

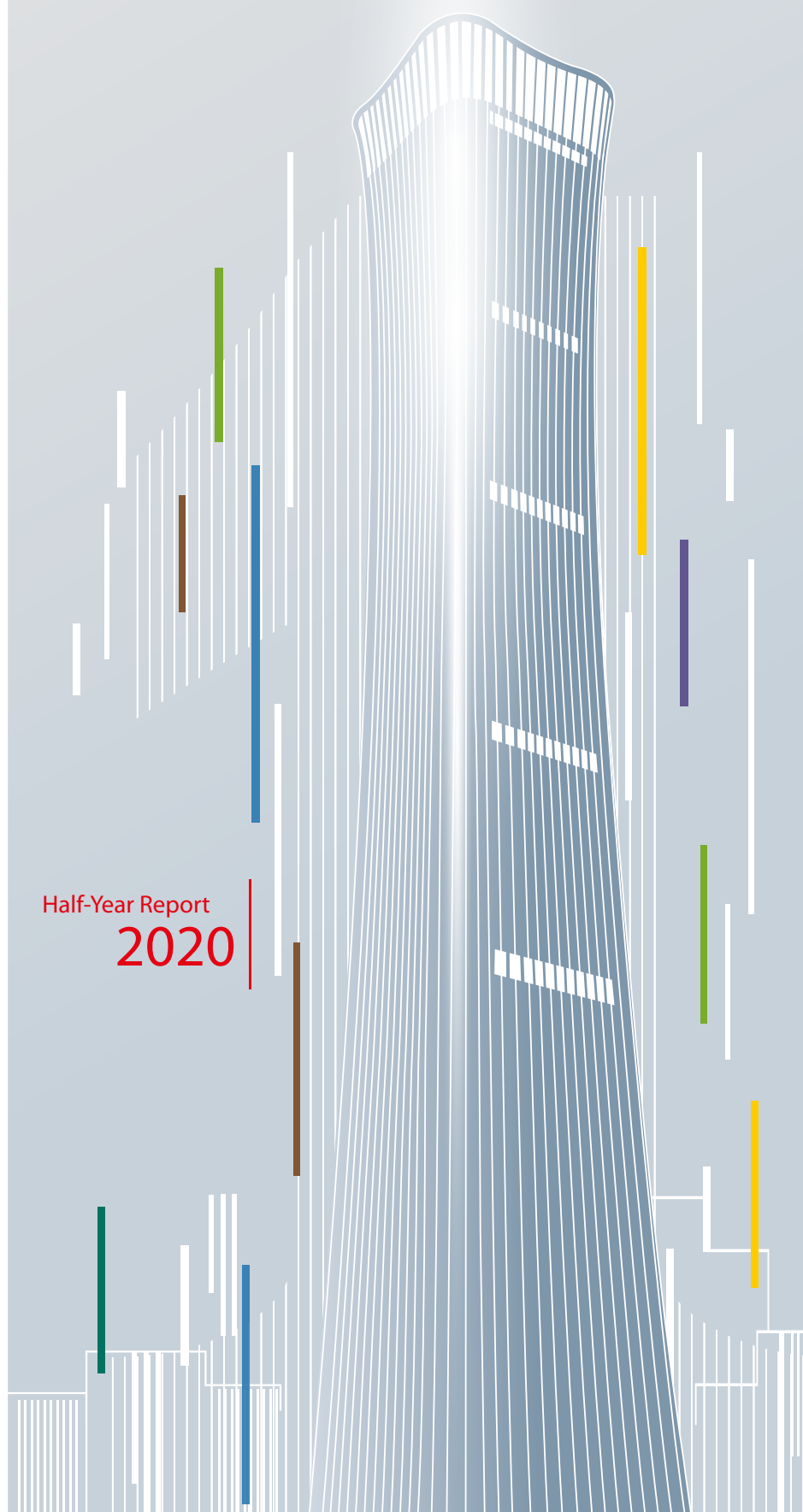
CITIC LIMITED

Stock code: 00267



中信  
CITIC

Half-Year Report  
2020



# 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



# Contents

- 2 Highlights**
- 4 Chairman's Letter to Shareholders**
- 8 Financial Review**
- 22 Risk Management**
- 29 Human Resources**
- 30 Past Performance and Forward Looking Statements**

## **Financial Statements**

- 31 Consolidated Income Statement
- 33 Consolidated Statement of Comprehensive Income
- 34 Consolidated Balance Sheet
- 36 Consolidated Statement of Changes in Equity
- 38 Consolidated Cash Flow Statement
- 40 Notes to the Consolidated Financial Statements
- 128 Report on Review of Interim Financial Information

## **Statutory Disclosure**

- 129 Interim Dividend and Closure of Register of Members
- 130 Share Option Plan Adopted by CITIC Limited
- 130 Share Option Plan Adopted by Subsidiaries of CITIC Limited
- 132 Directors' Interests in Securities
- 133 Interests of Substantial Shareholders
- 134 Purchase, Sale or Redemption of Listed Securities
- 134 Corporate Governance
- 138 Review of Half-Year Report
- 138 Compliance with the Model Code for Securities Transactions by Directors
- 139 Update on Directors' Information

## **140 Corporate Information**

# Highlights

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

HK\$ million	30 June	31 December	Increase/ (Decrease) %
	2020	2019	
<b>Total assets</b>	<b>8,477,252</b>	8,289,924	2.3%
<b>Total liabilities</b>	<b>7,582,696</b>	7,395,433	2.5%
<b>Total ordinary shareholders' funds</b>	<b>596,963</b>	591,526	0.9%

Business HK\$ million	Business assets			Revenue from external customers			Profit attributable to ordinary shareholders		
	As at 30 June 2020	Increase/ (Decrease) % (Note)	Increase/ (Decrease) excluding the effect of currency translation % (Note)	Half-year ended 30 June 2020	Increase/ (Decrease) % (Note)	Increase/ (Decrease) excluding the effect of currency translation % (Note)	Half-year ended 30 June 2020	Increase/ (Decrease) % (Note)	Increase/ (Decrease) excluding the effect of currency translation % (Note)
<b>FINANCIAL SERVICES</b>	<b>7,900,819</b>	2.6%	4.5%	<b>116,984</b>	4.5%	9.9%	<b>21,948</b>	(14%)	(9.8%)
<b>RESOURCES AND ENERGY</b>	<b>135,226</b>	0.7%	0.7%	<b>46,340</b>	(3.2%)	(3.2%)	<b>706</b>	(66%)	(66%)
<b>MANUFACTURING</b>	<b>110,528</b>	(5.7%)	(5.3%)	<b>42,548</b>	(29%)	(28%)	<b>2,809</b>	(20%)	(19%)
<b>ENGINEERING CONTRACTING</b>	<b>56,716</b>	(3.9%)	(2.0%)	<b>7,736</b>	(2.2%)	2.6%	<b>380</b>	(46%)	(43%)
<b>REAL ESTATE</b>	<b>172,681</b>	3.8%	4.4%	<b>2,934</b>	55%	57%	<b>3,528</b>	(0.3%)	(0.4%)
<b>OTHERS</b>	<b>139,128</b>	(15%)	(14%)	<b>39,234</b>	(18%)	(18%)	<b>2,355</b>	115%	118%

Note: As compared with total balances as at 31 December 2019.

## Business assets

Financial services Non-financial businesses

HK\$ billion



## Assets of non-financial businesses

Resources and energy Manufacturing Engineering contracting Real estate Others

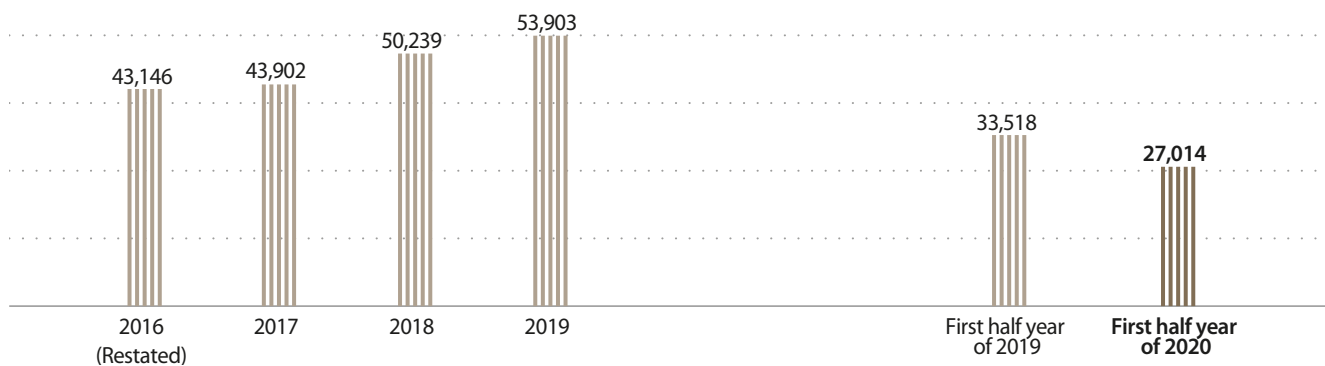
HK\$ billion



## Profit attributable to ordinary shareholders

Net profit attributable to ordinary shareholders

HK\$ million



# Chairman's Letter to Shareholders



Dear Shareholders,

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

As I discussed earlier this year, we anticipated a very tough 2020 and our results reflect the

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

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

## BUSINESS PERFORMANCE

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

Operationally, CITIC Bank's net interest income grew 5.6% as total assets increased during the period. However, net interest margin narrowed as the bank transitioned to a loan prime rate that reflects lower prevailing market rates. The bank also lowered lending rates to provide support to corporate customers impacted by the pandemic and the overall macroeconomic environment.

Conversely, non-interest income increased by 18% mainly due to higher gain on investments. CITIC-Prudential Life achieved a profit growth of 67% to RMB777 million, driven by a rise in premium income as well as higher investment income. CITIC Securities' profit rose 38% to RMB8.9 billion.

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

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

Profit at CITIC Dicastal declined 45% to RMB276 million in the first half of the year. Sales of aluminium wheels fell 15% to 21.48 million units, primarily due to a sharp decline in sales to international markets where the product mix is weighted towards the premium segment. The company's profitability was also negatively

affected by a loss from its casting business, mainly as a result of temporary production suspensions at the KSM facility in Germany during the COVID-19 outbreak.

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

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

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

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

## PREPARING FOR A NEW NORMAL

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

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

At the same time, we will continue to monitor the competitive landscape, assessing ways to build

the business and enhance our position across our many supply chains. Now, more than ever, we need to unlock the unique advantages of the CITIC platform and drive greater synergy among our businesses. Volatility can create opportunities; we must be ready for them.

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

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

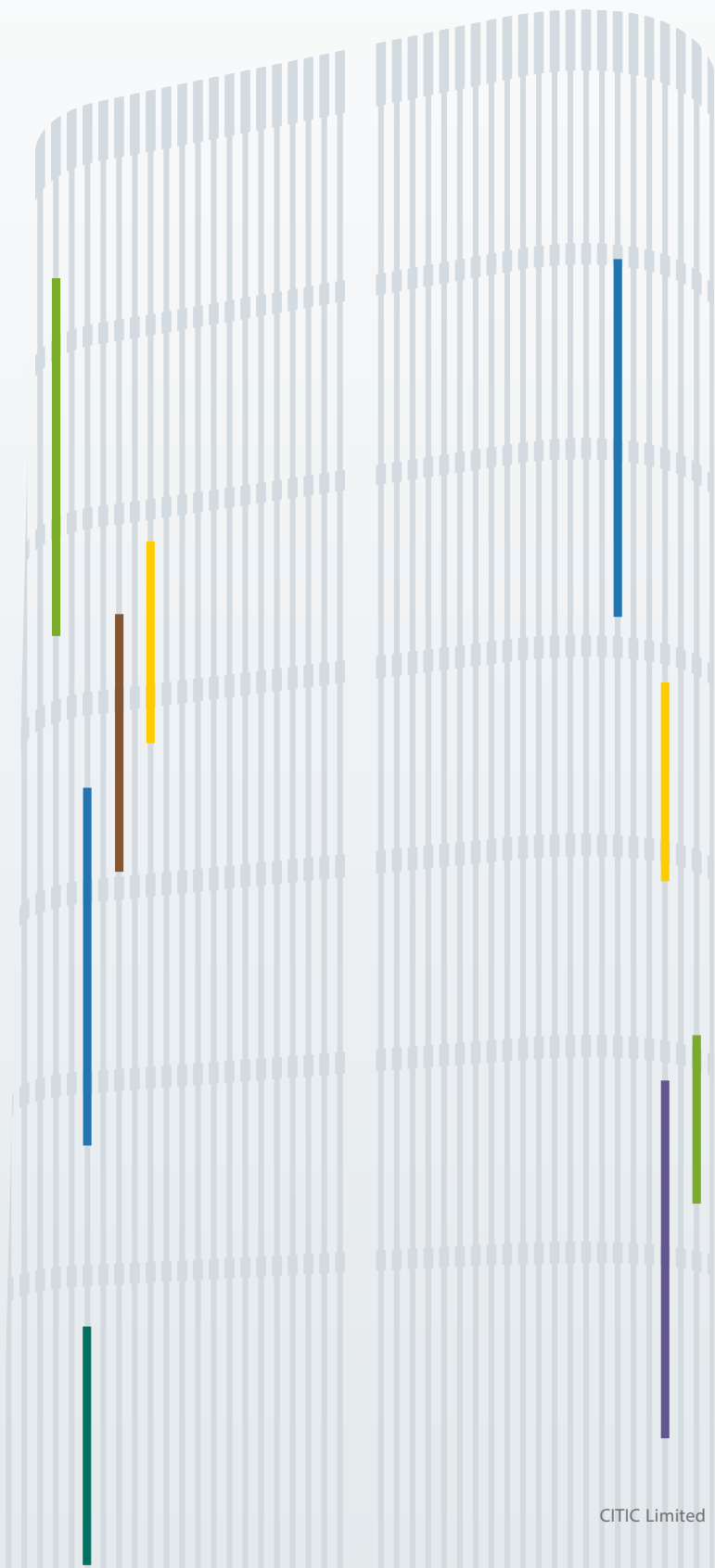
Thank you for your continued trust and support.

**Zhu Hexin**

*Chairman*

Beijing, 28 August 2020





## Overview

### Profit attributable to ordinary shareholders

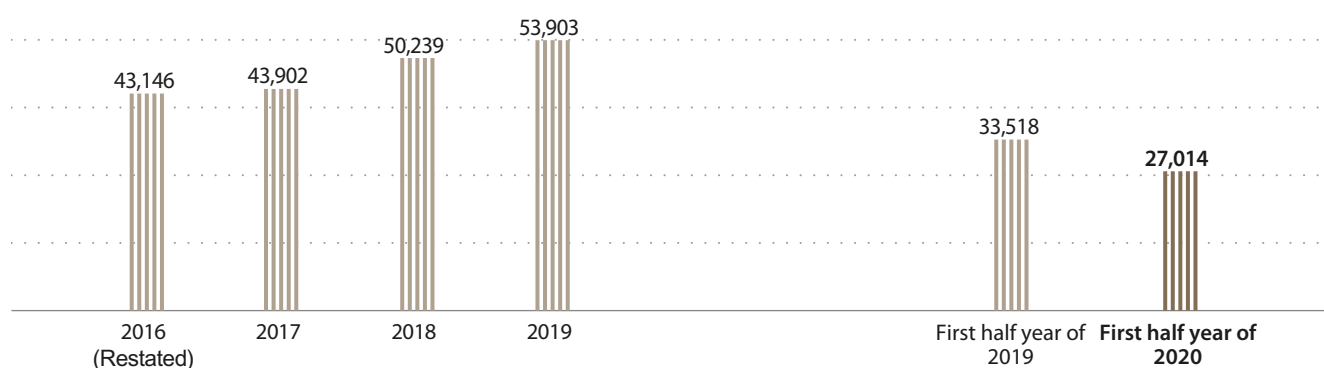
During the first half of 2020, the Group achieved a profit attributable to ordinary shareholders of HK\$27,014 million, representing a year-on-year decrease of HK\$6,504 million, or 19%, which included a decrease of 3.1% resulting from the effect of currency translation arising from the depreciation of the RMB exchange rate.

The financial services business recorded a profit attributable to ordinary shareholders of HK\$21,948 million, representing a year-on-year decrease of 14%, including a decrease of 4.2% that was the effect of the same currency translation mentioned above. Our banking and trust businesses showed a year-on-year decrease in profit due to higher provision to guard against increasing credit risk in the market, affected by the economic downturn and the COVID-19 pandemic. Benefiting from the upward trend in the capital market, the performance of our securities business improved significantly. Our insurance business continued to maintain rapid profit growth.

In the non-financial businesses, our resources and energy business recorded a profit attributable to ordinary shareholders of HK\$706 million, representing a year-on-year decrease of 66%. This was mainly due to the decline in both the volumes and prices of crude oil and other commodities and volume of coal, driven by the economic downturn and shrinking market demand, all of which resulted in a decrease in the profit of CITIC Resources and CITIC Pacific Energy. The manufacturing business recorded a profit attributable to ordinary shareholders of HK\$2,809 million, representing a year-on-year decrease of 20%. This was mainly due to the diluted equity impact of CITIC Dicastal<sup>1</sup> and CITIC Pacific Special Steel, as well as a decrease in orders in CITIC Dicastal's aluminium wheels business following the shutdown of downstream factories. The engineering contracting business recorded a profit attributable to ordinary shareholders of HK\$380 million, representing a year-on-year decrease of 46%, which was mainly due to the suspension of work and production during the pandemic. This resulted in a delay in the progress of the project. In the real estate business, a profit attributable to ordinary shareholders of HK\$3,528 million was recorded, which was basically the same as last year. In June of this year, the Company completed the transfer of 22% of McDonald's equity, realising a one-off after-tax profit of HK\$2,362 million and received sales proceed of HK\$4,157 million. However, the performance of subsidiaries such as Dah Chong Hong, CITIC Press, and CITIC Environment declined.

Profit attributable to ordinary shareholders

HK\$ million

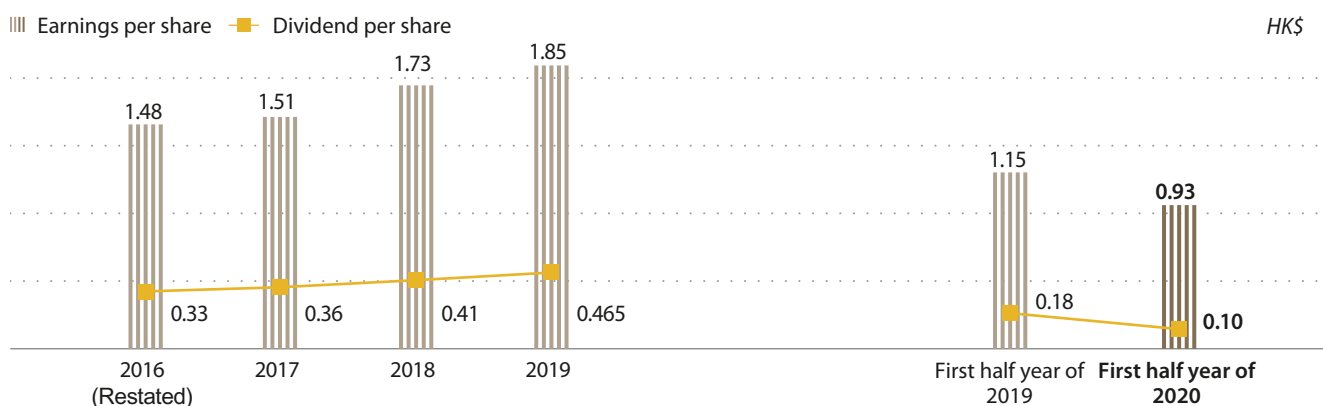


<sup>1</sup> In 2019, CITIC Dicastal introduced strategic investors and was no longer consolidated in the financial statements of the group by the shareholding ratio of CITIC shares decreased to 42.11%. Until now, the change of property right registration for State assets of CITIC Dicastal have not been completed. The regulatory authorities have put forward some specific requirements, and the group will continue to implement them as required.

## Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK\$0.93 in the first half of 2020, representing a decrease of 19% from HK\$1.15 in the first half of 2019. As at 30 June 2020, the number of ordinary shares outstanding was 29,090,262,630.

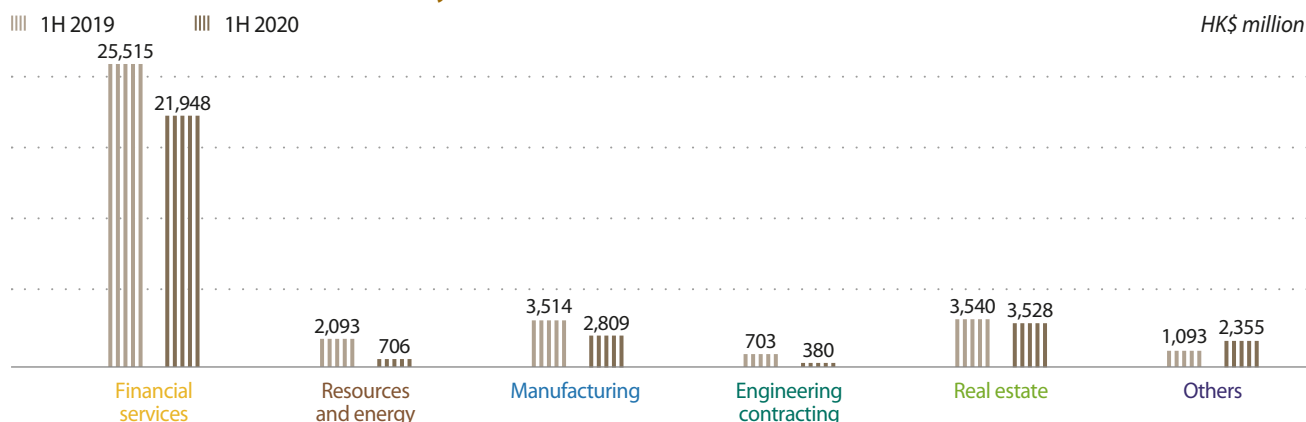
HK\$2,909 million in cash will be distributed as interim dividend. The interim dividend per share of 2020 is HK\$0.10 (first half of 2019: HK\$0.18 per share).



## Profit/(loss) and assets by segment

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

## Profit attributable to ordinary shareholders



### Financial services:

In the first half of 2020, the financial services business recorded a profit attributable to ordinary shareholders of HK\$21,948 million, representing a year-on-year decrease of HK\$3,567 million, or 14%. It included a decrease of 4.2%, which result from the effect of currency translation arising from the depreciation of the RMB exchange rate.

CITIC Bank's business continued to expand steadily, with loan scale increasing by 5.4% at the end of the first half of the year as compared with the beginning of the year. The increase was mainly due to the investment in manufacturing, inclusive finance and private enterprises, which contribute to steady growth in its revenue. However, due to the credit risk exposure in the market, the balance of non-performing loans increased by 17%, and the non-performing loan ratio increased by 0.18 percentage points to 1.83%. In order to guard against risk and lay a solid foundation for its continuing development, CITIC Bank strengthened its credit impairment provisions, with a year-on-year increase of 39% in the first half of the year, and a rise of 175.72% in its provision coverage ratio. As a result, profit attributable to the bank's shareholders decreased by 9.8% year-on-year to RMB25,541 million.

CITIC Trust continued to optimise its business structure, by increasing its scale of actively managed trust assets to 50%. However, due to the increased provisions, profit decreased by 35% year-on-year to RMB1,071 million. The improvement in the capital market contributed to year-on-year growth in CITIC Securities' businesses, including securities investment, brokerage, investment banking, asset management. Profit rose by 38% year-on-year to RMB8,926 million, helping it to maintain its leading position in the industry. With its differentiated competitive advantages, CITIC-Prudential Life has quickly built a successful online business model, with growth achieved in premium income, the scale of assets under management, and return on investment; profit in this business rose by 67% year-on-year to RMB777 million.

### Resources and energy:

In the first half of 2020, the resources and energy business recorded a profit attributable to ordinary shareholders of HK\$706 million, representing a year-on-year decrease of HK\$1,387 million, or 66%.

Except for iron ore, the prices of commodities related to the Group's business dropped significantly due to shrinking downstream demand. CITIC Resources turned from profit to loss year-on-year owing to the drop in both sales volumes and prices for its products including crude oil, and a decrease in share of profits from equity investments. CITIC Metal Group reported a profit of HK\$695 million, representing an increase of 18% year-on-year, mainly due to gains from the transfer of its 20% equity interest in China Platinum. However, its share of profit from investments in mines such as the Las Bambas copper mine in Peru and the niobium mine in Brazil decreased, and the trading business recorded a decrease in profit due to the drop in sales volumes and prices of niobium and sales volumes of iron ore. CITIC Pacific Energy's profit decreased by 49% to HK\$352 million, mainly due to lower sales volumes of coal from its investment in Xin Julong coal mine. The Sino Iron Project continued to deliver profits reflecting an increase in sales volumes, relatively high iron ore prices and ongoing cost controls.

### Manufacturing:

The manufacturing business recorded a profit attributable to ordinary shareholders of HK\$2,809 million in the first half of 2020, representing a year-on-year decrease of HK\$705 million, or 20%. Of that profit, 14% was attributable to the dilution of its equity interest in CITIC Dicastal and CITIC Pacific Special Steel.

Affected by reduced downstream orders due to the pandemic, sales volumes of CITIC Dicastal's aluminium wheels and castings decreased year-on-year, leading to a drop in profit of 45% to RMB276 million. Efforts to expand the domestic market and make up for the shortfall in overseas orders helped domestic sales of aluminium wheels return to its pre-pandemic level in May. Cost reductions and measures to enhance efficiency, including continuous optimisation of the production process and reductions in procurement costs, enabled CITIC Pacific Special Steel to mitigate the impact of the drop in steel prices. It realised a profit of RMB2,749 million for the review period, which was basically flat as compared with the same period last year, highlighting its ability to withstand a downturn. By strengthening its marketing efforts, CITIC Heavy Industries recorded an increase in new orders of 48% year-on-year during the first half of 2020, which is a five-year high. This contributed to a profit rise of 77% year-on-year to RMB169 million.

### Engineering contracting:

The engineering contracting business recorded a profit attributable to ordinary shareholders of HK\$380 million in the first half of 2020, representing a year-on-year decrease of HK\$323 million, or 46%.

The profit of CITIC Construction decreased by 49% year on year to RMB252 million. Delayed progress in its domestic projects was eased after the resumption of work, but the continuation of the pandemic slowed construction on its overseas projects. However, the company seized the opportunity presented by the government's counter-cyclical control policies, allowing it to increase the number of new contracts in the first half of the year by 66% year-on-year. As CITIC Engineering's business is mainly concentrated in Hubei Province, the progress of its projects was greatly affected by the pandemic, and its profit fell 55% year on year to RMB128 million.

### Real Estate:

The real estate business recorded a profit attributable to ordinary shareholders of HK\$3,528 million in the first half of 2020, which was basically the same as last year. This was mainly due to the increase in settlement of CITIC Coast New Town project in Shantou compared with the previous year, while real estate development projects such as Kadooria project in Hong Kong owned by CITIC Pacific Properties recorded a year-on-year decrease in recognition.

## Others:

The profit attributable to ordinary shareholders by other businesses in the first half of 2020 amounted to HK\$2,355 million, including the gain of HK\$2,362 million on the disposal of McDonald's 22% equity.

Dah Chong Hong's automobile sales and consumer goods distribution businesses were greatly affected by the pandemic, and turned from profit to loss; CITIC Press's profit fell 22% year on year to RMB102 million, but, got its number one ranking in the book market by migrating to an online sales model. CITIC Environment's profit decreased due to new loan interest on the delisting of CITIC Envirotech Ltd, while CITIC Telecom International's earnings remained stable.

## Group Financial Results

### Revenue

In the first half of 2020, CITIC Limited recorded revenue of HK\$255,802 million, representing a year-on-year decrease of HK\$21,374 million, or 7.7%. This included a decrease of 2.4% from the effect of currency translation related to the depreciation of the RMB exchange rate.

The financial services business recorded revenue of HK\$116,984 million, representing a year-on-year increase of HK\$5,081 million, or 4.5%. It included a decrease of 5.4% due to the effect of currency translation as stated above. The revenue of CITIC Bank increased by 9.7%, and its net interest income increased by 5.6% driven by asset scale expansion. Net interest margin decreased by 12 basis points to 1.99% due to the downturn in the market interest rate. The increase in income from securities investment led to a rise in non-interest income of 18%, with the proportion of non-interest income increasing by 2.5 percentage points to 36.5%.

The resources and energy business recorded revenue of HK\$46,340 million, representing a year-on-year decrease of HK\$1,518 million, or 3.2%. Revenue of CITIC Resources and CITIC Pacific Energy both recorded a year-on-year decrease of 32% and 26% respectively, due to declines in the volumes and prices of their respective crude oil and power generation businesses. Revenue of CITIC Metal Group recorded a year-on-year increase of 2.3%. This was made possible by optimising sales channels and strategies, leading to growth in the copper, aluminium and steel trading businesses, which offset the declines in the iron ore and niobium products businesses.

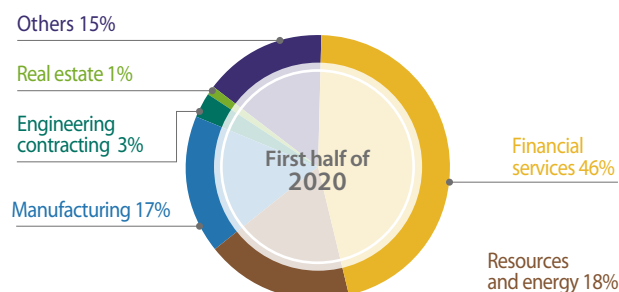
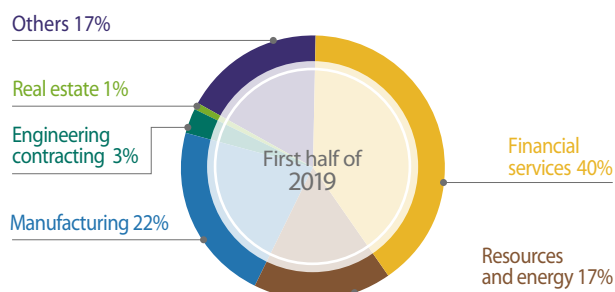
The manufacturing business recorded revenue of HK\$42,548 million, representing a year-on-year decrease of HK\$17,059 million, or 29%. Excluding the effect of CITIC Dicastal, the decrease would be 5.0%. By adjusting product variety, CITIC Pacific Special Steel achieved an increase in the sales of special steel, especially steel used for energy, to against the market downtrend; its revenue, however, decreased by 1.1% due to a decline in steel prices.

The engineering contracting business recorded revenue of HK\$7,736 million, representing a year-on-year decrease of HK\$171 million, or 2.2%. CITIC Construction recorded a year-on-year increase in revenue of 31%, which was mainly derived from the power plant project in Iraq; CITIC Engineering recorded a year-on-year decrease in revenue of 24%.

The real estate business recorded revenue of HK\$2,934 million, representing a year-on-year increase of HK\$1,042 million, or 55%, mainly due to the settlement of the CITIC Coast New Town project in Shantou.

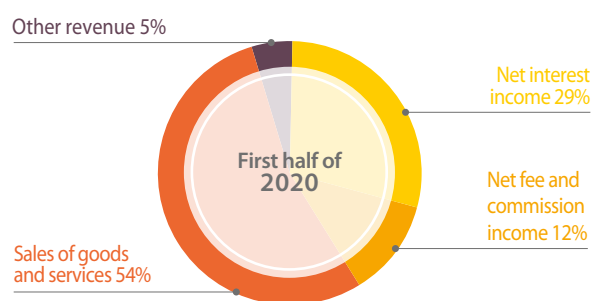
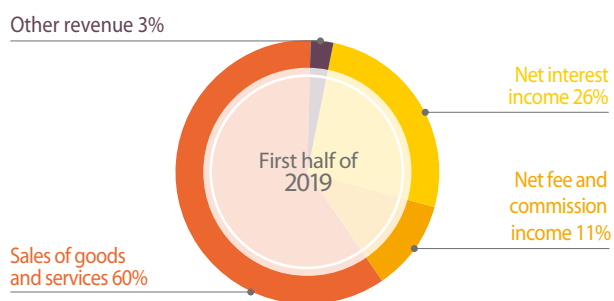
Other businesses recorded revenue of HK\$39,234 million, representing a year-on-year decrease of HK\$8,735 million, or 18%, which was mainly due to the revenue of Dah Chong Hong and CITIC Press decreasing by 13% and 11% respectively as a result of declining sales volumes during the COVID-19 pandemic. The revenue of CITIC Environment increased by 37% year-on-year by stepping up the pace of its EPC projects after the resumption of work.

HK\$ million	Half-year ended 30 June		Increase /(Decrease)		
	2020	2019	Amount	%	% (Excluding the effect of currency translation)
Financial services	116,984	111,903	5,081	4.5%	9.9%
Resources and energy	46,340	47,858	(1,518)	(3.2%)	(3.2%)
Manufacturing	42,548	59,607	(17,059)	(29%)	(28%)
Engineering contracting	7,736	7,907	(171)	(2.2%)	2.6%
Real estate	2,934	1,892	1,042	55%	57%
Others	39,234	47,969	(8,735)	(18%)	(18%)



## Revenue by nature

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



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

## Expected credit losses and other impairment losses

In the first half of 2020, expected credit losses and other impairment losses of HK\$54,343 million were recorded, an increase of 35% from the same period last year. CITIC Bank accounted for HK\$52,702 million of these losses, including HK\$42,242 million expected credited losses in its loans and advances to customers.

## Net finance charges

Finance costs of the Group decreased HK\$395 million, or 6.0% from the first half of 2019 to HK\$6,149 million in the first half of 2020, mainly due to a lower average cost of debt during the period.

In the first half of 2020, the finance income of the Group amounted to HK\$1,037 million, mainly due to the decrease in interest income from bank deposits, a decrease of HK\$318 million from the first half of 2019.



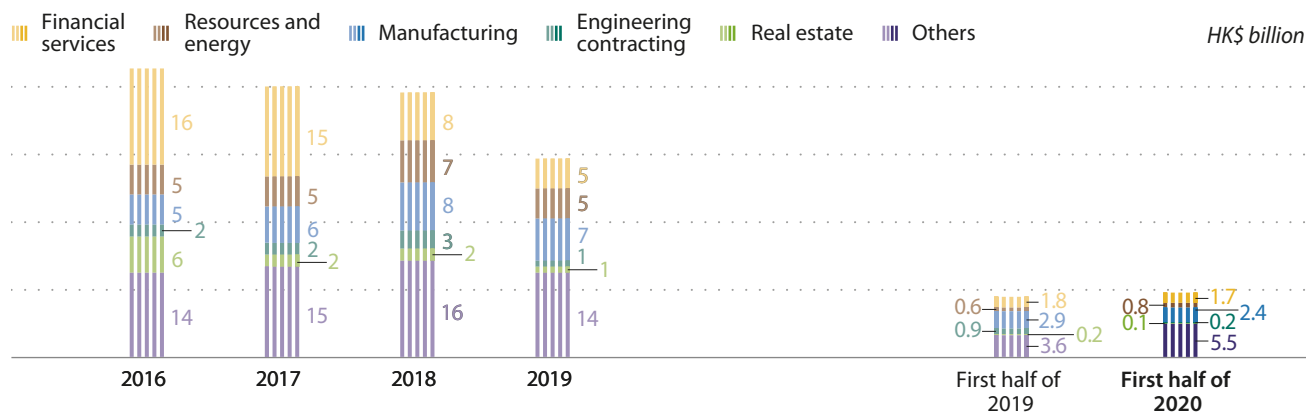
## Income tax

Income tax of the Group in the first half of 2020 was HK\$8,635 million, a decrease of HK\$1,389 million compared with the same period last year. This was consistent with the decrease in profit before taxation.

## Group Cash Flows

HK\$ million	CITIC Limited Half-year ended 30 June				Including: CITIC Bank Half-year ended 30 June			
	2020	2019	Increase/ (Decrease)	%	2020	2019	Increase/ (Decrease)	%
<b>Net cash generated from operating activities</b>	<b>73,458</b>	11,770	61,688	524%	<b>73,825</b>	9,901	63,924	646%
<b>Net cash used in investing activities</b>	<b>(126,219)</b>	(218,542)	92,323	42%	<b>(128,946)</b>	(220,123)	91,177	41%
Including: Proceeds from disposal and redemption of financial investments	<b>1,281,949</b>	1,176,033	105,916	9.0%	<b>1,260,315</b>	1,157,176	103,139	8.9%
Payments for purchase of financial investments	<b>(1,402,572)</b>	(1,389,100)	(13,472)	(1.0%)	<b>(1,388,549)</b>	(1,376,692)	(11,857)	(0.9%)
<b>Net cash (used in)/generated from financing activities</b>	<b>(24,929)</b>	8,772	(33,701)	(384%)	<b>(27,041)</b>	49,253	(76,294)	(155%)
Including: Proceeds from new bank and other loans and new debt instruments issued	<b>365,560</b>	342,627	22,933	6.7%	<b>291,462</b>	306,889	(15,427)	(5.0%)
Repayment of bank and other loans and debt instruments issued	<b>(364,030)</b>	(304,289)	(59,741)	(20%)	<b>(303,528)</b>	(243,549)	(59,979)	(25%)
Interest paid on bank and other loans and debt instruments issued	<b>(18,754)</b>	(18,609)	(145)	(0.8%)	<b>(12,951)</b>	(12,478)	(473)	(3.8%)
Dividends paid to ordinary shareholders	-	(7,471)	7,471	100%	-	-	-	-
Dividends paid to non-controlling interests	<b>(1,210)</b>	(1,011)	(199)	(20%)	<b>(226)</b>	(321)	95	30%
<b>Net decrease in cash and cash equivalents</b>	<b>(77,690)</b>	(198,000)	120,310	61%	<b>(82,162)</b>	(160,969)	78,807	49%
<b>Cash and cash equivalents at 1 January</b>	<b>463,038</b>	522,808	(59,770)	(11%)	<b>382,291</b>	429,136	(46,845)	(11%)
<b>Effect of exchange changes</b>	<b>(5,290)</b>	1,667	(6,957)	(417%)	<b>(4,047)</b>	1,293	(5,340)	(413%)
<b>Cash and cash equivalents at 30 June</b>	<b>380,058</b>	326,475	53,583	16%	<b>296,082</b>	269,460	26,622	9.9%

## Capital expenditure



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

## Capital commitments

As at 30 June 2020, the contracted capital commitments of the Group amounted to approximately HK\$22,704 million, details of which are set out in Note 28(f) to the financial statements.

## Group Financial Position

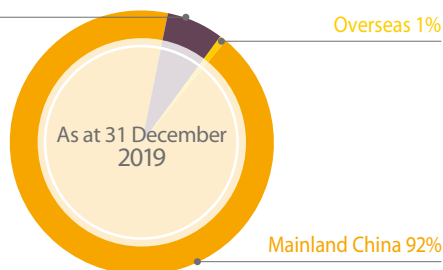
<i>HK\$ million</i>	<b>As at 30 June 2020</b>	As at 31 December 2019	Increase/(Decrease) Amount	%	Note to the Financial Statements
<b>Total assets</b>	<b>8,477,252</b>	8,289,924	187,328	2.3%	
Loans and advances to customers and other parties	<b>4,491,615</b>	4,366,639	124,976	2.9%	18
Investments in financial assets	<b>2,241,461</b>	2,153,729	87,732	4.1%	19
Cash and deposits	<b>676,484</b>	740,434	(63,950)	(8.6%)	15
Placement with banks and non-bank financial institutions	<b>240,636</b>	226,686	13,950	6.2%	
Trade and other receivables	<b>160,077</b>	167,427	(7,350)	(4.4%)	17
Fixed assets	<b>147,979</b>	150,075	(2,096)	(1.4%)	
<b>Total liabilities</b>	<b>7,582,696</b>	7,395,433	187,263	2.5%	
Deposits from customers	<b>4,892,771</b>	4,541,841	350,930	7.7%	24
Deposits from banks and non-bank financial institutions	<b>1,089,543</b>	1,061,380	28,163	2.7%	22
Debt instruments issued	<b>805,806</b>	823,964	(18,158)	(2.2%)	26
Bank and other loans	<b>152,353</b>	151,312	1,041	0.7%	25
Trade and other payables	<b>148,032</b>	148,908	(876)	(0.6%)	23
Borrowing from central banks	<b>138,191</b>	268,256	(130,065)	(48%)	
<b>Total ordinary shareholders' funds</b>	<b>596,963</b>	591,526	5,437	0.9%	

### Total assets

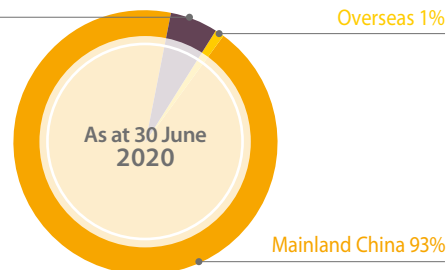
Total assets increased from HK\$8,289,924 million as at 31 December 2019 to HK\$8,477,252 million as at 30 June 2020, which was mainly attributed to an increase in loans and advances to customers and other parties, investments in financial assets compared with 31 December 2019.

### By geography

Hong Kong,  
Macau and  
Taiwan 7%



Hong Kong,  
Macau and  
Taiwan 6%



## Loans and advances to customers and other parties

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

<i>HK\$ million</i>	<b>As at 30 June 2020</b>	As at 31 December 2019	Increase/(Decrease) Amount	%
<b>Loans and advances to customers and other parties at amortised cost</b>				
Corporate loans	2,295,064	2,201,477	93,587	4.3%
Discounted bills	5,506	7,995	(2,489)	(31%)
Personal loans	1,914,002	1,927,346	(13,344)	(0.7%)
Accrued interest	12,939	11,388	1,551	14%
<b>Total loans and advances to customers and other parties at amortised cost</b>	<b>4,227,511</b>	4,148,206	79,305	1.9%
Allowance for impairment losses	(153,939)	(134,001)	(19,938)	(15%)
<b>Carrying amount of loans and advances to customers and other parties at amortised cost</b>	<b>4,073,572</b>	4,014,205	59,367	1.5%
<b>Loans and advances to customers and other parties at FVPL</b>				
Personal loans	7,713	7,719	(6)	(0.1%)
<b>Loans and advances to customers and other parties at FVOCI</b>				
Corporate loans	3,599	1,029	2,570	250%
Discounted bills	406,731	343,686	63,045	18%
<b>Carrying amount of loans and advances to customers and other parties at FVOCI</b>	<b>410,330</b>	344,715	65,615	19%
<b>Total carrying amount of loans and advances</b>	<b>4,491,615</b>	4,366,639	124,976	2.9%

## Investments in financial assets

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

### (a) Analysed by types

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

### (b) Analysed by measurement category

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

## Deposits from customers

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

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

## Bank and other loans

<i>HK\$ million</i>	<b>As at 30 June 2020</b>	As at 31 December 2019	Increase/(Decrease) Amount	%
Financial services	<b>3,687</b>	3,927	(240)	(6.1%)
Resources and energy	<b>38,649</b>	39,055	(406)	(1.0%)
Manufacturing	<b>21,470</b>	20,070	1,400	7.0%
Engineering contracting	<b>3,037</b>	3,021	16	0.5%
Real estate	<b>12,519</b>	11,190	1,329	12%
Others	<b>32,815</b>	30,817	1,998	6.5%
Operation management	<b>78,814</b>	83,783	(4,969)	(5.9%)
Elimination	<b>(39,229)</b>	(41,185)	1,956	4.7%
<b>Sub-total</b>	<b>151,762</b>	150,678	1,084	0.7%
<b>Accrued interest</b>	<b>591</b>	634	(43)	(6.8%)
<b>Total</b>	<b>152,353</b>	151,312	1,041	0.7%

## Debt instruments issued

<i>HK\$ million</i>	<b>As at 30 June 2020</b>	As at 31 December 2019	Increase/(Decrease) Amount	%
Financial services	<b>696,642</b>	725,589	(28,947)	(4.0%)
Resources and energy	<b>766</b>	670	96	14%
Manufacturing	–	141	(141)	(100%)
Engineering contracting	–	–	–	–
Real estate	–	–	–	–
Others	<b>3,829</b>	3,845	(16)	(0.4%)
Operation management	<b>127,281</b>	115,644	11,637	10%
Elimination	<b>(27,696)</b>	(27,860)	164	0.6%
<b>Sub-total</b>	<b>800,822</b>	818,029	(17,207)	(2.1%)
<b>Accrued interest</b>	<b>4,984</b>	5,935	(951)	(16%)
<b>Total</b>	<b>805,806</b>	823,964	(18,158)	(2.2%)

## Total ordinary shareholders' funds

As at 30 June 2020, total ordinary shareholders' funds of the Group was HK\$596,963 million, an increase of HK\$5,437 million compared with 31 December 2019, which was mainly due to profit attributable to ordinary shareholders of HK\$27,014 million, exchange losses of HK\$10,601 million resulted from RMB depreciation, and final dividend of 2019 HK\$8,291 million paid in the first half of 2020.

# Risk Management

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

## Financial Risk

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

### Asset and liability management

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

#### 1. Debt

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

As at 30 June 2020, consolidated debt of CITIC Limited<sup>(1)</sup> was HK\$952,584 million, including loans of HK\$151,762 million and debt instruments issued<sup>(2)</sup> of HK\$800,822 million. Debt of CITIC Bank<sup>(3)</sup> accounted for HK\$665,535 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$11,690 million and available committed facilities of HK\$26,600 million.

The details of debt are as follows:

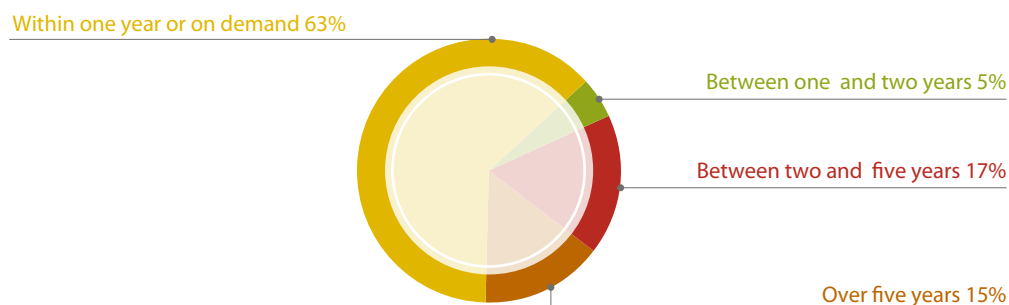
As at 30 June 2020	HK\$ million
Consolidated debt of CITIC Limited	952,584
Among which: Debt of CITIC Bank	665,535

Note:

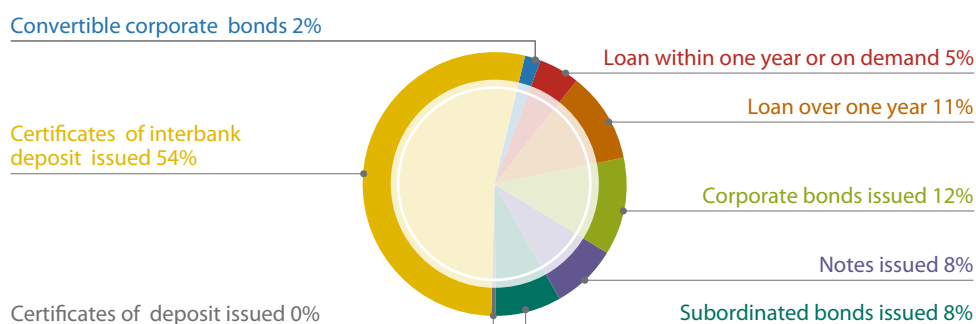
- (1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited excluding interest accrued;
- (2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;
- (3) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued and convertible corporate bonds that has been subscribed by another subsidiary of the group.



### Consolidated debt by maturity as at 30 June 2020



### Consolidated debt by type as at 30 June 2020



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

HK\$ million	Consolidated
Debt	952,584
Total equity <sup>(4)</sup>	894,556
Debt to equity ratio	106%

Note:

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

## 2. Liquidity risk management

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

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

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

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

### 3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 30 June 2020 are set out in Note 28 to the consolidated financial statements.

### 4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the interests in associates pledged as security for CITIC Limited's loan as at 30 June 2020 are set out in Note 25(d) to the consolidated financial statements.

### 5. Credit ratings

	Standard & Poor's	Moody's
30 June 2020	BBB+/Stable	A3/Stable

## Treasury risk management

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

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

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

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

## 1. Interest rate risk

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

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

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

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

## 2. Currency risk

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

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

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

## 3. Counterparty risk for financial products

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

#### 4. Commodity risk

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

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

#### 5. Market price risk

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

### Economic Environment

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

COVID-19 continues spreading around the world, causing tremendous impacts on both economic and social development. In the meanwhile, as China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. The global economy is still on the way of recovery, but the performances in main economic entities and regions are divergent, and challenges from trade friction and other aspects are increasing. The growth prospect is with uncertainty. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on its operational results, financial condition and profitability.

### Operational Risk

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

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

## Credit Risk

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

## Competitive Markets

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

- The financial services business faces fierce competition from domestic and international commercial banks and other financial institutions.
- The engineering contracting business is challenged by global peers as well as China's large state-owned enterprises and private companies.
- Resources and energy, manufacturing, real estate operations, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

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

## Other External Risks and Uncertainties

### Impact of local, national and international laws and regulations

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

### Impact of new accounting standards

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

## Natural disasters or events, terrorism and diseases

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



# Human Resources

## Protecting Employees' Rights and Interests

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

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

## Developing our Staff

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

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

## Caring for CITIC Employees

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



# 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 2020

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

# Consolidated Income Statement

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Profit for the period</b>		<b>37,909</b>	47,170
<b>Attributable to:</b>			
– Ordinary shareholders of the Company		27,014	33,518
– Non-controlling interests		10,895	13,652
<b>Profit for the period</b>		<b>37,909</b>	47,170
<b>Earnings per share for profit attributable to ordinary shareholders of the Company during the period:</b>			
Basic and diluted earnings per share (HK\$)	12	0.93	1.15

The notes on pages 40 to 127 form part of these condensed unaudited consolidated interim accounts.

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Profit for the period</b>		<b>37,909</b>	<b>47,170</b>
<b>Other comprehensive loss for the period</b>	13		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on debt instruments at fair value through other comprehensive income		(1,768)	100
Loss allowance on debt instruments at fair value through other comprehensive income		472	383
Cash flow hedge: net movement in the hedging reserve		(813)	(398)
Share of other comprehensive loss of associates and joint ventures		(853)	(734)
Exchange differences on translation of financial statements and others		(15,888)	(4,252)
Items that will not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		59	–
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		37	351
<b>Other comprehensive loss for the period</b>		<b>(18,754)</b>	<b>(4,550)</b>
<b>Total comprehensive income for the period</b>		<b>19,155</b>	<b>42,620</b>
<b>Attributable to:</b>			
-Ordinary shareholders of the Company		14,027	29,932
-Non-controlling interests		5,128	12,688
<b>Total comprehensive income for the period</b>		<b>19,155</b>	<b>42,620</b>

The notes on pages 40 to 127 form part of these condensed unaudited consolidated interim accounts.

# Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 HK\$ million (Unaudited)	31 December 2019 HK\$ million (Audited)
<b>Assets</b>			
Cash and deposits	15	676,484	740,434
Placements with banks and non-bank financial institutions		240,636	226,686
Derivative financial instruments	16	27,602	19,580
Trade and other receivables	17	160,077	167,427
Contract assets		12,419	11,504
Inventories		67,225	54,735
Financial assets held under resale agreements		41,913	11,117
Loans and advances to customers and other parties	18	4,491,615	4,366,639
Investments in financial assets	19		
– Financial assets at amortised cost		1,042,784	1,040,997
– Financial assets at fair value through profit or loss		381,286	403,776
– Debt investments at fair value through other comprehensive income		809,877	701,936
– Equity investments at fair value through other comprehensive income		7,514	7,020
Assets classified as held for sale		–	28,819
Interests in associates	20	124,943	123,345
Interests in joint ventures	21	41,645	40,963
Fixed assets		147,979	150,075
Investment properties		37,013	37,555
Right-of-use assets		34,902	36,494
Intangible assets		11,896	11,977
Goodwill		20,450	21,203
Deferred tax assets		69,680	58,729
Other assets		29,312	28,913
<b>Total assets</b>		<b>8,477,252</b>	<b>8,289,924</b>

# Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 HK\$ million (Unaudited)	31 December 2019 HK\$ million (Audited)
<b>Liabilities</b>			
Borrowing from central banks		138,191	268,256
Deposits from banks and non-bank financial institutions	22	1,089,543	1,061,380
Placements from banks and non-bank financial institutions		82,370	107,400
Financial liabilities at fair value through profit or loss		6,860	1,436
Derivative financial instruments	16	29,672	20,763
Trade and other payables	23	148,032	148,908
Contract liabilities		25,285	21,380
Financial assets sold under repurchase agreements		118,064	127,766
Deposits from customers	24	4,892,771	4,541,841
Employee benefits payables		28,127	33,357
Income tax payable		12,149	13,989
Bank and other loans	25	152,353	151,312
Debt instruments issued	26	805,806	823,964
Lease liabilities		16,524	17,435
Liabilities directly associated with assets classified as held for sale		–	20,674
Provisions		11,542	11,155
Deferred tax liabilities		10,276	9,963
Other liabilities		15,131	14,454
<b>Total liabilities</b>		<b>7,582,696</b>	<b>7,395,433</b>
<b>Equity</b>			
Share capital	27	381,710	381,710
Reserves		215,253	209,816
<b>Total ordinary shareholders' funds</b>		<b>596,963</b>	<b>591,526</b>
Non-controlling interests		297,593	302,965
<b>Total equity</b>		<b>894,556</b>	<b>894,491</b>
<b>Total liabilities and equity</b>		<b>8,477,252</b>	<b>8,289,924</b>

Approved and authorised for issue by the board of directors on 28 August 2020.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 40 to 127 form part of these condensed unaudited consolidated interim accounts.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Note	Share capital HK\$ million	Capital reserve HK\$ million	Hedging reserve HK\$ million	Investment related reserves HK\$ million	General reserve HK\$ million	Retained earnings HK\$ million	Exchange reserve HK\$ million	Total HK\$ million	Non-controlling interests HK\$ million	Total equity HK\$ million
<b>Six months ended 30 June 2020</b>											
<b>(Unaudited)</b>											
<b>Balance at 1 January 2020</b>		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491
Profit for the period	9	-	-	-	-	-	27,014	-	27,014	10,895	37,909
Other comprehensive loss for the period	13	-	-	(731)	(1,655)	-	-	(10,601)	(12,987)	(5,767)	(18,754)
<b>Total comprehensive (loss)/ income for the period</b>		-	-	(731)	(1,655)	-	27,014	(10,601)	14,027	5,128	19,155
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	347	347
Dividends paid to ordinary shareholders of the Company	11	-	-	-	-	-	(8,291)	-	(8,291)	-	(8,291)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(5,907)	(5,907)
Disposal of subsidiaries	32	-	-	-	-	-	-	-	-	(4,787)	(4,787)
Transactions with non-controlling interests	33	-	(363)	-	-	-	-	-	(363)	(150)	(513)
Others		-	64	-	-	-	-	-	64	(3)	61
<b>Other changes in equity</b>		-	(299)	-	-	-	(8,291)	-	(8,590)	(10,500)	(19,090)
<b>Balance at 30 June 2020</b>		381,710	(60,252)	992	2,891	51,145	274,530	(54,053)	596,963	297,593	894,556

# 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
<b>Six months ended 30 June 2019</b>											
<b>(Unaudited)</b>											
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		-	-	-	-	-	(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)
<b>Total comprehensive (loss)/ income for the period</b>		-	-	(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)
<b>Other changes in equity</b>		-	(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

The notes on pages 40 to 127 form part of these condensed unaudited consolidated interim accounts.

# Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Cash flows from operating activities</b>			
Profit before taxation		46,544	57,194
Adjustments for:			
– Depreciation and amortisation	9(b)	10,102	10,388
– Expected credit losses		53,025	39,877
– Impairment losses		1,318	311
– Net valuation loss/(gain) on investment properties		110	(342)
– Net valuation loss/(gain) on investments		331	(1,446)
– Share of profits of associates and joint ventures, net of tax		(5,337)	(6,579)
– Interest expenses on debts instruments issued	5(a)	11,484	12,982
– Finance income	8	(1,037)	(1,355)
– Finance costs	8	6,149	6,544
– Net gain on investments in financial assets		(9,216)	(4,369)
– Net gain on disposal of subsidiaries, associates and joint ventures		(4,304)	(86)
		109,169	113,119
<b>Changes in working capital</b>			
(Increase)/decrease in deposits with central banks, banks and non-bank financial institutions		(2,895)	63,857
Increase in placements with banks and non-bank financial institutions		(10,331)	(28,370)
Decrease/(increase) in trade and other receivables		3,533	(64,223)
Increase in contract assets		(915)	(1,593)
Increase in inventories		(5,052)	(3,739)
Increase in financial assets held under resale agreements		(31,272)	(41,665)
Increase in loans and advances to customers and other parties		(247,033)	(306,661)
(Increase)/decrease in investments in financial assets held for trading purposes		(29,488)	5,474
Increase in other assets		(464)	(4,494)
Increase in deposits from banks and non-bank financial institutions		47,303	73,703
Decrease in placements from banks and non-bank financial institutions		(23,472)	(61,124)
Increase/(decrease) in financial liabilities at fair value through profit or loss		5,162	(1,109)
Decrease in trade and other payables		(19,907)	(4,099)
Increase in contract liabilities		3,905	6,029
Decrease in financial assets sold under repurchase agreements		(7,276)	(90,259)
Increase in deposits from customers		433,189	436,997
Decrease in borrowing from central banks		(125,359)	(54,453)
Increase/(decrease) in other liabilities		678	(6,883)
Decrease in employee benefits payables		(5,230)	(3,159)
Increase/(decrease) in provisions		386	(589)
<b>Cash generated from operating activities</b>		<b>94,631</b>	<b>26,759</b>
Income tax paid		(21,173)	(14,989)
<b>Net cash generated from operating activities</b>		<b>73,458</b>	<b>11,770</b>



# Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of financial investments		1,281,949	1,176,033
Proceeds from disposal of fixed assets, intangible assets and other assets		342	1,133
Proceeds from disposal of associates and joint ventures		430	25
Net cash received from disposal of subsidiaries	32	4,694	22
Dividends received from equity investments, associates and joint ventures		2,464	1,741
Payments for purchase of financial investments		(1,402,572)	(1,389,100)
Payments for additions of fixed assets, intangible assets and other assets		(7,877)	(7,003)
Net cash payment for acquisition of subsidiaries		(2,853)	(57)
Net cash payment for acquisition of associates and joint ventures		(1,287)	(708)
Net increase in restricted cash		(1,509)	(628)
<b>Net cash used in investing activities</b>		<b>(126,219)</b>	<b>(218,542)</b>
<b>Cash flows from financing activities</b>			
Capital injection received from non-controlling interests		265	452
Transaction with non-controlling interests		(3,535)	–
Proceeds from new bank and other loans		51,396	46,627
Repayment of bank and other loans and debt instruments issued		(364,030)	(304,289)
Proceeds from new debt instruments issued		314,164	296,000
Principal and interest elements of lease payment		(3,225)	(2,927)
Interest paid on bank and other loans and debt instruments issued		(18,754)	(18,609)
Dividends paid to non-controlling interests		(1,210)	(1,011)
Dividends paid to ordinary shareholders of the Company		–	(7,471)
<b>Net cash (used in)/generated from financing activities</b>		<b>(24,929)</b>	<b>8,772</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(77,690)</b>	<b>(198,000)</b>
Cash and cash equivalents at 1 January		463,038	522,808
Effect of exchange changes		(5,290)	1,667
<b>Cash and cash equivalents at 30 June</b>		<b>380,058</b>	<b>326,475</b>

The notes on pages 40 to 127 form part of these condensed unaudited consolidated interim accounts.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 1 General information

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

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

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

The financial information relating to the year ended 31 December 2019 that is included in the Accounts as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is extracted from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

## 2 Basis of preparation

The Accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Accounts should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 2 Basis of preparation (continued)

The accounting policies adopted in the preparation of the Accounts are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2019, except for the following amendments which became effective for the first time for the financial year beginning on or after 1 January 2020:

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

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

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

HKFRS 17	Insurance Contracts <sup>(1)</sup>
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(1) Effective for the annual periods beginning on or after 1 January 2023.

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

## 3 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 2019.

### (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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

### (a) Metallurgical Corporation of China (“MCC”) claim *(continued)*

As at the date of issuance of the Accounts, 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.

As set out in the Company’s announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 30 June 2020.

### (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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

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

#### **Option Agreement Dispute**

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

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

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

#### **Option Agreement Dispute** *(continued)*

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

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

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

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

#### **FCD Indemnity Disputes**

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

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

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

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

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

A directions hearing is listed for 14 September 2020.

No trial date has been set for this proceeding.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

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

#### **FCD Indemnity Disputes** *(continued)*

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

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

- (a) from December 2009, funding; and
- (b) in or about 2013, all future working capital,

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

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

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

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

A directions hearing is listed for 14 September 2020.

No trial date has been set for this proceeding.



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgement *(continued)*

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

#### **Mine Continuation Proposals/Tenure Dispute** *(continued)*

Mediation was conducted in late 2019 but was unsuccessful.

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

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

A directions hearing is listed for 3 September 2020.

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

No trial date has been set for this proceeding.

#### **Minimum Production Royalty Disputes**

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

- (a) an act, matter or thing outside their control;
- (b) Mineralogy doing, or failing to do an act (under the MRSLAs or otherwise); or
- (c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate (“Minimum Production Royalty”). The Minimum Production Royalty has been the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 3 Critical accounting estimates and judgements (continued)

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

#### **Minimum Production Royalty Disputes** (continued)

- (a) orders that each of Sino Iron and Korean Steel pay Mineralogy AUD6,865,985 plus US\$87,104,633, plus default interest;
- (b) an order that the Company pay Mineralogy AUD13,731,970 plus US\$174,209,266, plus interest (pursuant to the guarantee under the FCD);
- (c) orders for specific performance of the MRSLAs and the FCD; and
- (d) a declaration that Sino Iron and Korean Steel have acted in breach of their obligation of good faith.

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

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim, on grounds including that it was an abuse of process. That application was heard on 25 September 2019. Justice K Martin delivered his reasons on 13 February 2020, finding in favour of the CITIC Parties. His Honour found that Proceeding CIV 3129/2018 was an abuse of process of the court by Mineralogy and Mr. Palmer and on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

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

#### **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”.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 trustee in place of Mineralogy and a declaration that the annual charge to be made by Sino Iron and Korean Steel in the operating year commencing on 1 July 2018 is AUD6,000,000 or such other amount determined by the Court.

Mediation took place in late 2019, but was unsuccessful.

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

A directions hearing is listed for 3 September 2020.

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

## 4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2020 is 16.5% (six months ended 30 June 2019: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group’s other subsidiaries in Mainland China for the six months ended 30 June 2020 is 25% (six months ended 30 June 2019: 25%).

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

Note:

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 5 Revenue (continued)

### (b) Net fee and commission income

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

### (c) Sales of goods and services

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

### (d) Other revenue

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 5 Revenue (continued)

### (d) Other revenue (continued)

#### (i) Net trading gain

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

## 6 Costs of sales and services

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Costs of goods sold	100,924	120,846
Costs of services rendered		
– costs of construction contracts	8,288	7,235
– costs of other services	7,354	7,672
	<b>116,566</b>	<b>135,753</b>

## 7 Other net income

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	4,298	86
Net (loss)/gain on investments in financial assets under non-financial services segment	(1,618)	1,040
Net foreign exchange loss	(82)	(70)
Others	1,315	1,109
	<b>3,913</b>	<b>2,165</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 8 Net finance charges

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

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 9 Profit before taxation (continued)

### (b) Other items

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 11 Dividends

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
2019 Final dividend paid: HK\$0.285 (2018 Final: HK\$0.26) per share	8,291	7,563
2020 Interim dividend proposed: HK\$0.10 (2019 Interim: HK\$0.18) per share	2,909	5,236

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

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

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are same as basic earnings per share. As at 30 June 2020, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 30 June 2020 (30 June 2019: Nil).

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 13 Other comprehensive loss

Components of other comprehensive loss

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Fair value gains on debt instruments at FVOCI	1,779	2,743
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	(4,169)	(2,715)
Tax effect	622	72
	(1,768)	100
-----		
Allowance change for impairment losses on debt investments at FVOCI	609	584
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	–	–
Tax effect	(137)	(201)
	472	383
-----		
Loss arising from cash flow hedge	(941)	(439)
Less: Net amounts previously recognised in other comprehensive loss/(income) transferred to profit or loss in the current period	43	(22)
Tax effect	85	63
	(813)	(398)
-----		
Share of other comprehensive loss of associates and joint ventures	(853)	(734)
-----		
Exchange differences on translation of financial statements and others	(15,888)	(4,252)
-----		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Reclassification of owner-occupied property as investment property:		
revaluation gain	59	–
Less: Tax effect	–	–
	59	–
-----		
Fair value changes on investments in equity instruments designated at FVOCI	37	366
Less: Tax effect	–	(15)
	37	351
-----		
	(18,754)	(4,550)

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020 and 2019 is set out below:

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 14 Segment reporting (continued)

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

	As at 30 June 2020								
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	7,900,819	135,226	110,528	56,716	172,681	139,128	199,467	(237,313)	8,477,252
Including:									
Interests in associates	41,806	21,459	5,314	1,120	39,599	14,147	1,498	-	124,943
Interests in joint ventures	9,926	6,077	223	-	20,713	4,706	-	-	41,645
<b>Reportable segment liabilities</b>	7,221,508	184,851	65,722	42,796	90,695	71,558	246,946	(341,380)	7,582,696
Including:									
Bank and other loans (Note 25) (note)	3,687	38,649	21,470	3,037	12,519	32,815	78,814	(39,229)	151,762
Debt instruments issued (Note 26) (note)	696,642	766	-	-	-	3,829	127,281	(27,696)	800,822

Note:

The amount is the principal excluding interest accrued.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 14 Segment reporting (continued)

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

	Six months ended 30 June 2019								
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Revenue from external customers	111,903	47,858	59,607	7,907	1,892	47,969	40	-	277,176
Inter-segment revenue	(249)	2,885	106	1	70	440	18	(3,271)	-
<b>Reportable segment revenue</b>	<b>111,654</b>	<b>50,743</b>	<b>59,713</b>	<b>7,908</b>	<b>1,962</b>	<b>48,409</b>	<b>58</b>	<b>(3,271)</b>	<b>277,176</b>
<b>Disaggregation of revenue:</b>									
- Net interest income (Note 5(a))	71,975	-	-	-	-	-	50	240	72,265
- Net fee and commission income (Note 5(b))	30,133	-	-	-	-	-	1	(9)	30,125
- Sales of goods (Note 5(c))	-	49,681	58,499	8	738	38,395	-	(2,930)	144,391
- Services rendered to customers- construction contracts (Note 5(c))	-	-	40	7,709	-	529	-	(9)	8,269
- Services rendered to customers- others (Note 5(c))	-	1,062	1,174	191	1,224	9,485	-	(563)	12,573
- Other revenue (Note 5(d))	9,546	-	-	-	-	-	7	-	9,553
Share of profits/(losses) of associates, net of tax	1,626	541	137	(23)	1,991	(43)	165	-	4,394
Share of profits of joint ventures, net of tax	388	738	5	-	661	393	-	-	2,185
Finance income (Note 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)
<b>Profit/(loss) before taxation</b>	<b>44,384</b>	<b>2,864</b>	<b>4,901</b>	<b>950</b>	<b>4,020</b>	<b>2,733</b>	<b>(2,696)</b>	<b>38</b>	<b>57,194</b>
Income tax	(7,096)	(411)	(905)	(263)	(357)	(713)	(272)	(7)	(10,024)
<b>Profit/(loss) for the period</b>	<b>37,288</b>	<b>2,453</b>	<b>3,996</b>	<b>687</b>	<b>3,663</b>	<b>2,020</b>	<b>(2,968)</b>	<b>31</b>	<b>47,170</b>
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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 14 Segment reporting (continued)

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

	As at 31 December 2019								
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	7,703,980	134,304	117,240	59,030	166,404	162,893	191,563	(245,490)	8,289,924
Including:									
Interests in associates	42,267	21,549	5,262	1,102	38,577	13,013	1,575	-	123,345
Interests in joint ventures	9,871	6,293	197	-	20,341	4,261	-	-	40,963
<b>Reportable segment liabilities</b>	7,027,882	181,491	65,243	44,648	90,368	96,214	234,079	(344,492)	7,395,433
Including:									
Bank and other loans (Note 25) (note)	3,927	39,055	20,070	3,021	11,190	30,817	83,783	(41,185)	150,678
Debt instruments issued (Note 26) (note)	725,589	670	141	-	-	3,845	115,644	(27,860)	818,029

Note:

The amount is the principal excluding interest accrued.



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

## 15 Cash and deposits

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Cash	6,745	7,144
Bank deposits	68,929	50,916
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	402,358	397,724
– Surplus deposit reserve funds (note (iii))	52,023	108,958
– Fiscal deposits (note (iv))	2,179	2,109
– Foreign exchange reserves (note (v))	3,661	3,438
Deposits with banks and non-bank financial institutions	138,781	169,119
	<b>674,676</b>	<b>739,408</b>
Accrued interest	1,934	1,185
	<b>676,610</b>	<b>740,593</b>
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions	(126)	(159)
	<b>676,484</b>	<b>740,434</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020, the statutory deposit reserve funds placed by CITIC Bank with the People’s Bank of China was calculated at 9% (31 December 2019: 9.5%) of eligible RMB deposits for domestic branches of CITIC Bank and at 9% (31 December 2019: 9.5%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2019: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 30 June 2020.

As at 30 June 2020, the statutory RMB deposit reserve rate applicable to Zhejiang Lin’an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 6% (31 December 2019: 7.5%).

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 2020, the statutory deposit reserve funds placed by CITIC Finance with the People’s Bank of China was calculated at 6% (31 December 2019: 6%) of eligible RMB deposits from the customers of CITIC Finance. CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2019: 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\$4,144 million (31 December 2019: HK\$2,635 million) included in cash and deposits as at 30 June 2020 were restricted in use, mainly including pledged bank deposits and guaranteed deposits.

## 16 Derivative financial instruments

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks. Hedging instruments are derivatives used as hedge accounting, and non-hedging instruments are derivatives not used as hedge accounting.

	30 June 2020			31 December 2019		
	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million
<b>Hedging instruments</b>						
Fair value hedge						
– Interest rate derivatives	857	–	72	3,227	16	18
– Currency derivatives	436	–	44	436	–	35
– Other derivatives	1,858	5	18	2,337	–	36
<b>Cash flow hedge</b>						
– Interest rate derivatives	13,182	–	2,291	13,382	4	1,666
– Currency derivatives	1,074	1	6	231	–	5
– Other derivatives	1,076	69	47	1,406	356	29
<b>Non-hedging instruments</b>						
– Interest rate derivatives	3,497,347	15,554	15,178	3,218,877	5,792	5,760
– Currency derivatives	2,121,700	11,216	10,792	1,691,109	13,175	12,345
– Precious metals derivatives	27,790	756	1,112	14,194	237	817
– Other derivatives	5,705	1	112	9,928	–	52
	<b>5,671,025</b>	<b>27,602</b>	<b>29,672</b>	<b>4,955,127</b>	<b>19,580</b>	<b>20,763</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 16 Derivative financial instruments (continued)

### (a) Nominal amount analysed by remaining maturity

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Within 3 months	2,465,338	1,963,590
Between 3 months and 1 year	2,039,619	1,958,974
Between 1 year and 5 years	1,132,903	1,011,931
Over 5 years	33,165	20,632
	<b>5,671,025</b>	<b>4,955,127</b>

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 2020, the credit risk weighted amount for counterparty was HK\$27,959 million (31 December 2019: HK\$16,333 million).

## 17 Trade and other receivables

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Account and bills receivables	51,661	51,393
Advanced payments and settlement accounts	38,482	39,290
Prepayments, deposits and other receivables	76,440	83,207
	<b>166,583</b>	<b>173,890</b>
Less: allowance for impairment losses	(6,506)	(6,463)
	<b>160,077</b>	<b>167,427</b>

As at 30 June 2020, 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\$6,778 million (31 December 2019: HK\$7,382 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 18 Loans and advances to customers and other parties

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
<b>Loans and advances to customers and other parties at amortised cost</b>		
Corporate loans:		
– Loans	2,253,447	2,153,473
– Discounted bills	5,506	7,995
– Finance lease receivables	41,617	48,004
	<b>2,300,570</b>	<b>2,209,472</b>
Personal loans:		
– Residential mortgages	913,216	867,018
– Credit cards	526,720	574,535
– Personal consumption	215,671	232,268
– Business loans	258,395	253,525
	<b>1,914,002</b>	<b>1,927,346</b>
	<b>4,214,572</b>	<b>4,136,818</b>
Accrued interest	12,939	11,388
	<b>4,227,511</b>	<b>4,148,206</b>
Less: allowance for impairment losses	(153,939)	(134,001)
Carrying amount of loans and advances to customers and other parties at amortised cost	<b>4,073,572</b>	<b>4,014,205</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020 HK\$ million	31 December 2019 HK\$ million
<b>Loans and advances to customers and other parties at FVPL</b>		
Personal loans		
– Residential mortgages	7,713	7,719
<b>Loans and advances to customers and other parties at FVOCI</b>		
Corporate loans:		
– Loans	3,599	1,029
– Discounted bills	406,731	343,686
Carrying amount of loans and advances to customers and other parties at FVOCI	410,330	344,715
<b>Total carrying amount of loans and advances</b>	<b>4,491,615</b>	<b>4,366,639</b>
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	(494)	(521)

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

	As at 30 June 2020				Gross loans and advances at stage 3 as a percentage of gross total loans and advances
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	
Loans and advances at amortised cost	3,988,366	131,492	94,714	4,214,572	2.04%
Accrued interest	12,596	343	–	12,939	
Less: allowance for impairment losses	(46,632)	(41,027)	(66,280)	(153,939)	
Carrying amount of loans and advances at amortised cost	3,954,330	90,808	28,434	4,073,572	
Carrying amount of loans and advances at FVOCI	410,049	250	31	410,330	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	4,364,379	91,058	28,465	4,483,902	
Allowance for impairment losses of loans and advances at FVOCI	(472)	–	(22)	(494)	

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

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

As at 31 December 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	3,948,280	110,636	77,902	4,136,818	1.73%
Accrued interest	10,513	863	12	11,388	
Less: allowance for impairment losses	(43,509)	(30,234)	(60,258)	(134,001)	
Carrying amount of loans and advances at amortised cost	3,915,284	81,265	17,656	4,014,205	
Carrying amount of loans and advances at FVOCI	344,630	53	32	344,715	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	4,259,914	81,318	17,688	4,358,920	
Allowance for impairment losses of loans and advances at FVOCI	(505)	–	(16)	(521)	

Note:

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

	As at 30 June 2020 HK\$ million	As at 31 December 2019 HK\$ million
Secured portion	54,067	46,686
Unsecured portion	40,678	31,260
Total	94,745	77,946
Allowance for impairment losses	(66,302)	(60,274)
	28,443	17,672

As at 30 June 2020 the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$56,121 million (31 December 2019: HK\$48,141 million).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

### (c) Overdue loans by overdue period

	As at 30 June 2020				
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	Total HK\$ million
Unsecured loans	16,367	14,692	2,289	235	33,583
Guaranteed loans	9,469	8,197	5,570	491	23,727
Secured loans					
– Loans secured by collateral	24,928	20,570	15,424	2,150	63,072
– Pledged loans	18,902	2,678	2,720	91	24,391
	69,666	46,137	26,003	2,967	144,773

	As at 31 December 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	19,179	11,734	1,682	160	32,755
Guaranteed loans	11,558	7,089	4,679	256	23,582
Secured loans					
– Loans secured by collateral	27,873	12,429	12,067	2,498	54,867
– Pledged loans	2,723	2,082	1,438	113	6,356
	61,333	33,334	19,866	3,027	117,560

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 19 Investments in financial assets

(a) Analysed by types

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
<b>Financial assets at amortised cost</b>		
Debt securities	734,009	645,126
Investment management products managed by securities companies (note (i))	130,269	208,896
Trust investment plans (note (i))	179,371	183,442
Certificates of deposit and certificates of interbank deposit	178	111
Wealth management products	33	33
Investments in creditor's rights on assets	559	570
Others	377	409
	1,044,796	1,038,587
Accrued interest	13,250	11,080
	1,058,046	1,049,667
Less: allowance for impairment losses	(15,262)	(8,670)
	1,042,784	1,040,997
<b>Financial assets at fair value through profit or loss ("FVPL")</b>		
Debt securities	60,614	50,399
Including: Designated at FVPL	–	–
Investment management products managed by securities companies (note (i))	2,573	3,159
Trust investment plans (note (i))	3,934	7,395
Certificates of deposit and certificates of interbank deposit	35,592	52,236
Wealth management products	8,976	4,124
Investment funds	251,445	267,812
Equity investment	18,152	18,576
Others	–	75
	381,286	403,776

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 19 Investments in financial assets (continued)

### (a) Analysed by types (continued)

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
<b>Debt investments at FVOCI (note (ii))</b>		
Debt securities	667,083	688,554
Certificates of deposit and certificates of interbank deposit	4,553	5,433
Investment management products managed by securities companies (note (i))	131,089	–
	802,725	693,987
Accrued interest	7,152	7,949
	809,877	701,936
Allowance for impairment losses on debt investments at FVOCI	(2,410)	(1,820)
<b>Equity investments at FVOCI (note(ii))</b>		
Equity investment	7,189	6,602
Investment funds	325	418
	7,514	7,020
	2,241,461	2,153,729

Notes:

- (i) As at 30 June 2020, an aggregate of HK\$95,675 million (31 December 2019: HK\$103,340 million) of trust investment plans and investment management products were managed by the subsidiaries and related parties of the Group.

The underlying assets of Trust investment plans and Investment management products managed by securities companies primarily include credit assets and rediscounted bills.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 19 Investments in financial assets (continued)

### (a) Analysed by types (continued)

Notes: (continued)

#### (ii) Financial assets measured at FVOCI.

	As at 30 June 2020		Total HK\$ million
	Equity instruments HK\$ million	Debt instruments HK\$ million	
Cost/amortised cost	8,346	796,488	804,834
Accumulative fair value change in OCI	(832)	6,237	5,405
Accrued interest	–	7,152	7,152
Carrying amount	7,514	809,877	817,391
Allowance for impairment losses	N/A	(2,410)	(2,410)

	As at 31 December 2019		Total HK\$ million
	Equity instruments HK\$ million	Debt instruments HK\$ million	
Cost/amortised cost	7,931	685,475	693,406
Accumulative fair value change in OCI	(911)	8,512	7,601
Accrued interest	–	7,949	7,949
Carrying amount	7,020	701,936	708,956
Allowance for impairment losses	N/A	(1,820)	(1,820)

### (b) Analysed by counterparties

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
<b>Issued by:</b>		
– Government	842,755	753,257
– Policy banks	105,747	110,331
– Banks and non-bank financial institutions	1,102,890	1,100,440
– Corporates	168,518	170,267
– Public entities	1,188	405
	2,221,098	2,134,700
Accrued interest	20,363	19,029
	2,241,461	2,153,729
– Listed in Hong Kong	58,143	55,218
– Listed outside Hong Kong	1,636,710	1,586,899
– Unlisted	526,245	492,583
	2,221,098	2,134,700
Accrued interest	20,363	19,029
	2,241,461	2,153,729

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 19 Investments in financial assets (continued)

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

	As at 30 June 2020			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,020,138	3,577	21,081	1,044,796
Accrued interest	13,141	109	-	13,250
Less: allowance for impairment losses	(5,569)	(515)	(9,178)	(15,262)
Carrying amount of investments in financial assets at amortised cost	1,027,710	3,171	11,903	1,042,784
Gross carrying amount of debt investments in financial assets at FVOCI	802,567	141	17	802,725
Accrued interest	7,151	1	-	7,152
Carrying amount of debt investments in financial assets at FVOCI	809,718	142	17	809,877
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,837,428	3,313	11,920	1,852,661
Allowance for impairment losses on debt investments in financial assets at FVOCI	(2,040)	(3)	(367)	(2,410)

	As at 31 December 2019			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,015,265	12,709	10,613	1,038,587
Accrued interest	10,995	85	-	11,080
Less: allowance for impairment losses	(4,212)	(515)	(3,943)	(8,670)
Carrying amount of investments in financial assets at amortised cost	1,022,048	12,279	6,670	1,040,997
Gross carrying amount of debt investments in financial assets at FVOCI	693,626	138	223	693,987
Accrued interest	7,949	-	-	7,949
Carrying amount of debt investments in financial assets at FVOCI	701,575	138	223	701,936
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,723,623	12,417	6,893	1,742,933
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,486)	(3)	(331)	(1,820)

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 20 Interests in associates

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Carrying value	131,645	130,080
Less: allowance for impairment losses	(6,702)	(6,735)
	<b>124,943</b>	<b>123,345</b>

## 21 Interests in joint ventures

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Carrying value	43,088	42,450
Less: allowance for impairment losses	(1,443)	(1,487)
	<b>41,645</b>	<b>40,963</b>

## 22 Deposits from banks and non-bank financial institutions

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Banks	392,273	186,064
Non-bank financial institutions	692,549	872,282
	<b>1,084,822</b>	<b>1,058,346</b>
Accrued interest	4,721	3,034
	<b>1,089,543</b>	<b>1,061,380</b>
Analysed by remaining maturity:		
– On demand	581,144	446,790
– Within 3 months	286,140	337,522
– Between 3 months and 1 year	217,538	274,034
	<b>1,084,822</b>	<b>1,058,346</b>
Accrued interest	4,721	3,034
	<b>1,089,543</b>	<b>1,061,380</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 23 Trade and other payables

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Account and bills payables	69,533	73,238
Advances from leasees	483	281
Other taxes payables	6,256	5,720
Settlement accounts	6,265	7,699
Dividend payables	13,291	278
Other payables	52,204	61,692
	<b>148,032</b>	<b>148,908</b>

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 2020 HK\$ million	31 December 2019 HK\$ million
Within 1 year	52,153	57,437
Between 1 and 2 years	6,011	6,893
Between 2 and 3 years	2,794	562
Over 3 years	8,575	8,346
	<b>69,533</b>	<b>73,238</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 24 Deposits from customers

### (a) Types of deposits from customers

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 25 Bank and other loans

### (a) Types of loans

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

### (b) Maturity of loans

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 25 Bank and other loans (continued)

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
RMB	39,523	34,102
US\$	46,813	53,178
HK\$	55,968	51,766
Other currencies	9,458	11,632
	151,762	150,678
Accrued interest	591	634
	152,353	151,312

(d) As at 30 June 2020, the Group's bank and other loans of HK\$18,201 million (31 December 2019: HK\$17,480 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the interests in associates with an aggregate carrying amount of HK\$70,141 million (31 December 2019: HK\$70,196 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 2020, none of the covenants relating to drawn down facilities have been breached (31 December 2019: Nil).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued

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

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

Notes:

### (a) Corporate bonds issued

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
The Company (note (i))	67,141	63,277
CITIC Corporation Limited (“CITIC Corporation”) (note (ii))	41,565	30,100
CITIC Telecom International Holdings Limited (“CITIC Telecom International”) (note (iii))	3,495	3,493
CITIC Heavy Industries Co., Limited (“CITIC Heavy Industries”) (note (iv))	–	141
CITIC Pacific Limited’s (“CITIC Pacific”) subsidiaries (note(v))	2,956	2,902
	<b>115,157</b>	<b>99,913</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (a) Corporate bonds issued (continued)

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

	Denominated currency	Face value in denominated currency million	As at 31 December 2019		Interest rate per annum
			Issue date	Maturity date	
US\$ Notes 1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes 2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes 2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes 4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes 4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes 4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes 5	US\$	500	2013-04-10	2020-04-10	6.38%
US\$ Notes 6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes 8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes 9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes 10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes 11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes 12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes 13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes 14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes 15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes 16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes 17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes 18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes 19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes 20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes 21	US\$	200	2018-04-18	2048-04-18	5.07%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020				
	Denominated currency	Face value in denominated currency	Issue date	Maturity date	Interest rate per annum
		million			
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-1	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-2	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-3	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-4	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,900	2020-05-11	2040-05-11	4.20%
20SCP001	RMB	3,000	2020-03-19	2020-12-14	2.42%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency	Issue date	Maturity date	Interest rate per annum
		million			
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (a) Corporate bonds issued (continued)

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

	As at 30 June 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

(iv) The Corporate bonds issued by CITIC Heavy Industries has been redeemed before 30 June 2020.

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	2013-01-25	2020-01-25	5.20%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (a) Corporate bonds issued (continued)

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

	As at 30 June 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
19 JLEPC SCP002	RMB	200	2019-10-22	2020-07-18	3.45%
20 JLEPC SCP001	RMB	250	2020-03-09	2020-09-04	2.67%
20 JLEPC SCP002	RMB	250	2020-04-13	2021-01-08	2.48%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
19 JLEPC SCP001	RMB	200	2019-09-05	2020-03-03	3.50%
19 JLEPC SCP002	RMB	200	2019-10-22	2020-07-18	3.45%
19 JLEPC SCP003	RMB	200	2019-12-05	2020-06-02	3.39%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (b) Notes issued

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
CITIC Corporation (note (i))	16,386	20,035
CITIC Bank (note (ii))	55,521	89,700
CITIC Offshore Helicopter Company Limited (note (iii))	334	352
CITIC Trust Co., Ltd. (note (iv))	3,410	3,505
	<b>75,651</b>	<b>113,592</b>

#### (i) Details of notes issued by CITIC Corporation

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

	As at 31 December 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	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (b) Notes issued (continued)

(ii) Details of notes issued by CITIC Bank

	As at 30 June 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	US\$	700	2017-12-14	2020-12-14	Three-month Libor+0.9%
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three-month Libor+1%
Financial bonds	US\$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	2017-04-17	2020-04-17	4.20%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	US\$	700	2017-12-14	2020-12-14	Three-month Libor+0.9%
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three-month Libor+1%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%
Financial bonds	US\$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

	As at 31 December 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	2017-05-04	2020-03-31	5.18%

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

	As at 30 June 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation Notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Medium Term Notes	US\$	40	2020-03-03	2020-12-23	2.85%
Medium Term Notes	US\$	50	2020-04-09	2020-12-09	3.20%
Guaranteed notes	HK\$	1,200	2020-01-16	2021-01-13	2.55%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation Notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	US\$	150	2019-05-22	2020-05-20	4.75%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020 HK\$ million	31 December 2019 HK\$ million
Fixed rate notes maturing		
– In June 2020 (i)	–	2,382
– In February 2029 (ii)	3,848	3,860
Fixed rate bonds maturing		
– In May 2025 (iii)	–	12,838
– In June 2027 (iv)	21,880	22,310
– In September 2028 (v)	32,836	33,479
– In October 2028 (vi)	21,891	22,327
	<b>80,455</b>	<b>97,196</b>

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

As at 31 December 2019					
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i) Subordinated Notes	US\$	304	2010-06-24	2020-06-24	6.88%
(ii) Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(iii) Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(iv) Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(v) Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vi) Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 26 Debt instruments issued (continued)

Notes: (continued)

### (d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging is from 2.26% to 3.13% per annum (31 December 2019: 3.13% per annum).

### (e) Certificates of interbank deposit issued

As at 30 June 2020 CITIC Bank issued certain certificates of interbank deposit with a total value of RMB470,600 million (approximately HK\$515,195 million) (31 December 2019: RMB438,830 million (approximately HK\$489,886 million)). The yield ranges from 1.30% to 3.19% per annum (31 December 2019: 2.59% to 3.67% per annum). The original expiry terms are between 1 month to 1 year (31 December 2019: 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 annual coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 30 June 2020, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,050 million (HK\$14,287 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 27 Share capital and capital management

### (a) Share capital

As at 30 June 2020, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2019: 29,090,262,630).

### (b) Capital management

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

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with 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 2020 (31 December 2019: Nil).

## 28 Contingent liabilities and commitments

### (a) Credit commitments

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 28 Contingent liabilities and commitments (continued)

### (a) Credit commitments (continued)

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 2020 HK\$ million	31 December 2019 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	14,337	7,471
With an original maturity of 1 year or above	32,351	50,397
Credit card commitments	46,688	57,868
Acceptances	626,570	608,970
Guarantees	509,444	475,619
Letters of credit	139,949	165,729
	129,034	116,102
	<b>1,451,685</b>	<b>1,424,288</b>

### (b) Credit commitments analysed by credit risk weighted amount

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Credit risk weighted amount on credit commitments	438,742	444,994

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%.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 28 Contingent liabilities and commitments (continued)

### (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 2020 HK\$ million	31 December 2019 HK\$ million
Redemption commitment for treasury bonds	10,936	12,584

As at 30 June 2020, the original maturities of these bonds vary from 1 to 5 years (31 December 2019: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

### (d) Guarantees provided

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Related parties (note)	12,880	16,229
Third parties	2,040	2,886
	14,920	19,115

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 28 Contingent liabilities and commitments (continued)

### (d) Guarantees provided (continued)

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Related parties (note)	3,317	5,586
Third parties	223	228
	<b>3,540</b>	<b>5,814</b>

Note:

As at 30 June 2020, 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 RMB3,000 million (approximately HK\$3,284 million) (31 December 2019: RMB5,000 million (approximately HK\$5,582 million)). China Overseas which has provided counter guarantees to the Group.

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

### (e) Outstanding litigation and disputes

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

- (i) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3(b).
- (ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3(a).

### (f) Capital commitments

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Contracted for	22,704	33,183



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 account and bills receivables and contract assets, regardless whether there is significant financing component or not. For other financial assets that are included in the measurement of ECL, the Group evaluates whether the credit risks of related financial assets have increased significantly since initial recognition. The “three-stage” impairment model is used to measure their loss allowances respectively to recognise ECL and their movements:

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

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

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

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

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

#### (1) Significant increase in credit risk

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

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

##### (2) Definition of default and credit-impaired assets

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

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

- The issuer or borrower/debtor is in significant financial difficulties;
- The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc;
- The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;
- It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

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

##### (3) Inputs for measurement of ECL

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

- The probability of default ("PD") represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

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

##### (4) Forward-looking information

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

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

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

#### 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020 HK\$ million	31 December 2019 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	669,739	733,290
Placements with banks and non-bank financial institutions	240,636	226,686
Trade and other receivables	145,110	148,653
Financial assets held under resale agreements	41,913	11,117
Loans and advances to customers and other parties	4,483,902	4,358,920
Investments in financial assets		
– At amortised cost	1,042,784	1,040,997
– Debt investments at FVOCI	809,877	701,936
Contract assets	12,419	11,504
Other financial assets	3,810	2,366
	7,450,190	7,235,469
Credit commitments and guarantees provided	1,466,605	1,443,403
Maximum credit risk exposure	8,916,795	8,678,872

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Derivative financial instruments	27,602	19,580
Loans and advances to customers and other parties at FVPL	7,713	7,719
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	339,309	366,373
Maximum credit risk exposure	374,624	393,672

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 period:

	Six months ended 30 June 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(80,967)	–	–	(80,967)
Net transfers into stage 2	–	30,196	–	30,196
Net transfers into stage 3	–	–	50,771	50,771
Net increase/(decrease) during the period (note (i))	266,537	(7,375)	(6,320)	252,842
Write offs	–	–	(25,985)	(25,985)
Others (note (ii))	(77,982)	(2,288)	(1,667)	(81,937)
<b>Balance at 30 June 2020</b>	<b>4,411,011</b>	<b>132,085</b>	<b>94,745</b>	<b>4,637,841</b>
	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)
<b>Balance at 30 June 2019</b>	<b>4,196,055</b>	<b>112,140</b>	<b>81,288</b>	<b>4,389,483</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

#### (ii) Expected credit losses (continued)

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

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

	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

Notes:

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

#### (ii) Expected credit losses (continued)

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

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

	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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

	Six months ended 30 June 2019			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 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 unwinding 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020			31 December 2019		
	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	321,572	7%	282,093	326,183	7%	288,557
– Rental and business services	434,774	9%	217,060	393,789	8%	213,173
– Manufacturing	330,577	7%	169,228	290,098	6%	127,970
– Water, environment and public utility management	361,277	8%	164,114	300,791	7%	139,303
– Wholesale and retail	171,866	3%	111,996	165,088	4%	98,624
– Transportation, storage and postal services	159,513	3%	75,722	172,346	4%	79,691
– Construction	106,917	2%	59,720	108,029	2%	51,945
– Production and supply of electric power, gas and water	80,665	2%	42,211	73,947	2%	52,616
– Public management and social organizations	12,159	1%	881	14,672	1%	7,517
– Others	319,343	7%	135,208	357,563	8%	162,774
	2,298,663	49%	1,258,233	2,202,506	49%	1,222,170
Personal loans	1,921,715	41%	1,304,436	1,935,065	42%	1,275,969
Discounted bills	412,237	9%	–	351,681	8%	–
	4,632,615	99%	2,562,669	4,489,252	99%	2,498,139
Accrued interest	12,939	1%	2	11,388	1%	–
	4,645,554	100%	2,562,671	4,500,640	100%	2,498,139

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

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

	30 June 2020			31 December 2019		
	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	4,435,548	94%	2,468,121	4,297,094	94%	2,404,040
Hong Kong, Macau and Taiwan	176,823	4%	83,541	189,415	4%	92,826
Overseas	20,244	1%	11,007	2,743	1%	1,273
	4,632,615	99%	2,562,669	4,489,252	99%	2,498,139
Accrued interest	12,939	1%	2	11,388	1%	–
	4,645,554	100%	2,562,671	4,500,640	100%	2,498,139

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Unsecured loans	1,118,153	1,090,369
Guaranteed loans	539,556	549,063
Secured loans		
– Loans secured by collateral	2,079,973	2,049,804
– Pledged loans	482,696	448,335
	4,220,378	4,137,571
Discounted bills	412,237	351,681
	4,632,615	4,489,252
Accrued interest	12,939	11,388
Gross loans and advances	4,645,554	4,500,640

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (a) Credit risk (continued)

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

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

	30 June 2020		31 December 2019	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances	33,093	0.71%	25,444	0.57%
– Rescheduled loans and advances overdue more than 3 months	20,065	0.43%	12,057	0.27%

#### (vii) Offsetting

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

As at 30 June 2020, 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 2019: Nil).

### (b) Liquidity risk

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (b) Liquidity risk (continued)

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

	As at 30 June 2020					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	343,072	2,879,485	1,747,710	2,168,814	729,550	7,868,631
Total financial liabilities	(3,089,733)	(3,181,683)	(1,048,688)	(136,027)	(17,316)	(7,473,447)
Financial asset-liability gap	(2,746,661)	(302,198)	699,022	2,032,787	712,234	395,184

	As at 31 December 2019					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,695,101	1,757,424	2,066,205	734,694	7,669,204
Total financial liabilities	(2,839,200)	(3,410,296)	(829,669)	(179,560)	(5,735)	(7,264,460)
Financial asset-liability gap	(2,423,420)	(715,195)	927,755	1,886,645	728,959	404,744

The table below presents the undiscounted cash flows of the Group's financial assets and liabilities:

	As at 30 June 2020					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	343,072	3,117,098	2,220,015	2,927,822	740,360	9,348,367
Total financial liabilities	(3,089,733)	(3,297,492)	(1,172,590)	(160,072)	(17,316)	(7,737,203)
Financial asset-liability gap	(2,746,661)	(180,394)	1,047,425	2,767,750	723,044	1,611,164

	As at 31 December 2019					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,944,363	2,250,999	2,769,008	741,097	9,121,247
Total financial liabilities	(2,839,200)	(3,794,768)	(1,148,985)	(203,253)	(5,735)	(7,991,941)
Financial asset-liability gap	(2,423,420)	(850,405)	1,102,014	2,565,755	735,362	1,129,306

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (b) Liquidity risk (continued)

Note:

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

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

	As at 30 June 2020			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	17,913	15,943	12,832	46,688
Guarantees	84,216	54,413	1,320	139,949
Letters of credit	128,645	389	–	129,034
Acceptances	509,444	–	–	509,444
Credit card commitments	619,367	7,165	38	626,570
<b>Total</b>	<b>1,359,585</b>	<b>77,910</b>	<b>14,190</b>	<b>1,451,685</b>

	As at 31 December 2019			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	18,254	20,654	18,960	57,868
Guarantees	107,830	54,797	3,102	165,729
Letters of credit	113,833	2,269	–	116,102
Acceptances	475,619	–	–	475,619
Credit card commitments	601,555	7,131	284	608,970
<b>Total</b>	<b>1,317,091</b>	<b>84,851</b>	<b>22,346</b>	<b>1,424,288</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020				
	Non-interest bearing	Within 1 year	Between 1 and 5 years	More than 5 years	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total financial assets	465,141	5,793,019	1,164,857	445,614	7,868,631
Total financial liabilities	(219,572)	(6,118,859)	(977,321)	(157,695)	(7,473,447)
Financial asset-liability gap	245,569	(325,840)	187,536	287,919	395,184

	As at 31 December 2019				
	Non-interest bearing	Within 1 year	Between 1 and 5 years	More than 5 years	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total financial assets	465,307	4,771,193	1,202,500	1,230,204	7,669,204
Total financial liabilities	(190,602)	(6,102,438)	(775,284)	(196,136)	(7,264,460)
Financial asset-liability gap	274,705	(1,331,245)	427,216	1,034,068	404,744



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (c) Interest rate risk (continued)

#### (ii) Effective interest rate

	30 June 2020		31 December 2019	
	Effective interest rate	HK\$ million	Effective interest rate	HK\$ million
<b>Assets</b>				
Cash and deposits	1.48%-2.52%	676,484	1.55%-2.00%	740,434
Placements with banks and non-bank financial institutions	2.05%	240,636	2.82%	226,686
Financial assets held under resale agreements	1.48%	41,913	2.13%	11,117
Loans and advances to customers and other parties	5.02%	4,491,615	5.08%	4,366,639
Investments in financial assets	3.53%-4.00%	2,241,461	3.66%-4.39%	2,153,729
Others	-	785,143	-	791,319
		<b>8,477,252</b>		<b>8,289,924</b>
<b>Liabilities</b>				
Borrowing from central banks	3.34%	138,191	3.34%	268,256
Deposits from banks and non-bank financial institutions	2.54%	1,089,543	2.79%	1,061,380
Placements from banks and non-bank financial institutions	2.37%	82,370	2.84%	107,400
Financial assets sold under repurchase agreements	2.14%	118,064	2.39%	127,766
Deposits from customers	2.17%	4,892,771	2.08%	4,541,841
Bank and other loans	1.10%-8.00%	152,353	1.10%-8.00%	151,312
Debt instruments issued	1.30%-6.90%	805,806	2.59%-6.95%	823,964
Lease liabilities	3.10%-6.00%	16,524	3.10%-6.00%	17,435
Others	-	287,074	-	296,079
		<b>7,582,696</b>		<b>7,395,433</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020, 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\$7,980 million (31 December 2019: decrease or increase by HK\$12,607 million).

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

### (d) Currency risk

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020				
	HK\$	US\$	RMB	Others	Total
Total financial assets	174,298	404,887	7,248,567	40,879	7,868,631
Total financial liabilities	(242,769)	(411,941)	(6,780,292)	(38,445)	(7,473,447)
Financial asset-liability gap	(68,471)	(7,054)	468,275	2,434	395,184

	As at 31 December 2019				
	HK\$	US\$	RMB	Others	Total
Total financial assets	183,551	356,266	7,073,604	55,783	7,669,204
Total financial liabilities	(321,638)	(348,602)	(6,554,096)	(40,124)	(7,264,460)
Financial asset-liability gap	(138,087)	7,664	519,508	15,659	404,744

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

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK\$ against US\$, RMB and other currencies as at 30 June 2020 would decrease or increase the Group's total comprehensive income by HK\$4,637 million (31 December 2019: decrease or increase by HK\$5,428 million).

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (e) Fair values (continued)

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

	As at 30 June 2020			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Assets</b>				
Bills receivables at FVOCI	–	11,700	–	11,700
Loans and advances to customers and other parties at FVOCI	–	410,330	–	410,330
Loans and advances to customers and other parties at FVPL	–	–	7,713	7,713
Derivative financial assets	15	27,518	69	27,602
Investments in financial assets	132,960	1,003,953	61,764	1,198,677
	132,975	1,453,501	69,546	1,656,022
<b>Liabilities</b>				
Financial liabilities at FVPL	(368)	(504)	(5,988)	(6,860)
Derivative financial liabilities	(169)	(29,501)	(2)	(29,672)
	(537)	(30,005)	(5,990)	(36,532)
	As at 31 December 2019			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Assets</b>				
Bills receivables at FVOCI	–	14,415	–	14,415
Loans and advances to customers and other parties at FVOCI	–	344,715	–	344,715
Loans and advances to customers and other parties at FVPL	–	–	7,719	7,719
Derivative financial assets	117	19,111	352	19,580
Investments in financial assets	138,381	895,670	78,681	1,112,732
	138,498	1,273,911	86,752	1,499,161
<b>Liabilities</b>				
Financial liabilities at FVPL	(147)	(244)	(1,045)	(1,436)
Derivative financial liabilities	(263)	(20,500)	–	(20,763)
	(410)	(20,744)	(1,045)	(22,199)

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (e) Fair values (continued)

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

For the six months ended 30 June 2020, there were no significant transfers between instruments in different levels (six months ended 30 June 2019: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (six months ended 30 June 2019: Nil).

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

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

	Six months ended 30 June 2019						
	Assets				Liabilities		
	Derivatives financial assets	Investments in financial assets	Total	Financial liabilities at fair value through profit or loss	Derivatives financial liabilities	Total	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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)	

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
<b>Financial assets</b>					
Investments in financial assets					
– Financial assets at amortised cost	1,042,784	1,043,992	1,591	761,744	280,657
<b>Financial liabilities</b>					
Debt instruments issued					
– Corporate bonds issued	116,920	116,113	68,118	47,995	–
– Notes issued	76,617	76,385	334	72,597	3,454
– Subordinated bonds issued	82,593	84,611	4,089	80,522	–
– Certificates of deposit (not for trading purpose)	194	194	–	–	194
– Certificates of interbank deposit issued	515,195	508,128	–	508,128	–
– Convertible corporate bonds issued	14,287	14,170	–	14,170	–
	805,806	799,601	72,541	723,412	3,648

	As at 31 December 2019				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
<b>Financial assets</b>					
Investments in financial assets					
– Financial assets at amortised cost	1,040,997	1,057,365	2,448	743,741	311,176
<b>Financial liabilities</b>					
Debt instruments issued					
– Corporate bonds issued	101,530	100,670	64,254	36,416	–
– Notes issued	115,006	114,362	364	110,454	3,544
– Subordinated bonds issued	99,975	100,400	6,462	93,938	–
– Certificates of deposit (not for trading purpose)	3,196	3,113	–	3,113	–
– Certificates of interbank deposit issued	489,886	481,933	–	481,933	–
– Convertible corporate bonds issued	14,371	14,260	–	14,260	–
	823,964	814,738	71,080	740,114	3,544

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 29 Financial risk management and fair values (continued)

### (e) Fair values (continued)

#### (iii) Estimation of fair values

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

##### **Investments in financial assets and financial liabilities**

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

##### **Loans and advances to customers and other parties, bank and other loans**

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

##### **Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements**

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

##### **Derivatives**

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

##### **Financial guarantees**

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

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

	Six months ended 30 June 2019			
	Parent company	Holding company's fellow entities	Associates and joint ventures	Total
	HK\$ million	HK\$ million	HK\$ million	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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020			
	Parent company	Holding company's	Associates and	Total
	HK\$ million	fellow entities HK\$ million	joint ventures HK\$ million	HK\$ million
Trade and other receivables	68	1,039	5,748	6,855
Loans and advances to customers and other parties (note (2))	-	3,000	4,293	7,293
Cash and deposits	-	-	20,713	20,713
Derivative financial instruments and other assets	-	-	4,590	4,590
Financial assets held under resale agreements	-	-	1,095	1,095
Investments in financial assets				
– Financial assets at FVPL	-	-	3,768	3,768
– Financial assets at amortised cost	-	-	333	333
Trade and other payables	366	11,911	1,168	13,445
Deposits from customers	3,151	5,606	9,995	18,752
Deposits from bank and non-bank financial institutions	-	-	7,806	7,806
Derivative financial instruments and other liabilities	-	-	164	164
Bank and other loans	5,348	21,916	-	27,264
<b>Off-balance sheet items</b>				
Entrusted funds	6,155	131	27,592	33,878
Funds raised from investors of non-principal guaranteed wealth management products	-	11	2,363	2,374
Guarantees provided (note (3))	-	-	12,880	12,880
Guarantees received	-	-	120,317	120,317

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 30 Material related parties (continued)

### (b) Related party transactions (continued)

#### (ii) Outstanding balances with related parties (continued)

	As at 31 December 2019			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	70	1,068	4,471	5,609
Loans and advances to customers and other parties (note (2))	–	1,997	6,811	8,808
Cash and deposits	–	–	24,425	24,425
Derivative financial instruments and other assets	–	1	509	510
Investments in financial assets				
– Financial assets at FVPL	–	–	845	845
– Financial assets at amortised cost	–	–	79	79
Trade and other payables	350	11,937	2,354	14,641
Deposits from customers	2,233	7,913	16,105	26,251
Deposits from bank and non-bank financial institutions	–	–	25,531	25,531
Derivative financial instruments and other liabilities	–	–	144	144
Bank and other loans	5,290	21,925	73	27,288
<b>Off-balance sheet items</b>				
Entrusted funds	6,380	134	31,233	37,747
Funds raised from investors of non-principal guaranteed wealth management products	–	7	2,893	2,900
Guarantees provided (note (3))	–	–	16,229	16,229
Guarantees received	–	2,076	62,388	64,464

#### 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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:

Carrying amount	As at 30 June 2020					
	Investments in financial assets					
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million	Total HK\$ million	Maximum loss exposure HK\$ million
Wealth management products	33	2,679	-	-	2,712	2,712
Investment management products managed by securities companies	130,269	2,573	131,089	-	263,931	263,931
Trust investment plans	179,371	3,934	-	-	183,305	183,305
Asset-backed securities	111,320	95	144,752	-	256,167	256,167
Investment funds	-	251,445	-	325	251,770	251,770
Investments in creditor's rights on assets	559	-	-	-	559	559
<b>Total</b>	<b>421,552</b>	<b>260,726</b>	<b>275,841</b>	<b>325</b>	<b>958,444</b>	<b>958,444</b>

Carrying amount	As at 31 December 2019					
	Investments in financial assets					
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million	Total HK\$ million	Maximum loss exposure HK\$ million
Wealth management products	33	3,211	-	-	3,244	3,244
Investment management products managed by securities companies	208,896	3,159	-	-	212,055	212,055
Trust investment plans	183,442	7,395	-	-	190,837	190,837
Asset-backed securities	113,515	97	147,605	-	261,217	261,217
Investment funds	-	267,812	-	418	268,230	268,230
Investments in creditor's rights on assets	570	-	-	-	570	570
<b>Total</b>	<b>506,456</b>	<b>281,674</b>	<b>147,605</b>	<b>418</b>	<b>936,153</b>	<b>936,153</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020, 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\$3,007,171 million (31 December 2019: HK\$3,095,615 million).

As at 30 June 2020, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK\$55,065 million (31 December 2019: HK\$59,724 million); the amount of placements from banks and non-bank financial institutions was HK\$12,885 million (31 December 2019: HK\$39,253 million).

During the six months ended 30 June 2020, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK\$69,270 million (six months ended 30 June 2019: HK\$78,461 million). There was no exposure of placements from banks and non-bank financial institutions (six months ended 30 June 2019 the maximum exposure: HK\$10,673 million). 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 2020, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$5,204 million (six months ended 30 June 2019: HK\$4,224 million); interest income of HK\$562 million (six months ended 30 June 2019: HK\$709 million). The amount of interest expenses was HK\$342 million (six months ended 30 June 2019: HK\$462 million).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 31 Structured entities (continued)

### (d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

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

Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2020 totalled RMB26,043 million (six months ended 30 June 2019: RMB39,733 million) are set forth below.

#### **Securitisation transactions and structured transfers on assets usufruct**

During the six months ended 30 June 2020, the Group, through securitisation and by restructuring the rights to receive cash flows, transferred financial assets at the original cost of RMB22,701 million (six months ended 30 June 2019: RMB34,658 million). The Group carried out assessment and concluded that these transferred assets qualified for full de-recognition (six months ended 30 June 2019: other assets and other liabilities of HK\$2,153 million arising from such continuing involvement).

#### **Loan transfers**

During the six months ended 30 June 2020, the Group also transferred loans of book value before impairment of RMB3,342 million through other types of transactions (six months ended 30 June 2019: RMB5,075 million). RMB1,395 million of this balance (six months ended 30 June 2019: RMB5,075 million) was non-performing loans. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 32 Disposal of subsidiaries

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Total assets	30,407	3,865
Total liabilities	(23,547)	(101)
Non-controlling interests	(4,787)	–
Net assets disposed	2,073	3,764
Total consideration	3,029	2,617
Release of other comprehensive loss relating to interests in disposed subsidiaries	(124)	–
Remeasurement at fair value of retained interest in former subsidiaries	1,835	1,218
Gains on disposal of subsidiaries	2,667	71
Net cash inflow is determined as follows:		
Cash proceeds received		
– Proceeds from the above disposal of subsidiaries	3,029	46
– Collection of receivables from previous disposal of subsidiaries	3,116	–
Less: cash and cash equivalents disposed	(1,451)	(24)
	4,694	22



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

## 33 Major transactions with non-controlling interests

On 6 November 2019, CITIC Envirotech Ltd. ("CITIC Envirotech", a non-wholly-owned subsidiary of the Group listed in Singapore Exchange Limited) issued an announcement that CITIC Envirotech adopted a conditional voluntary offer to implement the delisting plan. A formal offer was issued on 3 January 2020 with approval of CITIC Envirotech General Meeting on 31 December 2019. Upon completion of the exit offer on 17 January 2020, the equity interest owned by the Group in CITIC Envirotech increased from 56.36% to 72.78%. CITIC Envirotech was delisted from the Singapore Exchange Limited on 23 January 2020.

The effect of changes in the ownership interest of CITIC Envirotech on the equity attributable to shareholders of the Company during the six months ended 30 June 2020 is summarised as follows:

	For six months ended 30 June HK\$ million
Carrying amount of non-controlling interests acquired	874
Consideration paid to non-controlling interests	(1,243)
Loss on acquisition within equity	(369)

## 34 Post balance sheet events

- (a) With the approvals of the regulatory authorities and the Board of Directors, CITIC Bank was cleared to make a public offering of RMB50 billion special financial bonds for small and micro enterprises ("Special SmE Bonds") in the national interbank bond market.

On 18 March 2020, CITIC Bank issued the 2020 Series 1 Special SmE Bonds. The funds raised will be used to provide loans to small and micro enterprises to help them overcome the difficult period caused by the covid-19 outbreak. The three-year bonds have a coupon rate of 2.75%. The Series 2 will be issued as needed, with a total amount of no more than RMB20 billion.

- (b) Under the approval of regulatory authorities and the Board of Directors, CITIC Bank issued RMB40 billion of Tier 2 Capital Notes on 14 August 2020. The 10-year Notes with conditional redemption right by the issuer at the end of the fifth year have a coupon rate of 3.87%. The net proceeds from the issue of the Notes will be used to boost the Tier 2 Capital of the Bank in accordance with the applicable laws and for the purposes approved by the regulatory authorities.

## 35 Comparative amounts

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

# 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 31 to 127, which comprises the consolidated balance sheet of CITIC Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 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, 28 August 2020

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## Interim Dividend and Closure of Register of Members

The directors have declared an interim dividend (“2020 Interim Dividend”) of HK\$0.10 per share (2019: HK\$0.18 per share) for the year ending 31 December 2020, payable on Tuesday, 3 November 2020 to shareholders whose names appear on CITIC Limited’s register of members on Friday, 18 September 2020. The register of members of CITIC Limited will be closed from Wednesday, 16 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares will be effected. To qualify for the 2020 Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with CITIC Limited’s Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 September 2020.

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

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

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

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

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

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

## 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 2020, 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 2020.

## Share Option Plan Adopted by Subsidiaries of CITIC Limited

### CITIC Telecom International Holdings Limited ("CITIC Telecom")

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

Particulars of the outstanding share options granted under the CITIC Telecom Share Option Plan and their movements during the six months ended 30 June 2020 are as follows:

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

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

The above outstanding options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the six months ended 30 June 2020.

As at 1 January 2020, options for 64,883,817 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2020, options for 4,880,000 CITIC Telecom Shares were exercised, options for 482,500 CITIC Telecom Shares have lapsed but no option has been cancelled. As at 30 June 2020, options for 59,521,317 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 2020 is as follows:

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

Date of grant	Exercise period	Number of share options			Balance as at 30.06.2020
		Balance as at 01.01.2020	Exercised during the six months ended 30.06.2020 <sup>(Note 1)</sup>	Lapsed during the six months ended 30.06.2020 <sup>(Note 2)</sup>	
24.03.2015	24.03.2016 – 23.03.2021	12,133,067	1,648,500	95,000	10,389,567
24.03.2015	24.03.2017 – 23.03.2022	17,163,250	1,241,000	105,500	15,816,750
24.03.2017	24.03.2018 – 23.03.2023	15,854,500	1,642,000	115,000	14,097,500
24.03.2017	24.03.2019 – 23.03.2024	19,733,000	348,500	167,000	19,217,500

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.80.
2. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the six months ended 30 June 2020.

### 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 2020.

## Directors’ Interests in Securities

As at 30 June 2020, 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 2020, 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short 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)	78.13% (Long position)
		5,818,053,363 (Short 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

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

Save as disclosed above, neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the six months ended 30 June 2020.

## Corporate Governance

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest requirements under the Listing Rules and other related regulations. Details of our corporate governance practices can be found in CITIC Limited's Annual Report 2019 and on CITIC Limited's website at [www.citic.com](http://www.citic.com).



## Board Composition and Changes

On 30 March 2020, Mr Chang Zhenming resigned as chairman of the board and executive director, chairman of the nomination committee, chairman of the strategic committee and chairman of the executive committee of CITIC Limited. On the same day, Mr Zhu Hexin was appointed as chairman of the board and executive director, chairman of the nomination committee, chairman of the strategic committee and chairman of the executive committee of CITIC Limited.

On 25 August 2020, Mr Wang Jiong resigned as an executive director, vice chairman and president, a member of the nomination committee, a member of the strategic committee, vice chairman of the executive committee and chairman of the strategy and investment management committee of CITIC Limited; and Ms Yan Shuqin resigned as a non-executive director, a member of the nomination committee and a member of the strategic committee of CITIC Limited. On the same day, Mr Xi Guohua was appointed as an executive director, vice chairman and president, a member of the nomination committee, a member of the strategic committee, vice chairman of the executive committee and chairman of the strategy and investment management committee of CITIC Limited; and Ms Yu Yang was appointed as a non-executive director, a member of the nomination committee and a member of the strategic committee of CITIC Limited.

## Board Committees

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

- Audit and Risk Management Committee oversees the relationship with the external auditor, and reviews CITIC Limited's financial reporting, annual audit and 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 consists of three independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee), Dr Xu Jinwu and Mr Anthony Francis Neoh, and two non-executive directors, Mr Yang Xiaoping and Mr Peng Yanxiang.
- Nomination Committee reviews the structure, size, composition and diversity of the board at least annually and makes recommendations on any proposed changes to the board; identifies and nominates qualified candidates to become board members and/or fills casual vacancies for the approval of the board; assesses the independence of independent non-executive directors, makes recommendations to the board on the appointment or re-appointment of directors and succession planning for directors; and reviews the board diversity policy and the director nomination policy on an annual basis. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), a non-executive director, Ms Yu Yang, and four independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl.

- Remuneration Committee determines the remuneration packages of individual executive directors and senior management including salaries, bonuses, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment). The committee consists of three independent non-executive directors, Mr Anthony Francis Neoh (who serves as the chairman of the committee), Mr Francis Siu Wai Keung, Dr Xu Jinwu, and a non-executive director, Mr Liu Zhuyu.
- Strategic Committee accommodates the strategic development of CITIC Limited and enhances its core competitiveness, makes and implements the development plan of CITIC Limited, improves the investment-related decision making procedures and procures well-advised and efficient decision making. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), three non-executive directors, Mr Song Kangle, Ms Yu Yang and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Shohei Harada. Mr Li Rucheng (being a former non-executive director of CITIC Limited) serves as a consultant to the committee.

### Management Committees

- Executive Committee is the highest authority of the management of CITIC Limited accountable to the board. The functions and powers of the executive committee are:
  - to formulate CITIC Limited's material strategic plans;
  - to formulate CITIC Limited's annual material investment and financing plans (including reviewing material investment plans, feasibility studies, proposed disposals/divestments, mergers and acquisitions and other significant transactions of CITIC Limited);
  - to review CITIC Limited's annual business plan and finance plans;
  - to review monthly reports of CITIC Limited, and to submit to the board before each month-end the monthly report for the previous month;
  - to manage and monitor CITIC Limited's core activities;
  - to appoint and remove mid-level and above key personnel (other than personnel above the rank of assistant to general manager, and those appointed and removed by the board);

- to approve internal rules on day-to-day operations of CITIC Limited;
- to review and approve proposals to establish and adjust CITIC Limited’s management and 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 Zhu Hexin, the chairman of the board, and other members are Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited and also serves as vice chairman of the committee), Mr Ren Shengjun (appointed as vice chairman of the committee in place of Mr Cai Huaxiang with effect from 18 June 2020), Ms Li Qingping (being executive director and vice president of CITIC Limited), Mr Cui Jun, Mr Liu Zhengjun (being vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited). Mr Cai Xiliang resigned as a member of the executive committee on 15 June 2020.

- Strategy and Investment Management Committee has been established as a sub-committee under the executive committee to enhance strategy management, to prevent investment risks and to promote high quality development. The principal responsibilities of the strategy and investment management committee are to
  - study and draw up CITIC Limited’s integral development, medium and long-term development plan and industries investment guideline, approve development strategies and plans of subsidiaries;
  - establish a mechanism of empowered operation and management, organise and implement it; and
  - organise and implement full life-circle management of investment activities within the group.

The committee is led by the chairman of the committee, Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited), vice chairmen of the committee, Mr Liu Zhengjun (being vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited), and other members of the committee include Mr Zhang Youjun (being assistant president of CITIC Limited), responsible persons of the strategic development department, financial control department, legal and compliance functions and treasury department. Mr Cai Xiliang resigned as the vice chairman of the strategy and investment management committee on 15 June 2020.

- 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 Chief Financial Officer of CITIC Limited), and other members of the ALCO include responsible persons of the financial control department, treasury department, strategic development department, the office of the board of directors and legal and compliance functions.

### Compliance with Corporate Governance Code

CITIC Limited has applied the principles and complied with all the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2020.

## 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 2020.

## Update on Directors' Information

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

### Change in other directorship and information

#### Non-executive Director

Mr Yang Xiaoping retired as a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited on 19 June 2020.

#### Independent Non-executive Directors

Mr Francis Siu Wai Keung retired as an independent non-executive director of CGN Power Co., Ltd. on 5 August 2020.

Mr Anthony Francis Neoh has been re-appointed as the chairman of the Independent Police Complaints Council with a term of one year from 1 June 2020 to 31 May 2021.

### Change in directors' emoluments

As approved by the remuneration committee of CITIC Limited on 6 May 2020, the monthly basic and performance salary of all the three executive directors (who are the chairman of the board, the vice chairman and the executive director) were adjusted. The monthly basic and performance salary of each of the chairman of the board and the vice chairman is increased to HK\$65,000; and the monthly basic and performance salary of the executive director is increased to HK\$58,000, all of which took effect from 1 January 2020.

# Corporate Information

## Registered Office

32nd Floor, CITIC Tower  
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Telephone: +852 2820 2111  
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## Beijing Office

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

## Website

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

## Stock Codes

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

## Share Registrar

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

## Investor Relations

Investors, shareholders and research analysts may contact CITIC Limited's Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at [ir@citic.com](mailto:ir@citic.com).

## Financial Calendar

Closure of Register:	16 September 2020 to 18 September 2020 (both days inclusive)
Interim Dividend payable:	3 November 2020

## Half-Year Report 2020

The Half-Year Report is printed in English and Chinese and is also available on CITIC Limited's website at [www.citic.com](http://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](mailto:contact@citic.com).

## **CITIC Limited**

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