中信
CITIC

CITIC LIMITED

Stock code: 00267

2019

HALF-YEAR REPORT

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 with a focus on financial services, resources and energy, manufacturing, engineering contracting and real estate.

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 long-term value for all of our shareholders.

Our Businesses

Financial Services

CITIC Bank (65.97%)
CITIC Trust (100%)
CITIC-Prudential Life (50%)
CITIC Securities (16.50%)

Manufacturing

CITIC Pacific Special Steel (90%)
CITIC Dicastal (100%)
CITIC Heavy Industries (67.27%)

Real Estate

CITIC Pacific Properties (100%)
CITIC Urban Development & Operation (100%)

Resources & Energy

CITIC Resources (59.50%)
CITIC Mining International (100%)
CITIC Metal Group (100%)
Sunburst Energy (100%)

Engineering Contracting

CITIC Construction (100%)
CITIC Engineering (100%)

Others

CITIC Telecom International (58.30%)
Dah Chong Hong (56.97%)
CITIC Industrial Investment (100%)
CITIC Environment (100%)

As at 30 June 2019

Contents

Highlights

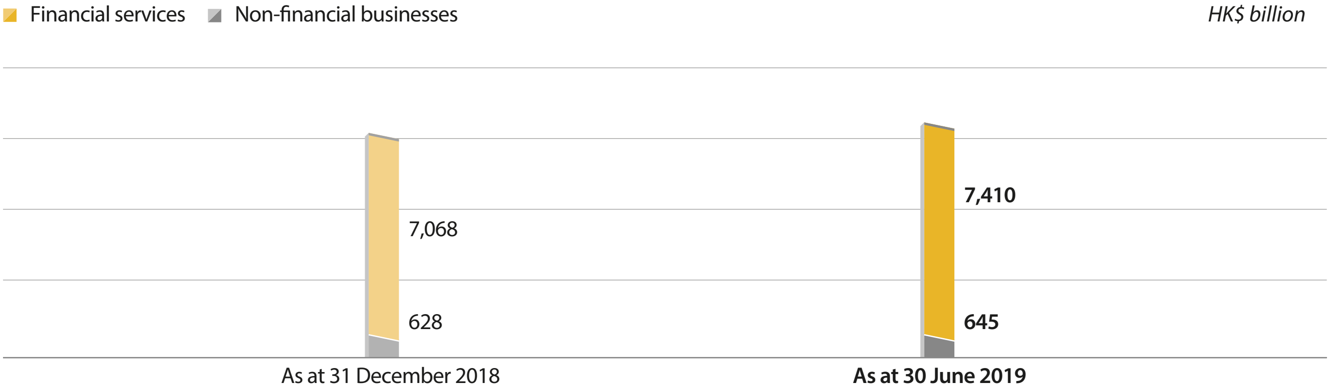
HK$ million	Half-year ended 30 June 2019	2018	Increase/ (Decrease)
Revenue	277,176	258,323	18,853
Profit before taxation	57,194	56,597	597
Net profit attributable to ordinary shareholders	33,518	30,668	2,850
Basic earnings per share (HK$)	1.15	1.05	0.10
Diluted earnings per share (HK$)	1.15	1.05	0.10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

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

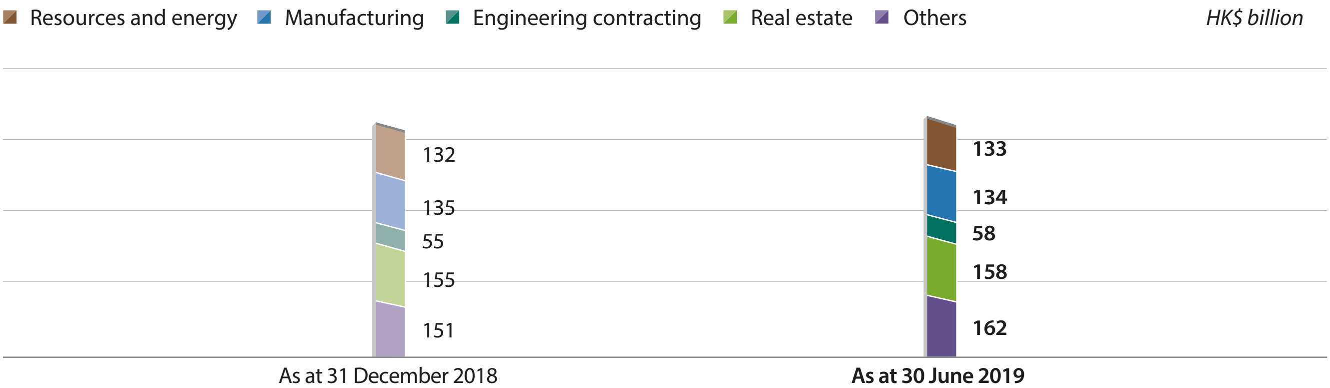
Business	Business assets		Revenue from External customer		Profit attributable to ordinary shareholders	
HK$ million	30 June 2019	Increase/ (Decrease) (Note)	Half-year ended 30 June 2019	Increase/ (Decrease)	Half-year ended 30 June 2019	Increase/ (Decrease)
FINANCIAL SERVICES	7,410,031	342,466	111,903	8,835	25,515	1,259
RESOURCES AND ENERGY	133,267	1,425	47,858	12,864	2,093	814
MANUFACTURING	133,974	(908)	59,607	(1,518)	3,514	1,108
ENGINEERING CONTRACTING	58,494	3,062	7,907	3,892	703	(1)
REAL ESTATE	157,921	3,290	1,892	(3,378)	3,540	(1,207)
OTHERS	162,172	11,101	47,969	(1,853)	1,093	(1,405)

Note: As compared with total balances as at 31 December 2018.

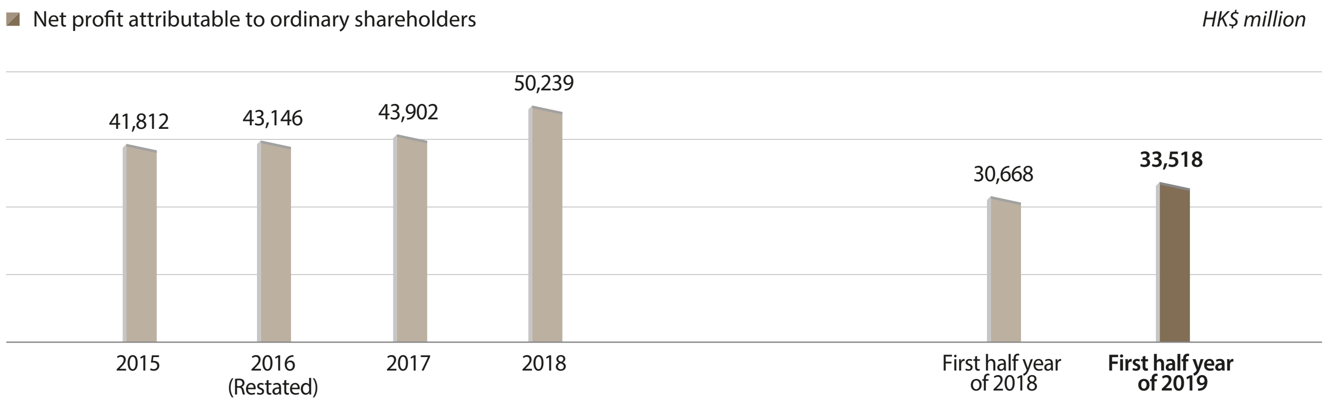
Business assets



Assets of non-financial businesses



Net profit attributable to ordinary shareholders



Chairman's Letter to Shareholders

Dear Shareholders,

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

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

Business Performance

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

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

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

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

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

Building Resilience

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

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

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

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

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

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

In Conclusion

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

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

Chang Zhenming
Chairman
Hong Kong, 29 August 2019

Financial Review

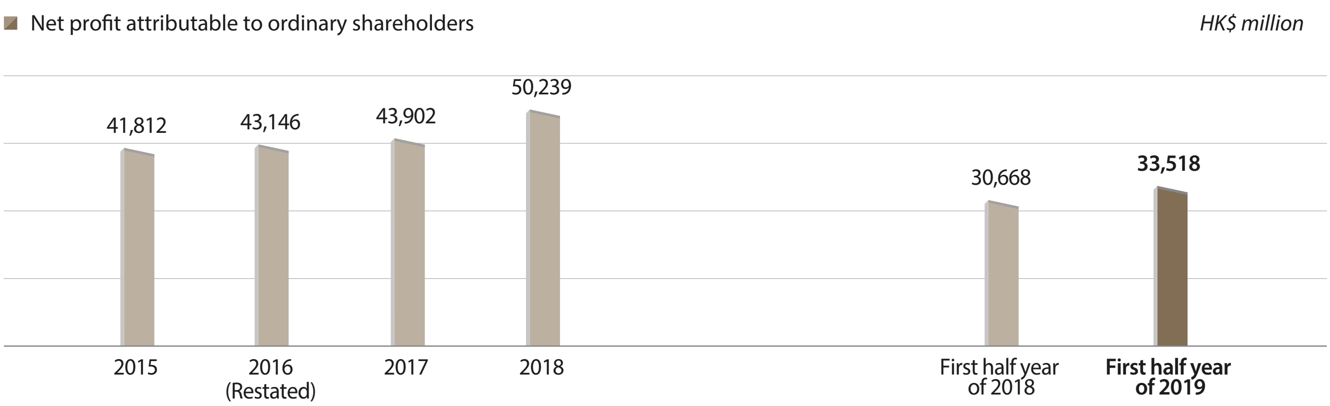
Overview

Net profit attributable to ordinary shareholders

During the first half of 2019, the Group achieved net profit attributable to ordinary shareholders of HK$33,518 million, representing a year-on-year increase of HK$2,850 million, or 9.3%. Excluding the effect of currency translation due to the depreciation of the average RMB exchange rate for the current period, the increase would have been 16%.

The financial services segment recorded net profit attributable to ordinary shareholders of HK$25,515 million, an increase of 5.2%. Excluding the currency translation effect, the corresponding increase in net profit would have been 12%. Our banking business showed rapid growth with a year-on-year increase in revenue and net profit attributable to the bank's shareholders of 15% and 10%, respectively. CITIC Trust and CITIC Securities continued to maintain a leading position in the industry, with a year-on-year increase in net profit of 35% and 16%, respectively. Our insurance business maintained a steady profit.

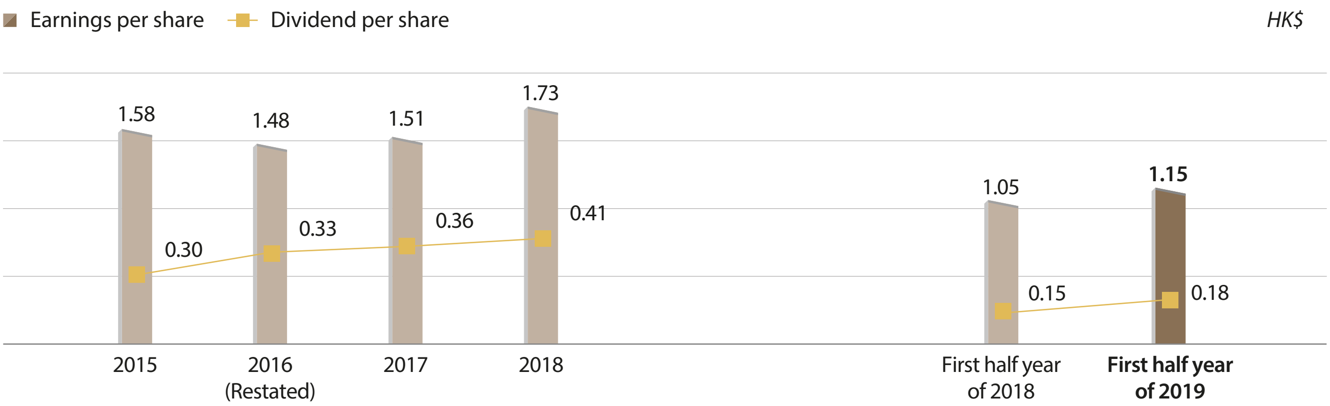
In non-financial segments, our resources and energy business recorded a net profit attributable to ordinary shareholders of HK$2,093 million, an increase of 64%. This was mainly due to the turn from loss to profit of the Sino Iron Project, driven by higher iron ore prices and on-going cost control measures. The manufacturing business recorded net profit attributable to ordinary shareholders of HK$3,514 million, representing a corresponding increase of 46%, while the special steel business achieved a year-on-year increase of 61% in net profit by continuing to develop production capacity and reducing costs to further increase sales volume and gross profit. The aluminium wheels business, on the other hand, recorded a year-on-year decrease of 16% in net profit due to the global sales decline in vehicles and additional tariffs imposed by the United States. The engineering contracting business recorded a net profit attributable to ordinary shareholders of HK$703 million, which was basically equal to that of the corresponding period of last year. In the real estate business, a net profit attributable to ordinary shareholders of HK$3,540 million was recorded, representing a year-on-year decrease of 25%, owing to the periodic settlement of real estate projects. Other industries registered a net profit attributable to ordinary shareholders of HK$1,093 million, representing a year-on-year decrease of 56%, which was due to the gain on the disposal of the toll roads business of approximately HK$1,300 million in the corresponding period last year.



Earnings per share and dividends

Earnings per share of net profit attributable to ordinary shareholders was HK$1.15 in the first half of 2019, representing an increase of 9.3% from HK$1.05 in the first half of 2018. As at 30 June 2019, the number of ordinary shares outstanding was 29,090,262,630.

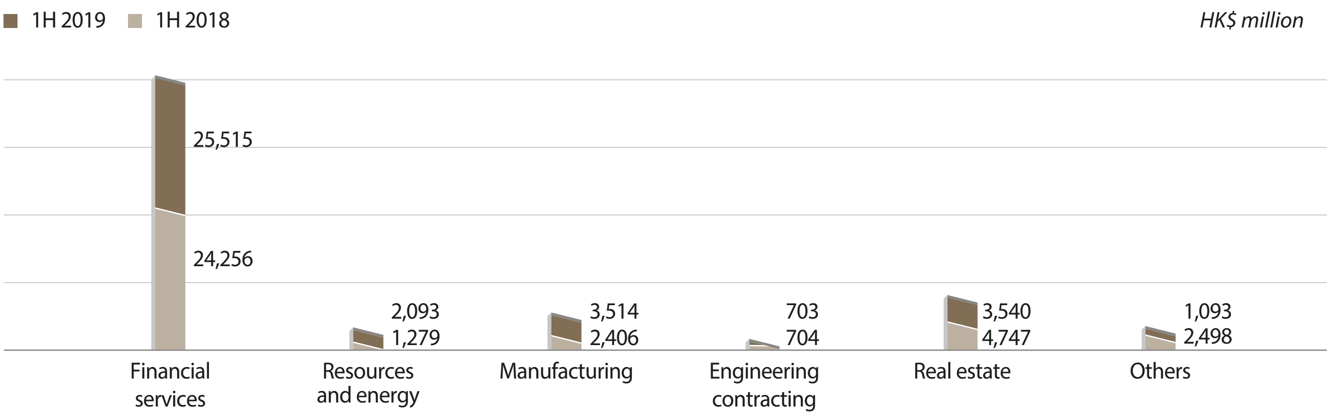
HK$5,236 million in cash will be distributed as interim dividend. The interim dividend per share of 2019 is HK$0.18 (first half of 2018: HK$0.15 per share).



Profit/(loss) and assets by segment

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

Net profit attributable to ordinary shareholders



Financial services:

In the first half of 2019, the financial services segment recorded a net profit attributable to ordinary shareholders of HK$25,515 million, representing a year-on-year increase of HK$1,259 million, or 5.2%. Excluding the effect of currency translation, the net profit attributable to ordinary shareholders would have increased by 12% year-on-year.

As CITIC Bank continued to strengthen its corporate business and expand its retail banking business, deposits and loans increased by 11% and 6.3%, respectively, as compared with the beginning of the year. The net interest margin rose by 7 basis points to 1.96% year-on-year, which contributed to an increase in net interest income and non-interest income of 15% and 14%, respectively. Asset quality remained stable, with the non-performing loan ratio decreasing by 0.05 percentage point to 1.72% and the allowance coverage ratio increasing by 7 percentage points to 165% as compared with the beginning of the year. As a result, net profit attributable to the bank's shareholders recorded a year-on-year increase of 10%. Driven by the securities investment business, CITIC Securities achieved a year-on-year increase of 16% in net profit, and most of its businesses, including investment banking, fixed income and asset management, maintained their leading market position. CITIC Trust continued its business transformation with an increase in the proportion of the active management business and a rise in revenue from the proprietary business, which contributed to a 35% year-on-year increase in net profit. Our insurance business recorded an increase of 55% in premium income as a result of higher sales of savings products, while net profit was basically the same as the corresponding period last year due to a provision made on an investment.

Resources and energy:

In the first half of 2019, the resources and energy segment recorded a net profit attributable to ordinary shareholders of HK$2,093 million, representing a year-on-year increase of HK$814 million, or 64%.

Due to the significant increase in iron ore prices and strict cost control measures, the Sino Iron Project recorded a profit for the first time since the commencement of production and was the principal contributor to the profit growth of the resources and energy segment.

Net profit of CITIC Metal Group decreased by 24% year-on-year, mainly due to the decline in deliveries caused by road blockage of the Las Bambas copper mine (in which CITIC Metal Group holds a 15% interest) in Peru. This resulted in a decrease of HK$181 million in the share of net profit. The trading business recorded an increase in profit due to higher sales volumes and prices of niobium and iron ore. Owing to the drop in crude oil prices and a decrease in sales volume, the profit of the crude oil business decreased by 20%. The aluminium smelting business turned from profit to loss due to falling prices.

Manufacturing:

The manufacturing business recorded a net profit attributable to ordinary shareholders of HK$3,514 million in the first half of 2019, representing a year-on-year increase of HK$1,108 million, or 46%. By continuing to develop production capacity, the special steel business achieved an 18% year-on-year increase in sales and production volume. An increase in scale, together with cost reduction and efficiency enhancement measures such as the optimisation of ore blending, effectively offset the adverse impact of rising iron ore prices, which led to an increase in net profit of 61% year-on-year. Affected by the global downturn in automobile sales and the imposition of tariffs by the United States, sales volumes of CITIC Dicastal's aluminium wheels and castings decreased by 6.7% and 0.8%, respectively, leading to a drop in net profit of 16% year-on-year. The first phase of the manufacturing base in Morocco, with an annual production capacity of three million units, officially went into operation at the end of June. The profit of CITIC Heavy Industries increased by 50% year-on-year due to the recovery of the heavy equipment market and growth in new orders.

Engineering contracting:

In the first half of 2019, the engineering contracting segment recorded a net profit attributable to ordinary shareholders of HK$703 million, which was basically the same as the corresponding period last year. Project income from CITIC Construction in mainland China increased substantially, while net profit year-on-year fell 3.9% due to a tax gain in the corresponding period last year. The income of CITIC Engineering from EPC projects and survey and design services increased 131% and 31% year-on-year, respectively, with a rise in net profit of 34% year-on-year.

Real Estate:

The real estate business recorded net profit attributable to ordinary shareholders of HK$3,540 million in the first half of 2019, representing a year-on-year decrease of HK$1,207 million, or 25%, mainly due to the decrease in delivery of residential units in the Kadooria project in Hong Kong and delayed settlement of CITIC Coast New Town project in Shantou.

The occupancy rate for investment properties was approximately 93% as at 30 June 2019.

Others:

Net profit attributable to ordinary shareholders in the first half of 2019 decreased by HK$1,405 million, or 56%, to HK$1,093 million as compared with the corresponding period last year. This was mainly due to the gain of approximately HK$1,300 million arising from the disposal of the toll roads business in the corresponding period last year. CITIC Press achieved fast growth in its publication business, with an increase in net profit of 13% year-on-year. It was successfully listed on ChiNext Board in early July. The net profit of the environmental protection business dropped 84% year-on-year due to the decrease in EPC project settlements. Dah Chong Hong's net profit fell 32% year-on-year due to the downturn in automobile market. The McDonald's restaurant business continued to expand the number of its stores in mainland China, with net profit declining due to the implementation of new lease standards.

Group Financial Results

Revenue

In the first half of 2019, CITIC Limited achieved revenue of HK$277,176 million, representing an increase of HK$18,853 million, or 7.3%, as compared with the same period last year.

The financial services business recorded revenue of HK$111,903 million, up by 8.6%. Excluding the effect of currency translation, the increase would have been 15%, mainly due to rapid growth in the scale of deposits and loans as well as a year-on-year increase in the net interest margin of CITIC Bank, leading to a rise in net interest income and non-interest income of 15% and 14%, respectively.

The resources and energy business reported revenue of HK$47,858 million, representing an increase of HK$12,864 million, or 37%, from the same period last year. Revenue for the commodity trading business and the Sino Iron Project increased by 57% and 18%, respectively, as compared with the same period last year, due to higher prices of commodities such as iron ore and niobium and sales promotion. The crude oil business recorded a decrease in revenue of 22% from the same period last year, due to the drop in both sales volume and the price of crude oil.

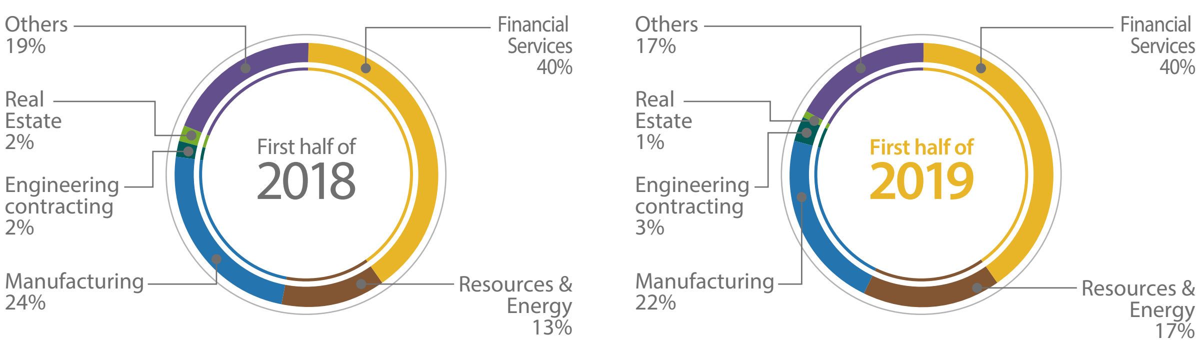
The manufacturing business reported revenue of HK$59,607 million, representing a decrease of HK$1,518 million, or 2.5%, from the same period last year. Excluding the effect of the currency translation mentioned above, there would have been an increase of 3.4%. The special steel business reported an increase in revenue of 10% from the same period last year, due to greater production of steel used for energy, while the aluminium wheels and castings business reported a decrease in revenue due to the sluggish global automobile market.

The engineering contracting business reported revenue of HK$7,907 million, representing an increase of HK$3,892 million, or 97%, over the same period last year. This was mainly due to the significant increase in total contracting revenue from domestic EPC projects and the survey and design business.

The real estate business reported revenue of HK$1,892 million, representing a decrease of HK$3,378 million, or 64%, from the same period last year, mainly due to the decrease in delivery of residential units in the Kadooria project in Hong Kong and the delayed settlement of CITIC Coast New Town project in Shantou.

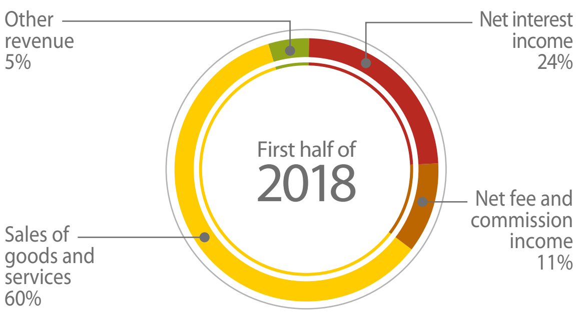
Revenue from other businesses amounted to HK$47,969 million, representing a year-on-year decrease of HK$1,853 million, or 3.7%. This was mainly due to the year-on-year decrease in CITIC Environment's revenue of 48% resulting from the drop in the settlement of EPC projects and sales of bio-membrane system. CITIC Telecom International recorded a year-on-year decrease in revenue of 11% as a result of declining sales in mobile handsets, while the McDonald's and publication businesses maintained their growth momentum.

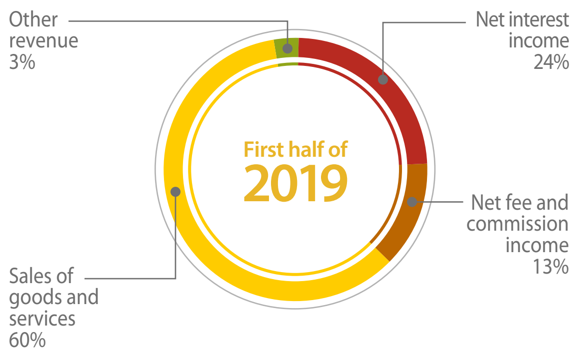
	Half-year ended 30 June		Increase/(Decrease)	
HK$ million	**2019**	2018	Amount	%
Financial services	**111,903**	103,068	8,835	8.6%
Resources and energy	**47,858**	34,994	12,864	37%
Manufacturing	**59,607**	61,125	(1,518)	(2.5%)
Engineering contracting	**7,907**	4,015	3,892	97%
Real estate	**1,892**	5,270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



Revenue by nature

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





Impairments

In the first half of 2019, the Group recorded expected credit loss and asset impairment of HK$40,188 million, an increase of 26% from the same period last year. Of the total impairment, CITIC Bank accounted for HK$39,606 million, which mainly includes a HK$38,921 million impairment on its loans and advances to customers.

Net finance charges

Finance costs of the Group increased HK$391 million, or 6.4% from the first half of 2018 to HK$6,544 million in the first half of 2019, mainly due to the implementation of new lease standards which caused the increase in interest expenses related to lease liabilities of HK$332 million.

In the first half of 2019, finance income from operation management business and subsidiaries under non-financial businesses amounted to HK$1,355 million, mainly due to the increase in interest income from bank deposits, an increase of HK$550 million from the first half of 2018.

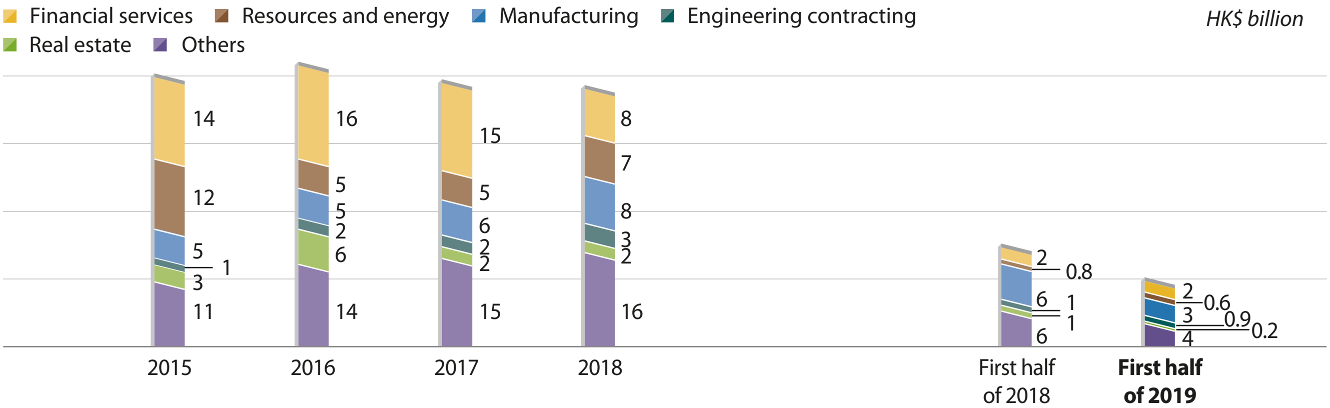
Income tax

Income tax of the Group in the first half of 2019 was HK$10,024 million, a decrease of HK$1,773 million compared with the same period last year, mainly due to the increase in tax-free income from CITIC bank and other subsidiaries.

Group Cash Flows

HK$ million	CITIC Limited Half-year ended 30 June 2019	2018	Increase/ (Decrease)	%	Including: CITIC Bank Half-year ended 30 June 2019	2018	Increase/ (Decrease)	%
Net cash generated from operating activities	11,770	11,427	343	3.0%	9,901	15,231	(5,330)	(35%)
Net cash used in investing activities	(218,542)	(178,471)	(40,071)	(22%)	(220,123)	(163,387)	(56,736)	(35%)
Including: Proceeds from disposal and redemption of financial investments	1,176,033	437,580	738,453	169%	1,157,176	405,245	751,931	186%
Payments for purchase financial investments	(1,389,728)	(608,204)	(781,524)	(128%)	(1,376,692)	(566,719)	(809,973)	(143%)
Net cash generated from financing activities	8,772	121,943	(113,171)	(93%)	49,253	111,753	(62,500)	(56%)
Including: Proceeds from new bank and other loans and new debt instruments issued	342,627	766,145	(423,518)	(55%)	306,889	696,961	(390,072)	(56%)
Repayment of bank and other loans and debt instruments issued	(304,289)	(620,776)	316,487	51%	(243,549)	(556,411)	312,862	56%
Interest paid on bank and other loans and debt instruments issued	(18,609)	(19,960)	1,351	6.8%	(12,478)	(14,165)	1,687	12%
Dividends paid to ordinary shareholders of the Company	(7,471)	–	(7,471)	–	–	(14,453)	(14,453)	(100%)
Dividends/distribution paid to non-controlling interests/ holders of perpetual capital securities	(1,011)	(6,508)	5,497	84%	(321)	(179)	(142)	(79%)
Net decrease in cash and cash equivalents	(198,000)	(45,101)	(152,899)	(339%)	(160,969)	(36,403)	(124,566)	(342%)
Cash and cash equivalents at 1 January	522,808	491,363	31,445	6.4%	429,136	404,248	24,888	6.2%
Effect of exchange rate changes	1,667	(290)	1,957	675%	1,293	(355)	1,648	464%
Cash and cash equivalents at 30 June	326,475	445,972	(119,497)	(27%)	269,460	367,490	(98,030)	(27%)

Capital expenditure



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

Capital commitments

As at 30 June 2019, the contracted capital commitments of the Group amounted to approximately HK$34,087 million, details of which are set out in Note 28(f) to the financial statements.

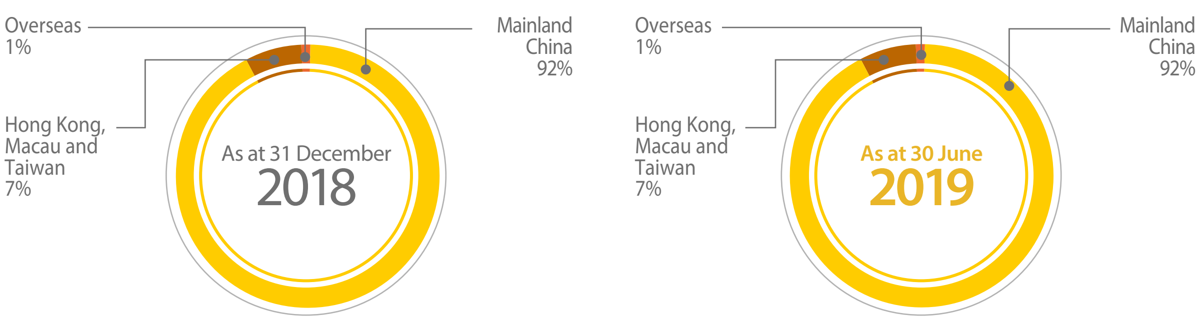
Group Financial Position

HK$ million	As at 30 June 2019	As at 31 December 2018	Increase/(Decrease) Amount	%	Note to the Financial Statements
Total assets	8,006,388	7,660,713	345,675	4.5%	
Loans and advances to customers and other parties	4,260,898	4,024,401	236,497	5.9%	18
Investments in financial assets	2,093,867	1,884,427	209,440	11%	19
Cash and deposits	595,044	832,968	(237,924)	(29%)	15
Placement with banks and non-bank financial institutions	195,279	200,030	(4,751)	(2.4%)	
Trade and other receivables	182,483	111,057	71,426	64%	17
Fixed assets	168,585	189,647	(21,062)	(11%)	
Total liabilities	7,167,580	6,850,053	317,527	4.6%	
Deposits from customers	4,572,686	4,159,924	412,762	9.9%	24
Deposits from banks and non-bank financial institutions	961,412	888,966	72,446	8.1%	22
Debt instruments issued	788,713	745,031	43,682	5.9%	26
Borrowing from central banks	270,424	327,629	(57,205)	(17%)	
Trade and other payables	164,256	171,093	(6,837)	(4.0%)	23
Bank and other loans	151,263	156,678	(5,415)	(3.5%)	25
Total ordinary shareholders' funds	580,723	558,545	22,178	4.0%	

Total assets

Total assets increased from HK$7,660,713 million as at 31 December 2018 to HK$8,006,388 million as at 30 June 2019, which was mainly attributed to an increase in loans and advances to customers and other parties as well as investments in financial assets.

By geography



Loans and advances to customers and other parties

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

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

Investments in financial assets

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

(a) Analysed by types

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

(b) Analysed by measurement category

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

Deposits from customers

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

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

Bank and other loans

HK$ million	As at 30 June 2019	As at 31 December 2018	Increase/(Decrease) Amount	%
Financial services	3,777	5,898	(2,121)	(36%)
Resources and energy	38,120	40,885	(2,765)	(6.8%)
Manufacturing	27,563	31,923	(4,360)	(14%)
Engineering contracting	3,289	2,657	632	24%
Real estate	10,967	9,402	1,565	17%
Others	38,015	34,825	3,190	9.2%
Operation management	69,056	67,778	1,278	1.9%
Elimination	(40,268)	(37,778)	(2,490)	(6.6%)
Sub-total	150,519	155,590	(5,071)	(3.3%)
Accrued interest	744	1,088	(344)	(32%)
Total	151,263	156,678	(5,415)	(3.5%)

Debt instruments issued

HK$ million	As at 30 June 2019	As at 31 December 2018	Increase/(Decrease) Amount	%
Financial services	688,755	628,169	60,586	9.6%
Resources and energy	–	–	–	–
Manufacturing	144	144	–	–
Engineering contracting	–	–	–	–
Real estate	–	–	–	–
Others	3,850	3,849	1	0.03%
Operation management	116,556	106,561	9,995	9.4%
Elimination	(27,900)	–	(27,900)	N/A
Sub-total	781,405	738,723	42,682	5.8%
Accrued interest	7,308	6,308	1,000	16%
Total	788,713	745,031	43,682	5.9%

Total ordinary shareholders' funds

As at 30 June 2019, total ordinary shareholders' funds of the Group was HK$580,723 million, an increase of HK$22,178 million compared with 31 December 2018, which was mainly due to net profits attributable to ordinary shareholders of HK$33,518 million occurred and final dividend of 2018 HK$7,563 million paid in the first half of 2019.

Risk Management

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

Financial Risk

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

Asset and liability management

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

1. **Debt**

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

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

   The details of debt are as follows:

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

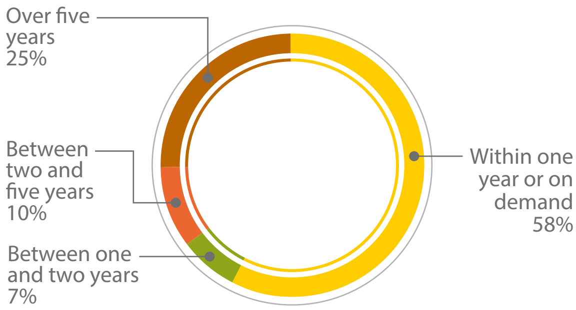
Note:

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

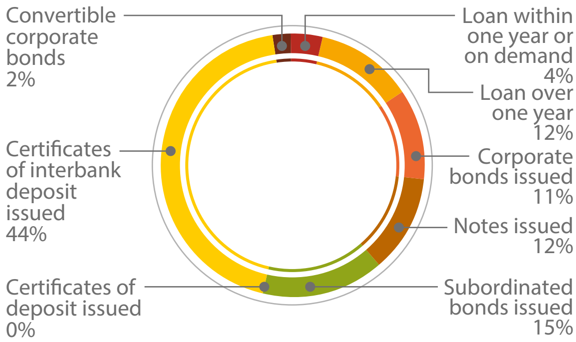
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

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

Consolidated debt by maturity as at 30 June 2019



Consolidated debt by type as at 30 June 2019



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

HK$ million	Consolidated
Debt	931,924
Total equity(4)	838,808
Debt to equity ratio	111%

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

2. Liquidity risk management

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

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

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

Details of liquidity rate 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 2019 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 and the equity of subsidiaries pledged as security for CITIC Limited's loan as at 30 June 2019 are set out in Note 25(d) to the consolidated financial statements.

5. Credit ratings

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

Treasury risk management

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

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

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

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

1. Interest rate risk

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

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

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

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.

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

Human Resources

Protecting Employees' Rights and Interests

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

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

Developing our Staff

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

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

Caring for CITIC Employees

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

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this Half-Year Report are historical in nature. Past performance is no guarantee of the future results of CITIC Limited. This Half-Year 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 2019

		Unaudited Six months ended 30 June	
	Note	2019 HK$ million	2018 HK$ million
Interest income		147,706	139,019
Interest expenses		(80,245)	(76,806)
Net interest income	5(a)	67,461	62,213
Fee and commission income		38,294	32,300
Fee and commission expenses		(3,365)	(2,986)
Net fee and commission income	5(b)	34,929	29,314
Sales of goods and services	5(c)	165,233	155,244
Other revenue	5(d)	9,553	11,552
		174,786	166,796
Total revenue		277,176	258,323
Cost of sales and services	6, 9	(135,753)	(126,526)
Other net income	7	2,165	3,067
Expected credit losses		(39,877)	(31,696)
Impairment losses		(311)	(249)
Other operating expenses	9	(47,938)	(46,859)
Net valuation gain on investment properties		342	543
Share of profits of associates, net of tax		4,394	4,030
Share of profits of joint ventures, net of tax		2,185	1,312
Profit before net finance charges and taxation		62,383	61,945
Finance income		1,355	805
Finance costs		(6,544)	(6,153)
Net finance charges	8	(5,189)	(5,348)
Profit before taxation	9	57,194	56,597
Income tax	10	(10,024)	(11,797)
Profit for the period		47,170	44,800

Consolidated Income Statement

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	2019 HK$ million	2018 HK$ million
Profit for the period		**47,170**	44,800
Attributable to:			
– Ordinary shareholders of the Company		**33,518**	30,668
– Holders of perpetual capital securities		**–**	336
– Non-controlling interests		**13,652**	13,796
Profit for the period		**47,170**	44,800
Earnings per share for profit attributable to ordinary shareholders of the Company during the period:			
Basic and diluted earnings per share (HK$)	12	**1.15**	1.05

The notes on pages 39 to 129 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	2019 HK$ million	2018 HK$ million
Profit for the period		**47,170**	44,800
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)	13		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		**100**	4,365
Loss allowance on financial assets at fair value through other comprehensive income		**383**	142
Cash flow hedge: net movement in the hedging reserve		**(398)**	239
Share of other comprehensive loss of associates and joint ventures		**(734)**	(374)
Exchange differences on translation of financial statements and others		**(4,252)**	(7,383)
Items that will not be reclassified subsequently to profit or loss:			
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		**351**	(730)
Other comprehensive loss for the period, net of tax		**(4,550)**	(3,741)
Total comprehensive income for the period		**42,620**	41,059
Attributable to:			
– Ordinary shareholders of the Company		**29,932**	27,726
– Holders of perpetual capital securities		**–**	336
– Non-controlling interests		**12,688**	12,997
Total comprehensive income for the period		**42,620**	41,059

The notes on pages 39 to 129 form part of these condensed unaudited consolidated interim accounts.

Consolidated Balance Sheet

As at 30 June 2019

	Note	30 June 2019 HK$ million (Unaudited)	31 December 2018 HK$ million (Audited)
Assets			
Cash and deposits	15	595,044	832,968
Placements with banks and non-bank financial institutions		195,279	200,030
Derivative financial instruments	16	21,808	37,294
Trade and other receivables	17	182,483	111,057
Contract assets		12,661	11,068
Inventories		61,987	58,087
Financial assets held under resale agreements		53,768	12,955
Loans and advances to customers and other parties	18	4,260,898	4,024,401
Investments in financial assets	19		
– Financial assets at amortised cost		1,060,889	899,348
– Financial assets at fair value through profit or loss		395,544	395,259
– Debt investments at fair value through other comprehensive income		629,150	582,899
– Equity investments at fair value through other comprehensive income		8,284	6,921
Interests in associates	20	117,885	116,631
Interests in joint ventures	21	41,108	38,620
Fixed assets		168,585	189,647
Investment properties		32,950	32,579
Right-of-use assets		48,159	N/A
Intangible assets		13,971	14,387
Goodwill		22,859	22,885
Deferred tax assets		53,841	50,011
Other assets		29,235	23,666
Total assets		8,006,388	7,660,713

Consolidated Balance Sheet

As at 30 June 2019

	Note	30 June 2019 HK$ million (Unaudited)	31 December 2018 HK$ million (Audited)
Liabilities			
Borrowing from central banks		270,424	327,629
Deposits from banks and non-bank financial institutions	22	961,412	888,966
Placements from banks and non-bank financial institutions		69,538	129,163
Financial liabilities at fair value through profit or loss		234	1,468
Derivative financial instruments	16	23,399	37,676
Trade and other payables	23	164,256	171,093
Contract liabilities		24,564	18,535
Financial assets sold under repurchase agreements		50,154	138,589
Deposits from customers	24	4,572,686	4,159,924
Employee benefits payables		19,546	22,705
Income tax payable		10,107	11,551
Bank and other loans	25	151,263	156,678
Debt instruments issued	26	788,713	745,031
Lease liabilities		27,711	N/A
Provisions		9,124	9,713
Deferred tax liabilities		9,190	8,756
Other liabilities		15,259	22,576
Total liabilities		7,167,580	6,850,053
Equity	27		
Share capital		381,710	381,710
Reserves		199,013	176,835
Total ordinary shareholders' funds		580,723	558,545
Non-controlling interests		258,085	252,115
Total equity		838,808	810,660
Total liabilities and equity		8,006,388	7,660,713

Approved and authorised for issue by the board of directors on 29 August 2019.

Director: **Chang Zhenming** Director: **Wang Jiong**

The notes on pages 39 to 129 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 2019 (Unaudited)											
Balance at 31 December 2018		381,710	(62,239)	2,253	905	45,354	221,409	(30,847)	558,545	252,115	810,660
Changes in accounting policies	2(b)	–	–	–	–	–	(162)	–	(162)	(282)	(444)
Balance at 1 January 2019		381,710	(62,239)	2,253	905	45,354	221,247	(30,847)	558,383	251,833	810,216
Profit for the period	9	–	–	–	–	–	33,518	–	33,518	13,652	47,170
Other comprehensive loss for the period	13	–	–	(398)	(185)	–	–	(3,003)	(3,586)	(964)	(4,550)
Total comprehensive (loss)/ income for the period		–	–	(398)	(185)	–	33,518	(3,003)	29,932	12,688	42,620
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	452	452
Issue of other equity instruments by subsidiaries		–	–	–	–	–	–	–	–	1,236	1,236
Dividends paid to ordinary shareholders of the Company	11	–	–	–	–	–	(7,563)	–	(7,563)	–	(7,563)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(6,061)	(6,061)
Redemption of other equity instruments by subsidiaries		–	–	–	–	–	–	–	–	(2,114)	(2,114)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	51	51
Others		–	(29)	–	–	–	–	–	(29)	–	(29)
Other changes in equity		–	(29)	–	–	–	(7,563)	–	(7,592)	(6,436)	(14,028)
Balance at 30 June 2019		381,710	(62,268)	1,855	720	45,354	247,202	(33,850)	580,723	258,085	838,808

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Note	Share capital HK$ million	Perpetual capital securities 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 2018 (Unaudited)												
Balance at 31 December 2017		381,710	7,873	(62,523)	1,917	(7,603)	45,088	191,554	(7,065)	550,951	242,690	793,641
Changes in accounting policies		–	–	–	–	3,220	14	(8,495)	–	(5,261)	(2,708)	(7,969)
Balance at 1 January 2018		381,710	7,873	(62,523)	1,917	(4,383)	45,102	183,059	(7,065)	545,690	239,982	785,672
Profit for the period	9	–	336	–	–	–	–	30,668	–	31,004	13,796	44,800
Other comprehensive income/(loss) for the period	13	–	–	–	358	1,989	–	–	(5,289)	(2,942)	(799)	(3,741)
Total comprehensive income/(loss) for the period		–	336	–	358	1,989	–	30,668	(5,289)	28,062	12,997	41,059
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	202	202
Dividend paid to ordinary shareholders of the Company	11	–	–	–	–	–	–	(7,273)	–	(7,273)	–	(7,273)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(6,549)	(6,549)
Distribution to holders of perpetual capital securities		–	(336)	–	–	–	–	–	–	(336)	–	(336)
Disposal of subsidiaries	32	–	–	–	–	–	–	–	–	–	(816)	(816)
Transactions with non-controlling interests		–	–	157	–	–	–	–	–	157	2,683	2,840
Others		–	–	(96)	–	–	–	–	–	(96)	(25)	(121)
Other changes in equity		–	(336)	61	–	–	–	(7,273)	–	(7,548)	(4,505)	(12,053)
Balance at 30 June 2018		381,710	7,873	(62,462)	2,275	(2,394)	45,102	206,454	(12,354)	566,204	248,474	814,678

The notes on pages 39 to 129 form part of these condensed unaudited consolidated interim accounts.

Consolidated Cash Flow Statement

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Note	HK$ million	HK$ million
Cash flows from operating activities			
Profit before taxation		57,194	56,597
Adjustments for:			
– Depreciation and amortisation	9(b)	10,388	7,457
– Expected credit losses		39,877	31,696
– Impairment losses		311	249
– Net valuation gain on investment properties		(342)	(543)
– Net valuation (gain)/loss on investments		(1,446)	6,291
– Share of profits of associates and joint ventures, net of tax		(6,579)	(5,342)
– Interest expenses on debts instruments issued	5(a)	12,982	13,973
– Finance income	8	(1,355)	(805)
– Finance costs	8	6,544	6,153
– Net gain on investments in financial assets		(4,369)	(1,937)
– Net gain on disposal of subsidiaries, associates and joint ventures		(86)	(1,699)
		113,119	112,090
Changes in working capital			
Decrease in deposits with central banks, banks and non-bank financial institutions		63,857	57,033
(Increase)/decrease in placements with banks and non-bank financial institutions		(28,370)	595
Increase in trade and other receivables		(64,223)	(29,085)
(Increase)/decrease in contract assets		(1,593)	90
Increase in inventories		(3,739)	(1,712)
Increase in financial assets held under resale agreements		(41,665)	(16,846)
Increase in loans and advances to customers and other parties		(306,661)	(255,015)
Decrease in investments in financial assets		5,474	128,447
(Increase)/decrease in other assets		(4,494)	7,587

Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 HK$ million	2018 HK$ million
Cash flows from operating activities (Continued)			
Changes in working capital (Continued)			
Increase/(decrease) in deposits from banks and non-bank financial institutions		73,703	(139,112)
Decrease in placements from banks and non-bank financial institutions		(61,124)	(8,924)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(1,109)	2,348
(Decrease)/increase in trade and other payables		(4,099)	16,006
Increase in contract liabilities		6,029	451
Decrease in financial assets sold under repurchase agreements		(90,259)	(78,852)
Increase in deposits from customers		436,997	209,451
(Decrease)/increase in borrowing from central banks		(54,453)	34,415
Decrease in other liabilities		(6,883)	(11,152)
Decrease in employee benefits payables		(3,159)	(2,678)
(Decrease)/increase in provisions		(589)	911
Cash generated from operating activities		26,759	26,048
Income tax paid		(14,989)	(14,621)
Net cash generated from operating activities		11,770	11,427
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		1,176,033	437,580
Proceeds from disposal of fixed assets, intangible assets and other assets		1,133	1,008
Proceeds from disposal of associates and joint ventures		25	1,667
Net cash received from disposal of subsidiaries	32	22	1,809
Dividends received from equity investments, associates and joint ventures		1,741	2,327
Payments for purchase of financial investments		(1,389,728)	(608,204)
Payments for additions of fixed assets, intangible assets and other assets		(7,003)	(7,466)
Net cash payment for acquisition of subsidiaries		(57)	(4,870)
Net cash payment for acquisition of associates and joint ventures		(708)	(2,322)
Net cash used in investing activities		(218,542)	(178,471)

Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 HK$ million	 2018 HK$ million
Cash flows from financing activities			
Capital injection received from non-controlling interests		**452**	202
Transaction with non-controlling interests		**–**	2,840
Proceeds from new bank and other loans		**46,627**	57,594
Repayment of bank and other loans and debt instruments issued		**(304,289)**	(620,776)
Proceeds from new debt instruments issued		**296,000**	708,551
Principle elements of lease payment		**(2,927)**	N/A
Interest paid on bank and other loans and debt instruments issued		**(18,609)**	(19,960)
Dividends paid to non-controlling interests		**(1,011)**	(6,172)
Dividends paid to ordinary shareholders of the Company		**(7,471)**	–
Distribution paid to holders of perpetual capital securities		**–**	(336)
Net cash generated from financing activities		**8,772**	121,943
Net decrease in cash and cash equivalents		**(198,000)**	(45,101)
Cash and cash equivalents at 1 January		**522,808**	491,363
Effect of exchange changes		**1,667**	(290)
Cash and cash equivalents at 30 June		**326,475**	445,972

The notes on pages 39 to 129 form part of these condensed unaudited consolidated interim accounts.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2019

1 General information

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

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

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

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

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

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

2 Basis of preparation and changes in significant accounting policies

(a) Basis of preparation

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

2 Basis of preparation and changes in significant accounting policies (continued)

(a) 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 2018, except for the adoption of the following new standards and amendments:

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

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

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

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

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

(1) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has not been determined.

(2) Effective for the annual periods beginning on or after 1 January 2020.

(3) Effective for the annual periods beginning on or after 1 January 2021.

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

2 Basis of preparation and changes in significant accounting policies (continued)

(b) Changes in significant accounting policies

HKFRS 16 Leases

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

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

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

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

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

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

ROU assets are measured at cost comprising the following:

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

2 Basis of preparation and changes in significant accounting policies (continued)

(b) Changes in significant accounting policies (continued)

HKFRS 16 Leases (continued)

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

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

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

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

Measurement of lease liabilities

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

2 Basis of preparation and changes in significant accounting policies (continued)

(b) Changes in significant accounting policies (continued)

Measurement of lease liabilities (continued)

Note:

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

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

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

3 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 2018.

(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 the 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 delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

3 Critical accounting estimates and judgement (continued)

(a) Metallurgical Corporation of China ("MCC") claim (continued)

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

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

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.

3 Critical accounting estimates and judgement (continued)

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

Option Agreement Dispute (continued)

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

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

No trial date has been set for this proceeding.

Royalty Component B Dispute

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

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

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

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

3 Critical accounting estimates and judgement (continued)

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

Royalty Component B Dispute (continued)

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

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

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

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

FCD Indemnity Disputes

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

3 Critical accounting estimates and judgement (continued)

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

FCD Indemnity Disputes (continued)

(i) Queensland Nickel FCD Indemnity Claim

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

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

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

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

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

3 Critical accounting estimates and judgement (continued)

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

FCD Indemnity Disputes (continued)

(i) Queensland Nickel FCD Indemnity Claim (continued)

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

No trial date has been set for this proceeding.

(ii) Palmer Petroleum FCD Indemnity Claim

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

(a) from December 2009, funding; and

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

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

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

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

3 Critical accounting estimates and judgement (continued)

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

FCD Indemnity Disputes (continued)

(ii) Palmer Petroleum FCD Indemnity Claim (continued)

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

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

No trial date has been set for this proceeding.

Tenure claim

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

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

- submit Mine Continuation Proposals for the Sino Iron Project to the State under the State Agreement;
- grant further necessary tenure for the Sino Iron Project;
- take steps to secure the re-purposing of general purpose leases for the Sino Iron Project; and
- submit a Programme of Works for the Sino Iron Project to the State.

3 Critical accounting estimates and judgement (continued)

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

Tenure claim (continued)

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

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

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

No trial date has been set for this proceeding.

Minimum Production Royalty Disputes

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

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

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

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

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

3 Critical accounting estimates and judgements (continued)

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

Minimum Production Royalty Disputes (continued)

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

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

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

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

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

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

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

Site Remediation Fund Dispute

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

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

(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 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 claims that the CITIC Parties are required to contribute AUD529,378,207 into the Site Remediation Fund established under the MRSLAs, as security for the performance of their obligations relating to the protection of the environment and rehabilitation.

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

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

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

No trial date has been set for this proceeding.

4 Taxation

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

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

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

5 Revenue

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

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 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.

(a) Net interest income

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

Note:

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

5 Revenue (continued)

(b) Net fee and commission income

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

(c) Sales of goods and services

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

(d) Other revenue

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

5 Revenue (continued)

(d) Other revenue (continued)

(i) Net trading gain

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

6 Costs of sales and services

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Costs of goods sold	**120,846**	114,007
Costs of services rendered		
– Costs of construction contracts	**7,235**	3,797
– Costs of other services	**7,672**	8,722
	135,753	126,526

7 Other net income

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Net gain on disposal of subsidiaries, associates and joint ventures	**86**	1,697
Net gain on investments in financial assets under non-financial services segment	**1,040**	228
Net foreign exchange (loss)/gain	**(70)**	48
Others	**1,109**	1,094
	2,165	3,067

8 Net finance charges

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

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

(b) Other items

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

Note:

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

10 Income tax expense

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

The particulars of the applicable income tax rates are disclosed in Note 4.

11 Dividends

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

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$33,518 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$30,668 million) calculated as follows:

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

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

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

13 Other comprehensive income/(loss)

Components of other comprehensive income/(loss), including reclassification adjustments

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on financial assets at FVOCI	**2,743**	5,968
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(2,715)**	(62)
Loss allowance on financial assets at FVOCI	**584**	180
Tax effect	**(129)**	(1,579)
	483	4,507
(Losses)/gains arising from cash flow hedge	**(439)**	220
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**(22)**	–
Tax effect	**63**	19
	(398)	239
Share of other comprehensive loss of associates and joint ventures	**(734)**	(374)
Exchange differences on translation of financial statements and others	**(4,252)**	(7,383)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on investments in equity instruments designated at FVOCI	**366**	(803)
Less: Tax effect	**(15)**	73
	351	(730)
	(4,550)	(3,741)

14 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

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

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication 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 2019 and 2018 is set out below:

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

14 Segment reporting (continued)

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

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

Note:

The amount is the principal excluding interest accrued.

14 Segment reporting (continued)

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

	Six months ended 30 June 2018								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers	103,068	34,994	61,125	4,015	5,270	49,822	29	–	258,323
Inter-segment revenue	(220)	2,065	111	63	3,123	624	–	(5,766)	–
Reportable segment revenue	102,848	37,059	61,236	4,078	8,393	50,446	29	(5,766)	258,323
Share of profits/(losses) of associates, net of tax	1,167	695	51	54	2,169	(134)	28	–	4,030
Share of profits of joint ventures, net of tax	200	694	18	–	31	369	–	–	1,312
Finance income (Note 8)	–	159	188	177	166	71	680	(636)	805
Finance costs (Note 8)	–	(1,040)	(680)	(22)	(303)	(903)	(3,711)	506	(6,153)
Depreciation and amortisation (Note 9(b))	(1,728)	(1,405)	(2,109)	(68)	(106)	(2,011)	(30)	–	(7,457)
Expected credit losses	(31,707)	22	(33)	1	62	(41)	–	–	(31,696)
Impairment losses	1	(88)	(113)	–	–	(49)	–	–	(249)
Profit/(loss) before taxation	44,228	2,084	3,391	739	6,395	4,836	(3,920)	(1,156)	56,597
Income tax	(8,664)	(358)	(752)	(40)	(1,165)	(996)	(95)	273	(11,797)
Profit/(loss) for the period	35,564	1,726	2,639	699	5,230	3,840	(4,015)	(883)	44,800
Attributable to:									
– Ordinary shareholders of the Company	24,256	1,279	2,406	704	4,747	2,498	(4,339)	(883)	30,668
– Non-controlling interests and holders of perpetual capital securities	11,308	447	233	(5)	483	1,342	324	–	14,132

14 Segment reporting (continued)

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

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

Note:

The amount is the principal excluding interest accrued.

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

15 Cash and deposits

	30 June 2019 HK$ million	31 December 2018 HK$ million
Cash	7,079	7,155
Bank deposits	55,604	76,214
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	404,870	459,369
– Surplus deposit reserve funds (note (iii))	55,312	146,568
– Fiscal deposits (note (iv))	2,650	3,214
– Foreign exchange reserves (note (v))	3,014	1,470
Deposits with banks and non-bank financial institutions	66,318	138,639
	594,847	832,629
Accrued interest	246	424
	595,093	833,053
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions	(49)	(85)
	595,044	832,968

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 2019, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 10% (31 December 2018: 12%) of eligible RMB deposits for domestic branches of CITIC Bank and at 10% (31 December 2018: 12%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2018: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 30 June 2019.

As at 30 June 2019, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 8% (31 December 2018: 9%).

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 2019, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 6% (31 December 2018: 7%) of eligible RMB deposits from the customers of CITIC Finance. As at 30 June 2019, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2018: 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.

(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$2,894 million (31 December 2018: HK$2,266 million) included in cash and deposits as at 30 June 2019 were restricted in use, mainly including 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 and swap of interest rate and currency to its customers. 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.

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.

16 Derivative financial instruments (continued)

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 indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

	30 June 2019			31 December 2018		
	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						
– Interest rate derivatives	4,158	29	51	9,570	116	9
– Currency derivatives	444	–	25	446	–	22
Cash flow hedge						
– Interest rate derivatives	13,546	–	1,785	15,214	6	1,370
– Currency derivatives	278	1	2	386	7	–
– Other derivatives	1,285	573	34	2,086	546	59
Non-hedging instruments						
– Interest rate derivatives	2,931,655	6,916	6,828	2,097,185	6,859	6,812
– Currency derivatives	2,514,450	13,565	13,024	2,965,101	28,449	28,061
– Precious metals derivatives	53,284	670	1,455	66,930	1,195	1,335
– Other derivatives	349	54	195	1,272	116	8
	5,519,449	21,808	23,399	5,158,190	37,294	37,676

16 Derivative financial instruments (continued)

(a) Nominal amount analysed by remaining maturity

	30 June 2019 HK$ million	31 December 2018 HK$ million
Within 3 months	2,699,740	2,195,091
Between 3 months and 1 year	2,065,768	2,327,455
Between 1 year and 5 years	748,000	623,939
Over 5 years	5,941	11,705
	5,519,449	5,158,190

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 2019, the credit risk weighted amount for counterparty was HK$23,447 million (31 December 2018: HK$23,006 million).

17 Trade and other receivables

	30 June 2019 HK$ million	31 December 2018 HK$ million
Account and bills receivables	48,127	46,494
Advanced payments and settlement accounts	41,601	2,688
Prepayments, deposits and other receivables	99,132	67,425
	188,860	116,607
Less: allowance for impairment losses	(6,377)	(5,550)
	182,483	111,057

As at 30 June 2019, 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$8,093 million (31 December 2018: HK$7,102 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 2019 HK$ million	31 December 2018 HK$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,168,496	2,106,071
– Discounted bills	3,919	169,204
– Finance lease receivables	53,632	54,574
	2,226,047	2,329,849
Personal loans:		
– Residential mortgages	834,395	734,315
– Business loans	233,473	222,252
– Credit cards	568,633	505,013
– Personal consumption	236,573	232,656
	1,873,074	1,694,236
	4,099,121	4,024,085
Accrued interest	10,337	10,016
	4,109,458	4,034,101
Less: allowance for impairment losses	(128,585)	(119,857)
Carrying amount of loans and advances to customers and other parties at amortised cost	3,980,873	3,914,244

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

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	170	156
– Discounted bills	279,855	110,001
Carrying amount of loans and advances to customers and other parties at FVOCI	280,025	110,157
	4,260,898	4,024,401
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	(372)	(151)

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Unsecured loans	1,040,629	925,754
Guaranteed loans	569,623	563,310
Secured loans		
– Loans secured by collateral	1,975,890	1,895,985
– Pledged loans	509,230	469,988
	4,095,372	3,855,037
Discounted bills	283,774	279,205
	4,379,146	4,134,242
Accrued interest	10,337	10,016
Gross loans and advances	4,389,483	4,144,258

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

(c) Assessment method of allowance for impairment losses

	As at 30 June 2019				
	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	3,906,933	110,966	81,222	4,099,121	1.85%
Accrued interest	9,173	1,130	34	10,337	
Less: allowance for impairment losses	(43,526)	(27,410)	(57,649)	(128,585)	
Carrying amount of loans and advances at amortised cost	3,872,580	84,686	23,607	3,980,873	
Carrying amount of loans and advances at FVOCI	279,949	44	32	280,025	
Total carrying amount of loans and advances	4,152,529	84,730	23,639	4,260,898	
Allowance for impairment losses of loans and advances at FVOCI	(353)	(1)	(18)	(372)	

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

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

As at 31 December 2018

	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	3,840,531	108,412	75,142	4,024,085	1.81%
Accrued interest	9,008	987	21	10,016	
Less: allowance for impairment losses	(40,174)	(26,464)	(53,219)	(119,857)	
Carrying amount of loans and advances at amortised cost	3,809,365	82,935	21,944	3,914,244	
Carrying amount of loans and advances at FVOCI	110,157	–	–	110,157	
Total carrying amount of loans and advances	3,919,522	82,935	21,944	4,024,401	
Allowance for impairment losses of loans and advances at FVOCI	(151)	–	–	(151)	

Note:

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

	As at 30 June 2019 HK$ million	As at 31 December 2018 HK$ million
Secured portion	43,484	43,453
Unsecured portion	37,770	31,689
Total	81,254	75,142
Allowance for impairment losses	(57,667)	(53,219)

As at 30 June 2019, the fair value of pledge and collateral held against these loans and advances amounted to HK$44,417 million (31 December 2018: HK$41,669 million).

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

(d) Overdue loans by overdue period

	As at 30 June 2019				
	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	15,347	11,523	1,614	359	28,843
Guaranteed loans	9,369	10,047	6,179	619	26,214
Secured loans					
– Loans secured by collateral	18,047	16,867	12,212	3,239	50,365
– Pledged loans	5,182	2,338	2,030	221	9,771
	47,945	40,775	22,035	4,438	115,193

	As at 31 December 2018				
	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	11,209	10,959	2,256	562	24,986
Guaranteed loans	10,595	9,464	7,577	715	28,351
Secured loans					
– Loans secured by collateral	18,749	15,224	13,784	3,107	50,864
– Pledged loans	2,805	2,234	1,999	131	7,169
	43,358	37,881	25,616	4,515	111,370

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 2019 HK$ million	31 December 2018 HK$ million
Financial assets at amortised cost		
Debt securities	466,492	438,361
Investment management products managed by securities companies (note (i))	392,446	262,905
Trust investment plans (note (i))	185,387	178,161
Certificates of deposit and certificates of interbank deposit	8,559	13,018
Wealth management products	–	1,198
Investments in creditor's rights on assets	581	583
Others	409	445
	1,053,874	894,671
Accrued interest	12,591	9,644
	1,066,465	904,315
Less: allowance for impairment losses	(5,576)	(4,967)
	1,060,889	899,348
Financial assets at fair value through profit or loss ("FVPL")		
Debt securities	72,742	86,115
Including: Designated at FVPL	–	60
Investment management products managed by securities companies (note (i))	2,903	3,413
Trust investment plans (note (i))	5,486	36,911
Certificates of deposit and certificates of interbank deposit	22,976	19,074
Wealth management products	2,934	1,946
Investment funds	274,210	233,132
Equity investment	14,246	14,572
Others	47	96
	395,544	395,259

19 Investments in financial assets (continued)

(a) Analysed by types (continued)

	30 June 2019 HK$ million	31 December 2018 HK$ million
Debt investments at FVOCI (note (ii))		
Debt securities	613,652	560,392
Certificates of deposit and certificates of interbank deposit	7,282	14,431
Others	595	380
	621,529	575,203
Accrued interest	7,621	7,696
	629,150	582,899
Equity investments at FVOCI (note(ii))		
Equity investment	7,748	6,504
Investment funds	536	417
	8,284	6,921
	2,093,867	1,884,427

Notes:

(i) As at 30 June 2019, certain of the Group's investments with an aggregate amount of HK$105,027 million (31 December 2018: HK$113,096 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of trust investment plans and investment management products managed by securities companies primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

19 Investments in financial assets (continued)

(a) Analysed by types (continued)

Notes: (continued)

(ii) Financial assets measured at FVOCI.

	As at 30 June 2019 Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	8,465	615,728	624,193
Accumulative fair value change in other comprehensive income	(181)	5,801	5,620
Fair value	8,284	621,529	629,813
Allowance for impairment losses	N/A	(1,755)	(1,755)

	As at 31 December 2018 Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	7,778	568,893	576,671
Accumulative fair value change in other comprehensive income	(857)	6,310	5,453
Fair value	6,921	575,203	582,124
Allowance for impairment losses	N/A	(1,185)	(1,185)

(b) Analysed by location of counterparties

	30 June 2019 HK$ million	31 December 2018 HK$ million
Issued by:		
– Government	628,776	560,789
– Policy banks	87,597	139,707
– Banks and non-bank financial institutions	1,169,922	993,732
– Corporates	186,632	170,371
– Public entities	728	2,488
	2,073,655	1,867,087
Accrued interest	20,212	17,340
	2,093,867	1,884,427
– Listed in Hong Kong	62,045	53,747
– Listed outside Hong Kong	1,331,164	1,250,302
– Unlisted	680,446	563,038
	2,073,655	1,867,087
Accrued interest	20,212	17,340
	2,093,867	1,884,427

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 2019			
	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	1,050,000	1,219	2,655	1,053,874
Accrued interest	12,591	–	–	12,591
Less: allowance for impairment losses	(3,492)	(310)	(1,774)	(5,576)
Carrying amount of investments in financial assets at amortised cost	1,059,099	909	881	1,060,889
Gross carrying amount of debt investments in financial assets at FVOCI	621,223	134	172	621,529
Accrued interest	7,619	2	–	7,621
Carrying amount of debt investments in financial assets at FVOCI	628,842	136	172	629,150
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,687,941	1,045	1,053	1,690,039
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,515)	(2)	(238)	(1,755)

	As at 31 December 2018			
	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	886,393	5,431	2,847	894,671
Accrued interest	9,635	9	–	9,644
Less: allowance for impairment losses	(3,140)	(325)	(1,502)	(4,967)
Carrying amount of investments in financial assets at amortised cost	892,888	5,115	1,345	899,348
Gross carrying amount of debt investments in financial assets at FVOCI	574,833	118	252	575,203
Accrued interest	7,695	1	–	7,696
Carrying amount of debt investments in financial assets at FVOCI	582,528	119	252	582,899
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,475,416	5,234	1,597	1,482,247
Allowance for impairment losses on debt investments in financial assets at FVOCI	(830)	(2)	(353)	(1,185)

20 Interests in associates

	30 June 2019 HK$ million	31 December 2018 HK$ million
Carrying value	120,379	119,127
Less: allowance for impairment losses	(2,494)	(2,496)
	117,885	116,631

21 Interests in joint ventures

	30 June 2019 HK$ million	31 December 2018 HK$ million
Carrying value	42,556	40,068
Less: allowance for impairment losses	(1,448)	(1,448)
	41,108	38,620

22 Deposits from banks and non-bank financial institutions

	30 June 2019 HK$ million	31 December 2018 HK$ million
Banks	282,879	242,717
Non-bank financial institutions	673,650	641,512
	956,529	884,229
Accrued interest	4,883	4,737
	961,412	888,966
Analysed by remaining maturity:		
– On demand	458,231	364,731
– Within 3 months	338,712	261,820
– Between 3 months and 1 year	158,824	257,483
– Over 1 year	762	195
	956,529	884,229
Accrued interest	4,883	4,737
	961,412	888,966

23 Trade and other payables

	30 June 2019 HK$ million	31 December 2018 HK$ million
Account and bills payables	77,168	75,084
Advances from customers	390	214
Other taxes payables	5,178	5,089
Settlement accounts	11,534	12,566
Dividend payables	5,183	493
Other payables	64,803	77,647
	164,256	171,093

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 2019 HK$ million	31 December 2018 HK$ million
Within 1 year	62,202	53,426
Between 1 and 2 years	3,059	5,102
Between 2 and 3 years	2,617	7,319
Over 3 years	9,290	9,237
	77,168	75,084

24 Deposits from customers

(a) Types of deposits from customers

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

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

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

25 Bank and other loans

(a) Types of loans

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

(b) Maturity of loans

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

25 Bank and other loans (continued)

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
RMB	**38,506**	41,031
US$	**51,721**	56,545
HK$	**41,691**	40,019
Other currencies	**18,601**	17,995
	150,519	155,590
Accrued interest	**744**	1,088
	151,263	156,678

(d) As at 30 June 2019, the Group's bank and other loans of HK$25,499 million (31 December 2018 HK$27,865 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets and the equity of subsidiaries with an aggregate carrying amount of HK$77,214 million (31 December 2018: HK$79,818 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 2019, none of the covenants relating to drawn down facilities have been breached (31 December 2018: Nil).

26 Debt instruments issued

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

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

Notes:

(a) Corporate bonds issued

	30 June 2019 HK$ million	31 December 2018 HK$ million
The Company (note (i))	63,249	63,335
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	30,654	17,086
CITIC Telecom International Holdings Limited ("CITIC Telecom International") (note (iii))	3,491	3,490
CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries") (note (iv))	144	144
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(v))	2,274	1,141
	99,812	85,196

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 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 5	US$	500	10/04/2013	10/04/2020	6.38%
US$ Notes 2.1	US$	500	15/04/2011	15/04/2021	6.63%
US$ Notes 2.2	US$	250	23/06/2014	15/04/2021	6.63%
US$ Notes 1	US$	150	16/08/2010	16/08/2022	6.90%
US$ Notes 4.1	US$	750	17/10/2012	17/01/2023	6.80%
US$ Notes 4.2	US$	250	11/12/2012	17/01/2023	6.80%
US$ Notes 4.3	US$	400	18/07/2014	17/01/2023	6.80%
US$ Notes 6.1	US$	110	18/07/2014	18/01/2024	4.70%
US$ Notes 6.2	US$	90	29/10/2014	18/01/2024	4.70%
HK$ Notes 2	HK$	420	25/07/2014	25/07/2024	4.35%
US$ Notes 7	US$	280	14/04/2015	14/04/2035	4.60%
US$ Notes 8	US$	150	04/02/2016	04/02/2041	4.88%
US$ Notes 9	US$	350	04/02/2016	04/02/2036	4.75%
US$ Notes 10	US$	90	25/04/2016	25/04/2036	4.65%
US$ Notes 11	US$	210	25/04/2016	25/04/2046	4.85%
US$ Notes 12	US$	500	14/06/2016	14/12/2021	2.80%
US$ Notes 13	US$	750	14/06/2016	14/06/2026	3.70%
US$ Notes 14	US$	200	07/09/2016	07/09/2031	3.98%
US$ Notes 15	US$	250	07/09/2016	07/09/2046	4.49%
US$ Notes 16	US$	750	28/02/2017	28/02/2027	3.88%
US$ Notes 17	US$	500	28/02/2017	28/02/2022	3.13%
US$ Notes 18	US$	250	11/01/2018	11/07/2023	3.50%
US$ Notes 19	US$	500	11/01/2018	11/01/2028	4.00%
US$ Notes 20	US$	75	13/03/2018	13/03/2038	4.85%
US$ Notes 21	US$	200	18/04/2018	18/04/2048	5.07%

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 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 5	US$	500	10/04/2013	10/04/2020	6.38%
US$ Notes 2.1	US$	500	15/04/2011	15/04/2021	6.63%
US$ Notes 2.2	US$	250	23/06/2014	15/04/2021	6.63%
US$ Notes 1	US$	150	16/08/2010	16/08/2022	6.90%
US$ Notes 4.1	US$	750	17/10/2012	17/01/2023	6.80%
US$ Notes 4.2	US$	250	11/12/2012	17/01/2023	6.80%
US$ Notes 4.3	US$	400	18/07/2014	17/01/2023	6.80%
US$ Notes 6.1	US$	110	18/07/2014	18/01/2024	4.70%
US$ Notes 6.2	US$	90	29/10/2014	18/01/2024	4.70%
HK$ Notes 2	HK$	420	25/07/2014	25/07/2024	4.35%
US$ Notes 7	US$	280	14/04/2015	14/04/2035	4.60%
US$ Notes 8	US$	150	04/02/2016	04/02/2041	4.88%
US$ Notes 9	US$	350	04/02/2016	04/02/2036	4.75%
US$ Notes 10	US$	90	25/04/2016	25/04/2036	4.65%
US$ Notes 11	US$	210	25/04/2016	25/04/2046	4.85%
US$ Notes 12	US$	500	14/06/2016	14/12/2021	2.80%
US$ Notes 13	US$	750	14/06/2016	14/06/2026	3.70%
US$ Notes 14	US$	200	07/09/2016	07/09/2031	3.98%
US$ Notes 15	US$	250	07/09/2016	07/09/2046	4.49%
US$ Notes 16	US$	750	28/02/2017	28/02/2027	3.88%
US$ Notes 17	US$	500	28/02/2017	28/02/2022	3.13%
US$ Notes 18	US$	250	11/01/2018	11/07/2023	3.50%
US$ Notes 19	US$	500	11/01/2018	11/01/2028	4.00%
US$ Notes 20	US$	75	13/03/2018	13/03/2038	4.85%
US$ Notes 21	US$	200	18/04/2018	18/04/2048	5.07%

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 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	10/12/2003	09/12/2023	5.10%
05 CITIC bond-2	RMB	4,000	07/12/2005	06/12/2025	4.60%
17 CITIC corporate bonds-1	RMB	2,000	04/09/2017	04/09/2022	4.60%
19 CITIC bond-1	RMB	3,500	25/02/2019	25/02/2022	3.50%
19 CITIC bond-2	RMB	1,500	25/02/2019	25/02/2024	3.85%
19 CITIC bond-3	RMB	2,000	19/03/2019	19/03/2029	4.59%
19 CITIC bond-4	RMB	2,000	22/04/2019	22/04/2029	4.71%
19 CITIC SCP001	RMB	3,000	21/02/2019	20/08/2019	2.90%
19 CITIC SCP002	RMB	3,000	14/03/2019	09/12/2019	3.14%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	10/12/2003	09/12/2023	5.10%
05 CITIC bond-2	RMB	4,000	07/12/2005	06/12/2025	4.60%
17 CITIC corporate bonds-1	RMB	2,000	04/09/2017	04/09/2022	4.60%
18 CITIC SCP001	RMB	3,000	16/08/2018	13/05/2019	3.59%

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

	As at 30 June 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	05/03/2013	05/03/2025	6.10%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	05/03/2013	05/03/2025	6.10%

26 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(iv) Details of corporate bonds issued by CITIC Heavy Industries

	As at 30 June 2019				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Corporate bonds	**RMB**	**126**	**25/01/2013**	**25/01/2020**	**5.20%**

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	25/01/2013	25/01/2020	5.20%

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

	As at 30 June 2019				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
18 Corporate bonds	**RMB**	**1,000**	**31/05/2018**	**31/05/2021**	**4.90%**
19 Corporate bonds	**RMB**	**1,000**	**20/05/2019**	**20/05/2022**	**3.90%**

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	31/05/2018	31/05/2021	4.90%

26 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued

	30 June 2019 HK$ million	31 December 2018 HK$ million
CITIC Corporation (note (i))	20,380	24,998
CITIC Bank (note (ii))	91,285	91,641
CITIC Offshore Helicopter Company Limited (note (iii))	358	360
CITIC Trust Co., Ltd. (note (iv))	4,648	2,368
	116,671	119,367

(i) Details of notes issued by CITIC Corporation

As at 30 June 2019	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	08/06/2010	10/06/2020	4.60%
2010 Second tranche medium term note	RMB	4,000	20/08/2010	24/08/2020	4.40%
2011 Second tranche medium term note-2	RMB	6,000	15/11/2011	16/11/2021	5.30%
2012 Medium term note-2	RMB	5,000	28/03/2012	29/03/2022	5.18%

As at 31 December 2018	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	08/06/2010	10/06/2020	4.60%
2010 Second tranche medium term note	RMB	4,000	20/08/2010	24/08/2020	4.40%
2011 Second tranche medium term note-2	RMB	6,000	15/11/2011	16/11/2021	5.30%
2012 Medium term note-1	RMB	4,000	28/03/2012	29/03/2019	5.00%
2012 Medium term note-2	RMB	5,000	28/03/2012	29/03/2022	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 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	17/04/2017	17/04/2020	4.20%
Financial bonds	RMB	8,000	17/11/2015	17/11/2020	3.61%
Financial bonds	RMB	7,000	21/05/2015	25/05/2020	3.98%
Financial bonds	US$	700	14/12/2017	14/12/2020	3.24%
Financial bonds	US$	550	14/12/2017	15/12/2022	3.34%
Financial bonds	RMB	3,000	24/05/2017	24/05/2020	4.40%
Financial bonds	US$	300	14/12/2017	14/12/2020	2.88%
Financial bonds	US$	250	14/12/2017	15/12/2022	3.13%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	17/04/2017	17/04/2020	4.20%
Financial bonds	RMB	8,000	17/11/2015	17/11/2020	3.61%
Financial bonds	RMB	7,000	21/05/2015	25/05/2020	3.98%
Financial bonds	US$	700	14/12/2017	14/12/2020	3.24%
Financial bonds	US$	550	14/12/2017	15/12/2022	3.34%
Financial bonds	RMB	3,000	24/05/2017	24/05/2020	4.40%
Financial bonds	US$	300	14/12/2017	14/12/2020	2.88%
Financial bonds	US$	250	14/12/2017	15/12/2022	3.13%

26 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

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

	As at 30 June 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	04/05/2017	31/03/2020	5.18%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	04/05/2017	31/03/2020	5.18%

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

	As at 30 June 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	15/03/2018	15/03/2021	4.75%
Participation Notes	US$	5	22/01/2018	22/01/2023	Non fixed interest rate
Medium Term Notes	US$	69	17/04/2019	20/12/2019	3.70%
Medium Term Notes	US$	91	29/04/2019	20/12/2019	3.70%
Guaranteed notes	US$	150	22/05/2019	20/05/2020	4.75%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	15/03/2018	15/03/2021	4.75%
Participation Notes	US$	5	22/01/2018	22/01/2023	Non fixed interest rate
Participation Notes (HDPro)	US$	6	29/12/2017	29/12/2019	Non fixed interest rate

26 Debt instruments issued (continued)

Notes (continued):

(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 2019 HK$ million	31 December 2018 HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	2,401	3,955
– In February 2024 (note (ii))	3,870	–
– In May 2024 (note (iii))	–	2,345
Fixed rate bonds maturing		
– In May 2025 (note (iv))	13,073	13,125
– In June 2027 (note (v))	22,718	22,806
– In August 2024 (note (vi))	42,033	42,196
– In September 2028 (note (vii))	34,090	34,238
– In October 2028 (note (viii))	22,736	22,820
	140,921	141,485

	As at 30 June 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i) Subordinated Notes	US$	304	24/06/2010	24/06/2020	6.88%
(ii) Subordinated Notes	US$	500	28/02/2019	28/02/2024	4.63%
(iv) Subordinated Fixed Rate Bonds	RMB	11,500	28/05/2010	28/05/2025	4.30%
(v) Subordinated Fixed Rate Bonds	RMB	20,000	21/06/2012	21/06/2027	5.15%
(vi) Subordinated Fixed Rate Bonds	RMB	37,000	26/08/2014	26/08/2024	6.13%
(vii) Subordinated Fixed Rate Bonds	RMB	30,000	13/09/2018	13/09/2028	4.96%
(viii) Subordinated Fixed Rate Bonds	RMB	20,000	22/10/2018	22/10/2028	4.80%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i) Subordinated Notes	US$	500	24/06/2010	24/06/2020	6.88%
(iii) Subordinated Notes	US$	300	07/11/2013	07/05/2024	6.00%
(iv) Subordinated Fixed Rate Bonds	RMB	11,500	28/05/2010	28/05/2025	4.30%
(v) Subordinated Fixed Rate Bonds	RMB	20,000	21/06/2012	21/06/2027	5.15%
(vi) Subordinated Fixed Rate Bonds	RMB	37,000	26/08/2014	26/08/2024	6.13%
(vii) Subordinated Fixed Rate Bonds	RMB	30,000	13/09/2018	13/09/2028	4.96%
(viii) Subordinated Fixed Rate Bonds	RMB	20,000	22/10/2018	22/10/2028	4.80%

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 2.26% to 3.13% per annum (31 December 2018: 2.05% to 2.26% per annum).

26 Debt instruments issued (continued)

Notes (continued):

(e) Certificates of interbank deposit issued

As at 30 June 2019, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB357,587 million (approximately HK$406,506 million) (31 December 2018: RMB341,310 million (approximately HK$389,534 million)). The yield ranges 2.75% to 3.85% per annum (31 December 2018: 2.80% to 4.86% per annum). The original expiry terms are between 3 months to 1 year (31 December 2018: between 1 month to 1 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. The convertible bonds have a term of six years from 4 March 2019 to 3 March 2025, at 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 2019, RMB13,612 million (HK$15,473 million) convertible bonds were recorded in debt instruments issued and reserves respectively.

27 Share capital, perpetual capital securities and reserves

(a) Share capital

As at 30 June 2019, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2018: 29,090,262,630).

(b) Perpetual capital securities

In May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$1,000 million (approximately HK$7,800 million). These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 21 November 2018, the perpetual capital securities of US$1,000 million were redeemed by the Company.

(c) 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 2019 (31 December 2018: 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, financial 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. Financial 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 2019 HK$ million	31 December 2018 HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	5,388	5,160
With an original maturity of 1 year or above	38,796	40,387
	44,184	45,547
Credit card commitments	571,795	495,994
Guarantees	165,768	181,219
Letters of credit	106,669	106,053
Acceptances	434,781	450,022
	1,323,197	1,278,835

28 Contingent liabilities and commitments (continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2019 HK$ million	31 December 2018 HK$ million
Credit risk weighted amount on credit commitments	472,826	422,882

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 2019 HK$ million	31 December 2018 HK$ million
Redemption commitment for treasury bonds	13,448	12,669

As at 30 June 2019, the original maturities of these bonds vary from one to five years (31 December 2018: one to five 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

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	30 June 2019 HK$ million	31 December 2018 HK$ million
Related parties (note)	**13,991**	11,811
Third parties	**4,864**	3,169
	18,855	14,980

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Related parties (note)	**5,684**	5,706
Third parties	**9**	50
	5,693	5,756

Note:

As at 30 June 2019, 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 RMB5,000 million(approximately HK$5,684 million) (31 December 2018: RMB5,000 million(approximately HK$5,706 million)). The guarantees are being transferred to 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) Investigation into 2008 forex incident

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

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

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

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

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

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

28 Contingent liabilities and commitments (continued)

(e) Outstanding litigation and disputes (continued)

(i) Investigation into 2008 forex incident (continued)

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

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

(iii) 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 2019 HK$ million	31 December 2018 HK$ million
Contracted for	**34,087**	28,970

(g) Operating lease commitments

The Group leases certain of its fixed assets. As at the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018 HK$ million
Within 1 year	6,709
Between 1 and 2 years	5,631
Between 2 and 3 years	4,769
Over 3 years	11,498
	28,607

From 1 January 2019, the Group has recognised ROU assets for these leases, except for short-term and low-value leases, see Notes 2(b).

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.

(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 loan and advance 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")

Since 1 January 2018, 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 all trade receivables and contract assets whether there is significant financial component or not, and lease receivable. 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:

(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.

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(1) Significant increase in credit risk (continued)

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 changes; (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 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 principle 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.

(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:

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(3) Inputs for measurement of ECL (continued)

– The 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 probability of default and the change in the value of collateral over time.

During the reporting period, there were no significant changes in the estimated 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 quarterly 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 weightings 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 weighted 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.

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as domestic Gross Domestic Product ("GDP"), electricity production and registered urban unemployment rate, etc.

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(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 2019 HK$ million	31 December 2018 HK$ million
Deposits with central banks, banks and non-bank financial institutions	587,965	825,813
Placements with banks and non-bank financial institutions	195,279	200,030
Trade and other receivables	162,216	91,272
Financial assets held under resale agreements	53,768	12,955
Loans and advances to customers and other parties	4,260,898	4,024,401
Investments in financial assets		
– At amortised cost	1,060,889	899,348
– Debt investments at FVOCI	629,150	582,899
Contract assets	12,661	11,068
Other financial assets	3,513	2,591
	6,966,339	6,650,377
Credit commitments and guarantees provided	1,342,052	1,293,815
Maximum credit risk exposure	8,308,391	7,944,192

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is not represented by the net balance of each type of financial assets in the balance sheet without deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2019 HK$ million	31 December 2018 HK$ million
Derivative financial instruments	21,808	37,294
Investments in financial assets		
– Financial assets at FVPL	369,411	370,684
Maximum credit risk exposure	391,219	407,978

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(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 six months ended 30 June 2019:

	Six months ended 30 June 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	3,959,696	109,399	75,163	4,144,258
Movements:				
Net transfers out from stage 1	(56,999)	–	–	(56,999)
Net transfers into stage 2	–	13,862	–	13,862
Net transfers into stage 3	–	–	43,137	43,137
Net increase/(decrease) during the period (note (i))	312,273	(10,702)	(7,007)	294,564
Write offs	–	–	(32,039)	(32,039)
Others (note (ii))	(18,915)	(419)	2,034	(17,300)
Balance at 30 June 2019	4,196,055	112,140	81,288	4,389,483

The following table explains the changes in the gross carrying amount for investments in financial assets for the six months ended 30 June 2019:

	Six months ended 30 June 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	1,478,556	5,559	3,099	1,487,214
Movements:				
Net transfers out from stage 1	(174)	–	–	(174)
Net transfers into stage 2	–	–	–	–
Net transfers into stage 3	–	–	174	174
Net increase/(decrease) during the period (note (i))	222,988	(4,278)	(192)	218,518
Write offs	–	–	(216)	(216)
Others (note (ii))	(9,937)	74	(38)	(9,901)
Balance at 30 June 2019	1,691,433	1,355	2,827	1,695,615

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

Notes:

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

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

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 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	40,325	26,464	53,219	120,008
Movements (note (i)):				
Net transfers out from stage 1	(4,650)	–	–	(4,650)
Net transfers into stage 2	–	1,362	–	1,362
Net transfers into stage 3	–	–	31,462	31,462
Net increase/(decrease) during the period (note (ii))	4,600	(2,769)	(4,019)	(2,188)
Write offs	–	–	(32,039)	(32,039)
Parameters change for the period (note (iii))	3,829	2,464	6,671	12,964
Others (note (iv))	(225)	(110)	2,373	2,038
Balance at 30 June 2019	43,879	27,411	57,667	128,957

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 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	3,970	327	1,855	6,152
Movements (note (i)):				
Net transfers out from stage 1	(3)	–	–	(3)
Net transfers into stage 2	–	–	–	–
Net transfers into stage 3	–	–	106	106
Net increase/(decrease) during the period (note (ii))	1,710	(157)	(21)	1,532
Write offs	–	–	(386)	(386)
Parameters change for the period (note (iii))	(635)	143	470	(22)
Others (note (iv))	(35)	(1)	(12)	(48)
Balance at 30 June 2019	5,007	312	2,012	7,331

Notes:

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

(ii) 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.

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

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

29 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

	30 June 2019			31 December 2018		
	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	349,154	8%	301,660	359,746	8%	312,585
– Rental and business services	338,373	7%	206,821	322,893	7%	202,275
– Manufacturing	321,570	7%	141,862	339,909	8%	158,870
– Water, environment and public utility management	271,401	6%	135,302	238,441	6%	121,983
– Wholesale and retail	178,437	4%	101,895	173,866	4%	102,732
– Transportation, storage and postal services	170,486	4%	79,344	173,919	4%	88,656
– Construction	108,908	2%	47,014	91,025	2%	37,263
– Production and supply of electric power, gas and water	88,018	2%	61,099	83,244	2%	46,415
– Public management and social organizations	14,672	1%	7,301	15,255	1%	3,105
– Others	381,279	9%	165,242	362,503	9%	150,564
	2,222,298	50%	1,247,540	2,160,801	51%	1,224,448
Personal loans	1,873,074	43%	1,237,580	1,694,236	41%	1,141,525
Discounted bills	283,774	6%	–	279,205	7%	–
	4,379,146	99%	2,485,120	4,134,242	99%	2,365,973
Accrued interest	10,337	1%	–	10,016	1%	–
	4,389,483	100%	2,485,120	4,144,258	100%	2,365,973

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:

	As at 30 June 2019			As at 31 December 2018		
	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	4,177,432	94%	2,398,882	3,926,180	94%	2,286,150
Hong Kong, Macau and Taiwan	187,697	4%	77,888	200,088	4%	75,465
Overseas	14,017	1%	8,350	7,974	1%	4,358
	4,379,146	99%	2,485,120	4,134,242	99%	2,365,973
Accrued interest	10,337	1%	–	10,016	1%	–
	4,389,483	100%	2,485,120	4,144,258	100%	2,365,973

(v) 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 2019		31 December 2018	
	Gross balance HK$ million	% of total loans and advances HK$ million	Gross balance HK$ million	% of total loans and advances HK$ million
Rescheduled loans and advances	23,945	0.55%	24,638	0.59%
– Rescheduled loans and advances overdue more than 3 months	18,428	0.42%	21,397	0.52%

(vi) 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 2019, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2018: Nil).

29 Financial risk management and fair values (continued)

(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.

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

	As at 30 June 2019					
	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	Total HK$ million
Total financial assets	274,193	2,935,870	1,848,289	1,622,035	706,006	7,386,393
Total financial liabilities	(2,874,974)	(3,200,630)	(755,923)	(242,660)	(35)	(7,074,222)
Financial asset-liability gap	(2,600,781)	(264,760)	1,092,366	1,379,375	705,971	312,171

	As at 31 December 2018					
	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	Total HK$ million
Total financial assets	352,189	2,644,591	1,889,958	1,449,158	750,042	7,085,938
Total financial liabilities	(2,624,897)	(3,233,564)	(693,042)	(196,238)	(3,173)	(6,750,914)
Financial asset-liability gap	(2,272,708)	(588,973)	1,196,916	1,252,920	746,869	335,024

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:

	As at 30 June 2019					
	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	Total HK$ million
Total financial assets	387,718	3,146,750	2,257,741	2,341,727	783,295	8,917,231
Total financial liabilities	(3,245,841)	(4,168,164)	(944,281)	(282,097)	(36)	(8,640,419)
Financial asset-liability gap	(2,858,123)	(1,021,414)	1,313,460	2,059,630	783,259	276,812

	As at 31 December 2018					
	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	Total HK$ million
Total financial assets	374,287	3,318,026	2,338,544	2,213,941	778,584	9,023,382
Total financial liabilities	(2,917,781)	(4,150,202)	(925,797)	(199,436)	(3,222)	(8,196,438)
Financial asset-liability gap	(2,543,494)	(832,176)	1,412,747	2,014,505	775,362	826,944

29 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	As at 30 June 2019			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	12,953	16,674	14,557	44,184
Guarantees	100,165	65,466	137	165,768
Letters of credit	104,148	2,521	–	106,669
Acceptances	434,781	–	–	434,781
Credit card commitments	564,376	7,419	–	571,795
Total	1,216,423	92,080	14,694	1,323,197

	As at 31 December 2018			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	8,027	17,641	19,879	45,547
Guarantees	95,728	78,012	7,479	181,219
Letters of credit	103,440	2,613	–	106,053
Acceptances	450,022	–	–	450,022
Credit card commitments	488,109	7,885	–	495,994
Total	1,145,326	106,151	27,358	1,278,835

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 2019				
	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	592,126	5,433,115	968,724	392,428	7,386,393
Total financial liabilities	(216,256)	(5,942,789)	(677,989)	(237,188)	(7,074,222)
Financial asset-liability gap	375,870	(509,674)	290,735	155,240	312,171

	As at 31 December 2018				
	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	467,634	4,373,016	1,955,528	289,760	7,085,938
Total financial liabilities	(225,850)	(5,707,635)	(635,184)	(182,245)	(6,750,914)
Financial asset-liability gap	241,784	(1,334,619)	1,320,344	107,515	335,024

29 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	30 June 2019 Effective interest rate	30 June 2019 HK$ million	31 December 2018 Effective interest rate	31 December 2018 HK$ million
Assets				
Cash and deposits	1.55%-1.69%	595,044	1.54%-2.22%	832,968
Placements with banks and non-bank financial institutions	2.87%	195,279	3.38%	200,030
Financial assets held under resale agreements	2.12%	53,768	2.59%	12,955
Loans and advances to customers and other parties	4.80%	4,260,898	4.86%	4,024,401
Investments in financial assets	3.80%-4.38%	2,093,867	3.80%-4.71%	1,884,427
Interests in associates and joint ventures	–	158,993	–	155,251
Others		648,539		550,681
		8,006,388		7,660,713
Liabilities				
Borrowing from central banks	3.34%	270,424	3.29%	327,629
Deposits from banks and non-bank financial institutions	2.86%	961,412	3.54%	888,966
Placements from banks and non-bank financial institutions	2.83%	69,538	3.49%	129,163
Financial assets sold under repurchase agreements	2.40%	50,154	2.84%	138,589
Deposits from customers	2.06%	4,572,686	1.88%	4,159,924
Bank and other loans	0.47%-6.35%	151,263	0.47%-6.35%	156,678
Debt instruments issued	2.80%-6.95%	788,713	2.81%-6.95%	745,031
Others		303,390		304,073
		7,167,580		6,850,053

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 2019, 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$8,363 million (31 December 2018: decrease or increase by HK$12,844 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 entered into 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$) have been designated as an accounting hedge against other US$ 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 HK$ million):

	As at 30 June 2019				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**196,498**	**353,703**	**6,782,798**	**53,394**	**7,386,393**
Total financial liabilities	**(223,651)**	**(435,461)**	**(6,369,484)**	**(45,626)**	**(7,074,222)**
Financial asset-liability gap	**(27,153)**	**(81,758)**	**413,314**	**7,768**	**312,171**

	As at 31 December 2018				
	HK$	US$	RMB	Others	Total
Total financial assets	189,748	356,652	6,490,967	48,571	7,085,938
Total financial liabilities	(216,286)	(438,935)	(6,046,351)	(49,342)	(6,750,914)
Financial asset-liability gap	(26,538)	(82,283)	444,616	(771)	335,024

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

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 2019 would decrease or increase the Group's profit before taxation by HK$3,367 million (31 December 2018: decrease or increase by HK$3,464 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 gain and loss 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 profit before taxation 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 2019			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Loans and advances to customers and other parties at FVOCI	–	280,025	–	280,025
Derivative financial assets	12	21,222	574	21,808
Investments in financial assets	122,118	834,779	76,081	1,032,978
	122,130	1,136,026	76,655	1,334,811
Liabilities				
Financial liabilities at FVPL	–	–	(234)	(234)
Derivative financial liabilities	(11)	(23,387)	(1)	(23,399)
	(11)	(23,387)	(235)	(23,633)

	As at 31 December 2018			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Loans and advances to customers and other parties at FVOCI	–	110,157	–	110,157
Derivative financial assets	–	36,764	530	37,294
Investments in financial assets	107,495	795,201	82,383	985,079
	107,495	942,122	82,913	1,132,530
Liabilities				
Financial liabilities at FVPL	(1,098)	–	(370)	(1,468)
Derivative financial liabilities	(111)	(37,564)	(1)	(37,676)
	(1,209)	(37,564)	(371)	(39,144)

For the six months ended 30 June 2019, there were no significant transfers between instruments in different levels (six months ended 30 June 2018: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (six months ended 30 June 2018: Nil).

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

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

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 2019					
	Assets			Liabilities		
	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 2019	530	82,383	82,913	(370)	(1)	(371)
Total gains/(losses):	44	141	185	(14)	1	(13)
– in profit or loss	1	(96)	(95)	(14)	–	(14)
– in other comprehensive income	43	237	280	–	1	1
Net settlements	–	(6,443)	(6,443)	150	(1)	149
At 30 June 2019	574	76,081	76,655	(234)	(1)	(235)
Total gains/(losses) for the period included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	1	(96)	(95)	(14)	–	(14)

29 Financial risk management and fair values (continued)

(e) Fair values (continued)

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

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 (continued):

	Six months ended 30 June 2018			
	Assets			Liabilities
	Derivative financial instruments HK$ million	Investments in financial assets HK$ million	Total HK$ million	Derivative financial liabilities HK$ million
As at 1 January 2018	875	279,125	280,000	–
Total (losses)/gains:	(419)	(1,732)	(2,151)	(4)
– in profit or loss	4	1,205	1,209	(4)
– in other comprehensive loss	(423)	(2,937)	(3,360)	–
Net settlements	–	(154,106)	(154,106)	–
As at 30 June 2018	456	123,287	123,743	(4)
Total gains/(losses) for the period included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	4	1,205	1,209	(4)

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 2019				
	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	1,060,889	1,063,555	2,435	728,403	332,717
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	101,337	101,257	–	101,257	–
– Notes issued	117,963	118,573	361	113,516	4,696
– Subordinated bonds issued	145,358	147,782	6,498	141,284	–
– Certificates of deposit (not for trading purpose)	3,156	3,139	–	3,139	–
– Certificates of interbank deposit issued	406,507	407,014	–	407,014	–
– Convertible corporate bonds issued	14,392	15,598	–	15,598	–
	788,713	793,363	6,859	781,808	4,696

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) (continued)

	As at 31 December 2018				
	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	899,348	899,863	2,482	573,061	324,320
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	86,728	86,749	156	86,593	–
– Notes issued	121,450	119,776	360	117,015	2,401
– Subordinated bonds issued	144,109	143,849	6,439	137,410	–
– Certificates of deposit (not for trading purpose)	3,210	3,141	–	3,141	–
– Certificates of interbank deposit issued	389,534	382,875	–	382,875	–
	745,031	736,390	6,955	727,034	2,401

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 to 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 to 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, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the 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 2019			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	63	211	274
Purchase of goods	–	285	11	296
Interest income (note (2))	–	43	132	175
Interest expenses	78	264	176	518
Fee and commission income	–	3	389	392
Fee and commission expenses	–	–	20	20
Income from other services	–	95	147	242
Expenses for other services	–	38	609	647
Other operating expenses	1	11	94	106

	Six months ended 30 June 2018			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	136	40	176
Purchase of goods	–	389	–	389
Interest income (note (2))	–	90	139	229
Interest expenses	43	129	170	342
Fee and commission income	–	2	393	395
Fee and commission expenses	–	–	22	22
Income from other services	–	25	21	46
Expenses for other services	1	21	649	671
Interest income from deposits and receivables	–	10	–	10
Other operating expenses	1	12	108	121

30 Material related parties (continued)

(b) Related party transactions (continued)

(i) Transaction amounts with related parties (continued)

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.

(ii) Outstanding balances with related parties

	As at 30 June 2019			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	72	1,204	2,256	3,532
Loans and advances to customers and other parties (note (2))	–	2,944	4,516	7,460
Placements with banks and non-bank financial institutions	–	–	1,973	1,973
Cash and deposits	–	–	6,625	6,625
Derivative financial instruments and other assets	–	–	1,182	1,182
Financial assets held under resale agreements	–	–	1,097	1,097
Investments in financial assets				
– Financial assets at FVPL	–	–	1,018	1,018
Trade and other payables	330	11,929	3,695	15,954
Deposits from customers	463	8,441	23,560	32,464
Deposits from bank and non-bank financial institutions	–	–	18,387	18,387
Derivative financial instruments and other liabilities	–	–	98	98
Bank and other loans	7,384	16,903	–	24,287
Off-balance sheet items				
Entrusted funds	6,496	889	48,375	55,760
Funds raised from investors of non-principle guaranteed wealth management products	–	18	2,058	2,076
Guarantees provided (note (3))	–	–	13,991	13,991
Guarantees received	–	2,125	63,497	65,622

30 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued)

	As at 31 December 2018			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	75	1,065	341	1,481
Loans and advances to customers and other parties (note (2))	–	3,453	4,216	7,669
Placements with banks and non-bank financial institutions	–	–	571	571
Cash and deposits	–	–	7,618	7,618
Derivative financial instruments and other assets	–	–	672	672
Investments in financial assets – Financial assets at FVPL	–	–	372	372
Trade and other payables	389	13,235	2,840	16,464
Deposits from customers	310	9,343	14,828	24,481
Deposits from bank and non-bank financial institutions	–	–	21,695	21,695
Derivative financial instruments and other liabilities	–	–	1	1
Bank and other loans	7,044	16,039	116	23,199
Off-balance sheet items				
Entrusted funds	5,484	137	49,619	55,240
Funds raised from investors of non-principle guaranteed wealth management products	–	10	423	433
Guarantees provided (note (3))	–	–	11,811	11,811
Guarantees received	–	43,780	5,885	49,665

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.

31 Structured entities (continued)

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

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 2019						
	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**	**Guarantees HK$ million**	**Maximum loss exposure HK$ million**
Wealth management products	–	2,934	–	–	2,934	–	2,934
Investment management products managed by securities companies	392,446	2,903	–	–	395,349	–	395,349
Trust investment plans	185,387	5,486	–	–	190,873	–	190,873
Asset-backed securities	49,070	992	106,513	–	156,575	–	156,575
Investment funds	–	274,210	–	536	274,746	–	274,746
Investments in creditor's rights on assets	581	–	–	–	581	–	581
Total	627,484	286,525	106,513	536	1,021,058	–	1,021,058

	As at 31 December 2018						
	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	Guarantees HK$ million	Maximum loss exposure HK$ million
Wealth management products	1,198	1,946	–	–	3,144	–	3,144
Investment management products managed by securities companies	262,905	3,413	–	–	266,318	–	266,318
Trust investment plans	178,161	36,911	–	–	215,072	–	215,072
Asset-backed securities	45,476	1,471	70,753	–	117,700	–	117,700
Investment funds	–	233,132	–	417	233,549	–	233,549
Investments in creditor's rights on assets	583	–	–	–	583	–	583
Total	488,323	276,873	70,753	417	836,366	–	836,366

31 Structured entities (continued)

(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 2019, 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$3,110,831 million (31 December 2018: HK$3,093,454 million).

As at 30 June 2019, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$49,451 million (31 December 2018: HK$72,472 million); the amount of placements from banks and non-bank financial institutions was HK$1,296 million (31 December 2018: HK$50,907 million).

During the six months ended 30 June 2019, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$78,461 million (six months ended 30 June 2018: HK$66,196 million). The maximum exposure of placements from banks and non-bank financial institutions was HK$10,673 million (six months ended 30 June 2018: HK$2,974 million). In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the six months ended 30 June 2019, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK$4,224 million (six months ended 30 June 2018: HK$2,803 million); interest income of HK$709 million (six months ended 30 June 2018: HK$1,602 million). The amount of interest expenses was HK$462 million (six months ended 30 June 2018: HK$339 million).

31 Structured entities (continued)

(d) Transfers of financial assets

For the six months ended 30 June 2019, 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. Details of securitisation, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2019 totalled HK$39,733 million are set forth below (six months ended 30 June 2018: HK$193,834 million).

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

For the six months ended 30 June 2019, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK$34,658 million (six months ended 30 June 2018: HK$177,048 million). Among them, the book value of credit assets transferred was HK$18,742 million (six months ended 30 June 2018: HK$149,819 million). The Group continued to recognise assets and liabilities of HK$2,153 million (six months ended 30 June 2018: Nil) respectively, arising from such continuing involvement and the rest was terminally confirmed.

For the six months ended 30 June 2019, the Group also through other types of transactions transferred non-performing loans of book value before impairment of HK$5,075 million (six months ended 30 June 2018: HK$16,786 million). The Group carried out assessment based on the criteria and concluded that these transferred assets qualified for full de-recognition.

32 Disposal of subsidiaries

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Total assets	**3,865**	13,628
Total liabilities	**(101)**	(11,471)
Non-controlling interests	**–**	(816)
Net assets disposed	**3,764**	1,341
Total consideration	**2,617**	2,091
Remeasurement at fair value of retained interest in former subsidiaries	**1,218**	61
Gains on disposal/deemed disposal of subsidiaries	**71**	811
Net cash inflow is determined as follows:		
Cash proceeds received		
– Proceeds from the above disposal of subsidiaries	**46**	2,042
Less: cash and cash equivalents disposed	**(24)**	(233)
	22	1,809

Report on Review of Interim Financial Information

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
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 29 to 129, which comprises the consolidated balance sheet of CITIC Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 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, 29 August 2019

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Statutory Disclosure

Interim Dividend and Closure of Register of Members

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

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 (the "Plan 2011") on 12 May 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. As at 30 June 2019, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

No share options were granted under the Plan 2011 during the six months ended 30 June 2019.

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.

Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted the following share options:

Date of grant	Number of share options	Exercise price per share HK$	Exercise period
23.05.2007	18,720,000	3.26	23.05.2007 – 22.05.2012
17.09.2009	17,912,500	2.10	17.09.2010 – 16.09.2015
17.09.2009	17,912,500	2.10	17.09.2011 – 16.09.2016
19.08.2011	24,227,500	1.54	19.08.2012 – 18.08.2017
19.08.2011	24,227,500	1.54	19.08.2013 – 18.08.2018
26.06.2013	81,347,000	2.25	26.06.2013 – 25.06.2018
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

Upon completion of the rights issue of CITIC Telecom on 7 June 2013, the exercise price and the number of CITIC Telecom Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of CITIC Telecom as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before Adjustments		After Adjustments	
Date of grant	Number of outstanding share options	Exercise price per share HK$	Number of outstanding share options	Exercise price per share HK$
17.09.2009	19,451,000	2.10	21,438,072	1.91
19.08.2011	32,332,500	1.54	35,635,462	1.40

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 share options granted on 23 May 2007, 17 September 2009, 19 August 2011 and 26 June 2013 have expired. The remaining 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 2019.

As at 1 January 2019, options for 138,491,317 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2019, options for 65,001,000 CITIC Telecom Shares were exercised, options for 438,500 CITIC Telecom Shares have lapsed but no option has been cancelled. As at 30 June 2019, options for 73,051,817 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 2019 is as follows:

A. 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 01.01.2019	Exercised during the six months ended 30.06.2019 (Note 1)	Lapsed during the six months ended 30.06.2019 (Note 2)	Balance as at 30.06.2019
24.03.2015	24.03.2016 – 23.03.2021	30,259,567	16,191,000	45,000	14,023,567
24.03.2015	24.03.2017 – 23.03.2022	34,580,250	15,200,500	59,000	19,320,750
24.03.2017	24.03.2018 – 23.03.2023	32,181,500	15,475,500	159,500	16,546,500
24.03.2017	24.03.2019 – 23.03.2024	39,470,000	16,134,000	175,000	23,161,000

B. Others (Note 3)

		Number of share options			
Date of grant	Exercise period	Balance as at 01.01.2019	Exercised during the six months ended 30.06.2019 (Note 4)	Lapsed during the six months ended 30.06.2019	Balance as at 30.06.2019
24.03.2015	24.03.2016 – 23.03.2021	200,000	200,000	–	–
24.03.2015	24.03.2017 – 23.03.2022	600,000	600,000	–	–
24.03.2017	24.03.2018 – 23.03.2023	600,000	600,000	–	–
24.03.2017	24.03.2019 – 23.03.2024	600,000	600,000	–	–

Notes:

(1) The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.30.

(2) These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the six months ended 30 June 2019.

(3) These are in respect of options granted to independent non-executive directors (including a former independent non-executive director) of CITIC Telecom who are not employees under continuous contracts.

(4) The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.30.

Dah Chong Hong Holdings Limited ("Dah Chong Hong")

Dah Chong Hong adopted the Share Option Scheme (the "DCHH Scheme") on 28 September 2007. Since the adoption of the DCHH Scheme, Dah Chong Hong has granted the following share options:

Date of grant	Number of share options	Exercise price per share *HK$*	Exercise period
07.07.2010	23,400,000	4.766	07.07.2010 – 06.07.2015
08.06.2012	24,450,000	7.400	08.06.2013 – 07.06.2017*
30.04.2014	28,200,000	4.930	30.04.2015 – 29.04.2019*

* Subject to a vesting scale

The share options granted on 7 July 2010, 8 June 2012 and 30 April 2014 had expired by the close of business on 6 July 2015, 7 June 2017 and 29 April 2019 respectively.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within five years from the date of grant. The closing price of the shares of Dah Chong Hong immediately before the grant on 30 April 2014 was HK$4.91 per share. The share options expired by the close of business on 29 April 2019.

The grantees were certain directors or employees of Dah Chong Hong group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

A. Employees of the Dah Chong Hong group working under continuous contracts (as defined in the Employment Ordinance)

		Number of share options					
Date of grant	Exercise price per share *HK$*	Balance as at 01.01.2019	Granted during the six months ended 30.06.2019	Cancelled during the six months ended 30.06.2019	Lapsed during the six months ended 30.06.2019	Exercised during the six months ended 30.06.2019	Balance as at 30.06.2019
30.04.2014	4.93	6,800,000 (Note 2)	–	–	(6,800,000)	–	–

B. Others (Note 1)

			Number of share options				
Date of grant	Exercise price per share *HK$*	Balance as at 01.01.2019	Granted during the six months ended 30.06.2019	Cancelled during the six months ended 30.06.2019	Lapsed during the six months ended 30.06.2019	Exercised during the six months ended 30.06.2019	Balance as at 30.06.2019
30.04.2014	4.93	14,250,000(Note 2)	–	–	(14,250,000)	–	–

Notes:

(1) These are in respect of share options granted to former employees of Dah Chong Hong Group whose employment was terminated other than for cause or misconduct.

(2) 700,000 share options were reclassified to the opening balance of "Others", subsequent to certain employees of Dah Chong Hong Group having retired on 1 January 2019.

As at 1 January 2019, options for 21,050,000 Dah Chong Hong's shares were outstanding under the DCHH Scheme. During the six months ended 30 June 2019, 21,050,000 share options were lapsed and none of the share options under the DCHH Scheme were exercised and cancelled.

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 been 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 option has been granted under the New Scheme during the six months ended 30 June 2019.

CITIC Envirotech Ltd. ("CITIC Envirotech")

CITIC Envirotech is a company incorporated in Singapore and whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited. It adopted the Employee Share Option Scheme (the "Scheme") on 2 February 2010.

Since the adoption of the Scheme, CITIC Envirotech has granted the following share options:

Date of grant	Number of share options	Exercise price per share S$	Exercise period
01.03.2010	4,375,000	0.2780	01.03.2011 – 01.03.2020
01.03.2010	4,375,000	0.2224	01.03.2012 – 01.03.2020
20.07.2010	1,500,000	0.3830	20.07.2011 – 20.07.2020
20.07.2010	1,500,000	0.3064	20.07.2012 – 20.07.2020
15.02.2013	49,950,000	0.552	15.02.2015 – 15.02.2023
28.03.2013	12,000,000	0.584	28.03.2015 – 28.03.2023
25.07.2014	6,000,000	1.135	25.07.2016 – 25.07.2024
25.04.2018	18,364,000	0.563	25.04.2020 – 25.04.2028

Under the Scheme, the ordinary shares of CITIC Envirotech under option may be exercised in full or a multiple thereof, on the payment of the exercise price. On 1 February 2017, CITIC Envirotech split every one existing ordinary share in its share capital into two shares.

The grantees were certain directors and employees of CITIC Envirotech. None were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

As at 1 January 2019, 37,995,200 (post-split) ordinary shares of CITIC Envirotech under option were outstanding. During the six months ended 30 June 2019, no share options were granted under the Scheme, 11,974,000 (post-split) ordinary shares under option were exercised, 18,164,000 (post-split) ordinary shares under option were cancelled and none of the (post-split) ordinary shares under option have lapsed. As at 30 June 2019, 7,857,200 (post-split) ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of the share options under the Scheme during the six months ended 30 June 2019 is as follows:

Employees of CITIC Envirotech

Date of grant	Number of share options						Weighted average closing price per share*
	Balance as at 01.01.2019	Granted during the six months ended 30.06.2019	Cancelled during the six months ended 30.06.2019	Lapsed during the six months ended 30.06.2019	Exercised during the six months ended 30.06.2019	Balance as at 30.06.2019	S$
15.02.2013	14,635,000	–	–	–	11,974,000	2,661,000	0.359
25.07.2014	5,196,200	–	–	–	–	5,196,200	–
25.04.2018	18,164,000	–	18,164,000	–	–	–	–

* This represents the weighted average closing price per share of CITIC Envirotech immediately before the date on which the options were exercised.

Directors' Interests in Securities

As at 30 June 2019, 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 Companies 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 2019, 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, 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	26,055,943,755 (Long position)	89.57% (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	18,609,037,000 (Long position)	63.97% (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 26,055,943,755 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.

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

(3) CITIC Polaris is deemed to be interested in 18,609,037,000 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.

(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

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

Corporate Governance

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

Board Changes

On 29 January 2019, Mr Wu Youguang resigned as a non-executive director of CITIC Limited.

On 21 February 2019, Mr Pu Jian resigned as an executive director, vice president, a member of the executive committee and vice chairman of the strategy and investment management committee of CITIC Limited.

On 28 March 2019, Ms Lee Boo Jin resigned as an independent non-executive director and a member of the nomination committee of CITIC Limited. On the same day, Mr Gregory Lynn Curl was appointed as an independent non-executive director and a member of the nomination committee of CITIC Limited.

At the annual general meeting of CITIC Limited held on 5 June 2019, Mr Paul Chow Man Yiu retired as an independent non-executive director of CITIC Limited by rotation and did not offer himself for re-election. Following his retirement, he ceased to act as a member of the remuneration 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 interim 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 comprised 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. It also identifies and nominates qualified candidates to become board members and/or to fill casual vacancies for the approval of the board; and reviews the board diversity policy and director nomination policy on an annual basis. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include an executive director, Mr Wang Jiong (being vice chairman and president of CITIC Limited), a non-executive director, Ms Yan Shuqin, and four independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl (appointed as a committee member in place of Ms Lee Boo Jin with effect from 28 March 2019).

- 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 comprised 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, simplifies the investment-related decision making procedures and procures well-advised and efficient decision making. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include an executive director, Mr Wang Jiong (being vice chairman and president of CITIC Limited), three non-executive directors, Mr Song Kangle, Ms Yan Shuqin and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Shohei Harada. Mr Li Rucheng, being a former non-executive director of CITIC Limited, serves as a consultant to the committee.

- Special Committee has dealt with all matters relating to the investigations arising from the 2008 forex incident, including but not limited to, by the Market Misconduct Tribunal and the Securities and Futures Commission. The committee comprised of two members, Mr Zhang Jijing and Mr Francis Siu Wai Keung.

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 organizational 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 Chang Zhenming, the chairman of the board, and other members are Mr Wang Jiong (being executive director, vice chairman and president of CITIC Limited and also serves as vice chairman of the committee), Mr Cai Huaxiang (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 Huang Zhiqiang (being vice president of CITIC Limited), Mr Cai Xiliang (being vice president of CITIC Limited) and Mr Xu Zuo (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, organize and implement it; and

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

  The committee is led by the chairman of the committee Mr Wang Jiong (being executive director, vice chairman and president of CITIC Limited), and the vice chairman of the committee Mr Cai Xiliang (being vice president of CITIC Limited), and other members of the committee include Mr Zhang Youjun (being assistant president 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 manages the cash flow of CITIC Limited on the basis of the annual budget; and

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

  The acting chairman of the committee is Mr Cao Guoqiang (being CFO 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 2019.

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 Companies (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 2019.

Update on Directors' Information

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

Change in information

Independent Non-executive Director

The name of the Sengokuyama Partners Accounting Office of which Mr Shohei Harada is currently a chief executive partner has been renamed as Sengokuyama Audit Firm.

Change in directors' emoluments

As approved by the remuneration committee of CITIC Limited on 6 September 2019, the monthly basic and performance salary of each of Mr Chang Zhenming and Mr Wang Jiong is increased to HK$60,500, and the monthly basic and performance salary of Ms Li Qingping is increased to HK$54,000, all of which took effect from 1 January 2019.

Corporate Information

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Beijing 100004, 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's Investor Relations Department 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:	17 September 2019 to 19 September 2019 (both days inclusive)
Interim Dividend payable:	4 October 2019

Half-Year Report 2019

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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