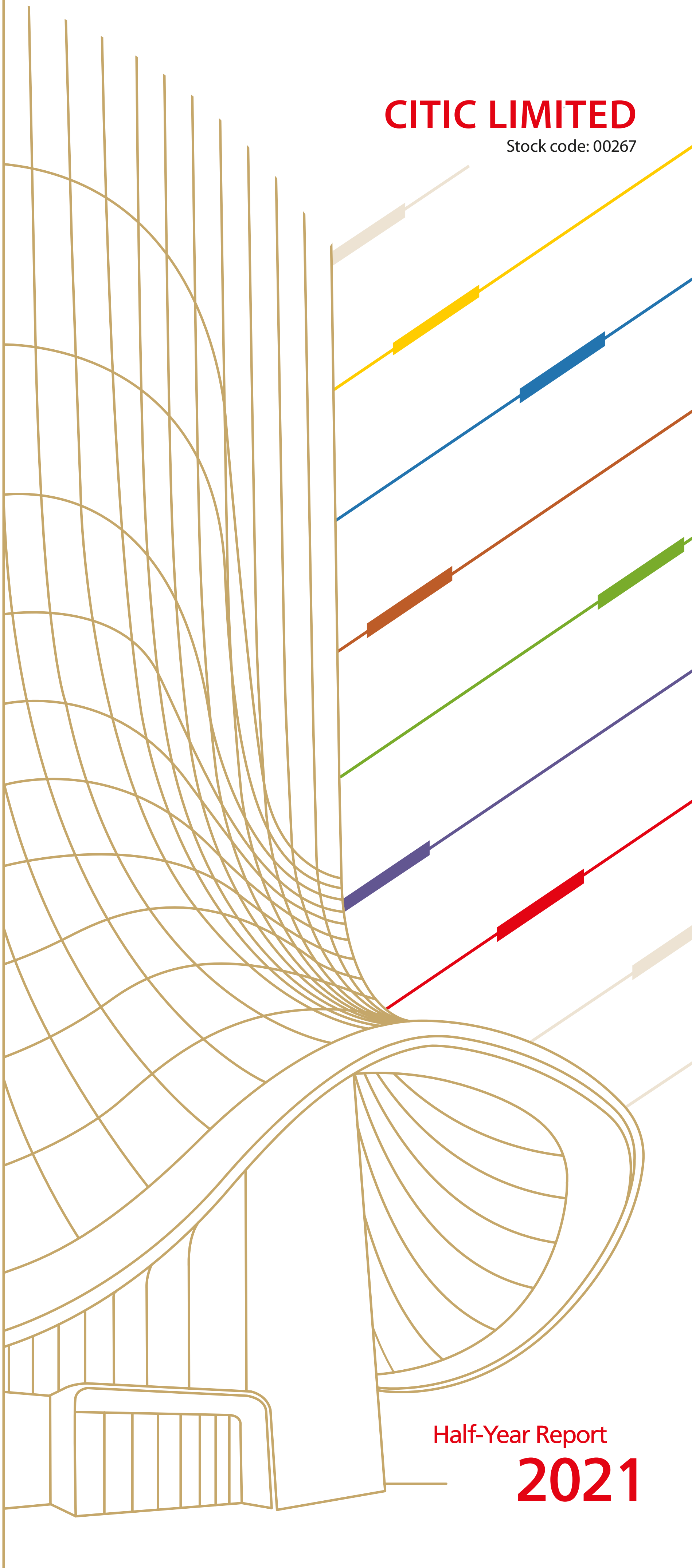
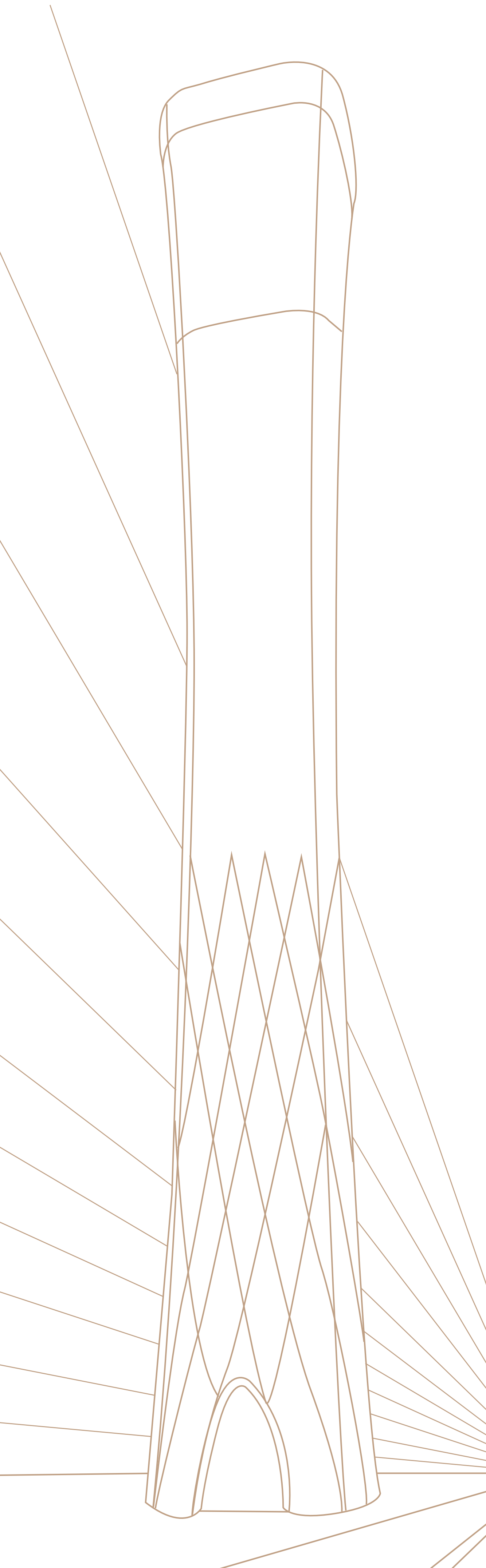
中信
CITIC

CITIC LIMITED

Stock code: 00267



Half-Year Report
2021



Our Business

COMPREHENSIVE FINANCIAL SERVICES

CITIC Bank	(65.97%)
CITIC Securities	(18.38%)
CITIC Trust	(100%)
CITIC-Prudential Life	(50%)

ADVANCED INTELLIGENT MANUFACTURING

CITIC Heavy Industries	(67.27%)
CITIC Dicastal	(42.11%)
CITIC Holdings	(100%)

ADVANCED MATERIALS

CITIC Metal Group	(100%)
CITIC Resources	(59.50%)
CITIC Mining International	(100%)
CITIC Pacific Special Steel	(83.85%)
CITIC Pacific Energy Investment	(100%)

NEW CONSUMPTION

CITIC Press	(73.50%)
CITIC Telecom International	(57.88%)
CITIC Agriculture	(100%)
Dah Chong Hong	(100%)

NEW-TYPE URBANISATION

CITIC Construction	(100%)
CITIC Engineering	(100%)
CITIC Urban Development & Operation	(100%)
CITIC Pacific Properties	(100%)
CITIC Environment	(100%)
CITIC Offshore Helicopter	(38.63%)
CITIC Industrial Investment	(100%)

I As at 30 June 2021

Our Company

CITIC Limited (SEHK: 00267) is one of China's largest conglomerates and a constituent of the Hang Seng Index. Tracing our roots to the beginning of China's opening and reform, CITIC has grown in step with the country's rise and modernisation. We have built a remarkable portfolio of businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

We are driven today by the same values on which we were founded: a pioneering spirit, a commitment to innovation and a focus on the long term. We embrace world-class technologies and aim for international best practices. We are guided by a strategy that is consumer-centric, commercially-driven, and far-sighted in the allocation of capital and resources.

Our platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world. Guiding us as we grow is our fundamental commitment to create longterm value for all of our shareholders.

Contents

Highlights

HK$ million	Six months ended 30 June 2021	2020	Increase/ (Decrease) (%)
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 (used)/generated from operating activities	(226,732)	73,458	(409%)
Capital expenditure	19,080	10,683	79%

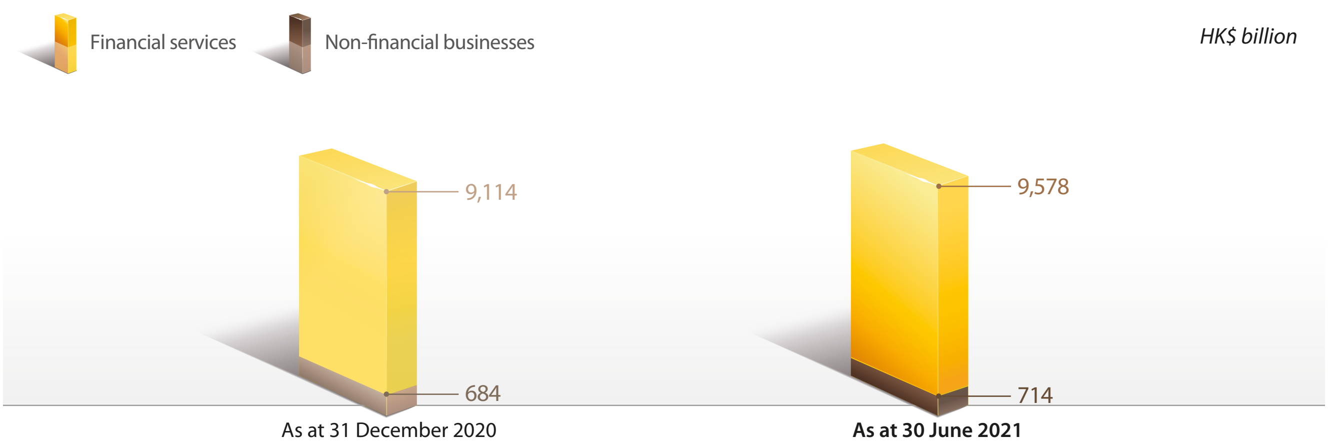
HK$ million	As at 30 June 2021	As at 31 December 2020	Increase/ (Decrease) (%)
Total assets	10,230,358	9,740,828	5.0%
Total liabilities	9,121,462	8,732,186	4.5%
Total ordinary shareholders' funds	715,068	674,276	6.0%

	Business assets			Revenue from external customer			Profit attributable to ordinary shareholders		
Business HK$ million	As at 30 June 2021	Increase/ (Decrease) (%) (Note1)	Increase/ (Decrease) excluding the effect of currency translation (%) (Note1)	Half-year ended 30 June 2021	Increase/ (Decrease) (%)	Increase/ (Decrease) excluding the effect of currency translation on a comparable basis (%) (Note2)	Half-year ended 30 June 2021	Increase/ (Decrease) (%)	Increase/ (Decrease) excluding the effect of currency translation (%)
COMPREHENSIVE FINANCIAL SERVICES	9,578,001	5.1%	3.9%	132,245	13%	4.1%	29,052	32%	26%
ADVANCED INTELLIGENT MANUFACTURING	57,608	(1.9%)	(3.0%)	23,071	697%	45%	344	86%	71%
ADVANCED MATERIALS	260,769	9.0%	8.5%	142,504	66%	59%	13,402	280%	254%
NEW CONSUMPTION	75,602	(0.7%)	(1.5%)	32,885	(7.1%)	17%	791	turn loss to profit	turn loss to profit
NEW-TYPE URBANISATION	319,719	3.2%	2.6%	22,195	54%	42%	3,145	(22%)	(23%)

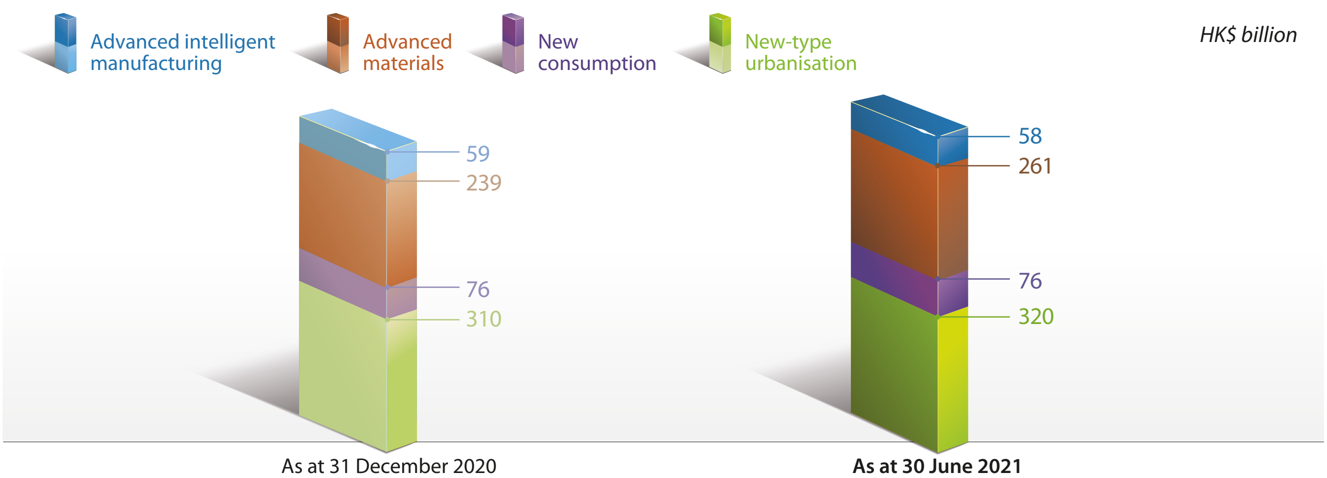
Note1: As compared with total balances as at 31 December 2020.

Note2: 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's financial statements in the new consumption segment not consolidated for the half year of 2020 were consistent with the half year of 2021.

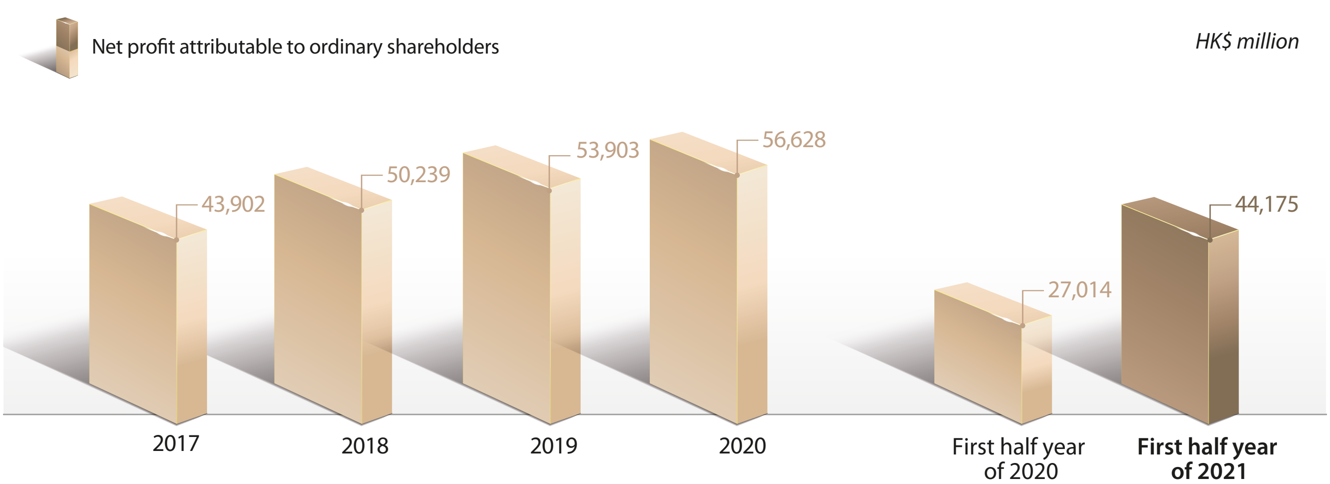
Business assets



Assets of non-financial businesses



Profit attributable to ordinary shareholders



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

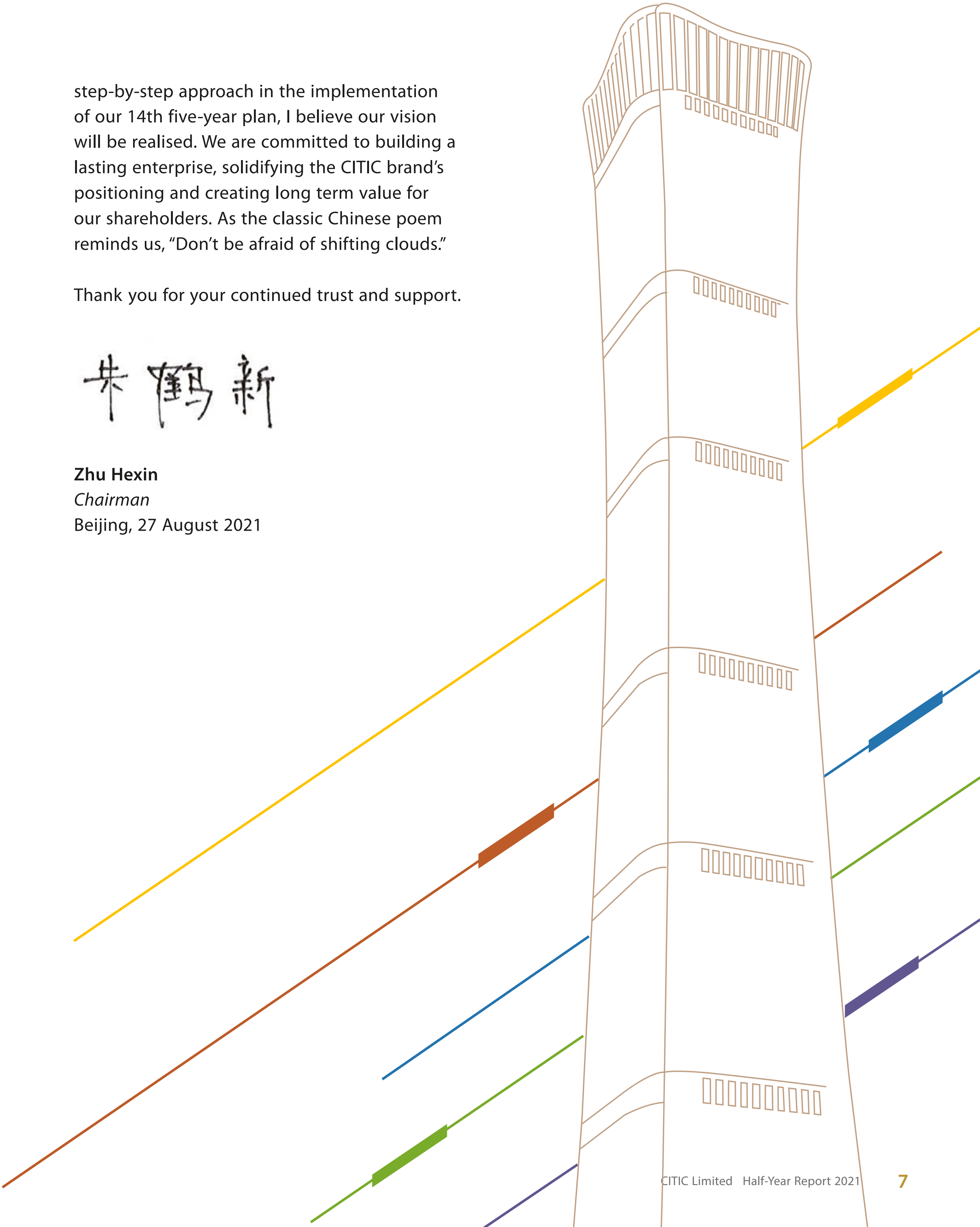
In 2020 China announced new targets to achieve peak CO_2 emissions and carbon neutrality, a clear demonstration of its dedication to promote the country's sustainable development, address climate change and build a greener future for all of mankind. To support these goals, we are leveraging both our 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.

朱鹤新

Zhu Hexin
Chairman
Beijing, 27 August 2021



Financial Review

Highlights

In the first half of 2021, the Group took the opportunity of economic recovery under the severe and complex external environment and achieved revenue of HK$352,921 million, net profit of HK$58,689 million and net profit attributable to ordinary shareholders of HK$44,175 million, up by 38%, 55% and 64% year on year respectively. Compared with the same period in 2019, the two-year average growth rate was 11.3%, 9.8% and 13.1% (excluding the currency translation effect of RMB appreciation), all much higher than the economic growth rate in the same period.

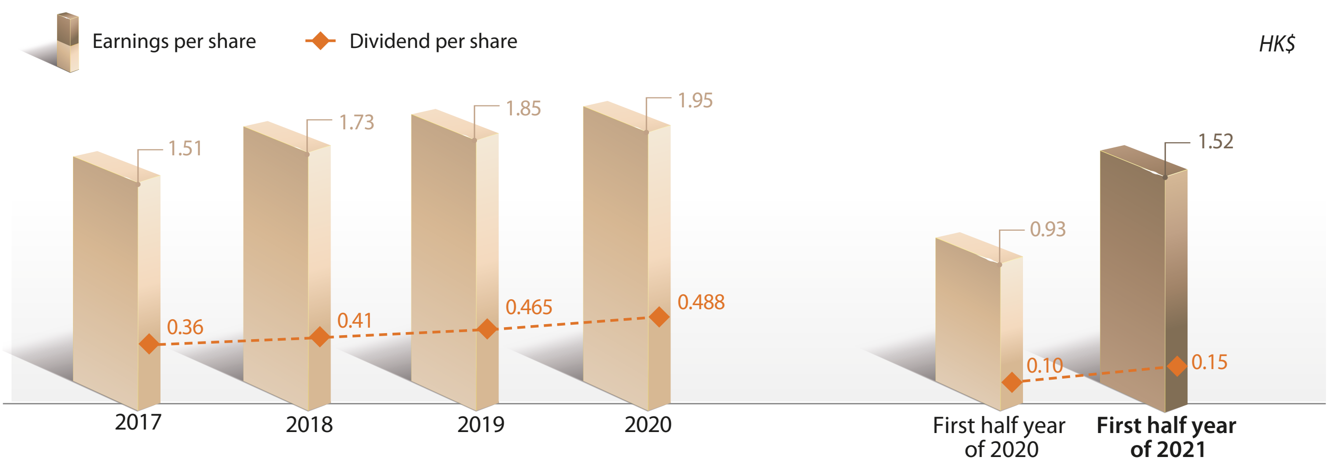
The financial business maintained to improve and stabilized the Group's fundamentals, driving all businesses growing rapidly. Net profit attributable to the shareholders of CITIC Bank increased by 13.7% year on year with "both decline" in non-performing indexes. CITIC Trust and CITIC-Prudential Life actively promoted the optimization of business structure, and net profit attributable to the parent company increased by 88% and 57% year on year respectively. CITIC Securities maintained its market leading position, with a net profit attributable to ordinary shareholders of over RMB10 billion in the first half of 2021, up by 37%.

The non-financial businesses took the opportunity to boost the overall performance of the Group. Net profit attributable to ordinary shareholders increased by 130% year on year and its contribution to the Group's profit rose by 12 percentage points to 38%, demonstrating its advantage in business structure as a conglomerate. The profit of the advanced materials segment surged by 2.8 times, with both Sino Iron and CITIC Pacific Special Steel hitting record highs and CITIC Resources making a turnaround. Due to subsiding impact of the COVID-19, the performance of advanced intelligent manufacturer companies including CITIC Dicastal and new consumer companies such as Dah Chong Hong and CITIC Press greatly improved than the same period of last year. Property development and engineering and construction companies accelerated their sales and construction progress with a good momentum.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.52 in the first half of 2021, representing an increase of 64% from HK$0.93 in the first half of 2020. As at 30 June 2021, the number of ordinary shares outstanding was 29,090,262,630.

HK$4,364 million in cash will be distributed as interim dividend. The interim dividend per share of 2021 is HK$0.15 (first half of 2020 HK$0.10 per share).



Segment Results

Comprehensive Financial Services

HK$ million	For the six months ended 30 June 2021	2020	Increase/(Decrease) Amount	%	Excluding the effect of currency translation (%)
Revenue from external customers	**132,245**	116,984	15,261	13%	4.1%
Net profit	**41,454**	32,038	9,416	29%	19%
Profit attributable to ordinary shareholders	**29,052**	21,948	7,104	32%	26%
Assets (as compared with that of the end of 2020)	**9,578,001**	9,113,747	464,254	5.1%	3.9%

In the first half of 2021, this segment achieved revenue of HK$132,245 million, net profit of HK$41,454 million and net profit attributable to ordinary shareholders of HK$29,052 million, up by 13%, 29% and 32% year on year respectively. These figures exclude the currency translation impact caused by RMB appreciation, which rose 4.1%, 19% and 26% year on year respectively.

CITIC Bank achieved revenue of RMB105,656 million in the first half of the year, representing a year-on-year growth of 3.4%. With the proactive asset-light transformation promoted by the bank, non-interest income increased by 12% year on year, driven by the rapid growth of wealth management and bank card business. The proportion of non-interest income rose by 2.2 percentage points to 29.9%. There was a year-on-year increase of 0.2% in net interest income. The bank increased its service to the real economy, contributing to a year-on-year increase of 9.2% in average interest-earning assets. The net interest margin fell to 2.09% due to the downward impact of market interest rates.

CITIC Bank achieved a net profit attributable to its shareholders of RMB29,031 million, up by 13.7% year on year. The asset quality has improved while the non-performing indexes recorded "both decline", represented by the balance of non-performing loans ("NPL") as at the end of June falling 3.8% from the beginning of the year to RMB70,682 million and the NPL ratio declining 0.14 percentage point to 1.5%. In addition, the bank strengthened the disposal of non-performing loans, and the non-performing assets disposal and recovery in the first half of the year increased significantly.

CITIC Trust actively explored new business to form new driving force for future development in the first half of the year. The proportion of AUM in innovative businesses, such as investment in standard products and family trust, increased by 4 percentage points from the beginning of the year to 25%, optimizing the business structure contributing a year-on-year increase of 23% in revenue to RMB4,096 million and achieving a year-on-year increase of 88% in the net profit attributable to the parent company of RMB2,012 million.

CITIC Securities achieved revenue of RMB47,769 million for the first half of the year[note], up 38% year-on-year. Net profit attributable to ordinary shareholders was RMB12,198 million, up 37% year-on-year. Benefiting from the booming domestic capital market with active market trading, the company's major businesses including investment banking, wealth management and asset management remained stable growth.

CITIC-Prudential Life achieved premium income of RMB14,040 million for the first half of the year[note], up 11% year-on-year, which is higher than the industry average. As the company fully exerted the competitive advantages of bancassurance channel and focused on high-worth products, the proportion of regular premium business rose by 11 percentage points to 72% year-on-year. The increase in assets under management and realisation of investment return at appropriate moments contributed to a year-on-year increase of 57% in net profit attributable to parent company to RMB1,221 million.

Advanced Intelligent Manufacturing

HK$ million	Half-year ended 30 June		Increase/(Decrease)			
	2021	2020	Amount	%	Comparable basis[Note] (%)	Excluding the effect of currency translation on a comparable basis (%)
Revenue from external customers	**23,071**	2,896	20,175	697%	58%	45%
Net profit	**742**	254	488	192%	69%	56%
Profit attributable to ordinary shareholders	**344**	185	159	86%	86%	71%
Assets (as compared with that of the end of 2020)	**57,608**	58,719	(1,111)	(1.9%)	N/A	(3.0%)

Note: The comparable basis refers to the calculations that CITIC Dicastal's financial statements were consolidated for the same period of last year.

In the first half of 2021, this segment achieved revenue of HK$23,071 million, net profit of HK$742 million and net profit attributable to ordinary shareholders of HK$344 million, representing a year-on-year increase of 58%, 69% and 86% respectively on a comparable basis, mainly due to the quick recovery in manufacturing demand.

Benefiting from the recovery in auto market and increase in demand for lightweight vehicles, **CITIC Dicastal's** sales of aluminium wheels and castings up by 44% and 53% respectively year-on-year, revenue improved by 46% year-on-year to RMB15,485 million, and net profit attributable to parent company increased 81% to RMB500 million. In June 2021, the aluminium wheel production lines of the second phase of the Morocco project with production capacity of 3 million units per year achieved full capacity, the overseas production capacity of aluminium wheels reached 9 million units per year in total.

CITIC Heavy Industries expanded incremental businesses such as offshore wind power and mining robots, achieved remarkable results in transformation and upgrading. It achieved revenue of RMB3,767 million, up by 40% year-on-year, and a net profit attributable to ordinary shareholders of RMB174 million, continuing the growth trend.

Note CITIC Securities and CITIC-Prudential Life are both associates and joint ventures of CITIC Limited, which currently holds 18.38% and 50% equity interests respectively, without consolidating their financial statements.

Advanced Materials

HK$ million	Half-year ended 30 June 2021	2020	Increase/(Decrease) Amount	%	Excluding the effect of currency translation (%)
Revenue from external customers	**142,504**	86,020	56,484	66%	59%
Net profit	**14,532**	4,009	10,523	262%	208%
Profit attributable to ordinary shareholders	**13,402**	3,530	9,872	280%	254%
Assets (as compared with that of the end of 2020)	**260,769**	239,155	21,614	9.0%	8.5%

In the first half of 2021, this segment achieved revenue of HK$142,504 million, net profit of HK$14,532 million and net profit attributable to ordinary shareholders of HK$13,402 million, up by 66%, 262% and 280% year-on-year, respectively. Such increase was mainly due to an increase of commodity prices supported by the recovery of the economy together with the sufficient liquidity, and the continues high record of iron ore and copper prices.

CITIC Pacific Special Steel actively explore the market and continuously optimize the product structure, gave full play to the scale effects by adopting multiple measures such as the coordination of sales, purchase and production under group's management to reduce costs and improve efficiency. It achieved revenue of RMB49,087 million and net profit attributable to ordinary shareholders of RMB4,188 million, representing an increase of 35% and 52% year-on-year.

Benefit from the rising iron ore price and continuous cost control, the performance of **Sino Iron** increased significantly year-on-year, and the main operating indicators were the best records in the same period in history. In the first half of 2021, 10.57 million wet tons of ore iron were shipped, with a year-on-year increase of 8.5%, and the effective operation rate has reached the advanced level of similar mines.

CITIC Metal Group carried out its operations complying with commodity price cycles. Its revenue and net profit attributable to the parent increased by 83% and 153% year-on-year to HK$68,096 million and HK$1,760 million, respectively. The company took advantage of the opportunity of the rising commodity prices, the trading volume of iron ore, niobium products and copper increased, and the profit of trading business increased by 197% year-on-year. The copper mine in Las Bambas, Peru recorded a significant growth in profit compared to the same period and driving the profit of mining investment business to increase by 62%.

CITIC Resources recorded revenue of HK$1,703 million for the first half of the year, representing an increase of 38% year on year. Profit attributable to ordinary shareholders amounted to HK$427 million, representing a turnaround from loss to profit year on year. Benefited from the rising product prices and refinement of production management, the performance of crude oil and electrolytic aluminium business has both improved significantly. While the company further reduced the finance cost by optimizing the debt structure.

CITIC Pacific Energy recorded profit of HK$289 million for the first half of the year, representing a decrease of 18% year on year. The power generation business turned from profit to loss due to the increase in coal prices, while the coal sales volume and price of Xin Julong coal mine both increased, and net profit rose by 15% year on year.

New consumption

	Half-year ended 30 June		Increase/(Decrease)			
HK$ million	**2021**	2020	Amount	%	Comparable basis[Note] (%)	Excluding the effect of currency translation on a comparable basis[Note] (%)
Revenue from external customers	**32,885**	35,415	(2,530)	(7.1%)	25%	17%
Net profit	**1,182**	(14)	1,196	Turn loss to profit	317%	368%
Profit attributable to ordinary shareholders	**791**	(31)	822	Turn loss to profit	Turn loss to profit	Turn loss to profit
Assets (as compared with that of the end of 2020)	**75,602**	76,157	(555)	(0.7%)	N/A	(1.5%)

Note: The comparable basis refers to the calculation without consolidating McDonald's China's financial statements for the same period last year.

In the first half of 2021, this segment recorded revenue of HK$32,885 million, profit of HK$1,182 million and profit attributable to ordinary shareholders of HK$791 million, representing an increase of 25%, 317% and a turnaround from loss to profit year on year on a comparable basis, respectively. Such increase was mainly attributable to the gradual recovery of the consumer market.

CITIC Press recorded revenue of RMB$952 million and profit attributable to ordinary shareholders of RMB$145 million for the first half of the year, representing an increase of 19% and 52% year on year, respectively. Book sales revenue increased by 12%, maintaining a steady improvement. While the retail business actively explored new modes of offline store operation, and the performance of brick-and-mortar bookstores gradually recovered and their losses were greatly reduced.

Dah Chong Hong recorded a significant year-on-year increase of 19% in the motor unit sold for the first half of the year, and revenue from consumer products and other businesses increased by 9%, while overall revenue rose by 28% to HK$26,660 million. Dah Chong Hong recorded profit of HK$280 million, representing a turnaround from loss to profit year on year.

CITIC Telecom International recorded revenue of HK$4,795 million for the first half of the year, representing an increase of 9.4% year on year, which was driven by the increase in mobile phone and equipment sales. Profit attributable to ordinary shareholders amounted to HK$534 million, representing an increase of 4.2% year on year.

New-Type Urbanisation

HK$ million	Half-year ended 30 June 2021	2020	Increase/(Decrease) Amount	%	Excluding the effect of currency translation (%)
Revenue from external customers	**22,195**	14,454	7,741	54%	42%
Net profit	**3,338**	4,254	(916)	(22%)	(23%)
Profit attributable to ordinary shareholders	**3,145**	4,014	(869)	(22%)	(23%)
Assets (as compared with that of the end of 2020)	**319,719**	309,736	9,983	3.2%	2.6%

In the first half of 2021, this segment realised revenue of HK$22,195 million, up by 54% year on year, and recorded a net profit of HK$3,338 million and net profit attributable to ordinary shareholders of HK$3,145 million, both down by 22% year on year. The year-on-year profit decrease was mainly due to the impairment provision for trade receivables of some project.

Property development, operation and management companies such as **CITIC Pacific Properties** and **CITIC Urban Development** registered total revenue of HK$3,390 million, up by 13%, and a net profit attributable to ordinary shareholders of HK$3,460 million, up by 24% year on year, net of the impact of one-off revaluation a gain of project acquired in previous year of HK$750 million. The increase in both revenue and profits were mainly derived from the sales of projects such as The Entrance at Ma On Shan, Hong Kong, Kadooria Project and Yangzhou Jinyuan. Property occupancy rate continued to recover.

By virtue of deep development in key regional markets and accelerating progress of major projects, construction and engineering companies such as **CITIC Construction** and **CITIC Engineering** achieved total revenue of HK$14,511 million and newly contracted value of about RMB17,700 million, up by 89% and 34% year on year respectively. However, as the collection of receivables for some project was delayed due to economic fluctuations and COVID-19, the company made impairment provision therefore. Exclude the impact of abovementioned, it achieved a total operating profit of HK$1,025 million, an increase of 143% year-on-year.

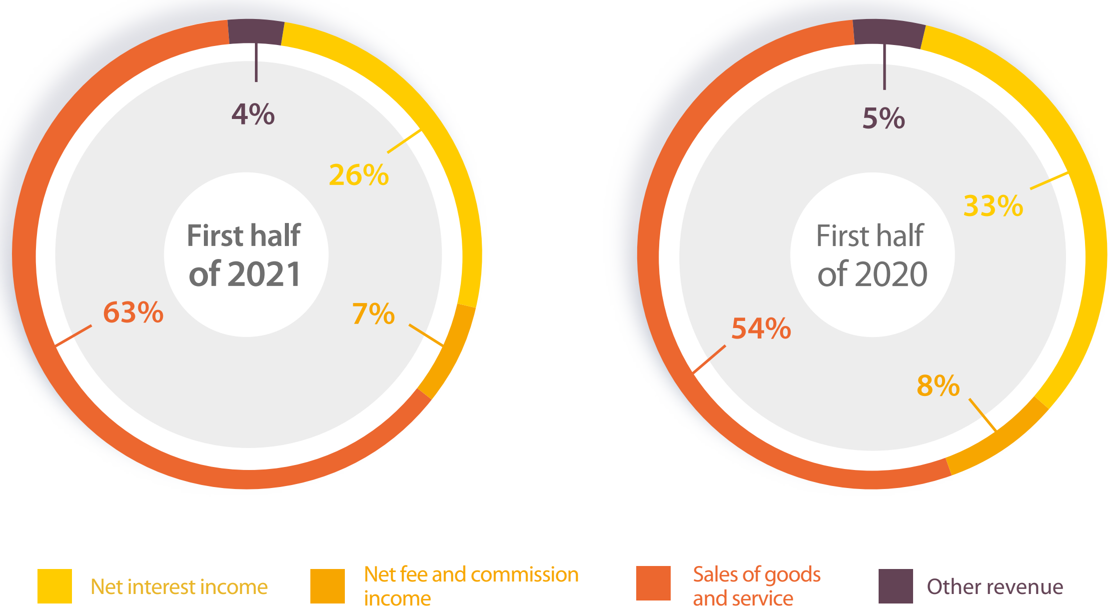
The **urban operation companies** achieved total revenue of HK$4,294 million and a net profit attributable to ordinary shareholders of HK$460 million for the first half of the year, up by 13% and 65% year on year respectively, mainly due to the increase in revenue from the circular economy industrial park of **CITIC Environment**, the rapid recovery of **CITIC COHC's** offshore oil business, and the significant increase of customer visits in Jiangyin Lingang Hospital under **CITIC Pacific Healthcare**.

Group Financial Results

Revenue

by nature

HK$ million	Half-year 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%



Notes: 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.

Expected credit losses and other impairment losses

In the first half of 2021, expected credit losses and other impairment losses of HK$59,514 million were recorded, an increase of 10% from the same period last year. CITIC Bank accounted for HK$54,393 million of these losses, including HK$38,475 million expected credited losses in its loans and advances to customers.

Net finance charges

Finance costs of the Group decreased HK$1,365 million, or 22% from the first half of 2020 to HK$4,784 million in the first half of 2021, mainly due to a lower average cost of debt during the period.

In the first half of 2021, the finance income of the Group amounted to HK$1,424 million, mainly due to the increase in interest income from bank deposits, a increase of HK$387 million, or 37% from the first half of 2020.

Income tax

Income tax of the Group in the first half of 2021 was HK$10,448 million, a increase of HK$1,813 million, or 21% compared with the same period last year. This was consistent with the increase in profit before taxation.

Group Cash Flows

	CITIC Limited Half-year ended 30 June				Including: CITIC Bank Half-year ended 30 June			
			Increase/(Decrease)				Increase/(Decrease)	
HK$ million	2021	2020	Amount	%	2021	2020	Amount	%
Net cash (used in)/generated from operating activities	(226,732)	73,458	(300,190)	(409%)	(225,735)	73,825	(299,560)	(406%)
Net cash used in investing activities	(148,665)	(126,219)	(22,446)	(18%)	(144,799)	(128,946)	(15,853)	(12%)
Including: Proceeds from disposal and redemption of financial investments	2,030,707	1,281,949	748,758	58%	1,973,270	1,260,315	712,955	57%
Payments for purchase of financial investments	(2,162,949)	(1,402,572)	(760,377)	(54%)	(2,117,339)	(1,388,549)	(728,790)	(52%)
Net cash generated from/(used in) financing activities	223,051	(24,929)	247,980	995%	232,853	(27,041)	259,894	961%
Including: Proceeds from new bank and other loans and new debt instruments issued	684,504	365,560	318,944	87%	603,852	291,462	312,390	107%
Repayment of bank and other loans and debt instruments issued	(485,703)	(364,030)	(121,673)	(33%)	(402,604)	(303,528)	(99,076)	(33%)
Interest paid on bank and other loans and debt instruments issued	(19,552)	(18,754)	(798)	(4.3%)	(14,148)	(12,951)	(1,197)	(9.0%)
Dividends paid to non-controlling interests	(1,398)	(1,210)	(188)	(16%)	(222)	(226)	4	2.0%
Net decrease in cash and cash equivalents	(152,346)	(77,690)	(74,656)	(96%)	(137,681)	(82,162)	(55,519)	(68%)
Cash and cash equivalents at 1 January	452,702	463,038	(10,336)	(2.2%)	379,694	382,291	(2,597)	(1.0%)
Effect of exchange rate changes	1,931	(5,290)	7,221	137%	1,601	(4,047)	5,648	140%
Cash and cash equivalents at 30 June	302,287	380,058	(77,771)	(20%)	243,614	296,082	(52,468)	(18%)

Capital expenditure

HK$ million	Half-year 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%

Capital commitments

As at 30 June 2021, the contracted capital commitments of the Group amounted to approximately HK$26,550 million, details of which are set out in Note 28(f) to the financial statements.

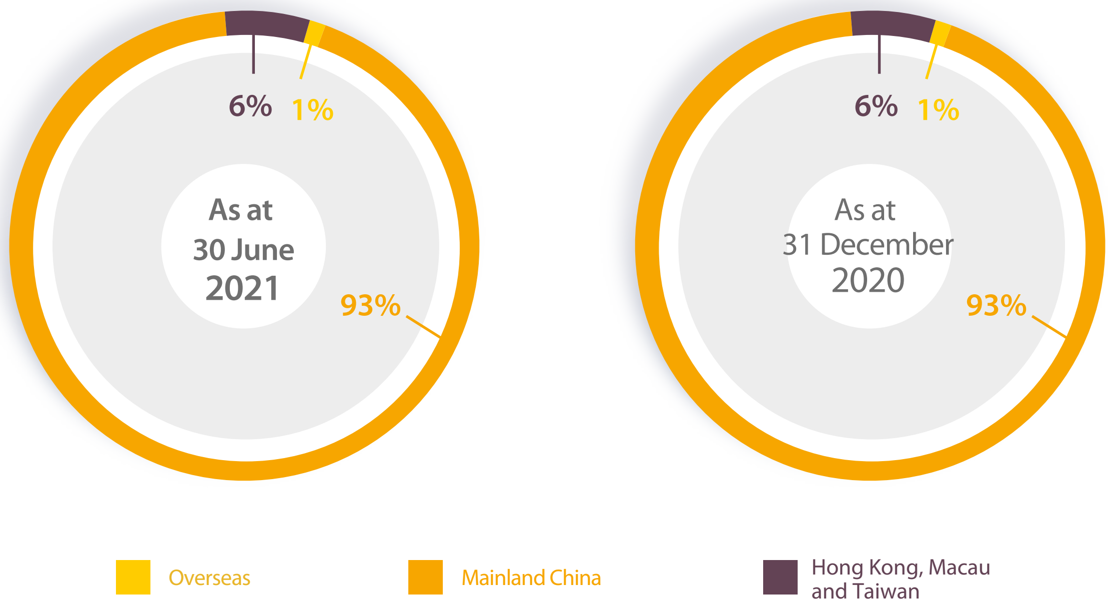
Group Financial Position

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%
Placement 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%

Total assets

Total assets was HK$10,230,358 million at 30 June 2021, an increase of HK$489,530 million or 5% compared with 31 December 2020, which was mainly attributed to an increase in loans and advances to customers and other parties, investments in financial assets.

By geography



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 percentage point 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%
Allowance for impairment losses	(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 FVPL				
Personal loans	–	8,465	(8,465)	(100%)
Loans and advances to customers and other parties at FVOCI				
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 at FVOCI	515,470	488,811	26,659	5.5%
Total carrying amount of loans and advances	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 percentage point 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 category

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 decrease of 0.29 percentage point 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%

Bank and other loans

HK$ million	**As at 30 June 2021**	As at 31 December 2020	Increase/(Decrease) Amount	%
Comprehensive financial services	**6,645**	2,382	4,263	179%
Advanced intelligent manufacturing	**13,896**	15,867	(1,971)	(12%)
Advanced materials	**56,604**	53,753	2,851	5.3%
New consumption	**8,173**	10,301	(2,128)	(21%)
New-type urbanisation	**45,213**	39,217	5,996	15%
Operation management	**85,741**	82,529	3,212	3.9%
Elimination	**(43,067)**	(40,878)	(2,189)	(5.4%)
Sub-total	**173,205**	163,171	10,034	6.1%
Accrued interest	**471**	433	38	8.8%
Total	**173,676**	163,604	10,072	6.2%

Debt instruments issued

HK$ million	As at 30 June 2021	As at 31 December 2020	Increase/(Decrease) Amount	%
Comprehensive financial services	1,079,297	872,734	206,563	24%
Advanced intelligent manufacturing	–	–	–	–
Advanced materials	2,404	772	1,632	211%
New consumption	3,498	3,496	2	0.1%
New-type urbanisation	364	360	4	1.1%
Operation management	112,896	121,736	(8,840)	(7.3%)
Elimination	(31,185)	(30,567)	(618)	(2.0%)
Sub-total	1,167,274	968,531	198,743	21%
Accrued interest	6,245	5,327	918	17%
Total	1,173,519	973,858	199,661	21%

Total ordinary shareholders' funds

As at 30 June 2021, total ordinary shareholders' funds of the Group was HK$715,068 million, an increase of HK$40,792 million compared with 31 December 2020, which was mainly due to profit attributable to ordinary shareholders of HK$44,175 million, exchange gains of HK$10,630 million resulted from RMB appreciation and final dividend of 2020 HK$11,287 million paid in the first half of 2021.

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

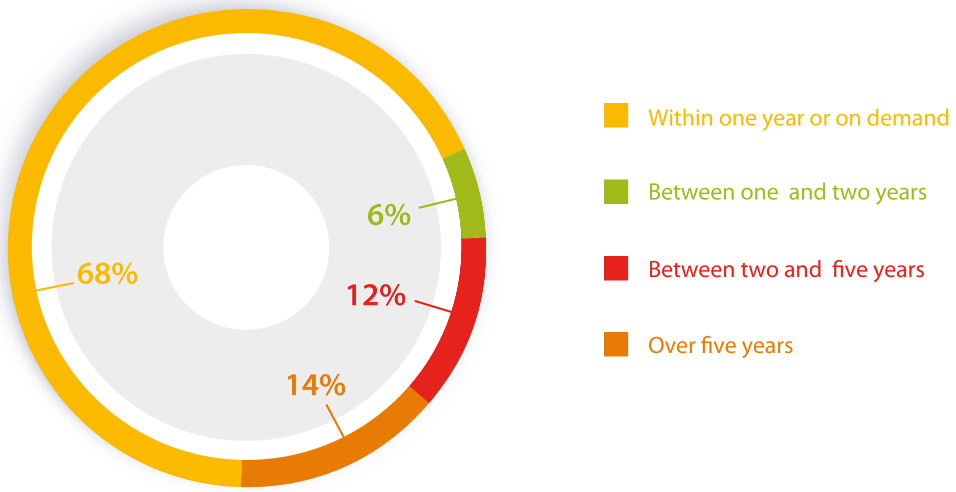
Note:

(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;

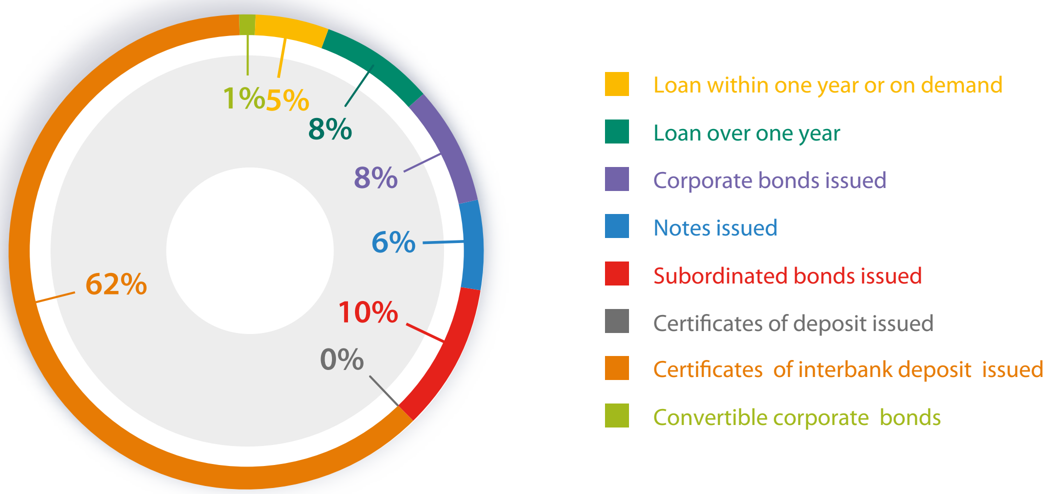
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

(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:

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.

Details of liquidity risk management are set out in Note 29(b) to the consolidated financial statements.

3. **Contingent liabilities and commitments**

Details of contingent liabilities and commitments of CITIC Limited as at 30 June 2021 are set out in Note 28 to the consolidated financial statements.

4. **Pledged loan**

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the interests in associates pledged as security for CITIC Limited's loan as at 30 June 2021 are set out in Note 25(d) to the consolidated financial statements.

5. **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.

   Details of interest rate risk management are set out in Note 29(c) to the consolidated financial statements.

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.

   Details of currency risk management are set out in Note 29(d) to the consolidated financial statements.

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.

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this Annual Report are historical in nature. Past performance is no guarantee of the future results of CITIC Limited. This Annual Report may contain forward looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward looking statements and opinions. None of CITIC Limited, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Half-year Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

Consolidated Income Statement

For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
	Note	2021 HK$ million	2020 HK$ million
Interest income		184,307	165,996
Interest expenses		(93,473)	(82,984)
Net interest income	5(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	5(b)	26,304	20,790
Sales of goods and services	5(c)	220,712	138,794
Other revenue	5(d)	15,071	13,206
		235,783	152,000
Total revenue		352,921	255,802
Cost of sales and services	6,9	(190,106)	(116,566)
Other net income	7	3,781	3,913
Expected credit losses		(58,838)	(53,025)
Impairment losses		(676)	(1,318)
Other operating expenses	9	(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	8	(3,360)	(5,112)
Profit before taxation	9	69,137	46,544
Income tax	10	(10,448)	(8,635)
Profit for the period		58,689	37,909

Consolidated Income Statement

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 HK$ million	 2020 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$)	12	**1.52**	0.93

The notes on pages 39 to 130 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 HK$ million	 2020 HK$ million
Profit for the period		**58,689**	37,909
Other comprehensive gain/(loss) for the period	13		
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

The notes on pages 39 to 130 form part of these condensed unaudited consolidated interim accounts.

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	15	704,169	755,386
Placements with banks and non-bank financial institutions		169,753	198,513
Derivative financial instruments	16	30,559	47,804
Trade and other receivables	17	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	18	5,535,826	5,206,155
Investments in financial assets	19		
– 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	20	145,985	131,040
Interests in joint ventures	21	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

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	22	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	16	31,190	49,808
Trade and other payables	23	181,335	160,943
Contract liabilities		30,140	28,092
Financial assets sold under repurchase agreements		85,140	94,774
Deposits from customers	24	5,643,341	5,427,694
Employee benefits payables		31,022	36,176
Income tax payable		12,235	13,448
Bank and other loans	25	173,676	163,604
Debt instruments issued	26	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	27		
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

Approved and authorised for issue by the board of directors on 27 August 2021.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 39 to 130 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Share capital HK$ million	Capital reserve HK$ million	Hedging reserve HK$ million	Investment related reserves HK$ million	General reserve HK$ million	Retained earnings HK$ million	Exchange reserve HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Six months ended 30 June 2021 (Unaudited)											
Balance at 1 January 2021		381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642
Profit for the period	9	–	–	–	–	–	44,175	–	44,175	14,514	58,689
Other comprehensive gain for the period	13	–	–	407	437	–	–	7,041	7,885	3,644	11,529
Total comprehensive income for the period		–	–	407	437	–	44,175	7,041	52,060	18,158	70,218
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	70	70
Extract general risk preparation		–	–	–	–	10	(10)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	11	–	–	–	–	–	(11,287)	–	(11,287)	–	(11,287)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(6,692)	(6,692)
Subsidiaries issue other equity instruments		–	–	–	–	–	–	–	–	47,952	47,952
Loss allowance on debt instruments at fair value through other comprehensive income		–	–	–	20	–	(20)	–	–	–	–
Others		–	19	–	–	–	–	–	19	(26)	(7)
Other changes in equity		–	19	–	20	10	(11,317)	–	(11,268)	41,304	30,036
Balance at 30 June 2021		381,710	(60,233)	1,607	2,214	58,224	327,051	4,495	715,068	393,828	1,108,896

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Note	Share capital HK$ million	Capital reserve HK$ million	Hedging reserve HK$ million	Investment related reserves HK$ million	General reserve HK$ million	Retained earnings HK$ million	Exchange reserve HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Six months ended 30 June 2020 (Unaudited)											
Balance at 1 January 2020		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491
Profit for the period	9	–	–	–	–	–	27,014	–	27,014	10,895	37,909
Other comprehensive loss for the period	13	–	–	(731)	(1,655)	–	–	(10,601)	(12,987)	(5,767)	(18,754)
Total comprehensive (loss)/income for the period		–	–	(731)	(1,655)	–	27,014	(10,601)	14,027	5,128	19,155
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	347	347
Dividends paid to ordinary shareholders of the Company	11	–	–	–	–	–	(8,291)	–	(8,291)	–	(8,291)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(5,907)	(5,907)
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(4,787)	(4,787)
Transactions with non-controlling interests		–	(363)	–	–	–	–	–	(363)	(150)	(513)
Others		–	64	–	–	–	–	–	64	(3)	61
Other changes in equity		–	(299)	–	–	–	(8,291)	–	(8,590)	(10,500)	(19,090)
Balance at 30 June 2020		381,710	(60,252)	992	2,891	51,145	274,530	(54,053)	596,963	297,593	894,556

The notes on pages 39 to 130 form part of these condensed unaudited consolidated interim account

Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 HK$ million	 2020 HK$ million
Cash flows from operating activities			
Profit before taxation		69,137	46,544
Adjustments for:			
– Depreciation and amortisation	9(b)	10,313	10,102
– Expected credit losses		58,838	53,025
– Impairment losses		676	1,318
– Net valuation loss on investment properties		224	110
– Net valuation (gain)/loss on investments		(4,121)	331
– Share of profits of associates and joint ventures, net of tax		(8,019)	(5,337)
– Interest expenses on debts instruments issued	5(a)	14,926	11,484
– Finance income	8	(1,424)	(1,037)
– Finance costs	8	4,784	6,149
– Net gain on investments in financial assets		(7,092)	(9,216)
– Net gain on disposal of subsidiaries, associates and joint ventures		(362)	(4,304)
		137,880	109,169
Changes in working capital			
Increase in deposits with central banks, banks and non-bank financial institutions		(42,111)	(2,895)
Increase in placements with banks and non-bank financial institutions		(19,312)	(10,331)
(Increase)/Decrease in trade and other receivables		(22,641)	3,533
Increase in contract assets		(2,966)	(915)
Increase in inventories		(20,425)	(5,052)
Decrease/(Increase) in financial assets held under resale agreements		25,592	(31,272)
Increase in loans and advances to customers and other parties		(305,270)	(247,033)
Increase in investments in financial assets held for trading purposes		(36,055)	(29,488)
Increase in other assets		(9,435)	(464)
(Decrease)/Increase in deposits from banks and non-bank financial institutions		(75,623)	47,303
Increase/(Decrease) in placements from banks and non-bank financial institutions		13,572	(23,472)
(Decrease)/Increase in financial liabilities at fair value through profit or loss		(9,386)	5,162
Increase/(Decrease) in trade and other payables		4,096	(19,907)
Increase in contract liabilities		2,048	3,905
Decrease in financial assets sold under repurchase agreements		(10,684)	(7,276)
Increase in deposits from customers		153,699	433,189
Increase/(Decrease) in borrowing from central banks		18,864	(125,359)
(Decrease)/Increase in other liabilities		(6,076)	678
Decrease in employee benefits payables		(5,154)	(5,230)
(Decrease)/Increase in provisions		(255)	386
Cash (used in)/generated from operating activities		(209,642)	94,631
Income tax paid		(17,090)	(21,173)
Net cash (used in)/generated from operating activities		(226,732)	73,458

Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Cash flows from investing activities		
Proceeds from disposal and redemption of financial investments	**2,030,707**	1,281,949
Proceeds from disposal of fixed assets, intangible assets and other assets	**695**	342
Proceeds from disposal of associates and joint ventures	**387**	430
Net cash received from disposal of subsidiaries	**19**	4,694
Dividends received from equity investments, associates and joint ventures	**2,072**	2,464
Payments for purchase of financial investments	**(2,162,949)**	(1,402,572)
Payments for additions of fixed assets, intangible assets and other assets	**(10,096)**	(7,877)
Net cash payment for acquisition of subsidiaries	**(27)**	(2,853)
Net cash payment for acquisition of associates and joint ventures	**(7,797)**	(1,287)
Net increase in restricted cash	**(1,676)**	(1,509)
Net cash used in investing activities	**(148,665)**	(126,219)
Cash flows from financing activities		
Capital injection received from non-controlling interests	**70**	265
Transaction with non-controlling interests	**–**	(3,535)
Proceeds from new bank and other loans	**80,653**	51,396
Repayment of bank and other loans and debt instruments issued	**(485,703)**	(364,030)
Proceeds from new debt instruments issued	**603,851**	314,164
Subsidiaries issue other equity instruments	**47,952**	–
Principal and interest elements of lease payment	**(2,822)**	(3,225)
Interest paid on bank and other loans and debt instruments issued	**(19,552)**	(18,754)
Dividends paid to non-controlling interests	**(1,398)**	(1,210)
Net cash generated/(used in) from financing activities	**223,051**	(24,929)
Net decrease in cash and cash equivalents	**(152,346)**	(77,690)
Cash and cash equivalents at 1 January	**452,702**	463,038
Effect of exchange changes	**1,931**	(5,290)
Cash and cash equivalents at 30 June	**302,287**	380,058

The notes on pages 39 to 130 form part of these condensed unaudited consolidated interim accounts.

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 and 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").

2 Basis of preparation (continued)

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
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)

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

The Group has not applied the following new standard which is not yet effective for the financial year beginning on or after 1 January 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 Critical accounting estimates and judgements

In addition to those described below, the accounting estimates and judgements required to be made in preparation of the Accounts are consistent with those set out in the Company's annual financial statements for the year ended 31 December 2020.

(a) 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 Group's Sino Iron project in Western Australia ("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 Pty Ltd. ("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.

3 Critical accounting estimates and judgements (continued)

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

Each of 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 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.

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.

3 Critical accounting estimates and judgements (continued)

(b) Mineralogy Pty Ltd. (“Mineralogy”) disputes (continued)

Option Agreement Dispute (continued)

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.

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.

3 Critical accounting estimates and judgements (continued)

(b) Mineralogy Pty Ltd. ("Mineralogy") disputes (continued)

FCD Indemnity Disputes (continued)

(i) Queensland Nickel FCD Indemnity Claim (continued)

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.

3 Critical accounting estimates and judgements (continued)

(b) 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.

3 Critical accounting estimates and judgements (continued)

(b) 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.

3 Critical accounting estimates and judgements (continued)

(b) 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.

3 Critical accounting estimates and judgements (continued)

(b) 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.

3 Critical accounting estimates and judgements (continued)

(b) 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".

3 Critical accounting estimates and judgements (continued)

(b) 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.

4 Taxation

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.

5 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 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods and services rendered to customers (Note 5(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.

5 Revenue (continued)

(a) Net interest income

	Six months ended 30 June	
	2021 HK$ million	2020 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).

5 Revenue (continued)

(b) Net fee and commission income

	Six months ended 30 June 2021 HK$ million	Six months ended 30 June 2020 HK$ million
Guarantee and advisory fees	3,102	2,786
Bank card fees	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 HK$ million	Six months ended 30 June 2020 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

(d) Other revenue

	Six months ended 30 June 2021 HK$ million	Six months ended 30 June 2020 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

5 Revenue (continued)

(d) Other revenue (continued)

(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

6 Costs of sales and services

	Six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Costs of goods sold	**166,250**	100,924
Costs of services rendered		
– costs of construction contracts	**14,761**	8,288
– costs of other services	**9,095**	7,354
	190,106	116,566

7 Other net income

	Six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	**358**	4,298
Net gain/(loss) on investments in financial assets under non-financial services segment	**484**	(1,618)
Net foreign exchange gain/(loss)	**913**	(82)
Others	**2,026**	1,315
	3,781	3,913

8 Net finance charges

	Six months ended 30 June	
	2021 HK$ million	2020 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

9 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 HK$ million	2020 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

9 Profit before taxation (continued)

(b) Other items

	Six months ended 30 June	
	2021 HK$ million	2020 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

10 Income tax expense

	Six months ended 30 June	
	2021 HK$ million	2020 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 particulars of the applicable income tax rates are disclosed in Note 4.

11 Dividends

	Six months ended 30 June	
	2021 **HK$ million**	2020 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

12 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 **HK$ million**	2020 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).

13 Other comprehensive gain/(loss)

Components of other comprehensive gain/(loss)

	Six months ended 30 June	
	2021 HK$ million	2020 HK$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on debt instruments at FVOCI	**2,128**	1,779
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	**(1,423)**	(4,169)
Tax effect	**(150)**	622
	555	(1,768)
Allowance change for impairment (loss)/gain on debt investments at FVOCI	**(350)**	609
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	**–**	–
Tax effect	**103**	(137)
	(247)	472
Gain/(loss) arising from cash flow hedge	**367**	(941)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	**31**	43
Tax effect	**5**	85
	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
Less: Tax effect	**–**	–
	–	59
Fair value changes on investments in equity instruments designated at FVOCI	**(17)**	37
Less: Tax effect	**5**	–
	(12)	37
	11,529	(18,754)

14 Segment reporting

The Group has presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and 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. 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.

(a) Segment results, assets and liabilities

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

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

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

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

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

14 Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for 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 5(a))	90,882	–	–	–	–	55	(103)	90,834
– Net fee and commission income (Note 5(b))	26,311	–	–	–	–	–	(7)	26,304
– Sales of goods (Note 5(c))	–	22,810	140,728	25,481	2,644	–	(365)	191,298
– Services rendered to customers-construction contracts (Note 5(c))	–	245	–	–	15,756	–	(148)	15,853
– Services rendered to customers-others (Note 5(c))	–	119	2,049	7,459	4,245	31	(342)	13,561
– Other revenue (Note 5(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/(losses) of joint ventures, net of tax	557	3	340	104	303	23	–	1,330
Finance income (Note 8)	–	54	215	43	1,110	368	(366)	1,424
Finance costs (Note 8)	–	(164)	(912)	(313)	(632)	(3,361)	598	(4,784)
Depreciation and amortisation (Note 9(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	(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

14 Segment reporting (continued)

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

	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 (Note 20)	56,018	476	25,060	10,431	52,266	1,734	–	145,985
Interests in joint ventures (Note 21)	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 25) (note)	6,645	13,896	56,604	8,173	45,213	85,741	(43,067)	173,205
Debt instruments issued (Note 26) (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.

14 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 5(a))	83,024	–	–	–	–	57	(69)	83,012
– Net fee and commission income (Note 5(b))	20,795	–	–	–	–	1	(6)	20,790
– Sales of goods (Note 5(c))	–	2,626	84,984	28,699	1,920	–	(248)	117,981
– Services rendered to customers-construction contracts (Note 5(c))	–	352	–	–	8,992	–	(213)	9,131
– Services rendered to customers-others (Note 5(c))	–	47	1,166	6,757	3,838	7	(133)	11,682
– Other revenue (Note 5(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 8)	–	68	125	47	633	713	(549)	1,037
Finance costs (Note 8)	–	(155)	(1,097)	(711)	(648)	(4,266)	728	(6,149)
Depreciation and amortisation (Note 9(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	(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

14 Segment reporting (continued)

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

	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(Note 20)	47,156	1,050	22,361	10,151	48,360	1,962	–	131,040
Interests in joint ventures(Note 21)	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 25) (note)	2,382	15,867	53,753	10,301	39,217	82,529	(40,878)	163,171
Debt instruments issued (Note 26) (note)	872,734	–	772	3,496	360	121,736	(30,567)	968,531

Note:

The amount is the principal excluding interest accrued.

14 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	
	2021 HK$ million	2020 HK$ million	**30 June 2021 HK$ million**	31 December 2020 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

15 Cash and deposits

	30 June 2021 HK$ million	31 December 2020 HK$ million
Cash	**7,169**	7,108
Bank deposits	**49,705**	57,468
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**468,712**	439,860
– Surplus deposit reserve funds (note (iii))	**48,998**	67,975
– Fiscal deposits (note (iv))	**6,327**	1,246
– Foreign exchange reserves (note (v))	**2,019**	3,802
Deposits with banks and non-bank financial institutions	**120,236**	177,241
	703,166	754,700
Accrued interest	**1,128**	841
	704,294	755,541
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions	**(125)**	(155)
	704,169	755,386

15 Cash and deposits (continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

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

As at 30 June 2021, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 9% (31 December 2020: 9%) of eligible RMB deposits for domestic branches of CITIC Bank and at 9% (31 December 2020: 9%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 7% (31 December 2020: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 30 June 2021.

As at 30 June 2021, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 6% (31 December 2020: 6%).

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

As at 30 June 2021, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 6% (31 December 2020: 6%) of eligible RMB deposits from the customers of CITIC Finance. CITIC Finance is also required to deposit an amount equivalent to 7% (31 December 2020: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

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

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

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$9,363 million (31 December 2020: HK$7,687 million) included in cash and deposits as at 30 June 2021 were restricted in use, mainly including pledged bank deposits and guaranteed deposits.

16 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards, swaps and option transactions. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer-initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

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

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks. Hedging instruments are derivatives used as hedge accounting, and non-hedging instruments are derivatives not used as hedge accounting.

	30 June 2021			31 December 2020		
	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge						
– Currency derivatives	2,212	13	–	464	–	10
Cash flow hedge						
– Interest rate derivatives	16,182	–	1,674	13,182	–	2,068
– Currency derivatives	1,201	7	9	1,059	–	16
– Other derivatives	425	45	12	1,302	72	51
Non-hedging instruments						
– Interest rate derivatives	3,219,905	8,544	8,428	3,633,451	11,163	10,856
– Currency derivatives	2,486,491	21,111	21,033	2,351,464	36,175	36,313
– Precious metals derivatives	17,335	721	32	22,866	362	99
– Other derivatives	12,537	118	2	11,274	32	395
	5,756,288	30,559	31,190	6,035,062	47,804	49,808

16 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	30 June 2021 HK$ million	31 December 2020 HK$ million
Within 3 months	2,407,479	2,321,724
Between 3 months and 1 year	2,002,547	2,457,596
Between 1 year and 5 years	1,303,988	1,220,322
Over 5 years	42,274	35,420
	5,756,288	6,035,062

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

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking and Insurance Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 30 June 2021, the credit risk weighted amount for counterparty was HK$24,174 million (31 December 2020: HK$27,546 million).

17 Trade and other receivables

	30 June 2021 HK$ million	31 December 2020 HK$ million
Account and bills receivables	67,708	58,587
Advanced payments and settlement accounts	53,727	20,772
Prepayments, deposits and other receivables	82,129	100,051
	203,564	179,410
Less: allowance for impairment losses	(12,275)	(9,687)
	191,289	169,723

As at 30 June 2021, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$5,228 million (31 December 2020: HK$5,385 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

18 Loans and advances to customers and other parties

(a) Loans and advances to customers and other parties analysed by nature

	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)

18 Loans and advances to customers and other parties (continued)

(b) Assessment method of allowance for impairment losses

	As at 30 June 2021				
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 (note) HK$ million	Total HK$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	4,946,878	126,023	98,609	5,171,510	1.74%
Accrued interest	13,834	1,609	217	15,660	
Less: allowance for impairment losses	(62,207)	(34,250)	(70,357)	(166,814)	
Carrying amount of loans and advances at amortised cost	4,898,505	93,382	28,469	5,020,356	
Carrying amount of loans and advances at FVOCI	514,186	1,160	124	515,470	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,412,691	94,542	28,593	5,535,826	
Allowance for impairment losses of loans and advances at FVOCI	(723)	(36)	(55)	(814)	

18 Loans and advances to customers and other parties (continued)

(b) Assessment method of allowance for impairment losses (continued)

As at 31 December 2020

	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 (note) HK$ million	Total HK$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	4,627,830	127,027	95,058	4,849,915	1.78%
Accrued interest	13,169	1,799	214	15,182	
Less: allowance for impairment losses	(51,887)	(39,607)	(64,724)	(156,218)	
Carrying amount of loans and advances at amortised cost	4,589,112	89,219	30,548	4,708,879	
Carrying amount of loans and advances at FVOCI	488,704	97	10	488,811	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,077,816	89,316	30,558	5,197,690	
Allowance for impairment losses of loans and advances at FVOCI	(640)	(5)	(8)	(653)	

Note:

Loans and advances at stage 3 are credit-impaired, details are as follows:

	As at 30 June 2021 HK$ million	As at 31 December 2020 HK$ million
Secured portion	68,064	61,482
Unsecured portion	30,669	33,586
Total	98,733	95,068
Allowance for impairment losses	(70,412)	(64,732)

As at 30 June 2021 the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK$69,803 million (31 December 2020: HK$62,425 million).

18 Loans and advances to customers and other parties (continued)

(c) Overdue loans by overdue period

	As at 30 June 2021				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	14,883	11,122	786	311	27,102
Guaranteed loans	1,972	4,144	4,902	298	11,316
Secured loans					
– Loans secured by collateral	14,070	13,984	20,563	1,014	49,631
– Pledged loans	11,153	1,029	2,127	121	14,430
	42,078	30,279	28,378	1,744	102,479

	As at 31 December 2020				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	19,616	10,984	538	535	31,673
Guaranteed loans	4,460	9,152	3,224	362	17,198
Secured loans					
– Loans secured by collateral	11,021	20,206	14,390	1,196	46,813
– Pledged loans	10,691	788	2,143	346	13,968
	45,788	41,130	20,295	2,439	109,652

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

19 Investments in financial assets

(a) Analysed by types

	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 (note (i))		
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 (note(i))		
Equity investment	8,661	7,639
Investment funds	395	384
	9,056	8,023
	2,752,710	2,553,067

19 Investments in financial assets (continued)

(a) Analysed by types (continued)

Notes:

(i) Financial assets measured at FVOCI

	As at 30 June 2021		
	Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	10,037	771,934	781,971
Accumulative fair value change in OCI	(981)	958	(23)
Accrued interest	–	7,327	7,327
Carrying amount	9,056	780,219	789,275
Allowance for impairment losses	N/A	(2,747)	(2,747)

	As at 31 December 2020		
	Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	9,034	851,767	860,801
Accumulative fair value change in OCI	(1,011)	682	(329)
Accrued interest	–	7,806	7,806
Carrying amount	8,023	860,255	868,278
Allowance for impairment losses	N/A	(3,148)	(3,148)

19 Investments in financial assets (continued)

(b) Analysed by counterparties

	30 June 2021 HK$ million	31 December 2020 HK$ million
Issued by:		
– Government	1,052,763	998,531
– Policy banks	144,236	140,995
– Banks and non-bank financial institutions	1,358,468	1,228,437
– Corporates	172,050	162,058
– Public entities	2,890	3,078
	2,730,407	2,533,099
Accrued interest	22,303	19,968
	2,752,710	2,553,067
– Listed in Hong Kong	53,063	59,687
– Listed outside Hong Kong	2,200,430	2,010,976
– Unlisted	476,914	462,436
	2,730,407	2,533,099
Accrued interest	22,303	19,968
	2,752,710	2,553,067

Bonds traded in China's inter-bank bond market are "listed outside Hong Kong".

19 Investments in financial assets (continued)

(c) Analysed by assessment method of allowance for impairment losses

	As at 30 June 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Gross carrying amount of investments in financial assets at amortised cost	1,263,767	8,508	56,994	1,329,269
Accrued interest	14,798	80	98	14,976
Less: allowance for impairment losses	(5,956)	(4,159)	(24,053)	(34,168)
Carrying amount of investments in financial assets at amortised cost	1,272,609	4,429	33,039	1,310,077
Gross carrying amount of debt investments in financial assets at FVOCI	772,309	150	433	772,892
Accrued interest	7,250	–	77	7,327
Carrying amount of debt investments in financial assets at FVOCI	779,559	150	510	780,219
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,052,168	4,579	33,549	2,090,296
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,567)	(1)	(1,179)	(2,747)

19 Investments in financial assets (continued)

(c) Analysed by assessment method of allowance for impairment losses (continued)

	As at 31 December 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Gross carrying amount of investments in financial assets at amortised cost	1,122,763	5,158	33,875	1,161,796
Accrued interest	11,925	237	–	12,162
Less: allowance for impairment losses	(4,416)	(653)	(12,393)	(17,462)
Carrying amount of investments in financial assets at amortised cost	1,130,272	4,742	21,482	1,156,496
Gross carrying amount of debt investments in financial assets at FVOCI	851,754	155	540	852,449
Accrued interest	7,766	1	39	7,806
Carrying amount of debt investments in financial assets at FVOCI	859,520	156	579	860,255
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,989,792	4,898	22,061	2,016,751
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,784)	(2)	(1,362)	(3,148)

20 Interests in associates

	30 June 2021 HK$ million	31 December 2020 HK$ million
Carrying value	152,073	137,012
Less: allowance for impairment losses	(6,088)	(5,972)
	145,985	131,040

21 Interests in joint ventures

	30 June 2021 HK$ million	31 December 2020 HK$ million
Carrying value	53,857	51,963
Less: allowance for impairment losses	(1,489)	(1,676)
	52,368	50,287

22 Deposits from banks and non-bank financial institutions

	30 June 2021 HK$ million	31 December 2020 HK$ million
Banks	314,799	365,291
Non-bank financial institutions	990,916	1,000,980
	1,305,715	1,366,271
Accrued interest	5,788	4,168
	1,311,503	1,370,439
Analysed by remaining maturity:		
– On demand	806,955	768,681
– Within 3 months	166,094	251,155
– Between 3 months and 1 year	332,666	346,435
	1,305,715	1,366,271
Accrued interest	5,788	4,168
	1,311,503	1,370,439

23 Trade and other payables

	30 June 2021 HK$ million	31 December 2020 HK$ million
Account and bills payables	85,604	86,362
Advances from lessees	245	453
Other taxes payables	7,247	7,431
Settlement accounts	6,100	7,083
Dividend payables	16,881	300
Other payables	65,258	59,314
	181,335	160,943

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	30 June 2021 HK$ million	31 December 2020 HK$ million
Within 1 year	69,872	70,965
Between 1 and 2 years	3,725	3,343
Between 2 and 3 years	3,007	4,668
Over 3 years	9,000	7,386
	85,604	86,362

24 Deposits from customers

(a) Types of deposits from customers

	30 June 2021 HK$ million	31 December 2020 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 HK$ million	31 December 2020 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

25 Bank and other loans

(a) Types of loans

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

25 Bank and other loans (continued)

(b) Maturity of loans

	30 June 2021 HK$ million	31 December 2020 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

25 Bank and other loans (continued)

(c) Bank and other loans are denominated in the following currency

	30 June 2021 HK$ million	31 December 2020 HK$ million
RMB	42,684	39,330
US$	59,048	46,913
HK$	57,906	61,191
Other currencies	13,567	15,737
	173,205	163,171
Accrued interest	471	433
	173,676	163,604

(d) As at 30 June 2021, the Group's bank and other loans of HK$22,374 million (31 December 2020: HK$18,670 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the interests in associates with an aggregate carrying amount of HK$89,010 million (31 December 2020: HK$83,967 million).

(e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 29(b). As at 30 June 2021, none of the covenants relating to drawn down facilities have been breached (31 December 2020: Nil).

26 Debt instruments issued

	30 June 2021 HK$ million	31 December 2020 HK$ million
Corporate bonds issued (note (a))	105,603	112,959
Notes issued (note (b))	84,100	60,208
Subordinated bonds issued (note (c))	136,030	134,526
Certificates of deposit issued (note (d))	1,475	–
Certificates of interbank deposit issued (note (e))	824,061	645,179
Convertible corporate bonds (note (f))	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).

Notes:

(a) Corporate bonds issued

	30 June 2021 HK$ million	31 December 2020 HK$ million
The Company (note (i))	61,298	67,149
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	39,605	39,165
CITIC Telecom International Holdings Limited ("CITIC Telecom International") (note (iii))	3,498	3,496
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(iv))	1,202	3,149
	105,603	112,959

26 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(i) Details of corporate bonds issued by the Company

	As at 30 June 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 2.2	US$	250	2014-06-23	2021-12-14	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%
US$ Notes 22	US$	300	2020-02-25	2025-02-25	2.45%
US$ Notes 23	US$	700	2020-02-25	2030-02-25	2.85%

26 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(i) Details of corporate bonds issued by the Company (continued):

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%
US$ Notes 22	US$	300	2020-02-25	2025-02-25	2.45%
US$ Notes 23	US$	700	2020-02-25	2030-02-25	2.85%

26 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 30 June 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%

	As at 30 June 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%

26 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(iii) Details of corporate bonds issued by CITIC Telecom International

	As at 30 June 2021				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Guaranteed bonds	**US$**	**450**	**2013-03-05**	**2025-03-05**	**6.10%**

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

(iv) Details of corporate bonds issued by CITIC Pacific's subsidiaries

	As at 30 June 2021				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
19 Corporate bonds	**RMB**	**1,000**	**2019-05-20**	**2022-05-20**	**3.90%**

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
20 JLEPC SCP002	RMB	250	2020-04-13	2021-01-08	2.48%
20 JLEPC SCP003	RMB	200	2020-07-27	2021-04-03	3.00%
20 JLEPC SCP004	RMB	200	2020-08-26	2021-05-23	3.09%

26 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued

	30 June 2021 HK$ million	31 December 2020 HK$ million
CITIC Corporation (note (i))	13,194	13,045
CITIC Bank (note (ii))	70,542	41,844
CITIC Offshore Helicopter Company Limited (note (iii))	364	360
CITIC Trust Co., Ltd. (note (iv))	–	4,959
	84,100	60,208

(i) Details of notes issued by CITIC Corporation

As at 30 June 2021	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

As at 31 December 2020	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

26 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(ii) Details of notes issued by CITIC Bank

	As at 30 June 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	US$	550	2017-12-14	2022-12-15	Three-month Libor+1%
Financial bonds	US$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%
Financial bonds	US$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	US$	550	2017-12-14	2022-12-15	Three-month Libor+1%
Financial bonds	US$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%

(iii) Details of notes issued by CITIC Offshore Helicopter Company Limited

	As at 30 June 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

26 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(iv) Details of notes issued by CITIC Trust Co., Ltd.

	As at 30 June 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Participation Notes	US$	5	2018-01-22	2023-01-22	Non fixed interest rate

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	2018-03-15	2021-03-15	4.75%
Participation Notes	US$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	HK$	1,200	2020-01-16	2021-01-13	2.55%
Guaranteed notes	HK$	930	2020-07-03	2021-07-01	2.55%
Guaranteed notes	US$	80	2020-12-30	2021-04-23	3.79%

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	30 June 2021 HK$ million	31 December 2020 HK$ million
Fixed rate notes maturing		
-In February 2029 (i)	3,864	3,865
Fixed rate bonds maturing		
- In June 2027 (ii)	24,022	23,748
- In September 2028 (iii)	36,048	35,638
- In October 2028 (iv)	24,032	23,758
- In August 2030 (v)	48,064	47,517
	136,030	134,526

26 Debt instruments issued (continued)

Notes (continued):

(c) Subordinated bonds issued (continued)

		As at 30 June 2021				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2019-02-28	2029-02-28	4.63%
(ii)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(iii)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(v)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-12	2030-08-14	3.87%

		As at 31 December 2020				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2019-02-28	2029-02-28	4.63%
(ii)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(iii)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(v)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-12	2030-08-14	3.87%

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging is from 0.25% to 0.40% per annum (31 December 2020: No certificates of deposit issued).

(e) Certificates of interbank deposit issued

As at 30 June 2021 CITIC Bank issued certain certificates of interbank deposit with a total value of RMB685,684 million (approximately HK$824,061 million) (31 December 2020: RMB543,008 million (approximately HK$645,179 million)). The yield ranges from 2.40% to 3.36% per annum (31 December 2020: 1.50% to 3.36% per annum). The original expiry terms are between three months to one year (31 December 2020: between one month to one year).

(f) Convertible corporate bonds

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019, of which RMB26,388 million (HK$30,890 million) has been subscribed by another subsidiary of the Group. CITIC Limited, as the parent company of CITIC Bank, subscribed for 65.97% in proportion to its shareholding in the Group's ordinary shares. The convertible bonds have a term of six years from 4 March 2019 to 3 March 2025, at annual coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 30 June 2021, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,385 million (HK$16,086 million) and non-controlling interests of RMB1,067 million (HK$1,213 million), respectively.

27 Share capital and capital management

(a) Share capital

As at 30 June 2021, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2020: 29,090,262,630).

(b) Capital management

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

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

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 30 June 2021 (31 December 2020: Nil).

28 Contingent liabilities and commitments

(a) Credit commitments

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

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

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

	30 June 2021 HK$ million	31 December 2020 HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**16,683**	16,797
With an original maturity of 1 year or above	**38,597**	42,173
	55,280	58,970
Credit card commitments	**823,392**	740,790
Acceptances	**743,734**	664,777
Guarantees	**246,862**	148,767
Letters of credit	**140,959**	143,619
	2,010,227	1,756,923

28 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2021 HK$ million	31 December 2020 HK$ million
Credit risk weighted amount on credit commitments	556,671	520,212

Notes:

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

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

(c) Redemption commitment for treasury bonds

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

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

	30 June 2021 HK$ million	31 December 2020 HK$ million
Redemption commitment for treasury bonds	14,345	13,761

As at 30 June 2021, the original maturities of these bonds vary from 1 to 5 years (31 December 2020: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

28 Contingent liabilities and commitments (continued)

(d) Guarantees provided

In addition to guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	30 June 2021 HK$ million	31 December 2020 HK$ million
Related parties (note)	7,490	10,936
Third parties	1,921	2,063
	9,411	12,999

As at balance date, the counter guarantees issued to the Group by related parties and third parties mentioned above are as follows:

	30 June 2021 HK$ million	31 December 2020 HK$ million
Related parties (note)	1,202	1,188
Third parties	196	242
	1,398	1,430

Note:

As at 30 June 2021, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016, amounting to RMB1,000 million(approximately HK$1,202 million) (31 December 2020: RMB1,000 million (approximately HK$1,188 million)). China Overseas which has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 30.

28 Contingent liabilities and commitments (continued)

(e) 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.

(i) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3(b).

(ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3(a).

(f) Capital commitments

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

	30 June 2021 HK$ million	31 December 2020 HK$ million
Contracted for	26,550	27,075

29 Financial risk management and fair values

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

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

29 Financial risk management and fair values (continued)

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loans and advances to customers, treasury business, off-balance sheet item and receivables arising from sale of goods and rendering of services.

The Group has standardised management on the entire credit business process including loan application, and its investigation approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the liquidation and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management level of the Group has been comprehensively improved.

In addition to the credit risk to the Group caused by credit assets, for treasury business, the Group manages the credit risk for treasury business through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

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

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of the expected credit losses ("ECL")

The Group adopts the "ECL model" on its debt instruments which are classified as financial assets measured at amortised cost and at FVOCI, credit commitments and financial guarantees in accordance with the provisions of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for account and bills receivables and contract assets, regardless whether there is significant financing component or not. For other financial assets that are included in the measurement of ECL, the Group evaluates whether the credit risks of related financial assets have increased significantly since initial recognition. The "three-stage" impairment model is used to measure their loss allowances respectively to recognise ECL and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since its initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the ECL in the next 12 months, which represents the proportion of the ECL in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The ECL of financial instruments in stage 2 is measured based on the lifetime ECL.

Stage 3: If the financial instruments are credit-impaired after initial recognition, it will be moved to stage 3. The ECL of financial instruments in stage 3 is measured based on the lifetime ECL.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at the initial recognition. Loss allowances on these assets are the lifetime ECL.

The Group estimates the ECL in accordance with HKFRS 9, and the key judgments and assumptions adopted by the Group are as follows:

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of the expected credit losses ("ECL") (continued)

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) default probability of borrower/debtor increases; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

(2) Definition of default and credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

– The issuer or borrower/debtor is in significant financial difficulties;

– The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc.;

– The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;

– It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;

– An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;

– Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's expected credit loss calculation process.

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of the expected credit losses ("ECL") (continued)

(3) Inputs for measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

– The probability of default ("PD") represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.

– Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.

– Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of expected credit losses, including the PD and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

During the reporting period, there were no significant changes in the estimation technology or key assumptions.

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each asset portfolio.

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a yearly basis, and the impact of these economic variables on the PD and the EAD was determined by statistical regression analysis.

In addition to the base economic scenario, the Group determines the possible scenarios and their weighting by a combination of statistical analysis and expert judgment. The Group measures ECL as either a probability weighted 12 months ECL (stage 1) or a probability weight lifetime ECL (stage 2 and stage 3). These probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of the expected credit losses ("ECL") (continued)

Macroeconomic scenario and weighting information

The Group builds its own macro forecasting model, and through historical data analysis, identifies key economic indicators that affect the credit risk and expected credit loss of various business types, such as gross domestic product (GDP), urban registered unemployment rate, industrial added value, total retail sales of consumer goods and broad money supply, etc.

(i) Maximum credit risk exposure

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

	30 June 2021 HK$ million	31 December 2020 HK$ million
Deposits with central banks, banks and non-bank financial institutions	697,000	748,278
Placements with banks and non-bank financial institutions	169,753	198,513
Trade and other receivables	169,498	135,276
Financial assets held under resale agreements	118,984	143,029
Loans and advances to customers and other parties	5,535,826	5,197,690
Investments in financial assets		
– At amortised cost	1,310,077	1,156,496
– Debt investments at FVOCI	780,219	860,255
Contract assets	16,585	13,619
Other financial assets	7,258	4,110
	8,805,200	8,457,266
Credit commitments and guarantees provided	2,019,638	1,769,922
Maximum credit risk exposure	10,824,838	10,227,188

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

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

	30 June 2021 HK$ million	31 December 2020 HK$ million
Derivative financial instruments	30,559	47,804
Loans and advances to customers and other parties at FVPL	–	8,465
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	594,913	482,911
Maximum credit risk exposure	625,472	539,180

(ii) Expected credit losses

The following table explains the changes in the gross carrying amount for loans and advances to customers and other parties for the period:

	Six months ended 30 June 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	5,129,703	128,923	95,282	5,353,908
Movements:				
Net transfers out from stage 1	(75,534)	–	–	(75,534)
Net transfers into stage 2	–	28,108	–	28,108
Net transfers into stage 3	–	–	47,426	47,426
Net increase/(decrease) during the period (note (i))	346,223	(28,391)	(8,803)	309,029
Write offs	–	–	(36,160)	(36,160)
Others (note (ii))	74,506	152	1,205	75,863
Balance at 30 June 2021	5,474,898	128,792	98,950	5,702,640

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

	Six months ended 30 June 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(80,967)	–	–	(80,967)
Net transfers into stage 2	–	30,196	–	30,196
Net transfers into stage 3	–	–	50,771	50,771
Net increase/ (decrease) during the period (note (i))	266,537	(7,375)	(6,320)	252,842
Write offs	–	–	(25,985)	(25,985)
Others (note (ii))	(77,982)	(2,288)	(1,667)	(81,937)
Balance at 30 June 2020	4,411,011	132,085	94,745	4,637,841

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

The following table explains the changes in the gross carrying amount for investments in financial assets for the period:

	Six months ended 30 June 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	1,994,208	5,551	34,454	2,034,213
Movements:				
Net transfers out from stage 1	(9,207)	–	–	(9,207)
Net transfers out from stage 2	–	6,535	–	6,535
Net transfers into stage 3	–	–	2,672	2,672
Net increase/(decrease) during the period (note (i))	48,061	(3,245)	19,886	64,702
Write offs	–	–	–	–
Others (note (ii))	25,062	(103)	590	25,549
Balance at 30 June 2021	2,058,124	8,738	57,602	2,124,464

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

	Six months ended 30 June 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	1,727,835	12,932	10,836	1,751,603
Movements:				
Net transfers out from stage 1	(1,998)	–	–	(1,998)
Net transfers out from stage 2	–	(8,845)	–	(8,845)
Net transfers into stage 3	–	–	10,843	10,843
Net increase/ (decrease) during the period (note (i))	146,252	(113)	(278)	145,861
Write offs	–	–	–	–
Others (note (ii))	(29,092)	(146)	(303)	(29,541)
Balance at 30 June 2020	1,842,997	3,828	21,098	1,867,923

Notes:

(i) Net increase/(decrease) mainly includes changes in carrying amount due to new purchased or originated credit-impaired financial assets or de-recognition other than write-off.

(ii) Others includes changes in interest accrual and exchange adjustment.

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

Movements of the loss allowances for loans and advances to customers and other parties for the period is as follows:

	Six months ended 30 June 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	52,527	39,612	64,732	156,871
Movements (note (iii)):				
Net transfers out from stage 1	714	–	–	714
Net transfers into stage 2	–	(3,411)	–	(3,411)
Net transfers into stage 3	–	–	31,870	31,870
Net increase/(decrease) during the period (note (iv))	7,175	(5,791)	(1,264)	120
Write offs	–	–	(36,160)	(36,160)
Parameters change for the period (note (v))	2,095	3,440	3,948	9,483
Others (note (vi))	419	436	7,286	8,141
Balance at 30 June 2021	62,930	34,286	70,412	167,628

	Six months ended 30 June 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	44,014	30,234	60,274	134,522
Movements (note (iii)):				
Net transfers out from stage 1	(3,058)	–	–	(3,058)
Net transfers into stage 2	–	5,682	–	5,682
Net transfers into stage 3	–	–	35,608	35,608
Net increase/(decrease) during the period (note (iv))	3,956	(1,863)	(3,350)	(1,257)
Write offs	–	–	(25,985)	(25,985)
Parameters change for the period (note (v))	1,505	7,635	(3,366)	5,774
Others (note (vi))	687	(661)	3,121	3,147
Balance at 30 June 2020	47,104	41,027	66,302	154,433

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

Movements of the loss allowances for investments in financial assets for the period is as follows:

	Six months ended 30 June 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	6,200	655	13,755	20,610
Movements (note (iii)):				
Net transfers out from stage 1	(413)	–	–	(413)
Net transfers out from stage 2	–	1,026	–	1,026
Net transfers into stage 3	–	–	332	332
Net increase/(decrease) during the period (note (iv))	542	576	11,202	12,320
Write offs	–	–	–	–
Parameters change for the period (note (v))	37	1,889	(239)	1,687
Others (note (vi))	1,157	14	182	1,353
Balance at 30 June 2021	7,523	4,160	25,232	36,915

	Six months ended 30 June 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	5,698	518	4,274	10,490
Movements (note (iii)):				
Net transfers out from stage 1	(27)	–	–	(27)
Net transfers out from stage 2	–	(237)	–	(237)
Net transfers into stage 3	–	–	4,100	4,100
Net increase/(decrease) during the period (note (iv))	487	(1)	–	486
Write offs	–	–	–	–
Parameters change for the period (note (v))	1,540	248	1,300	3,088
Others (note (vi))	(89)	(10)	(129)	(228)
Balance at 30 June 2020	7,609	518	9,545	17,672

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

Notes:

(iii) Movements mainly includes the impacts to ECL due to changes in stages.

(iv) Net increase/(decrease) mainly includes changes in allowance of impairment due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.

(v) Parameters change mainly includes the impacts to ECL due to unwinding of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.

(vi) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

(iii) Loans and advances to customers and other parties analysed by industry sector:

	30 June 2021			31 December 2020		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Corporate loans						
- Real estate	360,765	6%	307,378	346,701	6%	294,392
- Rental and business services	532,163	9%	237,031	492,938	9%	237,558
- Manufacturing	415,701	7%	186,686	389,283	7%	182,953
- Water, environment and public utility management	443,874	8%	169,514	404,887	8%	161,041
- Wholesale and retail	191,955	3%	122,878	188,866	3%	125,297
- Transportation, storage and postal services	177,411	3%	91,985	160,123	3%	87,862
- Construction	139,690	2%	74,214	119,077	2%	65,382
- Production and supply of electric power, gas and water	116,719	2%	61,335	102,817	2%	50,739
- Public management and social organizations	14,239	1%	1,883	13,130	1%	914
- Others	419,408	7%	151,020	380,953	7%	142,282
	2,811,925	48%	1,403,924	2,598,775	48%	1,348,420
Personal loans	2,382,449	42%	1,593,657	2,254,861	42%	1,546,447
Discounted bills	492,606	9%	–	493,555	9%	–
	5,686,980	99%	2,997,581	5,347,191	99%	2,894,867
Accrued interest	15,660	1%	–	15,182	1%	–
	5,702,640	100%	2,997,581	5,362,373	100%	2,894,867

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

	30 June 2021			31 December 2020		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Mainland China	5,439,649	95%	2,892,396	5,121,823	95%	2,793,815
Hong Kong, Macau and Taiwan	216,538	3%	93,334	218,309	3%	98,355
Overseas	30,793	1%	11,851	7,059	1%	2,697
	5,686,980	99%	2,997,581	5,347,191	99%	2,894,867
Accrued interest	15,660	1%	–	15,182	1%	–
	5,702,640	100%	2,997,581	5,362,373	100%	2,894,867

(v) Loans and advances to customers and other parties analysed by type of security

	30 June 2021 HK$ million	31 December 2020 HK$ million
Unsecured loans	1,528,482	1,337,609
Guaranteed loans	668,311	621,160
Secured loans		
– Loans secured by collateral	2,404,303	2,353,265
– Pledged loans	593,278	541,602
	5,194,374	4,853,636
Discounted bills	492,606	493,555
	5,686,980	5,347,191
Accrued interest	15,660	15,182
Gross loans and advances	5,702,640	5,362,373

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

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

	30 June 2021		31 December 2020	
	Gross balance HK$ million	% of total loans and advances	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances	25,015	0.44%	26,175	0.49%
- Rescheduled loans and advances overdue more than 3 months	12,882	0.23%	16,841	0.31%

(vii) Offsetting

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

As at 30 June 2021, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsetting of any assets and liabilities in the consolidated balance sheet (31 December 2020: Nil).

(b) Liquidity risk

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

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

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

29 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	As at 30 June 2021					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	435,373	3,153,113	2,261,996	2,642,309	988,709	9,481,500
Total financial liabilities	(3,827,249)	(3,868,704)	(1,120,867)	(178,765)	(1,437)	(8,997,022)
Financial asset-liability gap	(3,391,876)	(715,591)	1,141,129	2,463,544	987,272	484,478

	As at 31 December 2020					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	373,894	3,432,386	2,291,302	2,071,776	873,982	9,043,340
Total financial liabilities	(3,715,743)	(3,580,295)	(1,127,948)	(174,575)	(6,284)	(8,604,845)
Financial asset-liability gap	(3,341,849)	(147,909)	1,163,354	1,897,201	867,698	438,495

29 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The table below presents the undiscounted cash flows of the Group's financial assets and liabilities according to the remaining period from the balance sheet date to the contract expiration date:

	As at 30 June 2021					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	435,373	3,427,645	2,812,402	3,411,678	1,001,682	11,088,780
Total financial liabilities	(3,827,249)	(4,288,413)	(1,256,600)	(210,451)	(1,437)	(9,584,150)
Financial asset-liability gap	(3,391,876)	(860,768)	1,555,802	3,201,227	1,000,245	1,504,630

	As at 31 December 2020					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	373,894	3,667,998	2,835,210	2,849,358	890,571	10,617,031
Total financial liabilities	(3,715,743)	(3,692,094)	(1,266,874)	(210,377)	(6,385)	(8,891,473)
Financial asset-liability gap	(3,341,849)	(24,096)	1,568,336	2,638,981	884,186	1,725,558

Note:

For cash and balances with central banks, the indefinite maturity date amount represented statutory deposit reserve funds and fiscal deposits maintained with the People's Bank of China. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite maturity date amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under indefinite maturity date.

29 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	As at 30 June 2021			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	6,180	12,986	36,114	55,280
Guarantees	77,973	62,135	851	140,959
Letters of credit	245,305	1,554	3	246,862
Acceptances	743,685	49	–	743,734
Credit card commitments	815,187	8,094	111	823,392
Total	1,888,330	84,818	37,079	2,010,227

	As at 31 December 2020			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	5,636	15,809	37,525	58,970
Guarantees	86,219	56,372	1,028	143,619
Letters of credit	148,465	302	–	148,767
Acceptances	664,777	–	–	664,777
Credit card commitments	733,483	7,270	37	740,790
Total	1,638,580	79,753	38,590	1,756,923

29 Financial risk management and fair values (continued)

(c) Interest rate risk

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

(i) Asset-liability gap

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

	As at 30 June 2021				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	748,318	6,788,988	1,451,758	492,436	9,481,500
Total financial liabilities	(350,926)	(7,364,087)	(1,078,039)	(203,970)	(8,997,022)
Financial asset-liability gap	397,392	(575,099)	373,719	288,466	484,478

	As at 31 December 2020				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	565,468	6,656,828	1,339,046	481,998	9,043,340
Total financial liabilities	(223,547)	(7,096,556)	(1,075,224)	(209,518)	(8,604,845)
Financial asset-liability gap	341,921	(439,728)	263,822	272,480	438,495

29 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	30 June 2021		31 December 2020	
	Effective interest rate	HK$ million	Effective interest rate	HK$ million
Assets				
Cash and deposits	1.50%-1.93%	704,169	1.51%-2.19%	755,386
Placements with banks and non-bank financial institutions	1.92%	169,753	1.90%	198,513
Financial assets held under resale agreements	1.91%	118,984	1.62%	143,029
Loans and advances to customers and other parties	5.05%	5,535,826	5.31%	5,206,155
Investments in financial assets	2.81%-2.99%	2,752,710	3.22%-4.00%	2,553,067
Others		948,916		884,678
		10,230,358		9,740,828
Liabilities				
Borrowing from central banks	3.01%	292,287	3.25%	266,611
Deposits from banks and non-bank financial institutions	2.52%	1,311,503	2.36%	1,370,439
Placements from banks and non-bank financial institutions	2.46%	88,655	2.39%	74,308
Financial assets sold under repurchase agreements	2.22%	85,140	2.03%	94,774
Deposits from customers	1.99%	5,643,341	2.10%	5,427,694
Bank and other loans	0.14%-8.00%	173,676	0.85%-8.00%	163,604
Debt instruments issued	2.45%-6.90%	1,173,519	2.45%-6.90%	973,858
Lease liabilities	2.28%-5.20%	19,750	2.20%-6.00%	18,267
Others		333,591		342,631
		9,121,462		8,732,186

29 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 30 June 2021, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$9,302 million (31 December 2020: decrease or increase by HK$5,161 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

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

The revenue from the Group's Sino Iron Project is denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group uses plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) are hedging against its US$ loans.

29 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in equivalent amount of HK$ million):

	As at 30 June 2021				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**217,041**	**464,836**	**8,737,189**	**62,434**	**9,481,500**
Total financial liabilities	**(280,154)**	**(503,710)**	**(8,168,836)**	**(44,322)**	**(8,997,022)**
Financial asset-liability gap	**(63,113)**	**(38,874)**	**568,353**	**18,112**	**484,478**

	As at 31 December 2020				
	HK$	US$	RMB	Others	Total
Total financial assets	194,230	442,334	8,340,808	65,968	9,043,340
Total financial liabilities	(270,868)	(482,330)	(7,798,994)	(52,653)	(8,604,845)
Financial asset-liability gap	(76,638)	(39,996)	541,814	13,315	438,495

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's comprehensive income.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 30 June 2021 would decrease or increase the Group's total comprehensive income by HK$5,476 million (31 December 2020: decrease or increase by HK$5,107 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the comprehensive income changes recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

29 Financial risk management and fair values (continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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

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

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

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

	As at 30 June 2021			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	–	10,659	–	10,659
Loans and advances to customers and other parties at FVOCI	–	515,470	–	515,470
Derivative financial assets	138	30,421	–	30,559
Investments in financial assets	292,622	1,099,649	50,362	1,442,633
	292,760	1,656,199	50,362	1,999,321
Liabilities				
Financial liabilities at FVPL	(356)	(189)	(3,573)	(4,118)
Derivative financial liabilities	(308)	(30,882)	–	(31,190)
	(664)	(31,071)	(3,573)	(35,308)

	As at 31 December 2020			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	1,235	15,925	–	17,160
Loans and advances to customers and other parties at FVOCI	–	488,811	–	488,811
Loans and advances to customers and other parties at FVPL	–	–	8,465	8,465
Derivative financial assets	107	47,666	31	47,804
Investments in financial assets	123,444	1,207,733	65,394	1,396,571
	124,786	1,760,135	73,890	1,958,811
Liabilities				
Financial liabilities at FVPL	(292)	(6,793)	(5,338)	(12,423)
Derivative financial liabilities	(372)	(49,436)	–	(49,808)
	(664)	(56,229)	(5,338)	(62,231)

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

For the six months ended 30 June 2021, there were no significant transfers between instruments in different levels (six months ended 30 June 2020: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (six months ended 30 June 2020: Nil).

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

	Six months ended 30 June 2020					
	Assets				Liabilities	
	Loans and advances to customers and other parties at FVPL HK$ million	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Total HK$ million
At 1 January 2021	8,465	31	65,394	73,890	(5,338)	(5,338)
Total gain/(loss):	–	(31)	1,025	994	(3,018)	(3,018)
– in profit or loss	–	–	800	800	(3,018)	(3,018)
– in other comprehensive income/(loss)	–	(31)	225	194	–	–
Net settlements	(8,465)	–	(16,057)	(24,522)	4,783	4,783
At 30 June 2021	–	–	50,362	50,362	(3,573)	(3,573)

	Six months ended 30 June 2020						
	Assets				Liabilities		
	Loans and advances to customers and other parties at FVPL HK$ million	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Derivatives financial liabilities HK$ million	Total HK$ million
At 1 January 2020	7,719	352	78,681	86,752	(1,045)	–	(1,045)
Total loss:	–	(282)	(1,631)	(1,913)	–	(2)	(2)
– in profit or loss	–	–	(745)	(745)	–	–	–
– in other comprehensive loss	–	(282)	(886)	(1,168)	–	(2)	(2)
Net settlements	(6)	(1)	(15,286)	(15,293)	(4,943)	–	(4,943)
At 30 June 2020	7,713	69	61,764	69,546	(5,988)	(2)	(5,990)

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 30 June 2021				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,310,077	1,322,586	10,257	977,114	335,215
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	107,114	103,550	62,080	41,470	–
– Subordinated bonds issued	140,007	138,724	4,185	134,539	–
– Certificates of interbank deposit issued	824,061	809,754	–	809,754	–
– Convertible corporate bonds issued	16,086	18,263	–	–	18,263
	1,087,268	1,070,291	66,265	985,763	18,263

	As at 31 December 2020				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,156,496	1,143,875	10,132	821,002	312,741
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	114,829	110,436	68,086	42,350	–
– Subordinated bonds issued	136,730	137,980	4,188	133,792	–
– Certificates of interbank deposit issued	645,180	637,978	–	637,978	–
– Convertible corporate bonds issued	15,767	18,320	–	–	18,320
	912,506	904,714	72,274	814,120	18,320

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Investments in financial assets and financial liabilities
Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), financial assets held for investment if there is an active market. If an active market does not exist for financial assets held for investment, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans
Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements
Placements with banks and non-bank financial institutions, financial assets held/sold under resale/ repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate their fair values.

Derivatives
The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees
The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

30 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, ultimate controlling shareholder's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties

	Six months ended 30 June 2021			
	Parent company HK$ million	Ultimate controlling shareholder's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	56	574	630
Purchase of goods	–	321	3,862	4,183
Interest income (note (2))	–	79	526	605
Interest expenses	38	212	880	1,130
Fee and commission income	9	–	307	316
Fee and commission expenses	–	–	150	150
Income from other services	1	78	2,631	2,710
Expenses for other services	–	100	556	656
Interest income from deposits and receivables	–	–	233	233
Other operating expenses	2	22	346	370

30 Material related parties (continued)

(b) Related party transactions (continued)

(i) Transaction amounts with related parties (continued)

	Six months ended 30 June 2020			
	Parent company HK$ million	Ultimate controlling shareholder's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	39	520	559
Purchase of goods	–	44	1,776	1,820
Interest income (note (2))	–	76	156	232
Interest expenses	71	420	215	706
Fee and commission income	2	–	257	259
Fee and commission expenses	–	–	76	76
Income from other services	–	43	30	73
Expenses for other services	–	11	532	543
Interest income from deposits and receivables	–	–	232	232
Other operating expenses	3	21	97	121

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

30 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties

	As at 30 June 2021			
	Parent company HK$ million	Ultimate controlling shareholder's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	546	1,091	2,862	4,499
Loans and advances to customers and other parties (note (2))	–	4,497	9,482	13,979
Cash and deposits	–	–	21,107	21,107
Derivative financial instruments and other assets	–	–	654	654
Investments in financial assets				
– Financial assets at FVPL	–	–	31,172	31,172
Trade and other payables	265	12,078	1,825	14,168
Deposits from customers	3,775	5,709	31,968	41,452
Deposits from bank and non-bank financial institutions	–	–	57,138	57,138
Derivative financial instruments and other liabilities	–	–	46	46
Bank and other loans	5,240	21,911	–	27,151
Off-balance sheet items				
Entrusted funds	6,451	904	30,170	37,525
Funds raised from investors of non-principal guaranteed wealth management products	–	–	6,764	6,764
Guarantees provided (note (3))	–	–	7,490	7,490
Guarantees received	1,743	–	6,744	8,487

30 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued)

	As at 31 December 2020			
	Parent company HK$ million	Ultimate controlling shareholder's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	74	1,202	3,505	4,781
Loans and advances to customers and other parties (note (2))	–	3,328	7,930	11,258
Cash and deposits	–	–	23,169	23,169
Derivative financial instruments and other assets	95	5	699	799
Investments in financial assets				
– Financial assets at FVPL	–	–	28,842	28,842
– Financial assets at amortised cost	–	–	1,210	1,210
Trade and other payables	254	12,082	1,404	13,740
Deposits from customers	13,294	7,995	21,124	42,413
Deposits from bank and non-bank financial institutions	–	–	43,613	43,613
Derivative financial instruments and other liabilities	–	–	8	8
Bank and other loans	2,727	24,786	–	27,513
Off-balance sheet items				
Entrusted funds	7,221	899	36,320	44,440
Funds raised from investors of non-principal guaranteed wealth management products	–	79	10,868	10,947
Guarantees provided (note (3))	–	–	10,936	10,936
Guarantees received	–	–	14,134	14,134

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

30 Material related parties (continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 30 (b), transactions with other state-owned entities include but are not limited to the following:

– sales and purchases of goods and provision of services;

– purchase, sale and leases of property and other assets;

– lending and deposit taking;

– taking and placing of inter-bank balances;

– derivative transactions;

– entrusted lending and other custody services;

– insurance and securities agency, and other intermediary services;

– sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and

– rendering and receiving of utilities and other services.

31 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities in which the Group holds an interest

The Group holds an interest in some structured entities through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 30 June 2021					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	–	2,360	–	–	2,360	2,360
Investment management products managed by securities companies	73,083	7,234	13,024	–	93,341	93,341
Trust investment plans	277,750	3,155	–	–	280,905	280,905
Asset-backed securities	221,215	6,270	171,621	–	399,106	399,106
Investment funds	–	471,772	–	223	471,995	471,995
Investments in creditor's rights on assets	97	–	–	–	97	97
Total	572,145	490,791	184,645	223	1,247,804	1,247,804

31 Structured entities (continued)

(b) Structured entities in which the Group holds an interest (continued)

	As at 31 December 2020					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	–	1,476	–	–	1,476	1,476
Investment management products managed by securities companies	83,946	3,338	40,751	–	128,035	128,035
Trust investment plans	231,843	3,960	–	–	235,803	235,803
Asset-backed securities	103,741	1,942	231,040	–	336,723	336,723
Investment funds	–	367,787	–	384	368,171	368,171
Investments in creditor's rights on assets	96	–	–	–	96	96
Total	419,626	378,503	271,791	384	1,070,304	1,070,304

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Wealth management products and trust plans

As at 30 June 2021, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$2,932,160 million (31 December 2020: HK$2,978,464 million).

As at 30 June 2021, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$3,845 million (31 December 2020: HK$21,980 million); the amount of placements from banks and non-bank financial institutions was HK$3,843 million (31 December 2020: HK$302 million).

During the six months ended 30 June 2021, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$71,448 million (six months ended 30 June 2020: HK$69,270 million). There was no exposure of placements from banks and non-bank financial institutions (six months ended 30 June 2020 the maximum exposure: Nil). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

31 Structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (continued)

Wealth management products and trust plans (continued)

During the six months ended 30 June 2021, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK$8,537 million (six months ended 30 June 2020: HK$5,204 million); interest income of HK$681 million (six months ended 30 June 2020: HK$562 million). The amount of interest expenses was HK$380 million (six months ended 30 June 2020: HK$342 million).

(d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements for the six months ended 30 June 2021.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2021 totalled HK$36,827 million (six months ended 30 June 2020: HK$26,043 million).

Securitisation transactions and structured transfers on assets usufruct

During the six months ended 30 June 2021, the Group, through securitisation and by restructuring the rights to receive cash flows, transferred financial assets at the original cost of HK$34,561 million (six months ended 30 June 2020: HK$22,701 million). The Group carried out assessment and concluded that these transferred assets qualified for full de-recognition (six months ended 30 June 2020: same).

Loan transfers

During the six months ended 30 June 2021, the Group also transferred loans of book value before impairment of HK$2,266 million through other types of transactions (six months ended 30 June 2020: HK$3,342 million). HK$2,266 million of this balance (six months ended 30 June 2020: HK$1,395 million) was non-performing loans. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition (six months ended 30 June 2020: same).

32 Post balance sheet events

The Group does not have any significant events after the balance sheet date that need to be disclosed.

33 Comparative amounts

Reclassifications have been made on some of the comparative amounts to ensure the comparability.

Report on Review of Interim Financial Information

pwc

羅兵咸永道

TO THE BOARD OF DIRECTORS OF CITIC LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim condensed financial information set out on pages 30 to 130, which comprises the consolidated balance sheet of CITIC Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2021

Statutory Disclosure

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, Tricor Tengis Limited, 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.

Share Option Plan Adopted by CITIC Limited

CITIC Pacific Share Incentive Plan 2011

The CITIC Pacific Share Incentive Plan 2000 adopted by CITIC Limited on 31 May 2000 for a term of ten years expired on 30 May 2010. CITIC Limited adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 on 12 May 2011 (the "Plan 2011"), the purpose of which is to promote the interests of CITIC Limited and its shareholders by providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and attracting and retaining the best available personnel to participate in the on-going business operation of the Group. Pursuant to the Plan 2011, the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Limited who shall make payment of HK$1.00 to CITIC Limited on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of CITIC Limited's shares; (ii) the closing price of CITIC Limited's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Limited's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant. The total number of CITIC Limited's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of CITIC Limited's shares in issue as at the date of adopting the Plan 2011.

The Plan 2011 was valid and effective during the period from 12 May 2011 to 11 May 2021, being the date falling 10 years from the date on which the Plan 2011 was adopted. No share options were granted under the Plan 2011 during the period from 1 January 2021 (i.e. at the beginning of the half year period) to 11 May 2021 (i.e. upon expiry of the Plan 2011).

Share Option Plan Adopted by Subsidiaries of CITIC Limited

CITIC Telecom International Holdings Limited ("CITIC Telecom")

CITIC Telecom adopted a share option plan ("CITIC Telecom Share Option Plan") on 17 May 2007, which was valid and effective till 16 May 2017. As approved at the annual general meeting of CITIC Telecom held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the CITIC Telecom Share Option Plan, the total number of shares of CITIC Telecom ("CITIC Telecom Shares") which may be issued upon the exercise of all options to be granted under the CITIC Telecom Share Option Plan, together with all outstanding options granted and yet to be exercised as at 25 April 2014, shall not exceed 333,505,276 CITIC Telecom Shares, being 10% of the number of CITIC Telecom Shares in issue as at the date of approval of the refreshment of the mandate limit.

Particulars of the outstanding share options granted under the CITIC Telecom Share Option Plan and their movements during the six months ended 30 June 2021 are as follows:

Date of grant	Number of share options	Exercise price per share *HK$*	Exercise period
24.03.2015	43,756,250	2.612	24.03.2016 – 23.03.2021
24.03.2015	43,756,250	2.612	24.03.2017 – 23.03.2022
24.03.2017	45,339,500	2.45	24.03.2018 – 23.03.2023
24.03.2017	45,339,500	2.45	24.03.2019 – 23.03.2024

The grantees were directors, officers or employees of CITIC Telecom. None of these options were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

The first 50% of the share options granted on 24 March 2015 have expired at the close of business on 23 March 2021. The above outstanding options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the six months ended 30 June 2021.

As at 1 January 2021, options for 58,326,317 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2021, options for 14,141,000 CITIC Telecom Shares were exercised, options for 9,479,567 CITIC Telecom Shares have lapsed but no option has been cancelled. As at 30 June 2021, options for 34,705,750 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

A summary of the movements of the share options during the six months ended 30 June 2021 is as follows:

Employees of CITIC Limited/CITIC Telecom under continuous contracts (as defined in the Employment Ordinance)

		Number of share options			
Date of grant	Exercise period	Balance as at 01.01.2021	Exercised during the six months ended 30.06.2021 (Note 1)	Lapsed during the six months ended 30.06.2021 (Note 2)	Balance as at 30.06.2021
24.03.2015	24.03.2016 – 23.03.2021	10,017,067	789,000	9,228,067	–
24.03.2015	24.03.2017 – 23.03.2022	15,624,250	6,744,000	52,500	8,827,750
24.03.2017	24.03.2018 – 23.03.2023	13,793,500	4,022,000	92,000	9,679,500
24.03.2017	24.03.2019 – 23.03.2024	18,891,500	2,586,000	107,000	16,198,500

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$2.80.

2. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned/retired/passed away; or ii) lapsed upon the expiry of the relevant share options.

CITIC Resources Holdings Limited ("CITIC Resources")

The share option scheme adopted by CITIC Resources on 30 June 2004 (the "Old Scheme") for a term of 10 years expired on 29 June 2014. The share options granted under the Old Scheme have lapsed.

To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the "New Scheme"). No share options were granted under the New Scheme during the six months ended 30 June 2021.

Directors' Interests in Securities

As at 30 June 2021, none of the directors of CITIC Limited had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of CITIC Limited or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by CITIC Limited pursuant to section 352 of the SFO or as otherwise notified to CITIC Limited and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Interests of Substantial Shareholders

As at 30 June 2021, substantial shareholders of CITIC Limited (other than directors of CITIC Limited) who had interests or short positions in the shares or underlying shares of CITIC Limited which would fall to be disclosed to CITIC Limited under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by CITIC Limited under section 336 of the SFO, or which were notified to CITIC Limited and the Hong Kong Stock Exchange, were as follows:

Name	Nature of interest/capacity	Number of ordinary shares held	Approximate percentage to the total number of issued shares
CITIC Group Corporation ("CITIC Group") (Note 1)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
CITIC Glory Limited ("CITIC Glory") (Note 2)	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") (Note 3)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
Chia Tai Bright Investment Company Limited ("CT Bright") (Note 4)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") (Note 5)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") (Note 6)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
ITOCHU Corporation ("ITOCHU") (Note 7)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)

Notes:

(1) CITIC Group is deemed to be interested in 22,728,222,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. For clarity, CITIC Group's interest in CITIC Limited did not increase, decrease, or otherwise change in the past year. The discrepancy between CITIC Group's interest disclosed in this report (22,728,222,755 shares) and its interest disclosed in the 2019 annual report (26,055,943,755 shares) was caused by a revision of calculation methodology adopted by CITIC Group for the purpose of aligning CITIC Group's disclosure of interest with the disclosures of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. The revised calculation methodology has been agreed among the parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.

(2) CITIC Glory is beneficially interested in 7,446,906,755 shares of CITIC Limited.

(3) CITIC Polaris is deemed to be interested in 22,728,222,755 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares Subscription Agreement, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. For clarity, CITIC Polaris' interest in CITIC Limited did not increase, decrease, or otherwise change in the past year. The discrepancy between CITIC Polaris' interest disclosed in this report (22,728,222,755 shares) and its interest disclosed in the 2019 annual report (18,609,037,000 shares) was caused by a revision of calculation methodology adopted by CITIC Polaris for the purpose of aligning CITIC Polaris' disclosure of interest with the disclosures of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. The revised calculation methodology has been agreed among the parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.

(4) CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. CT Bright has a short position of 5,818,053,363 shares because it is under an obligation to deliver a maximum of 5,818,053,363 shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.

(5) CT Brilliant is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

(6) CPG is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant, its wholly-owned subsidiary.

(7) ITOCHU is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

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 Hong Kong Stock Exchange.

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.

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.

Board Composition and Changes

On 3 May 2021, Mr Shohei Harada resigned as an independent non-executive director and a member of the strategic committee of CITIC Limited. On the same day, Mr Toshikazu Tagawa was appointed as an independent non-executive director and a member of the strategic committee of CITIC Limited.

Board Committees

Currently the board has the following committees to discharge its functions:

- Audit and Risk Management Committee oversees the relationship with the external auditor, and reviews CITIC Limited's financial reporting, annual audit and half-year report. The committee acts on behalf of the board in providing oversight of CITIC Limited's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews CITIC Limited's policies and practices on corporate governance. The committee consists of three independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee), Dr Xu Jinwu and Mr Anthony Francis Neoh, and two non-executive directors, Mr Yang Xiaoping and Mr Peng Yanxiang.

- Nomination Committee reviews the structure, size, composition and diversity of the board at least annually and makes recommendations on any proposed changes to the board; identifies and nominates qualified candidates to become board members and/or fills casual vacancies for the approval of the board; assesses the independence of independent non-executive directors; makes recommendations to the board on the appointment or re-appointment of directors and succession planning for directors; and reviews the board diversity policy and the director nomination policy on an annual basis, and makes recommendation on any required changes to the board. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), a non-executive director, Ms Yu Yang, and four independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl.

- Remuneration Committee determines the remuneration packages of individual executive directors and senior management including salaries, bonuses, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment). The committee consists of three independent non-executive directors, Mr Anthony Francis Neoh (who serves as the chairman of the committee), Mr Francis Siu Wai Keung, Dr Xu Jinwu, and a non-executive director, Mr Liu Zhuyu.

- Strategic Committee accommodates the strategic development of CITIC Limited and enhances its core competitiveness, makes and implements the development plan of CITIC Limited, improves the investment-related decision making procedures and procures well-advised and efficient decision making. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), three non-executive directors, Mr Song Kangle, Ms Yu Yang and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Toshikazu Tagawa. Mr Li Rucheng (being a former non-executive director of CITIC Limited) serves as the consultant to the committee.

Management Committees

- Executive Committee is the highest authority of the management of CITIC Limited accountable to the board. The functions and powers of the executive committee are:

  – to formulate CITIC Limited's material strategic plans;

  – to formulate CITIC Limited's annual material investment and financing plans (including reviewing material investment plans, feasibility studies, proposed disposals/divestments, mergers and acquisitions and other significant transactions of CITIC Limited);

  – to review CITIC Limited's annual business plan and finance plans;

  – to review monthly reports of CITIC Limited, and to submit to the board before each month-end the monthly report for the previous month;

  – to manage and monitor CITIC Limited's core activities;

  – to appoint and remove mid-level and above key personnel (other than personnel above the rank of assistant to general manager, and those appointed and removed by the board);

  – to approve internal rules on day-to-day operations of CITIC Limited;

  – to review and approve proposals to establish and adjust CITIC Limited's management and organisational structure; and

  – to discharge other powers and functions conferred on it by the board.

  The first three items and other matters within the authority of the board should be submitted for approval by the board, and thereafter implemented by the executive committee. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members are Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited, and also serves as vice chairman of the committee), Mr Ren Shengjun (serving as vice chairman of the committee), Ms Li Qingping (being executive director and vice president of CITIC Limited), Mr Cui Jun, Mr Liu Zhengjun (being vice president of CITIC Limited), Mr Wang Guoquan (being vice president of CITIC Limited), Mr Xu Zuo (being vice president of CITIC Limited) and Mr Fang Heying (being vice president of CITIC Limited).

- Strategy and Investment Management Committee has been established as a sub-committee under the executive committee to enhance strategy management, to prevent investment risks and to promote high quality development. The principal responsibilities of the strategy and investment management committee are to

  – study and draw up CITIC Limited's integral development, medium and long-term development plan and industries investment guideline, approve development strategies and plans of subsidiaries;

  – establish a mechanism of empowered operation and management, organise and implement it; and

  – organise and implement full life-circle management of investment activities within the group.

  The committee is led by the chairman of the committee, Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited), vice chairmen of the committee, Mr Liu Zhengjun (being vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited), and other members of the committee include Mr Zhang Youjun (being assistant president of CITIC Limited), Mr Cao Guoqiang (being Chief Financial Officer of CITIC Limited), Mr Liang Huijiang (being Chief Investment Officer of CITIC Limited), responsible persons of the strategic development department, financial control department, legal and compliance functions and treasury department.

- Asset and Liability Management Committee (the "ALCO") has been established as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of CITIC Limited. The principal responsibilities of the ALCO are to

  – monitor and control the asset and liability financial position of CITIC Limited on a regular basis;

  – monitor and control the asset and liability structure, counterparties, currencies, interest rates, commodities, and commitments and contingent liabilities of CITIC Limited;

  – review financing plans and manage the cash flow of CITIC Limited on the basis of the annual budget; and

  – establish hedging policies and approve the use of new financial instruments for hedging.

  The acting chairman of the committee is Mr Cao Guoqiang (being Chief Financial Officer of CITIC Limited), and other members of the ALCO include responsible persons of the financial control department, treasury department, strategic development department, the office of the board of directors and legal and compliance functions.

Compliance with Corporate Governance Code

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 Listing Rules during the six months ended 30 June 2021.

Continuing Connected Transactions Under the Asset Transfer Framework Agreement and the Financial Consulting Service and Asset Management Service Framework Agreement

On 27 August 2020, China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Group Corporation ("CITIC Group") entered into, among other things, an asset transfer framework agreement in relation to the transfer of loans and other related assets (the "Asset Transfer Framework Agreement") and a financial consulting service and asset management service framework agreement in relation to the entrusted disposal of overdue personal credit assets and written-off overdue corporate assets (the "Financial Consulting Service and Asset Management Service Framework Agreement", together with the Asset Transfer Framework Agreement, the "Agreements"). As CITIC Bank is a subsidiary of CITIC Limited, the transactions between CITIC Bank and CITIC Limited and its subsidiaries (the "Group") contemplated under the Agreements are intra-group transactions not constituting continuing connected transactions of CITIC Limited, while those entered into between CITIC Bank and CITIC Group and its associates (excluding the Group) (the "CITIC Connected Persons") constitute continuing connected transactions of CITIC Limited (the "CITIC CCTs"). At as the date of the Agreements, after due enquiry and confirmation with CITIC Bank, it was then expected that the CITIC CCTs would be *de minimis* and fully exempt from independent shareholders' approval, reporting and announcement requirements pursuant to rule 14A.76(1) of the Listing Rules.

However, due to the development of the business of CITIC Bank and expansion of the CITIC Connected Persons, CITIC Bank expected that it would be entering into more transactions under the Agreements with more CITIC Connected Persons within the annual caps as disclosed in its announcement dated 27 August 2020, as such, the CITIC CCTs would respectively exceed the *de minimis* threshold of CITIC Limited for each of the three years ending 31 December 2023. As the respective highest applicable percentage ratio in respect of the annual caps for the CITIC CCTs for the three years ending 31 December 2023 is more than 0.1% and less than 5%, such transactions are subject to the reporting and announcement requirements but are exempt from the circular and the independent shareholders' approval requirements under rule 14A.76(2)(a) of the Listing Rules. On 9 June 2021, the board of directors of CITIC Limited approved the annual caps for the CITIC CCTs respectively for the three years ending 31 December 2023, further details of which were set out in CITIC Limited's announcement dated 9 June 2021.

Set out below is information in relation to the principal terms and pricing policies of each of the Agreements, respectively.

1. Asset Transfer Framework Agreement

Principal Terms

- CITIC Bank in the daily course of business buys from or sells to CITIC Group and/or its associates the interests in loans and other related assets (including, but not limited to, directly or through asset management plan, asset securitization, factoring or other forms to sell corporate and retail loan assets, and inter-bank loan receivables).
- The course of business under the agreement shall be made on terms no less favorable to CITIC Bank than terms available to or from independent third parties.
- The agreement shall specify the management rights of the loans and other related assets.
- CITIC Bank and CITIC Group and its associates shall undertake confidentiality in respect of asset transfer transactions.

Pricing

Transactions under the Asset Transfer Framework Agreement are divided into normal asset transfer and securitization asset transfer. The normal asset transfer is a non-hierarchical transfer, with a single or small number of transactions generally. Securitization asset transfer is a selection of a larger number of loans which are packaged to form a pool of assets, and are designed with structured hierarchy. Under the Asset Transfer Framework Agreement, the price payable by the transferee to the transferor shall be determined on the basis of the following principles:

- Normal asset transfer: in accordance with the regulatory Notice of the China Banking Regulatory Commission on Further Standardizing the Transfer of Credit Assets of Banking Financial Institutions (Yinjian Fa [2010] No.102) requirements, the transfer of credit assets shall comply with the principle of integrity that is, the transferred credit assets shall include all outstanding principal and interest receivable. In the transfer of credit assets by the transferor to the transferee, the principals under the loan shall be taken as the consideration of the transaction, while transferring at par without discount and premium. In addition to the market supply and demand, the obligations to be assumed by the transferor and the transferee after the transfer will be taken into account as a key consideration, which mainly refers to the subsequent asset management services and collection services provided by the transferor and the transferee with respect to the transferred assets and the service fee rate generally ranges between 0 to 3% of the loan principal which has been incorporated into the annual caps of the Asset Transfer Framework Agreement. Such service fees are not counted within the annual cap of the Asset Transfer Framework Agreement, but counted within the annual cap of the Financial Consulting Service and Asset Management Service Framework Agreement.

- Securitization asset transfer: the transfer of assets from connected persons to CITIC Bank is included in the above-mentioned normal asset transfer. In setting the interest rate for the loan asset securitization products transferred by CITIC Bank to connected persons, CITIC Bank adopts the loan principal as the consideration of the transaction, while using transformation at par except for the securitization of non-performing asset. In terms of the issuance rate of the assets-backed securities, the prioritized asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the approach of single spread (Netherlands Style) or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary assets-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach.

- Currently, there is no national price scale for the transfer. Should there be a national price scale in the future, pricing will be conducted in accordance with such.

The Asset & Liabilities Management Committee of CITIC Bank will determine whether CITIC Bank need to buy/sell the assets to optimize the credit structure. In determining whether to buy/sell certain assets, the Committee will take into consideration CITIC Bank's overall development strategy and asset & liabilities status, as well as making assessment to CITIC Bank's asset & liabilities business growth rate and the prevailing market conditions. CITIC Bank's business management departments for the asset transfer are responsible for selecting the transferees and transferors. The members of the above Committee and departments are all experienced in the relevant industry. Although CITIC Bank normally transfer the credit assets at par without discount or premium, the above Committee and departments will seek quotations from not less than two independent transferees/transferors, and will evaluate the business scale, relevant experience, previous cooperation with CITIC Bank, team members, service proposal and quotations of the relevant transferees and transferors. Specifically, CITIC Bank's business department for the asset transfer will perform credit assessment/recoverability assessment when acquiring assets from CITIC Group or its associates, as well as considering the industry, quality, loan balance and interest rates of the relevant assets.

2. The Financial Consulting Service and Asset Management Service Framework Agreement

Principal Terms

- CITIC Bank agrees, in its ordinary and usual course of business, to conduct the following services for CITIC Group and its associates including, but not limited to, (1) bond underwriting; (2) financing and financial consulting services; (3) financial products agency sales services; (4) asset securitization underwriting; (5) entrusted loans services; (6) underwriting of investment and financing projects; (7) consulting services; and (8) management of factoring receivables, collection of receivables and guarantee for bad debts, etc.

- The service recipient shall, and shall procure its associates to, pay service fees to the service provider with respect to the services (if applicable).

- The services to be provided under the agreement shall be made on terms no less favorable to CITIC Bank than those available to/from independent third parties.

Pricing

Considering the differences between the types of services provided by CITIC Bank, the parties shall determine the scope of services, service rate and method of payment under individual service agreements according to the prices of various services under the Financial Consulting and Asset Management Service Framework Agreement. In particular, the service fees will be calculated based on the scale of services provided, charging rate, as well as the term, and shall be no less favorable to CITIC Bank than the price offered to/from any independent third parties.

Review of Half-Year Report

The audit and risk management committee of the board reviewed the Half-Year Report in conjunction with the management and CITIC Limited's external auditor and recommended its adoption by the board.

The interim financial information is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". It has been reviewed by 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".

Compliance with the Model Code for Securities Transactions by Directors

CITIC Limited has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All directors complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

Update on Directors' Information

The following disclosure is made pursuant to Rule 13.51B(1) of the Listing Rules.

Change in other directorship and information

Executive Director

Mr Zhu Hexin has been appointed as the chairman of the board and non-executive director of China CITIC Bank Corporation Limited (a subsidiary of CITIC Limited and listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) with effect from 21 June 2021.

Non-executive Director

Mr Yang Xiaoping has been appointed as a non-executive director of Chery Holding Group Co., Ltd..

Independent Non-executive Directors

The term of appointment of Mr Anthony Francis Neoh as the chairman of the Independent Police Complaints Council ended on 31 May 2021.

Mr Gregory Lynn Curl has been appointed as a member of the International Advisory Council of the China Banking and Insurance Regulatory Commission.

Corporate Information

Registered Office

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Central, Hong Kong
Telephone: +852 2820 2111
Fax: +852 2877 2771

Beijing Office

CITIC Tower, No. 10 Guanghualu
Chaoyang District
Beijing 100020, China

Website

www.citic.com contains a description of CITIC Limited's business, copies of half-year and annual reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong Limited:	00267
Bloomberg:	267:HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact CITIC Limited's Share Registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact CITIC Limited by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Financial Calendar

Closure of Register:	15 September 2021 to 17 September 2021 (both days inclusive)
Interim Dividend payable:	3 November 2021

Half-Year Report 2021

The Half-Year Report is printed in English and Chinese and is also available on CITIC Limited's website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Half-Year Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice of the language or means of receipt of the Half-Year Report by notice in writing to CITIC Limited's Share Registrar.

Shareholders having difficulty in gaining access to the Half-Year Report will promptly be sent a printed copy free of charge upon request to CITIC Limited's Share Registrar.

Non-registered shareholders who wish to receive a printed copy of the Half-Year Report are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.

CITIC Limited

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