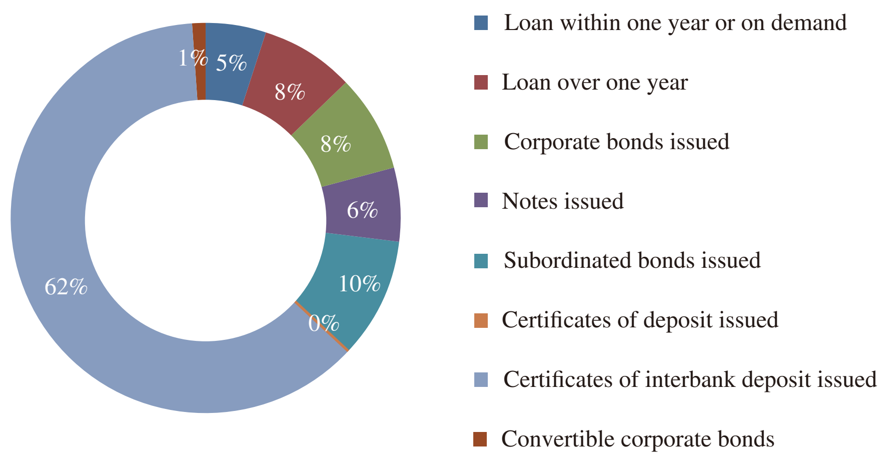
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

(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 2021



Consolidated debt by type as at 30 June 2021



The debt to equity ratio of CITIC Limited as at 30 June 2021 is as follows:

In HK$ million	**Consolidated**
Debt	1,340,479
Total equity(4)	1,108,896
Debt to equity ratio	121%

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 2021	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

Focusing on improving the human capital efficiency, we draft “The Programme of Talent Development during The Fourteenth five Year” which proposes building “Four Teams” and “Six Core Talents”. We optimize the talent evaluation system, proposing that the professionals who take participate in poverty alleviation, rural revitalization or epidemic prevention could be reviewed as Senior Professional Title preferentially. We recommended 16 high-level professionals to take part in the review of Honors Programs. 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 development. Details of our corporate governance practices can be found in CITIC Limited’s Annual Report 2020 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 2021.

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 2021 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 ("2021 Interim Dividend") of HK$0.15 per share (2020: HK$0.10 per share) for the year ending 31 December 2021, payable on Wednesday, 3 November 2021 to shareholders whose names appear on CITIC Limited's register of members on Friday, 17 September 2021. The register of members of CITIC Limited will be closed from Wednesday, 15 September 2021 to Friday, 17 September 2021, both days inclusive, during which period no transfer of shares will be effected. To qualify for the 2021 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, 14 September 2021.

The 2021 Interim Dividend will be payable in cash to each shareholder in HK Dollars ("HK$") 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 2021 Interim Dividend in RMB at the exchange rate of HK$1.0:RMB0.832516, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before 27 August 2021. If shareholders elect to receive the 2021 Interim Dividend in RMB, such dividend will be paid to shareholders at RMB0.1248774 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 2021 as soon as practicable after the record date of 17 September 2021 to determine shareholders' entitlement to the 2021 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 Monday, 11 October 2021.

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 Wednesday, 3 November 2021 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 Monday, 11 October 2021, such shareholder will automatically receive the 2021 Interim Dividend in HK$. All dividend payments in HK$ will be made in the usual way on Wednesday, 3 November 2021.

If shareholders wish to receive the 2021 Interim Dividend in HK$ 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 15 April 2021, CITIC Limited fully redeemed the USD750 million 6.625% notes under the Medium Term Note Programme upon maturity. These notes were issued in two tranches – USD500 million issued on 15 April 2011 and USD250 million issued on 23 June 2014. Both tranches were 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 2021.

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 2021 will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 8 September 2021.

By Order of the Board
CITIC Limited
Zhu Hexin
Chairman

Beijing, 27 August 2021

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 Gregory Lynn Curl and Mr Toshikazu Tagawa.