CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

The global economic uncertainty and volatility I discussed in my last letter has persisted. Fluctuations in the price of oil are a case in point. In January, oil fell to under US$30 a barrel, but by June the price had climbed to over US$50, and since then prices have dipped and recovered. The economies of the United States, Europe and Japan grew in the first half, but slowly. The unexpected outcome of the Brexit referendum created further economic uncertainty but so far Brexit's effects on countries outside the United Kingdom, including China and other Asian nations, have been minimal. We are also keenly watching the outcome of the US presidential election.

By comparison, the Chinese economy has been relatively stable as China continued its transition to a more consumption-led economy. In the first half of 2016, we seized the opportunity to strengthen our existing consumer business — our majority-owned subsidiary Dah Chong Hong — by buying Li & Fung's consumer and healthcare business covering both China and Southeast Asia.

We also proceeded with the sale of our mainland China residential property development business to China Overseas Land & Investment. In March, I said this transaction would allow us to focus on what we do best, which is the development of large integrated projects. Tax and expenses associated with this sale were charged to the profits of the first half of 2016, whereas a profit on the sale will be recorded upon completion in the second half of this year.

Our company's profit attributable to ordinary shareholders for the first six months of 2016 was HK$20.2 billion, compared with HK$37.7 billion in the same period last year. Apart from the expenses related to the property transaction just mentioned, the year-on-year comparison should be considered in the context of a gain recognised in 2015 from the sale of a 3% interest in CITIC Securities, as well as a reduced shareholding in CITIC Bank. A lower profit contribution from CITIC Securities also affected our profitability. In addition, as the vast majority of our assets are in mainland China the depreciation of the Renminbi had a carry-over effect on our reporting currency, which is the Hong Kong dollar.

In June, we raised US$1.25 billion in long-term US dollar debt in the capital market, thus further improving our balance sheet. This also lowered our overall funding cost and optimised our debt maturity profile. At the end of June, CITIC Limited had more than HK$21.8 billion in cash and committed facilities, leaving us with sufficient financial resources and flexibility to capture business opportunities as they arise.

The board recommends an interim dividend of HK$0.10 per share to shareholders.

Business Performance

The financial services segment contributed HK$21.9 billion to our profit during the review period, with CITIC Bank accounting for 83% of the total. This compares with the HK$33.3 billion achieved in the same period last year. The profit of our 16.7% owned associate company, CITIC Securities, declined significantly due to a lacklustre A share market. At CITIC-Prudential, premium income grew but investment income declined, affecting its profitability. CITIC Trust, on the other hand, performed well.

CITIC Bank recorded revenue growth of 12% while profit grew more slowly, reflecting increased provisions made for non-performing loans. In recent years, CITIC Bank has done well focusing on growing non-interest income, which increased by more than 20% in the first half of 2016 compared with the same period last year. With the new normal of slower economic growth in China, the asset quality of Chinese banks is under pressure as they face growing non-performing loans. We are likely to see continued erosion of banks' profitability and capital in the near term. Improving asset quality is a painful process, but in the longer term this process will result in a healthier banking system. In this environment, CITIC Bank continues to work on ensuring that its asset quality and overall risk management systems are best-in-class.

As for our non-financial businesses, the resources and energy sector remained challenged by low commodity prices. Sino Iron, our magnetite iron ore project in Western Australia, made great strides with the commissioning of the last two of its six concentrator lines in late May. Of course, these remain testing times for Sino Iron and the sector in general, as commodity prices are still low. It will be some time before we reach full capacity, but we are encouraged by recent progress. To place the project on a sustainable footing, our focus will be on increasing production rates, reducing operating costs, driving greater efficiencies and resolving outstanding legal issues to protect the interest of all stakeholders.

In manufacturing, overall demand for steel remained weak; however, our special steel business continued to outperform the market. Profit for the half year rose 14% compared with the same period in 2015. CITIC Pacific Special Steel's achievement can be attributed simply to good management. Its procurement strategy, for example, ensured that the overall cost of raw materials was much lower than the market, enhancing our margin. Export volume also rose by 17% as a result of increased marketing efforts.

In the first six months of 2016, increased demand for Dicastal's products together with stronger marketing efforts contributed to higher sales growth, with a 17% rise in the number of wheels sold over the same period in 2015. Profit margin improved as a result of greater production efficiencies made possible by its highly automated facilities, better product mix as well as a decline in production costs such as gas. CITIC Dicastal registered an impressive 48% increase in profit as compared with the same period last year. To meet the rising demand in China for its casting products, Dicastal is working to have its KSM Chengdu plant up and running in early 2017.

Profit at CITIC Heavy Industries declined significantly in this reporting period as the company continued to experience a slowdown in its traditional customer segments of construction materials, mining and coal. In this challenging environment, CITIC Heavy Industries has been redoubling efforts to transform itself from a pure equipment manufacturer to a total solutions provider. This is paying off as close to 50% of the new contracts signed in the first half of the year were Engineering, Procurement and Construction contracts. In addition, demand has increased for the special purpose robots built by newly-acquired Tangshan Kaicheng, which are being used in firefighting, rescue operations and other emergencies.

Our engineering contracting business recorded profit of HK$1.1 billion, which included the reversal of a provision taken previously on a project in Algeria. Although most of CITIC Construction's contracts are signed in US dollar, the project in Venezuela was contracted to receive a small portion of the payment in the country's local currency. Therefore, the depreciation of the Venezuelan bolivar in the first half of the year affected CITIC Construction's profit. During the period, four major contracts were signed including a US$936 million contract for a Kazakhstan highway reconstruction project.

Capturing Consumer-related Opportunities

The continued rise of China's middle class is leading to increased sales of a wide range of consumer goods and services, from cars and box office tickets to healthcare products. CITIC has long been in the consumer-facing businesses. Our bank offers financial services to retail customers, and our insurance company tailors products to consumers as well. On the non-financial front, we have a publishing business and also cater to the increasing desire of consumers to travel. As we observe the continuing growth of China's consumer economy, Dah Chong Hong represents a valuable platform for capitalising on consumer trends.

Dah Chong Hong, a company listed in Hong Kong with a history of nearly 70 years, distributes motor vehicles and a host of consumer products, ranging from frozen chicken to coffee beans and imported packaged foods. The company operates across Asia with a focus on Greater China. At the moment, the profit contribution from mainland China is quite small but has good potential for growth. Dah Chong Hong's purchase of Li & Fung's consumer and healthcare distribution business this year is a good example of how we are deliberately deepening our exposure to promising consumer growth areas. Dah Chong Hong's enlarged consumer products portfolio will boast a range of leading food, personal care and healthcare brands, giving it an immediate position in Asia's rapidly-growing healthcare market.

The Power of Data

As you know, I have faith in our conglomerate business model as it provides diversification for our long-term stability. To investors, one of the greatest attractions of the CITIC platform is that our businesses mirror the Chinese economy. How can we continue to leverage this unique platform, particularly in today's era of big data?

Some may know that I am the president of the International Go Federation. Go is a complex game of strategy played in Asia for thousands of years. The year 2016 was particularly interesting for Go fans because a computer program called AlphaGo beat one of the world's best Go players. Although it is common knowledge that machines can calculate faster than even the smartest humans, it was still a big surprise that AlphaGo was able to formulate such strong playing strategies, spot patterns and make winning moves.

There are two key reasons why AlphaGo was able to accomplish what we thought would not be possible for years to come. First, AlphaGo collected and tested a huge number of Go moves and, second, it was backed by a farsighted company — Google. Both the data and the supporting platform were responsible for AlphaGo's subsequent success.

I can see parallels with CITIC. Through our diversified businesses, we already have an impressive data bank with a huge amount of information about customers and economic trends. The CITIC platform is essentially an incubator for our franchises, not unlike Google's backing of AlphaGo. Some investors are not yet convinced of the intrinsic value of our platform and view us simply as a collection of subsidiaries. Yet, if all of our data points can be better and more effectively connected, I believe we will have much greater insights and opportunities as well as the ability to make our businesses more efficient. These can transform CITIC into an enterprise whose value is not merely its access to capital, nor one based on a well-established brand, but an ecosystem that will touch almost every aspect of China's market economy and beyond.

These ideas have potential, and I have gathered a group of experts to further explore the practical applications of the data we have collected.

Conclusion

Success does not happen overnight — a winning company is the result of persistence, determination and constant effort. It also demands a long-term view. There is no end to competition from others with energy and ideas. It is up to CITIC's management to identify the next move and win in highly competitive markets.

On behalf of the directors, I would like to express my sincere appreciation and gratitude for the dedication and commitment of our employees. I also thank you, our shareholders, for taking a long-term view of our company and prospects, and for having faith in your board and management team to win over time. We will continue to evolve, reform, and create value for you.

Chang Zhenming
Chairman
Hong Kong, 26 August 2016

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***HK$ million***	*HK$ million*
			(Restated)
Continuing operations			
Interest income		**128,784**	136,793
Interest expenses		**(64,466)**	(73,074)
Net interest income	*4(a)*	**64,318**	63,719
Fee and commission income		**29,680**	24,640
Fee and commission expenses		**(1,271)**	(1,169)
Net fee and commission income	*4(b)*	**28,409**	23,471
Sales of goods and services	*4(c)*	**86,934**	93,216
Other revenue	*4(d)*	**4,313**	16,156
		91,247	109,372
Total revenue		**183,974**	196,562
Cost of sales and services		**(72,158)**	(77,420)
Other net income		**3,595**	4,722
Impairment losses on			
– Loans and advances to customers		**(23,632)**	(19,996)
– Others		**(4,838)**	(1,666)
Other operating expenses		**(37,352)**	(39,914)
Net valuation gain on investment properties		**171**	382
Share of profits of associates, net of tax		**957**	3,215
Share of profits of joint ventures, net of tax		**868**	549
Profit before net finance charges and taxation		**51,585**	66,434
Finance income		**534**	1,280
Finance costs		**(3,624)**	(4,947)
Net finance charges	*5*	**(3,090)**	(3,667)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***HK$ million***	*HK$ million*
			(Restated)
Profit before taxation	*6*	**48,495**	62,767
Income tax	*7*	**(12,343)**	(13,197)
Profit for the period from continuing operations		**36,152**	49,570
Discontinued operations			
Loss for the period from discontinued operations	*15*	**(4,782)**	(611)
Profit for the period		**31,370**	48,959
Attributable to:			
– Ordinary shareholders of the Company		**20,182**	37,685
– Holders of perpetual capital securities		**460**	565
– Non-controlling interests		**10,728**	10,709
Profit for the period		**31,370**	48,959
Profit/(loss) attributable to ordinary shareholders of the Company arising from:			
– Continuing operations		**24,918**	38,171
– Discontinued operations		**(4,736)**	(486)
		20,182	37,685
Basic and diluted earnings per share for profit/(loss) attributable to ordinary shareholders of the Company during the period (HK$):	*9*		
– Continuing operations		**0.85**	1.53
– Discontinued operations		**(0.16)**	(0.02)
		0.69	1.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million* (Restated)
Profit for the period	**31,370**	48,959
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in the fair value reserve	**(2,653)**	183
Cash flow hedge: net movement in the hedging reserve	**(447)**	320
Share of other comprehensive loss of associates and joint ventures: exchange differences on translation of financial statements and others	**(581)**	(509)
Exchange differences on translation of financial statements and others	**(11,545)**	2
Items that have not been reclassified or may not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	**11**	–
Other comprehensive loss for the period, net of tax	**(15,215)**	(4)
Total comprehensive income for the period	**16,155**	48,955
Attributable to:		
Ordinary shareholders of the Company	**9,331**	37,406
Holders of perpetual capital securities	**460**	565
Non-controlling interests	**6,364**	10,984
Total comprehensive income for the period	**16,155**	48,955
Total comprehensive income/(loss) attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**14,275**	37,888
– Discontinued operations	**(4,944)**	(482)
	9,331	37,406

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016

	Note	**30 June 2016** *HK$ million* **(Unaudited)**	31 December 2015 *HK$ million* (Audited)
Assets			
Cash and deposits		**873,526**	801,615
Placements with banks and non-bank financial institutions		**128,762**	141,775
Financial assets at fair value through profit or loss		**74,285**	40,391
Derivative financial instruments		**26,976**	16,509
Trade and other receivables		**134,665**	141,347
Amounts due from customers for contract work		**1,451**	2,234
Inventories		**41,589**	130,447
Financial assets held under resale agreements		**113,199**	165,391
Loans and advances to customers and other parties	*10*	**3,153,019**	2,947,798
Available-for-sale financial assets		**565,071**	494,786
Held-to-maturity investments		**225,507**	216,267
Investments classified as receivables		**1,380,912**	1,331,281
Interests in associates		**53,597**	50,663
Interests in joint ventures		**19,058**	22,701
Fixed assets		**182,151**	183,740
Investment properties		**26,820**	28,508
Intangible assets		**20,420**	20,572
Goodwill		**22,052**	19,481
Deferred tax assets		**27,597**	27,761
Other assets		**59,018**	20,042
Assets of disposal group classified as held for sale	*15*	**135,142**	–
Total assets		**7,264,817**	6,803,309

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2016

	Note	**30 June 2016** **HK$ million** **(Unaudited)**	31 December 2015 HK$ million (Audited)
Liabilities			
Borrowing from central banks		**91,380**	44,761
Deposits from banks and non-bank financial institutions		**1,339,053**	1,275,421
Placements from banks and non-bank financial institutions		**56,813**	58,141
Financial liabilities at fair value through profit or loss		**119**	–
Derivative financial instruments		**32,847**	17,475
Trade and other payables		**196,246**	230,636
Amounts due to customers for contract work		**4,125**	7,224
Financial assets sold under repurchase agreements		**22,536**	84,949
Deposits from customers	*11*	**4,010,328**	3,766,848
Employee benefits payables		**15,261**	18,156
Income tax payable		**7,123**	9,414
Bank and other loans	*12*	**110,779**	147,221
Debt instruments issued	*13*	**609,098**	449,772
Provisions		**3,911**	3,567
Deferred tax liabilities		**6,395**	6,998
Other liabilities		**14,491**	19,557
Liabilities of disposal group classified as held for sale	*15*	**88,695**	–
Total liabilities		**6,609,200**	6,140,140
Equity			
Share capital		**381,710**	381,710
Perpetual capital securities		**7,879**	13,836
Reserves		**100,730**	97,356
Total ordinary shareholders' funds and perpetual capital securities		**490,319**	492,902
Non-controlling interests		**165,298**	170,267
Total equity		**655,617**	663,169
Total liabilities and equity		**7,264,817**	6,803,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

The financial information relating to the year ended 31 December 2015 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 derived 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 2015 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

In addition to those described below, 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 2015.

2 BASIS OF PREPARATION (CONTINUED)

Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in the Company's annual financial statements for the year ended 31 December 2015.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations. Intra-group balances, transactions and cash flows between discontinued and continuing operations are eliminated in preparing the Accounts.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

The following amendments became effective for the first time for the financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	The disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendment)	Separate financial statements regarding the equity method
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
Annual Improvement Project	Annual Improvements 2012-2014 Cycle

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

The Group has not applied the following amendments to standards and new standards which are not yet effective for the financial year beginning on or after 1 January 2016 and which have not been early adopted in the Accounts.

HKFRS 15	Revenue from contracts with customers [1]
HKFRS 9	Financial instruments [1]
HKFRS 16	Leases [2]
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [3]

(1) Effective for the annual periods beginning on or after 1 January 2018.
(2) Effective for the annual periods beginning on or after 1 January 2019.
(3) Originally effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

3 SEGMENT REPORTING

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below:

	Six months ended 30 June 2016								
	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*
Continuing operations									
Revenue from external customers	97,040	21,323	28,673	6,096	1,641	29,183	18	–	183,974
Inter-segment revenue	41	1,135	280	–	47	260	5	(1,768)	–
Reportable segment revenue	97,081	22,458	28,953	6,096	1,688	29,443	23	(1,768)	183,974
Share of profits/(losses) of associates, net of tax	1,096	(34)	63	(2)	18	(187)	3	–	957
Share of profits of joint ventures, net of tax	206	386	–	–	13	263	–	–	868
Finance income *(Note 5)*	–	153	129	120	114	44	1,298	(1,324)	534
Finance costs *(Note 5)*	–	(795)	(363)	(37)	(163)	(821)	(3,024)	1,579	(3,624)
Depreciation and amortisation *(Note 6(b))*	(1,575)	(827)	(1,656)	(67)	(90)	(1,323)	(32)	–	(5,570)
Impairment losses	(28,825)	(16)	(36)	650	(186)	(57)	–	–	(28,470)
Profit/(loss) before taxation	41,333	1,586	2,207	1,231	670	3,885	(2,413)	(4)	48,495
Income tax	(9,577)	(335)	(467)	(172)	(665)	(1,083)	(82)	38	(12,343)
Profit/(loss) for the period from continuing operations	31,756	1,251	1,740	1,059	5	2,802	(2,495)	34	36,152
Loss for the period from discontinued operations	–	–	–	–	(4,782)	–	–	–	(4,782)
Profit/(loss) for the period	31,756	1,251	1,740	1,059	(4,777)	2,802	(2,495)	34	31,370
Attributable to:									
– Ordinary shareholders of the Company	21,941	911	1,641	1,060	(4,717)	2,267	(2,955)	34	20,182
Continuing operations	21,941	911	1,641	1,060	19	2,267	(2,955)	34	24,918
Discontinued operations	–	–	–	–	(4,736)	–	–	–	(4,736)
– Non-controlling interests and holders of perpetual capital securities	9,815	340	99	(1)	(60)	535	460	–	11,188
Continuing operations	9,815	340	99	(1)	(14)	535	460	–	11,234
Discontinued operations	–	–	–	–	(46)	–	–	–	(46)

3 SEGMENT REPORTING (CONTINUED)

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

	As at 30 June 2016								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	**6,640,820**	**145,321**	**96,827**	**38,284**	**235,268**	**120,243**	**141,077**	**(153,023)**	**7,264,817**
Including:									
Interests in associates	**29,737**	**11,065**	**984**	**319**	**3,608**	**7,809**	**75**	**–**	**53,597**
Interests in joint ventures	**3,871**	**2,850**	**–**	**–**	**6,992**	**5,345**	**–**	**–**	**19,058**
Assets of disposal group classified as held for sale	**–**	**–**	**–**	**–**	**144,485**	**–**	**–**	**(9,343)**	**135,142**
Reportable segment liabilities	**6,195,559**	**152,611**	**48,436**	**26,879**	**162,533**	**74,607**	**189,903**	**(241,328)**	**6,609,200**
Including:									
Bank and other loans	**1,704**	**41,740**	**15,477**	**1,212**	**9,095**	**36,620**	**16,262**	**(11,331)**	**110,779**
Debt instruments issued	**480,213**	**702**	**4,439**	**–**	**–**	**5,385**	**119,053**	**(694)**	**609,098**
Liabilities of disposal group classified as held for sale	**–**	**–**	**–**	**–**	**123,331**	**–**	**–**	**(34,636)**	**88,695**

3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2015 (Restated)								
	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*
Continuing operations									
Revenue from external customers	103,254	22,146	32,336	6,240	1,304	31,190	92	–	196,562
Inter-segment revenue	647	987	153	68	57	215	–	(2,127)	–
Reportable segment revenue	103,901	23,133	32,489	6,308	1,361	31,405	92	(2,127)	196,562
Share of profits/(losses) of associates, net of tax	2,892	3	(69)	(4)	139	263	(9)	–	3,215
Share of profits/(losses) of joint ventures, net of tax	301	(16)	(66)	–	(4)	334	–	–	549
Finance income *(Note 5)*	–	171	152	237	201	103	1,850	(1,434)	1,280
Finance costs *(Note 5)*	–	(799)	(562)	(74)	(321)	(730)	(3,829)	1,368	(4,947)
Depreciation and amortisation *(Note 6(b))*	(1,499)	(829)	(2,084)	(60)	(267)	(977)	(10)	–	(5,726)
Impairment losses	(21,556)	(2)	(20)	–	(1)	(45)	(162)	124	(21,662)
Profit/(loss) before taxation	54,499	1,875	1,747	1,408	1,304	3,606	(1,957)	285	62,767
Income tax	(11,312)	(292)	(310)	(413)	(160)	(893)	(28)	211	(13,197)
Profit/(loss) for the period from continuing operations	43,187	1,583	1,437	995	1,144	2,713	(1,985)	496	49,570
Loss for the period from discontinued operations	–	–	–	–	(611)	–	–	–	(611)
Profit/(loss) for the period	43,187	1,583	1,437	995	533	2,713	(1,985)	496	48,959
Attributable to:									
– Ordinary shareholders of the Company	33,317	1,199	1,307	995	734	2,187	(2,550)	496	37,685
Continuing operations	33,317	1,199	1,307	995	1,220	2,187	(2,550)	496	38,171
Discontinued operations	–	–	–	–	(486)	–	–	–	(486)
– Non-controlling interests and holders of perpetual capital securities	9,870	384	130	–	(201)	526	565	–	11,274
Continuing operations	9,870	384	130	–	(76)	526	565	–	11,399
Discontinued operations	–	–	–	–	(125)	–	–	–	(125)

	As at 31 December 2015								
	Financial services *HK$ million*	Resources and energy *HK$ million*	Manufacturing *HK$ million*	Engineering contracting *HK$ million*	Real estate *HK$ million*	Others *HK$ million*	Operation management *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Reportable segment assets	6,211,176	141,693	97,208	42,245	232,809	113,738	132,562	(168,122)	6,803,309
Including:									
Interests in associates	28,821	11,128	3,143	217	4,036	3,245	73	–	50,663
Interests in joint ventures	3,794	2,628	–	–	9,582	6,697	–	–	22,701
Reportable segment liabilities	5,777,576	147,960	47,529	30,467	160,689	73,651	155,973	(253,705)	6,140,140
Including:									
Bank and other loans	1,339	42,562	16,521	1,282	85,618	37,672	12,586	(50,359)	147,221
Debt instruments issued	345,120	446	5,033	–	4,750	5,283	89,804	(664)	449,772

3 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers		Reportable segment assets	
	Six months ended 30 June		30 June	31 December
	2016	2015	**2016**	2015
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
		(Restated)		
Mainland China	**155,249**	162,847	**6,758,928**	6,312,332
Hong Kong and Macau	**16,797**	20,391	**383,789**	380,549
Overseas	**11,928**	13,324	**122,100**	110,428
	183,974	196,562	**7,264,817**	6,803,309

4 REVENUE

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

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (see Notes 4(a), 4(b) and 4(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods, services rendered to customers and revenue from construction contracts (see Note 4(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

4 REVENUE (CONTINUED)

(a) Net interest income

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
Interest income arising from:		
Deposits with central banks, banks and non-bank financial institutions	**5,501**	5,735
Placements with banks and non-banks financial institutions	**1,973**	1,779
Financial assets held under resale agreements	**544**	3,041
Investments classified as receivables	**29,245**	29,356
Loans and advances to customers and other parties	**79,192**	86,666
Investments in debt securities	**12,327**	10,198
Others	**2**	18
	128,784	136,793
Interest expenses arising from:		
Borrowing from central banks	**(1,434)**	(790)
Deposits from banks and non-bank financial institutions	**(20,146)**	(25,612)
Placements from banks and non-bank financial institutions	**(739)**	(331)
Financial assets sold under repurchase agreements	**(401)**	(429)
Deposits from customers	**(33,895)**	(41,075)
Debt instruments issued	**(7,819)**	(4,816)
Others	**(32)**	(21)
	(64,466)	(73,074)
Net interest income	**64,318**	63,719

(b) Net fee and commission income

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
Consultancy and advisory fees	**3,776**	4,795
Bank card fees	**9,899**	7,402
Settlement and clearing fees	**884**	1,320
Commission for wealth management services	**3,881**	3,249
Agency fees and commission	**4,620**	2,607
Guarantee fees	**1,500**	2,042
Trustee commission and fees	**4,700**	2,797
Others	**420**	428
	29,680	24,640
Fee and commission expenses	**(1,271)**	(1,169)
Net fee and commission income	**28,409**	23,471

4 REVENUE (CONTINUED)

(c) Sales of goods and services

	Six months ended 30 June 2016 HK$ million	2015 HK$ million (Restated)
Sales of goods	**69,431**	75,301
Services rendered to customers	**11,827**	12,252
Revenue from construction contracts	**5,676**	5,663
	86,934	93,216

(d) Other revenue

	Six months ended 30 June 2016 HK$ million	2015 HK$ million
Net trading gain *(note (i))*	**2,654**	1,802
Net gain on investment assets under financial services segment	**1,304**	13,892
Others	**355**	462
	4,313	16,156

(i) Net trading gain

	Six months ended 30 June 2016 HK$ million	2015 HK$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	**752**	1,294
– foreign currencies	**1,035**	1,462
– derivatives	**867**	(954)
	2,654	1,802

5 NET FINANCE CHARGES

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
		(Restated)
Finance costs		
– Interest on bank and other loans	**1,198**	2,835
– Interest on debt instruments issued and other interest expenses	**2,699**	2,822
	3,897	5,657
Less: interest expense capitalised	**(324)**	(963)
	3,573	4,694
Other finance charges	**51**	253
	3,624	4,947
Finance income	**(534)**	(1,280)
	3,090	3,667

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
		(Restated)
Salaries and bonuses	**16,264**	16,128
Contributions to defined contribution retirement schemes	**2,210**	1,488
Others	**3,561**	3,716
	22,035	21,332

(b) Other items

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
		(Restated)
Amortisation	**1,246**	1,267
Depreciation	**4,324**	4,459
Operating lease charges: minimum lease payments	**2,798**	2,808
Business tax and surcharges	**4,765**	7,529
Property management fees	**389**	502
Non-operating expenses	**439**	123
Professional fees	**455**	552
	14,416	17,240

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
		(Restated)
Current tax – Mainland China		
Provision for enterprise income tax	**10,796**	13,287
Land appreciation tax	**48**	24
	10,844	13,311
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**953**	470
Current tax – Overseas		
Provision	**273**	393
	12,070	14,174
Deferred tax		
Origination and reversal of temporary differences	**273**	(977)
	12,343	13,197

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2016 is 16.5% (six months ended 30 June 2015: 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 2016 is 25% (six months ended 30 June 2015: 25%).

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

8 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
2015 Final dividend paid: HK$0.20 (2014: HK$0.20) per share	**5,818**	4,981
2016 Interim dividend proposed: HK$0.10 (2015: HK$0.10) per share	**2,909**	2,909

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK$20,182 million for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$37,685 million), calculated as follows:

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
Profit/(loss) attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	**24,918**	38,171
– Discontinued operations	**(4,736)**	(486)
	20,182	37,685
Weighted average number of ordinary shares (in millions)	**29,090**	24,903

The diluted earnings per share for the six months ended 30 June 2016 and 2015 are the same as the basic earnings per share. As at 30 June 2016, 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 2016(30 June 2015: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2016 are HK$0.69 (six months ended 30 June 2015: HK$1.51).

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

Loans and advances

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Corporate loans		
– Loans	**2,165,284**	2,093,945
– Discounted bills	**92,853**	110,721
– Finance lease receivables	**28,989**	21,340
	2,287,126	2,226,006
Personal loans		
– Residential mortgages	**407,313**	320,999
– Business loans	**130,702**	126,251
– Credit cards	**232,116**	209,841
– Others	**170,656**	140,987
	940,787	798,078
	3,227,913	3,024,084
Less: impairment allowance		
– Individually assessed	**(23,070)**	(21,973)
– Collectively assessed	**(51,824)**	(54,313)
	(74,894)	(76,286)
	3,153,019	2,947,798

11 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Demand deposits		
– Corporate customers	**1,599,146**	1,385,738
– Personal customers	**250,660**	213,561
	1,849,806	1,599,299
Time and call deposits		
– Corporate customers	**1,732,262**	1,727,112
– Personal customers	**417,527**	432,611
	2,149,789	2,159,723
Outward remittance and remittance payables	**10,733**	7,826
	4,010,328	3,766,848

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

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank acceptances	**285,446**	349,205
Letters of credit	**8,226**	11,031
Guarantees	**50,331**	25,992
Others	**143,399**	144,801
	487,402	531,029

12 BANK AND OTHER LOANS

(a) Types of loans

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank loans		
Unsecured loans	**79,792**	92,931
Loan pledged with assets	**23,801**	33,996
Guaranteed loans	**703**	708
	104,296	127,635
Other loans		
Unsecured loans	**5,191**	17,962
Loan pledged with assets	**1,164**	1,624
Guaranteed loans	**128**	–
	6,483	19,586
	110,779	147,221

(b) Maturity of loans

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Bank and other loans are repayable:		
– Within 1 year or on demand	**27,540**	37,645
– Between 1 and 2 years	**15,693**	22,778
– Between 2 and 5 years	**27,065**	40,806
– Over 5 years	**40,481**	45,992
	110,779	147,221

13 DEBT INSTRUMENTS ISSUED

	30 June 2016 *HK$ million*	31 December 2015 *HK$ million*
Corporate bonds issued	**97,589**	72,762
Notes issued	**67,918**	69,244
Subordinated bonds issued	**89,014**	92,840
Certificates of deposit issued	**12,957**	10,390
Certificates of interbank deposit issued	**341,620**	204,536
	609,098	449,772
Analysed by remaining maturity:		
– Within 1 year or on demand	**376,575**	219,157
– Between 1 and 2 years	**17,336**	11,158
– Between 2 and 5 years	**69,988**	79,894
– Over 5 years	**145,199**	139,563
	609,098	449,772

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Certain debt instruments issued were purchased by certain subsidiaries of the Group. These debt instruments issued were eliminated in full on consolidation.

14 CONTINGENT LIABILITIES – 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) The Hong Kong Securities and Futures Commission (the "SFC") Investigation

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

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

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

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(i) The Hong Kong Securities and Futures Commission (the "SFC") Investigation (continued)

In the action instigated by the SFC at the MMT, the SFC is asking the MMT to (i) determine whether any market misconduct has taken place, and (ii) identify persons who had engaged in such misconduct. In the event that the MMT makes determinations of market misconduct against either the Company or the former directors, it is understood that the SFC will seek from the High Court orders against those who have been found to have engaged in market misconduct to restore affected investors to their pre-transaction positions or to compensate affected investors for their losses. The SFC has not yet quantified the amount of such restoration or compensation sought in the proceedings in the High Court, which have been stayed pending the MMT results.

The MMT hearing was completed in July 2016 with the outcome pending.

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

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

(ii) Metallurgical Corporation of China ("MCC") Claim

MCC were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia ("Sino Iron Project"). The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd ("MCC WA"), its wholly owned subsidiary company responsible for delivering MCC's obligations under the contract.

As at the date of approval 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 2016.

(iii) Mineralogy Pty Ltd ("Mineralogy") Disputes

Each of Sino Iron and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, is a party to 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 construct the Sino Iron Project and take two billion tonnes of magnetite ore.

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on ore mined (Royalty Component A) and concentrate produced (Royalty Component B). The MRSLAs also provide that, unless certain exceptions apply, a Minimum Production Royalty is payable to Mineralogy by each of Sino Iron and Korean Steel where a minimum production level was not achieved by a specified date.

Due to changes in the way in which seaborne-traded iron ore is priced, the Company considers that it is no longer possible to calculate Royalty Component B. Mineralogy and its related companies have commenced a number of proceedings against the Company, Sino Iron, Korean Steel, Sino Iron Holdings Pty Ltd and certain officers of those companies containing or derived from claims for Royalty Component B and/or the Minimum Production Royalty. To the extent those proceedings have not been permanently stayed or dismissed, they are being vigorously contested by the Group. No trial date has been set in the ongoing royalties proceedings.

In the circumstances, the Group does not consider that a reliable estimate can be made of the amount of any potential liability arising from the royalties proceedings, and, therefore, no provision has been recognised in the Accounts.

There are a number of disputes with Mineralogy. Developments in those disputes since that time are summarised below. The Group intends to contest all claims vigorously.

Option Agreement Dispute

The Company is a party to an Option Agreement with Mineralogy and Mr. Clive Palmer, pursuant to which it has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. Following the exercise of the first option, Mineralogy 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) commenced legal proceedings in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made the declarations sought by the Company, including that the Company had not repudiated the Option Agreement as initially asserted by Mineralogy and Mr. Palmer.

Notwithstanding the making of these declarations, Mineralogy has not taken the action 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 Company, Sino Iron and Korean Steel commenced a proceeding in the Supreme Court of Western Australia 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. No trial date has been set for this proceeding.

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(iii) Mineralogy Pty Ltd ("Mineralogy") Disputes (continued)

Royalties Disputes

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to prevailing annual published FOB prices for certain iron ore products ("annual benchmark prices'"). Annual benchmark prices no longer exist, and Sino Iron and Korean Steel's position is that this means that Royalty Component B is no longer able to be calculated using the formula in the MRSLAs. Mineralogy denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations (among other things) that Royalty Component B can be calculated.

Earlier this year, Mineralogy sought and was granted leave to amend its statement of claim in the Royalty B proceeding. Among other things, those amendments raise certain claims made in other proceedings Mineralogy commenced in the Supreme Court of Western Australia that were permanently stayed in late 2015, withdraw certain claims contained in its previous statement of claim and raise new claims. Mineralogy then sought leave to bring an application for summary judgment in respect of its claim in this proceeding that Sino Iron and Korean Steel (via their agent or contractor, MCC) breached the 'standard of work' clause (clause 16.1) of the MRSLAs. Mineralogy asserts that the breach amounts to repudiation of the MRSLAs and that Mineralogy is therefore entitled to, and has, terminated the MRSLAs. The application for leave to bring the summary judgment application and the summary judgment application itself were heard together on 26 May 2016. Judgment was delivered on 4 August 2016 by Justice Chaney. Leave to bring the summary judgment application was refused and the application itself was dismissed. In early May 2016, Mineralogy filed an application to strike out certain paragraphs of the defence, however Mineralogy withdrew that application and it was dismissed at a directions hearing on 8 August 2016. Counsel for Mineralogy at the 8 August 2016 directions hearing also stated that Mineralogy would not be filing a fresh strike out application and indicated that Mineralogy considered the pleadings to be closed. A strategic conference has been convened by Justice Chaney, who is case managing the proceeding, to consider the future progress of the matter.

On 20 November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and the Company (together, for the purpose of this application, the "CITIC Parties") to pay to Mineralogy royalties under the MRSLAs. The application was heard in December 2015 by Justice Tottle, who dismissed the application. Mineralogy appealed Justice Tottle's decision. The appeal was heard on 24 March 2016 by the Court of Appeal of the Supreme Court of Western Australia. Judgment was delivered on 27 June 2016. The appeal was unanimously allowed and orders were made for the interlocutory injunction application to be remitted for hearing before Justice Chaney.

In August 2015, Queensland Nickel Pty Ltd ("Queensland Nickel") commenced a proceeding in the Supreme Court of Queensland alleging that the non-payment of the Minimum Production Royalty to Mineralogy amounted to unconscionable conduct by the Company, Sino Iron and Korean Steel, and that the Company, Sino Iron Holdings Pty Ltd and individual officers of the Company and its subsidiaries (together, for the purpose of this proceeding, the "CITIC Parties") were knowingly concerned in the alleged contraventions. Queensland Nickel sought damages for losses suffered as a consequence of Mineralogy being unable to advance funds to it due to such non-payment. In September 2015, the CITIC Parties filed a strike out application in the proceeding. At a hearing on 16 March 2016, the Court ordered that Queensland Nickel be removed as plaintiff and QNI Resources Pty Ltd and QNI Metals Pty Ltd be substituted as plaintiffs in the proceeding. On 23 March 2016, the Court upheld the strike out application brought by the CITIC Parties and dismissed the proceeding. QNI Resources Pty Ltd and QNI Metals Pty Ltd appealed the decision and the appeal was listed to be heard on 30 September 2016. However, on 22 August 2016, consent orders were made for the appeal to be dismissed and for the appellants to pay the CITIC Parties' costs of the appeal.

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(iii) Mineralogy Pty Ltd ("Mineralogy") Disputes (continued)

Port Dispute

Sino Iron and Korean Steel have developed port infrastructure at the Port of Cape Preston to be used to export product from the Sino Iron Project. Mineralogy commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it, that it is entitled to possession, control and ownership of that infrastructure and that the Facilities Deeds between the parties which regulate usage of the port infrastructure have been terminated by it.

The matter was heard by the Federal Court of Australia in June 2015. The Court's reasons for decision were handed down in August 2015. The Court refused to grant any of the relief sought by Mineralogy. The effect of the decision was to preserve the status quo in relation to the operation of the port facilities which continue to be operated by or on behalf of Sino Iron and Korean Steel. Mineralogy has appealed the decision. The appeal was heard from 9 to 12 May 2016. Judgment was reserved.

(iv) CITIC Resources Holdings Limited ("CITIC Resources") Litigation

(1) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("Shanxi Coal I/E"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("Shanxi Coal Int'l"), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "Shanxi Court") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("CACT") (the "Claim A"). Shanxi Coal I/E is claiming from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Claim A.

Service of Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. So far, no judgment has been issued by the Shanxi Court in respect of Claim A.

CITIC Resources has noted from an announcement issued by Shanxi Coal Int'l in August 2014 that, in connection with Claim A, Shanxi Coal I/E had obtained an asset protection order over a certain quantity of CACT's alumina and copper stored in bonded warehouses at Qingdao port.

As at 30 June 2016 and the date of approval of the Accounts, CACT remains of the view that Claim A is without merit. Accordingly, no provision was made in respect of Claim A.

(2) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "ICC") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "Contracts"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("Claim B").

As at 30 June 2016 and the date of approval of the Accounts, CACT considers Claim B to be baseless and the purported submission to arbitration by the ICC wrongful. CACT has not entered into the Contracts as alleged by Shanxi Coal I/E. Accordingly, no provision was made in respect of Claim B.

14 CONTINGENT LIABILITIES – OUTSTANDING LITIGATION AND DISPUTES (CONTINUED)

(iv) CITIC Resources Holdings Limited ("CITIC Resources") Litigation (continued)

(3) In August 2014, CITIC Resources has noted from an announcement issued by Qingdao Port International Co., Ltd. (the "Qingdao Port Announcement") that a legal complaint dated 14 July 2014 (the "Legal Proceedings") had been issued by ABN AMRO Bank N.V., Singapore Branch ("ABN AMRO") against CACT. According to the Qingdao Port Announcement, among other things, ABN AMRO had issued the Legal Proceedings alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claims it had been granted a pledge (the "Subject Cargo") and is seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,167,000); (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of the Legal Proceedings.

Up to the date of approval of the Accounts, CACT has not been served with the Legal Proceedings and is, therefore, unable to consider or comment on the substance of the Legal Proceedings. Accordingly, no provision was made in respect of the Legal Proceedings.

15 DISCONTINUED OPERATIONS

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with China Overseas Land & Investment Limited ("China Overseas") to sell the Group's interest in certain residential real estate projects in the PRC to one of the affiliates of China Overseas. As a result, the assets and liabilities related to such residential real estate projects have been classified as held for sale following this agreement.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and cash flows of the above mentioned residential real estate projects have been included in the discontinued operations of the Group. Comparative figures for the six months ended 30 June 2015 have been reclassified accordingly.

(a) The aggregate results of the discontinued operations were as follows:

	Six months ended 30 June	
	2016	2015
	HK$ million	*HK$ million*
Revenue	**7,484**	4,899
Expenses	**(10,415)**	(5,412)
Loss before taxation	**(2,931)**	(513)
Income tax	**(1,851)**	(98)
Loss arising from discontinued operations	**(4,782)**	(611)
Attributable to:		
– Ordinary shareholders of the Company	**(4,736)**	(486)
– Non-controlling interests	**(46)**	(125)
	(4,782)	(611)

15 DISCONTINUED OPERATIONS (CONTINUED)

(b) Cumulative income recognised in other comprehensive income relating to disposal group classified as held for sale

	30 June 2016 *HK$ million*
Cumulative income recognised in other comprehensive income relating to disposal group classified as held for sale	**617**

(c) Assets and liabilities of disposal group classified as held for sale

	30 June 2016 *HK$ million*
Assets	
Cash and deposits	**9,267**
Trade and other receivables	**10,630**
Inventories	**103,642**
Available-for-sale financial assets	**340**
Interests in associates	**436**
Interests in joint ventures	**2,420**
Fixed assets	**3,902**
Investment properties	**1,543**
Intangible assets	**873**
Deferred tax assets	**642**
Other assets	**1,447**
	135,142
Liabilities	
Trade and other payables	**41,967**
Employee benefits payables	**935**
Income tax payable	**156**
Bank and other loans	**37,214**
Debt instruments issued	**5,785**
Provisions	**131**
Deferred tax liabilities	**1,146**
Other liabilities	**1,361**
	88,695

FINANCIAL REVIEW AND ANALYSIS

In HK$ million	**Six months ended 30 June** **2016**	2015 (Restated)	Increase/ (Decrease)
Continuing operations			
Revenue	**183,974**	196,562	(12,588)
Profit before taxation	**48,495**	62,767	(14,272)
Profit/(loss) attributable to ordinary shareholders	**20,182**	37,685	(17,503)
– Continuing operations	**24,918**	38,171	(13,253)
– Discontinued operations	**(4,736)**	(486)	(4,250)
Earnings/(loss) per share (HK$)	**0.69**	1.51	(0.82)
– Continuing operations	**0.85**	1.53	(0.68)
– Discontinued operations	**(0.16)**	(0.02)	(0.14)
Dividend per share (HK$)	**0.10**	0.10	–
Net cash generated from operating activities	**55,624**	64,997	(9,373)
– Continuing operations	**48,178**	69,757	(21,579)
– Discontinued operations	**7,446**	(4,760)	12,206
Capital expenditure	**27,626**	34,869	(7,243)

	As at 30 June 2016	As at 31 December 2015	Increase/ (Decrease)
Total assets	**7,264,817**	6,803,309	461,508
Total liabilities	**6,609,200**	6,140,140	469,060
Total ordinary shareholders' funds and perpetual capital securities	**490,319**	492,902	(2,583)

Profit/(loss) and assets by business

	Profit/(loss)		Assets	
			As at	As at
	Six months ended 30 June		June 30	31 December
In HK$ million	**2016**	2015	**2016**	2015
		(Restated)		
Financial services	**31,756**	43,187	**6,640,820**	6,211,176
Resources and energy	**1,251**	1,583	**145,321**	141,693
Manufacturing	**1,740**	1,437	**96,827**	97,208
Engineering contracting	**1,059**	995	**38,284**	42,245
Real estate	**5**	1,144	**235,268**	232,809
Others	**2,802**	2,713	**120,243**	113,738
Underlying business operations	**38,613**	51,059	**7,276,763**	6,838,869
Operation management	**(2,495)**	(1,985)		
Discontinued operations	**(4,782)**	(611)		
Elimination	**34**	496		
Profit attributable to non-controlling interests and holders of perpetual capital securities	**11,188**	11,274		
Profit attributable to ordinary shareholders	**20,182**	37,685		

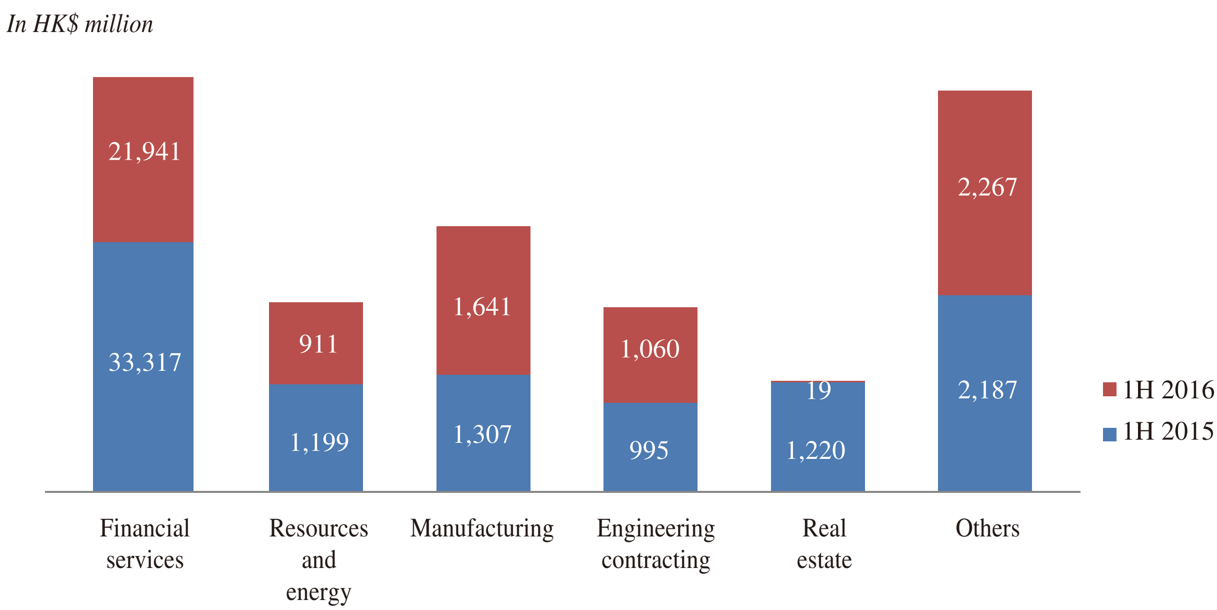
Revenue by business

Continuing operations	Six months ended 30 June		Increase/(decrease)	
In HK$ million	**2016**	2015	**Amount**	**%**
		(Restated)		
Financial services	**97,040**	103,254	(6,214)	(6)
Resources and energy	**21,323**	22,146	(823)	(4)
Manufacturing	**28,673**	32,336	(3,663)	(11)
Engineering contracting	**6,096**	6,240	(144)	(2)
Real estate	**1,641**	1,304	337	26
Others	**29,183**	31,190	(2,007)	(6)

Revenue by nature

Continuing operations	**Six months ended 30 June**		**Increase/(decrease)**	
In HK$ million	**2016**	2015 (Restated)	**Amount**	**%**
Net interest income	**64,318**	63,719	599	1
Net fee and commission income	**28,409**	23,471	4,938	21
Sales of goods and services	**86,934**	93,216	(6,282)	(7)
– Sales of goods	**69,431**	75,301	(5,870)	(8)
– Services rendered to customers	**11,827**	12,252	(425)	(3)
– Revenue from construction contracts	**5,676**	5,663	13	0.2
Other revenue	**4,313**	16,156	(11,843)	(73)

Profit Attributable to Ordinary Shareholders by Business



Capital Expenditures

In HK$ million	**Six months ended 30 June** **2016**	2015 (Restated)	**Increase/(decrease)** **Amount**	**%**
Financial services	**5,941**	1,324	4,617	349
Resources and energy	**2,901**	6,621	(3,720)	(56)
Manufacturing	**2,600**	2,425	175	7
Engineering contracting	**154**	49	105	214
Real estate	**4,403**	996	3,407	342
Others	**5,979**	8,225	(2,246)	(27)
Subtotal	**21,978**	19,640	2,338	12
Real estate development	**5,649**	15,229	(9,580)	(63)
Total	**27,627**	34,869	(7,242)	(21)

Group Financial Position

In HK$ million	**As at 30 June 2016**	As at 31 December 2015	**Increase/(decrease) Amount**	**%**
Total assets	**7,264,817**	6,803,309	461,508	7
Loans and advances to customers and other parties	**3,153,019**	2,947,798	205,221	7
Investments classified as receivables	**1,380,912**	1,331,281	49,631	4
Cash and deposits	**873,526**	801,615	71,911	9
Available-for-sale financial assets	**565,071**	494,786	70,285	14
Held-to-maturity investments	**225,507**	216,267	9,240	4
Fixed assets	**182,151**	183,740	(1,589)	(1)
Inventories	**41,589**	130,447	(88,858)	(68)
Assets of disposal group classified as held for sale	**135,142**	–	135,142	N/A
Total liabilities	**6,609,200**	6,140,140	469,060	8
Deposits from customers	**4,010,328**	3,766,848	243,480	6
Deposits from banks and non-bank financial institutions	**1,339,053**	1,275,421	63,632	5
Debt instruments issued	**609,098**	449,772	159,326	35
Bank and other loans	**110,779**	147,221	(36,442)	(25)
Liabilities of disposal group classified as held for sale	**88,695**	–	88,695	N/A
Total ordinary shareholders' funds and perpetual capital securities	**490,319**	492,902	(2,583)	(1)

Loans and advances to customers and other parties

As at 30 June 2016, the net loans and advances to customers and other parties of the Group was HK$3,153,019 million, an increase of HK$205,221 million, 7% compared to 31 December 2015. The proportion of loans and advances to customers and other parties to total assets was 43%, an increase of 0.1% compared to 31 December 2015.

In HK$ million	**As at 30 June 2016**	As at 31 December 2015	**Increase/(decrease) Amount**	**%**
Corporate loans	**2,194,273**	2,115,285	78,988	4
Discounted bills	**92,853**	110,721	(17,868)	(16)
Personal loans	**940,787**	798,078	142,709	18
Total loans and advances to customers and other parties	**3,227,913**	3,024,084	203,829	7
Impairment allowances	**(74,894)**	(76,286)	(1,392)	(2)
Net loans and advances to customers and other parties	**3,153,019**	2,947,798	205,221	7

Deposits from customers

As at 30 June 2016, deposits from customers of the financial institutions under the Group were HK$4,010,328 million, an increase of HK$243,480 million, 6% compared to 31 December 2015. The proportion of deposits from customers to total liabilities was 61%, a decrease of 0.7% compared to 31 December 2015.

In HK$ million	**As at 30 June 2016**	As at 31 December 2015	**Increase/(decrease) Amount**	**%**
Corporate deposits				
Time deposits	**1,732,262**	1,727,112	5,150	0.3
Demand deposits	**1,599,146**	1,385,738	213,408	15
Subtotal	**3,331,408**	3,112,850	218,558	7
Personal deposits				
Time deposits	**417,527**	432,611	(15,084)	(3)
Demand deposits	**250,660**	213,561	37,099	17
Subtotal	**668,187**	646,172	22,015	3
Outward remittance and remittance payables	**10,733**	7,826	2,907	37
Total	**4,010,328**	3,766,848	243,480	6

RISK MANAGEMENT

In accordance with the Group's development strategy, CITIC Limited has established a risk management system covering all business segments to identify, assess and manage various risks in the Group's business activities.

The risk management system of CITIC Limited is established along the core concepts of risk management and internal control released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the Basic Standard for Enterprise Internal Control jointly issued by five ministries and commissions (Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC) in 2008, as well as relevant guidelines and governmental policies.

The risk management system of CITIC Limited comprises "Four Levels" and "Three Lines of Defence" based on the corporate governance structure. The "Four Levels" are the (i) board of directors, (ii) management and several committees, (iii) risk management functions of CITIC Limited, and (iv) member companies. The "Three Lines of Defence" are the (i) first line of defence comprised by business units of each level of CITIC Limited, (ii) second line of defence comprised by the risk management functions of each level of CITIC Limited, and (iii) third line of defence comprised by the internal audit departments or functions of each level of CITIC Limited.

Financial Risk

Governance structure

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 ("management policies"). Relevant departments of CITIC Limited are responsible for communicating and implementing the decisions of ALCO, monitoring the adherence of the management policies and preparing relevant reports. All member companies have the responsibility for identifying and effectively managing their financial risk positions and reporting to the corresponding departments of CITIC Limited on a timely basis, in accordance with the overall risk framework under the management policies and within the scope of authorisation.

Based on the annual budget, ALCO shall review CITIC Limited's financing plan and instruments, oversee fund management and cash flow positions, and manage risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities, and is responsible for formulating hedging policy and approving the use of new risk management tools.

Asset and liability management

One of the main functions of ALCO is 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 2016, consolidated debt of CITIC Limited[1] was HK$719,877 million, including loans of HK$110,779 million and debt instruments issued[2] of HK$609,098 million. Debt of the head office of CITIC Limited[3] accounted for HK$66,047 million and debt of CITIC Bank[4] HK$480,212 million. In addition, the head office of CITIC Limited had cash and deposits of HK$4,829 million and available committed facilities from banks and subsidiaries of HK$17,000 million.

The details of debt are as follows:

As at 30 June 2016		*HK$ million*
Consolidated debt of CITIC Limited		719,877
Among which:	Debt of the head office of CITIC Limited	66,047
	Debt of CITIC Bank	480,212

Note:

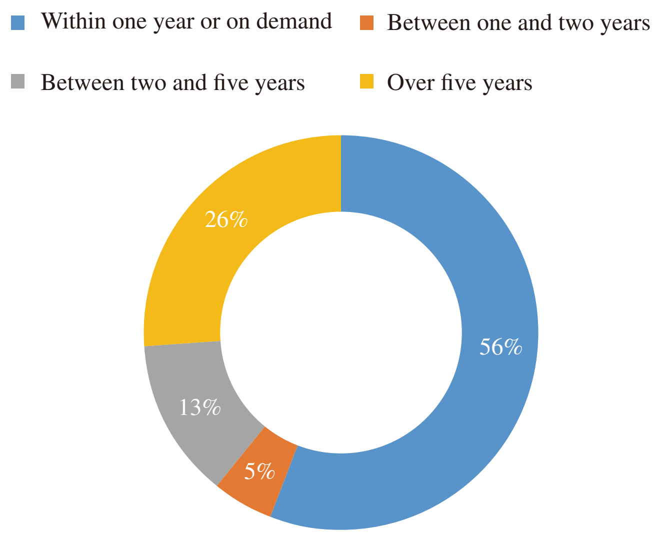
(1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited;

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

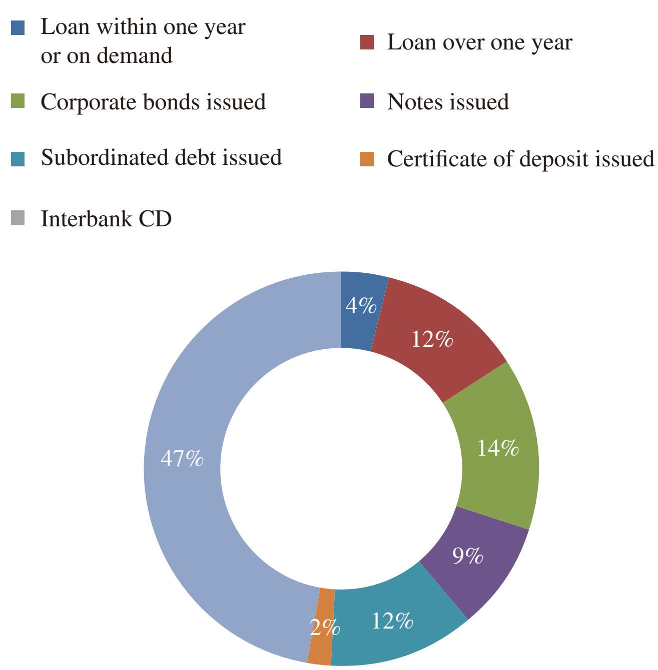
(3) Debt of the head office of CITIC Limited is the sum of "bank and other loans", "long-term borrowings" and "debt instruments issued" in the Balance Sheet of CITIC Limited;

(4) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit and certificates of interbank deposit issued.

Consolidated debt by maturity as at 30 June 2016



Consolidated debt by type as at 30 June 2016



The debt to equity ratio of CITIC Limited as at 30 June 2016 is as follows:

In HK$ million	**Consolidated**	**Head office**
Debt	719,877	66,047
Total equity[5]	655,617	389,589
Debt to equity ratio	110%	17%

Note:

(5) Total consolidated equity is based on the "total equity" in the Consolidated Balance Sheet; Total equity of head office is based on the "total ordinary shareholders' funds and perpetual capital securities" in the Balance Sheet.

2. *Liquidity risk management*

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

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

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

3. *Credit ratings*

	Standard & Poor's	**Moody's**
30 June 2016	A–/Negative	A3/Negative

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 HKAS 39 in performing treasury risk management responsibilities. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

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

1. *Interest rate risk*

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

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

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

2. *Currency risk*

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

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

3. *Counterparty risk for financial products*

CITIC Limited has business with various financial institutions, including deposits, interbank lending, financial investment products and derivative financial instruments. To mitigate the risk of non-recovery of deposited funds or financial instrument gains, member companies of CITIC Limited approve and adjust the list of counterparties and credit limits of approved financial institutions through internal credit extension processes. 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 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 available-for-sale financial assets or financial assets at fair value through profit or loss in the consolidated balance sheet. To control price risks arising from such investments, the Group actively monitors the price changes and diversifies the relevant investment risks through appropriate asset allocation.

Economic Environment

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

As China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. With the sluggish global economic recovery, growth remains soft in the developed economies and tends to be more divergent across regions due to significant differences in inherent structures. In emerging markets, economic growth continues to slow down. The economic rebound is still vulnerable due to the lowering of potential market growth as well as the decline in commodity prices and capital outflows. 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.

The entire Group is committed to constantly improving its risk monitoring and management mechanism in order to promote risk identification and assessment at all levels; strengthen risk assessment and monitoring of major projects and key businesses; and manage counterparty credit risks. CITIC Limited stays fully informed of the operations, financial condition and major business progress of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise. Through risk reports on weaknesses and potential risks, CITIC Limited supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

HUMAN RESOURCES

Equality

In adherence to our people-oriented principles, we offer equal opportunities in employment, career advancement, remuneration and benefits, as well as training and development to provide a broad platform for the diversified development of our employees. As part of our active efforts to foster a harmonious employer-employee relationship, we operate against any discrimination in connection with ethnicity, nationality, religion, physical disability or gender, while child or forced labour is strictly forbidden.

Incentives

Our remuneration policy is results-based and market-oriented, formulated under the guidance of remuneration policies of local governments of regions where we operate and with reference to data on remuneration furnished by professional consulting agencies. It takes into account all factors and seeks balance between internal and external requirements, placing equal emphasis on the market-competitiveness of our remuneration and fairness among employees.

We have adopted a market-based incentive and appraisal system that links staff remuneration with business results. Decisions regarding human resources, such as those in relation to remuneration adjustment, bonus allocation, promotion, training and incentives, are made on the basis of a scientifically performance appraisal mechanism.

We are in stringent compliance with the requirements of local governments in relation to staff insurance, benefit plans, work hours and annual leave provisions, and provide social insurance with full-coverage. Most subsidiaries also offer additional benefits and insurance coverage for staff, such as corporate annuities (supplementary pension insurance) and supplementary medical insurance.

Training

Staff training is a top priority for CITIC, which endeavours to provide different channels for staff training to enhance the expertise of its employees and maximise the ability to add value in all employees. With the establishment of CITIC School of Management, we are actively building a staff training platform and regime bearing CITIC characteristics and complementary to its business development. We have organised a number of premium training projects in solid implementation of our talent strategy, and held our first training session for Hong Kong employees.

CORPORATE GOVERNANCE

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found in CITIC Limited's Annual Report 2015 and on CITIC Limited's website at www.citic.com.

Board Changes

On 18 March 2016, Ms Cao Pu retired from the board as a non-executive director and a member of the audit and risk management committee of CITIC Limited. On the same date, Mr Song Kangle and Mr Li Rucheng were appointed as non-executive directors of CITIC Limited and Mr Paul Chow Man Yiu was appointed as an independent non-executive director of CITIC Limited.

On 12 April 2016, Mr Yu Zhensheng retired from the board as a non-executive director of CITIC Limited and Ms Yan Shuqin was appointed as a non-executive director of CITIC Limited.

Board Committees

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

- An executive committee to assist the board in the business operations and management of CITIC Limited. Its principal role is to select suitable candidates for senior management; to review/provide advice to the board on material investment plans and feasibility studies and proposed disposals/divestments, mergers, acquisitions and other significant transactions of CITIC Limited, strategy and planning of the Group. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members are Mr Wang Jiong (being executive director, vice chairman and president of CITIC Limited and also serves as vice chairman of the committee), Mr Zhu Xiaohuang (who serves as vice chairman of the committee), Mr Feng Guang, Ms Li Qingping (being executive director and vice president of CITIC Limited), Mr Pu Jian (being executive director and vice president of CITIC Limited), Mr Zhu Gaoming (being vice president of CITIC Limited) and Mr Cai Xiliang (appointed as executive committee member and vice president of CITIC Limited with effect from 12 August 2016).

- An audit and risk management committee to oversee the relationship with the external auditor; and to review 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 comprises 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.

- A nomination committee to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, which shall take into consideration the principle of diversity. It also reviews the structure, size, composition and diversity of the board. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include an executive director, Mr Wang Jiong (being vice chairman and president of CITIC Limited) and three independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu and Mr Anthony Francis Neoh.

- A remuneration committee to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The committee comprises two independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee) and Dr Xu Jinwu, and a non-executive director, Mr Yang Jinming.

- A special committee to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, CITIC Limited and its directors, arising from the 2008 forex incident, including but not limited to by the Market Misconduct Tribunal, the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force. The committee comprises two members, Mr Zhang Jijing and Mr Francis Siu Wai Keung.

Other Management Committee

CITIC Limited has established the asset and liability management committee (the "ALCO") 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 following issues of CITIC Limited:
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commodities
  - commitments and contingent liabilities
- review financing plans of CITIC Limited and manage the cash flow of CITIC Limited on the basis of the annual budget
- establish hedging policies and approve the use of new financial instruments for hedging

The committee is chaired by Mr Zhu Gaoming (being vice president of CITIC Limited and a member of the executive committee), and other members include responsible persons of the Financial Control Department, Treasury Department, Strategic Development Department and the Office of the Board of Directors.

Compliance with Corporate Governance Code

Save as disclosed below, CITIC Limited has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2016. In respect of code provision A.6.7 of the CG Code, Mr Liu Yeqiao (non-executive director) was not able to attend the annual general meeting of CITIC Limited held on 8 June 2016 due to other engagements.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit and risk management committee of the board has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 in conjunction with the management and CITIC Limited's external auditor.

The interim financial information is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". It has been reviewed by CITIC Limited's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of HK$0.10 per share (2015: HK$0.10 per share) for the year ending 31 December 2016, payable on Friday, 30 September 2016 to shareholders whose names appear on CITIC Limited's register of members on Thursday, 22 September 2016. The register of members of CITIC Limited will be closed from Monday, 19 September 2016 to Thursday, 22 September 2016, both days inclusive, during which period no transfer of shares will be effected. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 September 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 15 April 2016, CITIC Limited redeemed all the U.S.$750,000,000 7.875% perpetual subordinated capital securities issued on 15 April 2011. The Securities were delisted from the Stock Exchange effective on 27 April 2016. Save as disclosed above, neither CITIC Limited nor any of its subsidiaries has purchased, sold or redeemed any of CITIC Limited's listed securities during the six months ended 30 June 2016.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent CITIC Limited's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

HALF-YEAR REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on CITIC Limited's website (www.citic.com) and the Stock Exchange's website (www.hkex.com.hk). The full Half-Year Report will be made available on the websites of CITIC Limited and the Stock Exchange around 8 September 2016.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 26 August 2016

As at the date of this announcement, the executive directors of CITIC Limited are Mr Chang Zhenming (Chairman), Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian; the non-executive directors of CITIC Limited are Mr Yang Jinming, Mr Liu Yeqiao, Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhongyuan, Mr Yang Xiaoping and Mr Li Rucheng; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Ms Lee Boo Jin, Mr Noriharu Fujita and Mr Paul Chow Man Yiu.