



中信  
CITIC

**CITIC LIMITED**

Half-Year Report  
2017

# Our Company

CITIC Limited (SEHK: 00267) is China's largest conglomerate and a constituent of the Hang Seng Index. Among our diverse global businesses, we focus primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. As China's economy matures and is increasingly weighted towards consumption and services, CITIC is building upon its existing consumer platform, expanding into complementary businesses that reflect these trends and opportunities.

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

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





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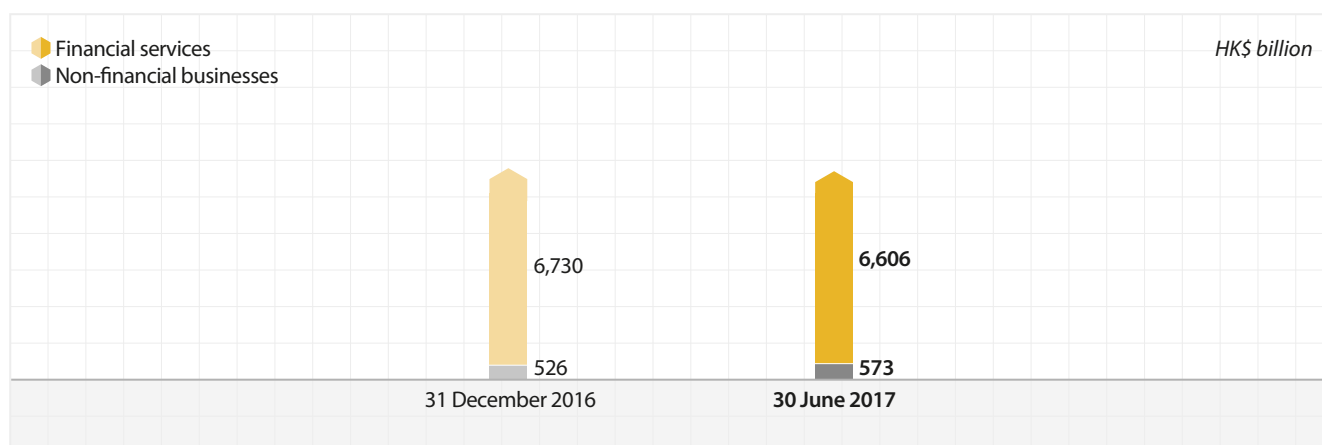
## **128 Corporate Information**

<i>HK\$ million</i>	Half-year ended 30 June		Increase/ (Decrease)
	2017	2016	
<b>Continuing operations</b>			
<b>Revenue</b>	<b>198,064</b>	183,974	14,090
<b>Profit before taxation</b>	<b>53,740</b>	48,495	5,245
<b>Net profit/(loss) attributable to ordinary shareholders</b>	<b>32,261</b>	20,182	12,079
– Continuing operations	<b>32,261</b>	24,918	7,343
– Discontinued operations	–	(4,736)	4,736
<b>Earnings/(losses) per share (HK\$)</b>	<b>1.11</b>	0.69	0.42
– Continuing operations	<b>1.11</b>	0.85	0.26
– Discontinued operations	–	(0.16)	0.16
<b>Dividend per share (HK\$)</b>	<b>0.11</b>	0.10	0.01
<b>Net cash (used in)/generated from operating activities</b>	<b>(92,947)</b>	55,624	(148,571)
– Continuing operations	<b>(92,947)</b>	48,178	(141,125)
– Discontinued operations	–	7,446	(7,446)
<b>Capital expenditure</b>	<b>9,939</b>	21,978	(12,039)
<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/ (Decrease)
Total assets	<b>7,155,425</b>	7,237,995	(82,570)
Total liabilities	<b>6,413,396</b>	6,542,144	(128,748)
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	<b>528,458</b>	490,633	37,825

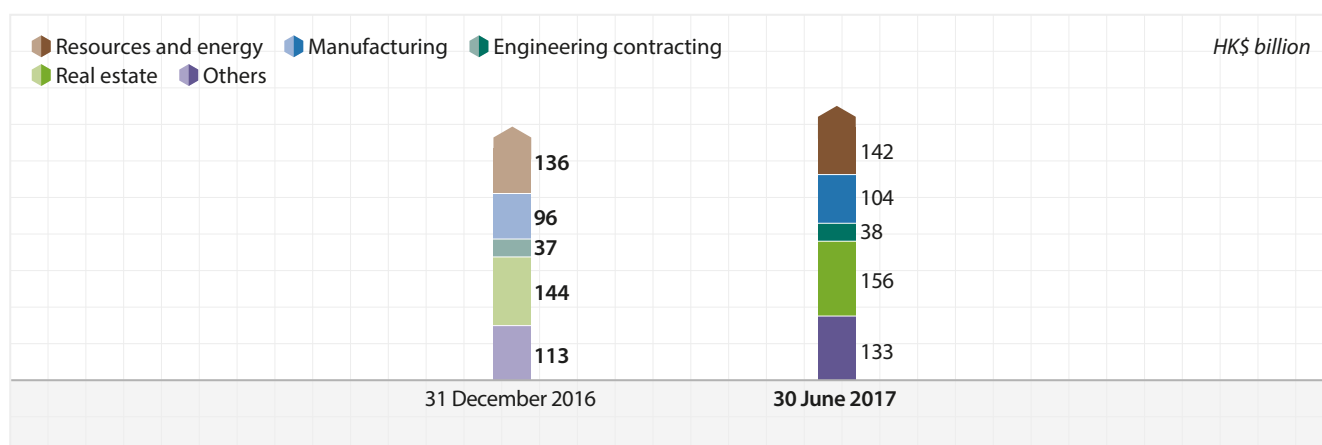
<b>Business</b> <i>HK\$ million</i>	Business assets		Revenue from continuing operations		Net profit/(loss) attributable to ordinary shareholders from continuing operations	
	30 June 2017	Increase/ (Decrease) (Note)	Half-year ended 30 June 2017	Increase/ (Decrease)	Half-year ended 30 June 2017	Increase/ (Decrease)
Financial services	6,605,963	(123,939)	89,944	(7,096)	21,276	(665)
Resources and energy	141,921	6,137	31,732	10,409	(284)	(1,195)
Manufacturing	103,684	7,572	39,450	10,777	1,796	155
Engineering contracting	37,988	1,192	3,653	(2,443)	310	(750)
Real Estate	156,022	12,426	1,228	(413)	5,691	5,672
Others	132,522	19,432	32,037	2,854	7,084	4,817

Note: As compared with total balances as at 31 December 2016.

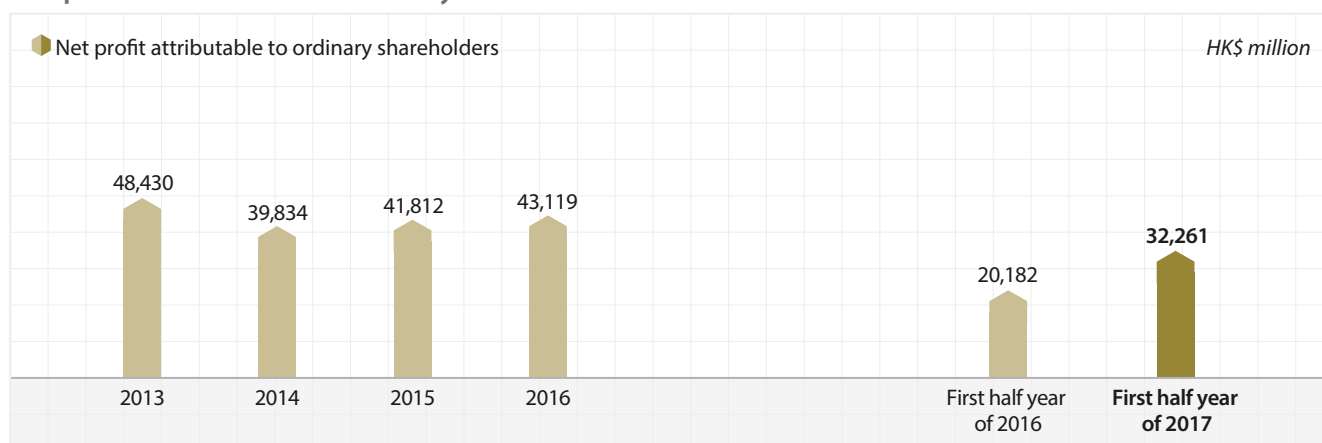
## Business assets



## Assets of non-financial businesses



## Net profit attributable to ordinary shareholders



# Chairman's Letter to Shareholders



## Dear Shareholders,

For the first six months of 2017, CITIC Limited recorded a profit attributable to ordinary shareholders of HK\$32.3 billion, 60% more than the same period in 2016. This increase was mainly driven by improved earnings from our property business and the booking of HK\$2.7 billion from Guoan Football Club bringing in a new investor. A revaluation gain on an investment also contributed to this profit increase. The board recommends an interim dividend of HK\$0.11 per share payable to shareholders, 10% more than the same period last year.

In this letter, I'd first like to review the performance, results and activities of our businesses in the first half of the year, and then update you on what is happening at the company's Sino Iron mine in Australia.

### **Business Performance**

The financial services business contributed HK\$21.3 billion in the first half of 2017, 3%

less than the same period last year. Excluding the Renminbi to HK Dollar conversion impact, contribution from this sector grew 2%. Profit at CITIC Bank increased slightly compared with the first half of 2016. The bank's continuing effort to improve its income mix led to a rise in net non-interest income, which for the first six months of this year contributed 35% of the bank's revenue. However, interest income was lower for the period due to the narrowing of net interest margin. CITIC Trust continued to outperform its peers. CITIC-Prudential recorded significant growth in net profit while CITIC Securities' profit declined.

Our manufacturing business experienced profit growth of 9%, mainly due to the better performance of our special steel business. In the first six months of the year, profit at our steel plants rose 33% as we sold a greater proportion of high-end products and the overall sales prices of our products increased.

In the resources and energy sector, CITIC Metal's profit rose sharply due mainly to the contribution from its 15%-held Las Bambas copper mine in Peru, which began commercial operation in July 2016. Profit at CITIC Resources improved in the period with better performance of its crude oil business due to the increase in oil selling prices. However, the overall sector incurred a loss. This is because beginning in the second half of 2016 as the Sino Iron magnetite iron ore mine entered commercial operation, the associated costs needed to be recorded in the income statement. As a result, losses in the first half of 2017 were higher compared with the same period in 2016.

Profit from our property business increased significantly as we recognised profit from the sale of two office buildings within our Shanghai Lujiazui project, when they were delivered to Industrial and Commercial Bank of China and China Life Insurance, respectively. The solid earnings also included our share of profits from our 10% interest in China Overseas Land and Investment.

Just last month, we completed the transaction whereby CITIC became the largest shareholder of a partnership to operate and manage McDonald's business in mainland China and Hong Kong. This partnership is McDonald's largest franchisee outside of the United States. We are very excited to be working with this iconic brand, as well as CITIC Capital and Carlyle, to drive growth and innovation at McDonald's and to offer Chinese consumers quality food and service. More importantly, McDonald's extensive network and consumer base will provide CITIC with invaluable insights into the consumer economy, which we will leverage to the benefit of our existing businesses.

Also in July, through the CITIC Agriculture Fund, we proposed to acquire a portion of Dow AgroSciences' corn seed business in Brazil, which

has about 18% of the Brazilian corn seed market. While CITIC is already the largest shareholder in China's biggest crop seed company, Longping Hi-Tech, agriculture is a sector that we are focused on developing further.

### Sino Iron Update

Ten years ago, we began constructing the Sino Iron project in the Pilbara region of Western Australia. It has been a long journey with challenges on many fronts. We have built from scratch a fully integrated, next generation pit-to-port mining, processing and export operation, and have been shipping quality iron ore concentrate since late 2013. It is exciting to see the mine, extensive processing and associated infrastructure — including the first greenfield port in the Pilbara in more than 40 years — emerge from the red earth. A new magnetite iron ore industry has been born for this famous mining region.

The economic benefits Sino Iron has created are already flowing strongly into the Australian community. We now directly employ more than 1,500 people, along with another 1,100 full-time contract workers. Directly and indirectly, we have created over 10,000 jobs.

The road we've travelled has not been a smooth one, to say the least. I have always been very frank with our shareholders and other stakeholders about CITIC's efforts to construct Sino Iron and the unexpected issues we've encountered. In my letter to you in 2013, I wrote about the challenges we faced and the lessons learned on the path to first production. These included the many difficulties associated with developing a greenfield project the size and scale of Sino Iron in a foreign land. We experienced labour shortages as well as high equipment and construction material costs. All the while, we've had to deal with a litigious tenement holder.

## Chairman's Letter to Shareholders

Our ongoing legal disputes with Mineralogy have attracted much attention. We've tried not to let the litigation distract us from constructing the project, improving its operating efficiency and raising its overall reliability. It's no secret that producing magnetite product is more expensive than direct shipping ore because it involves extensive processing. Therefore, driving down costs in all aspects of our operation is very important. In this regard, we have a continuous programme in place that has already reduced the overall costs of production. This effort will not end, and we expect to achieve further cost reductions as we implement new initiatives. We have set goals, stayed focused on priorities and persevered, recognising the long-term value Sino Iron will bring to our company and shareholders. The result has been good as we exported eleven million tonnes of quality iron ore concentrate in 2016. Fifteen million tonnes is our target for 2017, and we remain on track to achieve it.

However, Sino Iron's future could still be affected by factors that are beyond our control.

The first of these is the price of iron ore. As an inherently higher cost producer, the profitability of Sino Iron is particularly susceptible to price movements. Sustained low iron ore prices could make the project uneconomic.

Secondly, we have unique challenges with Mineralogy, to which we paid US\$415 million for the right to mine magnetite ore and continue to pay an ongoing royalty (known as "Royalty A") on every tonne of unprocessed ore taken.

When we embarked on this journey, we expected to have the support and cooperation of Mineralogy. Unfortunately, this has not been the case, and it is our firm view that Mineralogy's uncooperative and adversarial approach poses a threat to the future of Sino Iron.

As a magnetite project, Sino Iron requires vast areas for the storage of waste and tailings generated by mining and processing activities. For several years now, we have been seeking Mineralogy's assistance to obtain the necessary government approvals required for the whole life of the project. However, Mineralogy's refusal to cooperate means that we will run out of space for waste and tailings storage in the near future. This will severely constrain operations and impact Sino Iron's sustainability.

Another issue relates to whether CITIC is required to make certain ongoing royalty payments (known as "Royalty B") on the iron ore concentrate produced and, if so, the amount we have to pay.

In June, a two-week hearing on the Royalty B matter was held in the Supreme Court of Western Australia. The Royalty B dispute arose because the iron ore annual benchmark pricing system, which was central to the agreed formula for the calculation of Royalty B, ceased in 2010. The benchmark price was negotiated annually, for many decades, between major iron ore producers and steel mills. It took into account factors such as anticipated supply and demand, investment needs, and a fair return to both buyers and sellers. Since the cessation of this pricing system, it has not been possible to identify a substitute.

CITIC argued that any royalty determined by the court to be payable should be fair and reasonable and should reflect the original intention of the parties at the time of the negotiation — that Royalty B should be based on the principle of profit sharing.

An adverse development in any one, or a combination of, the above matters could jeopardise Sino Iron's viability and, in the worst case, lead to suspension of our operations. We are doing everything within our power to avoid this undesirable outcome. However, the potential risk is real.



There's a misperception that companies with a state background or ownership are not commercially driven and our resources are assumed to be unlimited. This is not true. Chinese companies all have individual characteristics. I can assure you that CITIC is very much its own corporate commercial entity, with its own approach and very clear commercial objectives and constraints.

While CITIC has its roots as one of China's largest state-owned enterprises, we are a listed company accountable to an increasingly diverse shareholder base. Any investment we make has to be economically viable and provide our shareholders with a return on their investment. For Sino Iron to be sustainable, it must be able to demonstrate long-term commercial viability now. This means that we not only need to operate efficiently but, most importantly, operate profitably.

## Conclusion

The board is pleased with our first half results and confident that the company is moving in the right direction. As we continue to grow our existing businesses and make them more efficient, we are also focused on exploring new investment opportunities. I would like to thank all of our employees for their hard work, and I express my appreciation to all shareholders, lenders and the board for their ongoing support.



**Chang Zhenming**

*Chairman*

Hong Kong, 29 August 2017

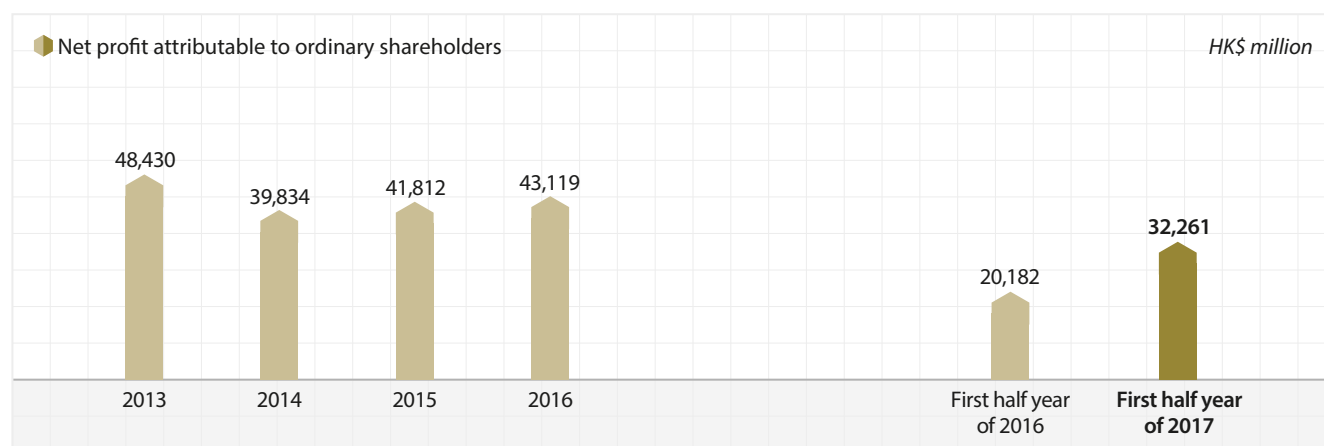
## Overview

### Net profit attributable to ordinary shareholders

For the first half of 2017, the Group achieved net profit attributable to ordinary shareholders of HK\$32,261 million, an increase of HK\$12,079 million, or 60% from the first half of 2016, mainly attributable to the introduction of strategic investor by Guoan Club and the total gains of HK\$5,446 million arising from the revaluation of Sinopec SSC.

The financial services segment recorded net profit attributable to ordinary shareholders of HK\$21,276 million, a decrease of 3% from the first half of 2016. Excluding the net profits recognised following the impact of translation due to depreciation of average exchange rate of RMB for the current period, the increase from the first half of 2016 would have been HK\$452 million or 2%. Net profit of the banking business kept growing, while affected by the above translation of exchange rate, net profit of CITIC Bank attributable to the Group decreased by 1.3% as compared to the first half of 2016. The trust business continued to lead other peers in the industry. The net profit of insurance business recorded a significant increase of 156% as compared with the first half of 2016 due to rapid growth. And attributable to the continuous decline of the trading volume of China's securities market, the net profit of CITIC Securities decreased by 6% as compared with the first half of 2016.

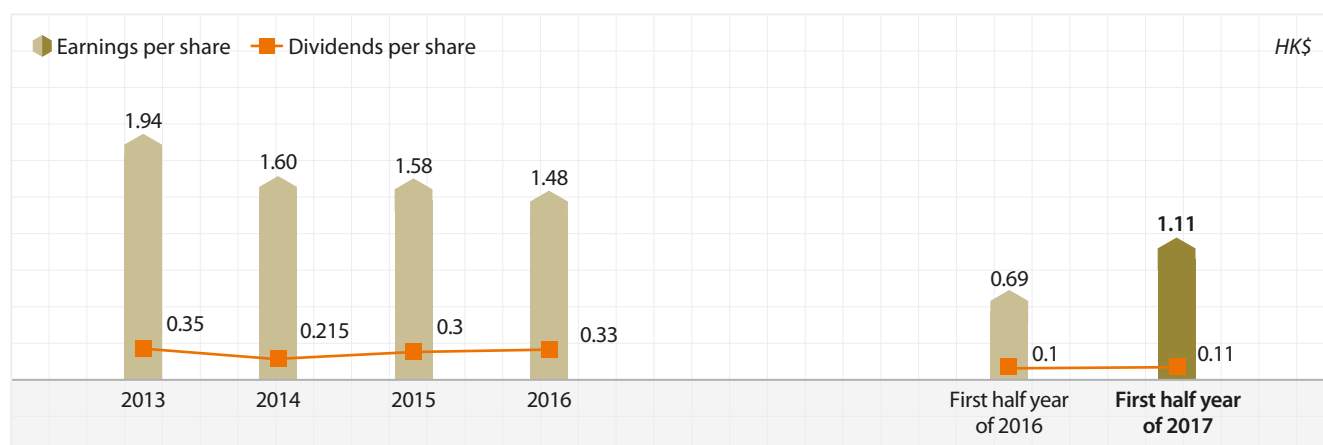
For the non-financial segments, the reorganization of real estate industry had taken effect, achieving net profit attributable to ordinary shareholders of HK\$5,691 million, which was mainly due to the share of net equity profit of the Lujiazui Project of Shanghai Ruibo Real Property Co., Ltd and China Overseas Land & Investment Ltd. (hereafter referred to "China Overseas") of approximately HK\$4.7 billion in aggregate for the current period. Benefited from the increase of steel price and the sales volume of aluminum wheels, the manufacturing business recorded net profit attributable to ordinary shareholders of HK\$1,796 million, an increase of HK\$155 million from the first half of 2016. Due to commencement later than expected of the new project overseas, the engineering contracting business achieved net profit attributable to ordinary shareholders of HK\$310 million, representing a decrease of HK\$750 million compared to the same period last year. In the resources and energy sector, losses incurred reflected the fact that, beginning in the second half of 2016, as Sino Iron entered commercial operation, associated costs needed to be recorded in the income statement. As a result, losses in the first half of 2017 were higher compared with the same period in 2016.



## Earnings per share and dividends

Earnings per share of net profit attributable to ordinary shareholders were HK\$1.11 in the first half of 2017, representing an increase of 60% from HK\$0.69 in the first half of 2016. As at 30 June 2017, the number of ordinary shares outstanding was 29,090,262,630.

HK\$3,200 million in cash will be distributed as interim dividend. The interim dividend per share of 2017 is HK\$0.11 (first half of 2016: HK\$0.10 per share).

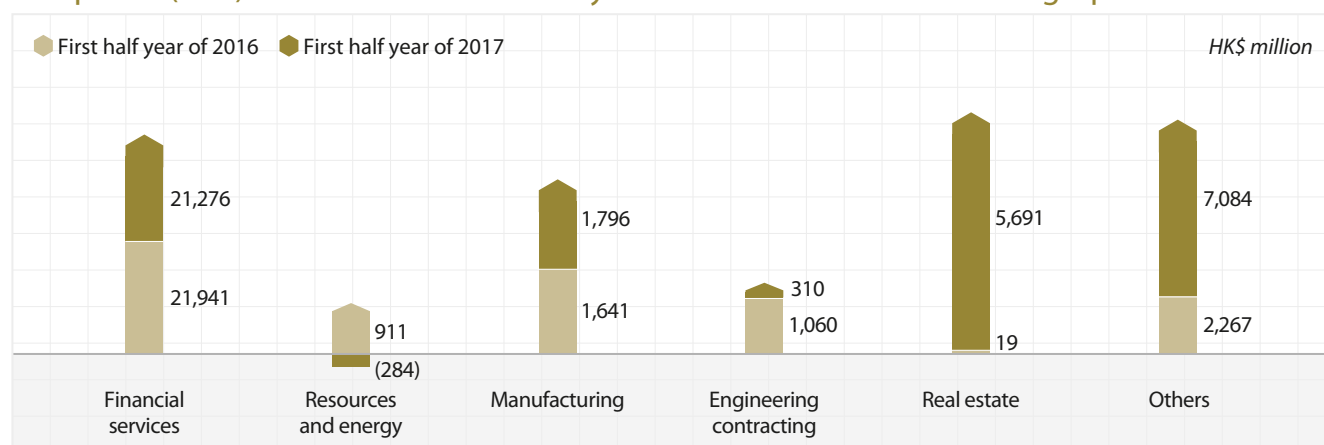


## Profit and assets by business

HK\$ million	Profit/(loss) Half-year ended 30 June		Assets	
	2017	2016	30 June 2017	31 December 2016
Financial services	30,692	31,756	6,605,963	6,729,902
Resources and energy	(92)	1,251	141,921	135,784
Manufacturing	1,903	1,740	103,684	96,112
Engineering contracting	309	1,059	37,988	36,796
Real estate	5,819	5	156,022	143,596
Others	7,638	2,802	132,522	113,090
<b>Total</b>	<b>46,269</b>	<b>38,613</b>	<b>7,178,100</b>	<b>7,255,280</b>
Operation management	(3,298)	(2,495)		
Discontinued operations	–	(4,782)		
Elimination	22	34		
Net profit attributable to non-controlling interests and holders of perpetual capital securities	10,732	11,188		
Net profit attributable to ordinary shareholders	32,261	20,182		

# Financial Review

## Net profit/(loss) attributable to ordinary shareholders from continuing operations



### Financial services:

For the first half of 2017, the financial services business recorded net profit attributable to ordinary shareholders of HK\$21,276 million. Excluding the impact of translation due to depreciation in average exchange rate of RMB, the increase from the first half of 2016 would have been HK\$452 million or 2%.

The banking business remains the principal source of profit for the financial services business. CITIC Bank continued to optimise its revenue mix with the percentage share of non-interest income recording continued increase. But as influenced by tightened monetary policy and the increase of money market interest rates, the net interest margin of CITIC Bank was narrowed and its net interest income decreased, which partially set off part of the above mentioned increase. The net profit of CITIC Bank recorded a year-on-year increase of 1.7%. Net profit attributable to ordinary shareholders from the trust business remained in a leading position in the industry, and the size of its asset management continued to ranked first in the industry. The insurance business has grown rapidly, recording a higher premium income and a year-on-year increase in net profit of 156%. The results of CITIC Securities recorded a year-on-year decrease with net profit decreasing by 6% due to inactive transactions in the general securities market in China and the decrease in daily trading volume.

### Resources and energy:

The resources and energy business recorded net loss attributable to ordinary shareholders of HK\$284 million for the first half of 2017 and turned from profit to loss compared to the same period last year.

Beginning in the second half of 2016, as Sino Iron entered commercial operation, associated costs needed to be recorded in the income statement. As a result, losses in the first half of 2017 were higher compared with the same period in 2016. In the first half year, six production lines of Sino Iron Project operated smoothly and produced 7.53 million wet metric tonnes of iron ore concentrates.

The Las Bambas copper mine project in Peru, in which CITIC Metal Group holds a 15% interest, formally commenced its commercial operation from July 2016 and contributed to the Group net profit of HK\$200 million for the first half of 2017. The coal and manganese mining business recorded a considerable turnaround and the contribution of Xinjulong coal mine recorded a significant increase, driven by the rise in coal price and manganese price compared to the same period last year. The crude oil business improved significantly attributable to higher crude oil average price and ongoing cost control in oilfields.

## Manufacturing:

The manufacturing business recorded net profit attributable to ordinary shareholders of HK\$1,796 million during the first half of 2017, representing an increase of HK\$155 million or 9% compared to the same period last year.

During the first half of 2017, steel price rose initially but dropped later and became more volatile, but the average steel price was still higher than the same period last year. Benefitted from the rise in both selling price and sales volume, the net profit of special steel business increased 33% compared to the same period last year. Meanwhile, CITIC Pacific Special Steel continued to optimise its product mix, keeping ramp up the proportion of higher quality products in the total sales volume.

Although the demand for automobiles grew steadily and aluminium wheels and aluminium castings business grew sustainably, it recorded a decrease in net profit resulted from foreign exchange losses caused by the appreciation of Euro against RMB. CITIC Heavy Industries recorded a rapid growth in its special robots and intelligent manufacturing business and became a new profit growth point.

## Engineering contracting:

During the first half of 2017, this business recorded net profit attributable to ordinary shareholders of HK\$310 million, a decrease of HK\$750 million or 71% from the same period last year. A number of new overseas projects of CITIC Construction, such as the KK Phase II in Angola, the ABP project in the UK, and a road rehabilitation project in Kazakhstan, are commenced later than expected, thus their profit contribution has not been fully reflected. As result, a net profit decrease of 72% from the same period last year has been recorded. CITIC Engineering Design has recorded a relatively rapid growth in its urban water environment management project business, contributing an increase of 17% to the net profit.

## Real Estate:

During the first half of 2017, this business recorded net profit attributable to ordinary shareholders of HK\$5,691 million, turn from deficit to profit compared with the same period last year, which was mainly due to the relevant tax expenses and other costs incurred from real estate business reorganization during the same period last year, and the profit attributable to the Company during the Period arising from the Lujiazui project of Shanghai Ruibo Properties Co., Ltd.\* (上海瑞博置業有限公司) and the PRC overseas interests in aggregate amounted to approximately HK\$4.7 billion.

The occupancy rate for investment properties was approximately 95% as at 30 June 2017, which was comparable with preceding years.

## Others:

Others business recorded net profit attributable to ordinary shareholders of HK\$7,084 million in the first half of 2017, an increase of HK\$4,817 million or 212%, which includes the introduction strategic investors to Beijing Guoan Football Club and the revaluation gains of SINOPEC SSC, totaling to approximately HK\$5,446 million. In addition, net profit was also mainly derived from the infrastructure business, including tunnels and expressways, the international telecommunications service business, Dah Chong Hong, environmental protection and publication business.

# Financial Review

The profit contribution from the infrastructure business, including tunnels and expressways, recorded a slight decrease due to the 30 years franchise period of the Eastern Harbour Crossing ended in August 2016 and transferred the tunnel to the Hong Kong government. The growth of the enterprise solutions business and the revaluation gain from the CITIC Telecom Tower boosted the net profit of the international telecommunications service business to increase by 11% from the same period last year. Net profit of Dah Chong Hong kept stable compared to the same period of last year with rapid growth of its automobile business in Mainland China and the net profit contributed by the newly acquired LF Asia businesses but partially offset by decline in its automobile businesses in Hong Kong and Macau and food business in Mainland China. CITIC Envirotech maintained its growth in terms of net profit, which is benefited from the water treatment business and the increase of the number of EPC projects. CITIC Press recorded rapid growth in the book sales business, which contributed to the substantial increase of net profit, and maintained its leading position in the book market of economics and management and social sciences.

## Group Financial Results

### Revenue

For the first half of 2017, CITIC Limited recorded revenue of HK\$198.1 billion, an increase of HK\$14.1 billion or 8% from the same period last year.

Revenue from financial services was decreased by HK\$7.1 billion or 7% to HK\$89.9 billion from the same period last year. Excluding the translation impact arising from the average depreciation of RMB exchange rate and the replacement of the business tax with a value-added tax, it increased by HK\$1.3 billion or 1%, which was mainly attributable to the revenue contribution from banking business. Affected by the replacement of the business tax with a value-added tax, CITIC Bank recorded a slight decrease in revenue. However, with the structure optimization of revenue, the proportion of non-interest income gradually increased.

Resources and energy reported revenue of HK\$31.7 billion, an increase of HK\$10.4 billion or 49% from the same period last year. The international commodity market was more favorable than the same period last year. Trading of metal like iron ore, oil extraction and power generation recorded increase in terms of volume and price, which facilitated the rapid growth of revenue. Sino Iron started commercial operation in the second half of 2016 and recorded revenue of HK\$4.5 billion during the first half of 2017, which also contributed to the Company's revenue.

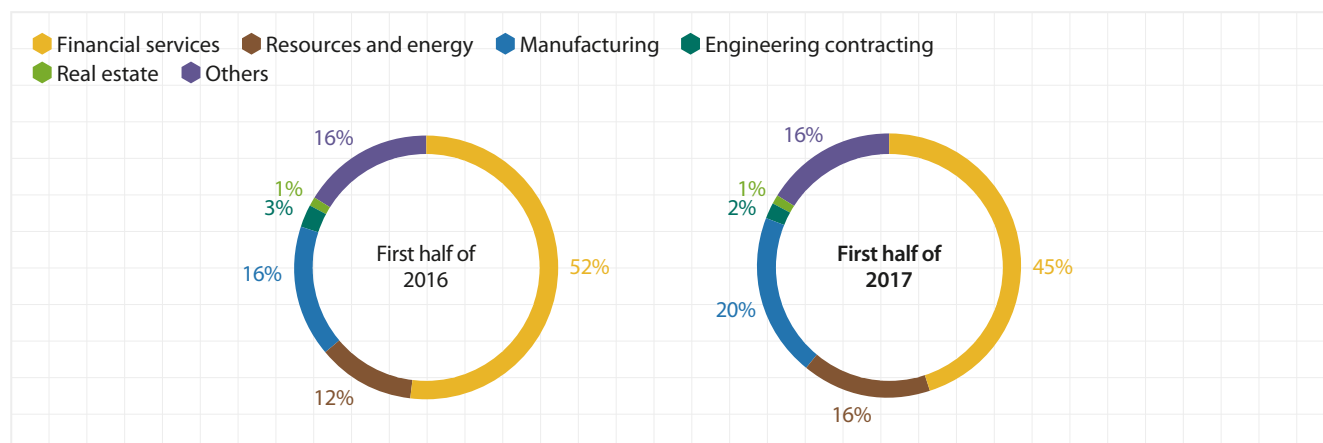
The manufacturing business recorded revenue of HK\$39.5 billion, an increase of HK\$10.8 billion or 38% from the same period last year. The unit sales price of special steel business recorded a substantial increase from the same period last year due to the recovery of the domestic steel market. The sales volume of aluminum wheels and aluminum castings also recorded increase due to the increase of the sales volume of passenger cars. Meanwhile, intelligent manufacturing business has developed rapidly, with a revenue contribution of HK\$0.5 billion recorded during the first half of the year. However, the traditional heavy machinery business has offset part of above increase, because of the declined market situation.

The engineering contracting business recorded revenue of HK\$3.7 billion, a decrease of HK\$2.4 billion or 40% from the same period last year, which is mainly due to commencement later than expected of overseas projects, such as the KK Phase II in Angola, the ABP project in the UK and a road rehabilitation project in Kazakhstan. PRC projects like the urban water environment management project business maintained an increase from the same period last year.

Affected by the decrease in revenue from the closing of projects, the revenue from real estate business amounted to HK\$1,228 million, a year-on-year decrease of HK\$413 million or 25%.

Revenue from other businesses amounted to HK\$32 billion, a year-on-year increase of HK\$2.9 billion or 10%, mainly attributable to the increase in revenue from Dah Chong Hong's acquisition of LF Asia's Food and Fast Moving Consumer Products and healthcare business; the rapid growth of the automobile trading business; the gradually expansion of environment business scope to river remediation projects, resulted in the steady increase of revenue from water treatment business and EPC projects; and the significant growth of publishing business driven by the continuous expansion of book sales scale; but the decline in Telecom's sale of equipment and mobile handsets partially offset the growth impact.

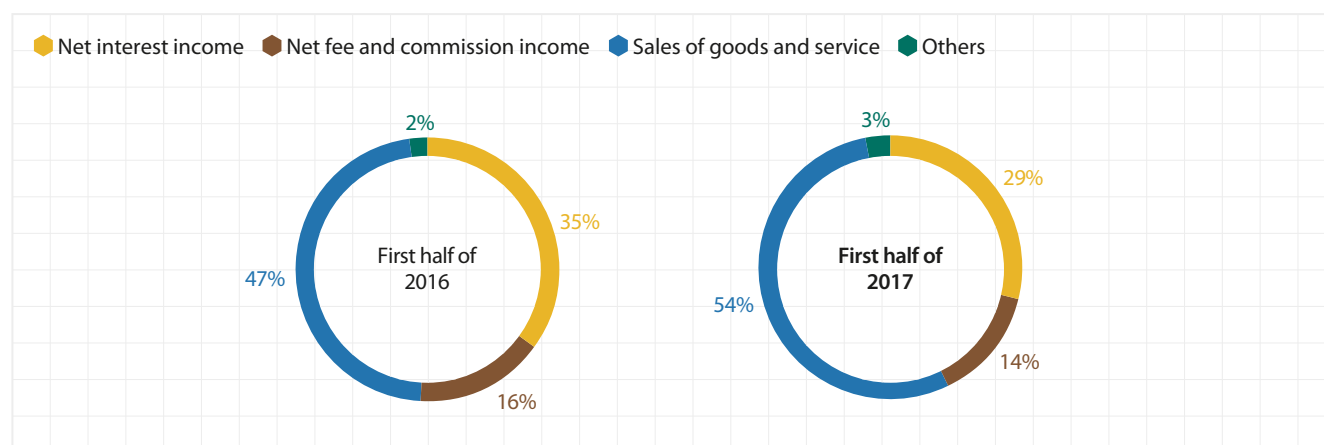
Continuing operations <i>HK\$ million</i>	Half-year ended 30 June		Increase/(decrease)	
	2017	2016	Amount	%
Financial services	89,944	97,040	(7,096)	(7)
Resources and energy	31,732	21,323	10,409	49
Manufacturing	39,450	28,673	10,777	38
Engineering contracting	3,653	6,096	(2,443)	(40)
Real estate	1,228	1,641	(413)	(25)
Others	32,037	29,183	2,854	10



## Revenue by nature

Continuing operations <i>HK\$ million</i>	Half-year ended 30 June		Increase/(decrease)	
	2017	2016	Amount	%
Net interest income	56,758	64,318	(7,560)	(12)
Net fee and commission income	28,038	28,409	(371)	(1)
Sales of goods and services	108,118	86,934	21,184	24
– Sales of goods	92,719	69,431	23,288	34
– Services rendered to customers	11,580	11,827	(247)	(2)
– Services from contraction contract	3,819	5,676	(1,857)	(33)
Other revenue	5,150	4,313	837	19

# Financial Review



## Impairments

In the first half of 2017, the Group recorded an asset impairment of HK\$27.9 billion, a decrease of 2% from the same period last year. Of the total impairment, CITIC Bank accounted for HK\$27.6 billion, which mainly includes a HK\$24.3 billion impairment on its loans and advances to customers.

## Net finance charges

Finance costs of the Group increased HK\$1,661 million, or 46% from the first half of 2016 to HK\$5,285 million in the first half of 2017, as a result of an increase in borrowings of operation management business.

In the first half of 2017, finance income from operation management business and subsidiaries under nonfinancial business amounted to HK\$656 million, mainly came from interest income on bank deposits, an increase of HK\$122 million, or 23% from the first half of 2016.

## Interest expense capitalised

Interest expense capitalised decreased HK\$179 million, or 55% from the first half of 2016 to HK\$145 million in the first half of 2017. This was mainly because that the 6 production lines of Sino Iron were fully commissioned last year, interest expense capitalized decreased correspondingly.

## Income tax

Income tax of the Group in the first half of 2017 was HK\$10,747 million, a decrease of HK\$1,596 million compared with the same period last year. This was mainly because of the increase of share of profits of associates and joint ventures, net of tax.

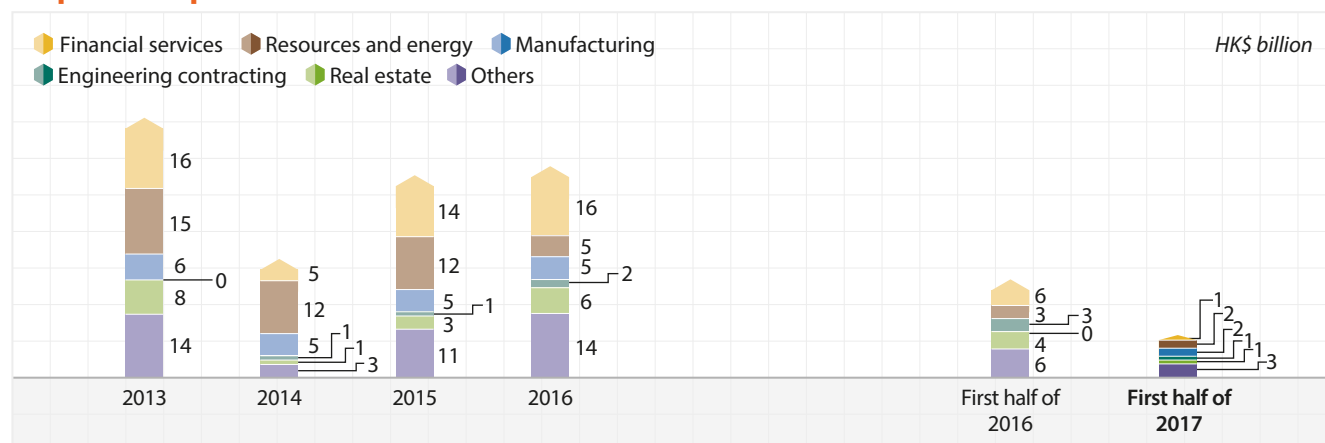


## Group Cash Flows

HK\$ million	CITIC Limited Half-year ended 30 June				Including: CITIC Bank Half-year ended 30 June			
	2017	2016	Increase/ (Decrease)	%	2017	2016	Increase/ (Decrease)	%
<b>Net cash (used in)/generated from operating activities</b>	<b>(92,947)</b>	55,624	(148,571)	(267)	<b>(98,969)</b>	59,066	(158,035)	(268)
– Continuing operations	(92,947)	48,178	(141,125)	(293)	(98,969)	59,066	(158,035)	(268)
– Discontinued operations	–	7,446	(7,446)	(100)	–	–	–	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(76,724)</b>	(101,723)	24,999	(25)	<b>(57,422)</b>	(85,397)	27,975	(33)
– Continuing operations	(76,724)	(102,451)	25,727	(25)	(57,422)	(85,397)	27,975	(33)
Including: Proceeds from disposal and redemption of financial investments	694,115	334,376	359,739	108	674,494	308,247	366,247	119
Payments for purchase financial investments	(763,321)	(421,804)	(341,517)	81	(728,676)	(389,443)	(339,233)	87
– Discontinued operations	–	728	(728)	(100)	–	–	–	–
<b>Net cash generated from/(used in) financing activities</b>	<b>87,553</b>	134,039	(46,486)	(35)	<b>87,607</b>	134,134	(46,527)	(35)
– Continuing operations	87,553	144,180	(56,627)	(39)	87,607	134,134	(46,527)	(35)
Including: Proceeds from new bank and other loans and new debt instruments issued	507,913	465,868	42,045	9	453,121	401,026	52,095	13
Repayment of bank and other loans and debt instruments issued	(398,462)	(292,528)	(105,934)	36	(356,608)	(259,854)	(96,754)	37
Interest paid on bank and other loans and debt instruments issued	(14,079)	(10,379)	(3,700)	36	(8,901)	(6,941)	(1,960)	28
Dividends paid to ordinary shareholders of the Company	(6,691)	(5,818)	(873)	15	–	–	–	–
Dividends/distribution paid to non-controlling interests/holders of perpetual capital securities	(1,232)	(1,586)	354	(22)	(6)	(98)	92	(94)
– Discontinued operations	–	(10,141)	10,141	(100)	–	–	–	–
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(82,118)</b>	87,940	(170,058)	(193)	<b>(68,784)</b>	107,803	(176,587)	(164)
<b>Cash and cash equivalents at 1 January</b>	<b>494,138</b>	354,111	140,027	40	<b>430,801</b>	270,195	160,606	59
<b>Effect of exchange rate changes</b>	<b>10,087</b>	(6,224)	16,311	(262)	<b>8,753</b>	(4,566)	13,319	(292)
<b>Cash and cash equivalents at 30 June</b>	<b>422,107</b>	435,827	(13,720)	(3)	<b>370,770</b>	373,432	(2,662)	(1)
– Less: Cash and cash equivalents included in assets of disposal group classified as held for sale at 30 June	–	(7,792)	7,792	(100)	–	–	–	–
<b>Cash and cash equivalents of continuing operations at 30 June</b>	<b>422,107</b>	428,035	(5,928)	(1)	<b>370,770</b>	373,432	(2,662)	(1)

# Financial Review

## Capital expenditure



HK\$ million	Half-year ended 30 June		Increase/(Decrease)	
	2017	2016	Amount	%
Financial services	1,027	5,941	(4,914)	(83)
Resources and energy	2,419	2,901	(482)	(17)
Manufacturing	1,798	2,600	(802)	(31)
Engineering contracting	922	154	768	499
Real estate	869	4,403	(3,534)	(80)
Others	2,904	5,979	(3,075)	(51)
<b>Total</b>	<b>9,939</b>	<b>21,978</b>	<b>(12,039)</b>	<b>(55)</b>

## Capital commitments

As at 30 June 2017, the contracted capital commitments of the Group amounted to approximately HK\$30.4 billion, details of which are set out in Note 31(f) to the financial statements.

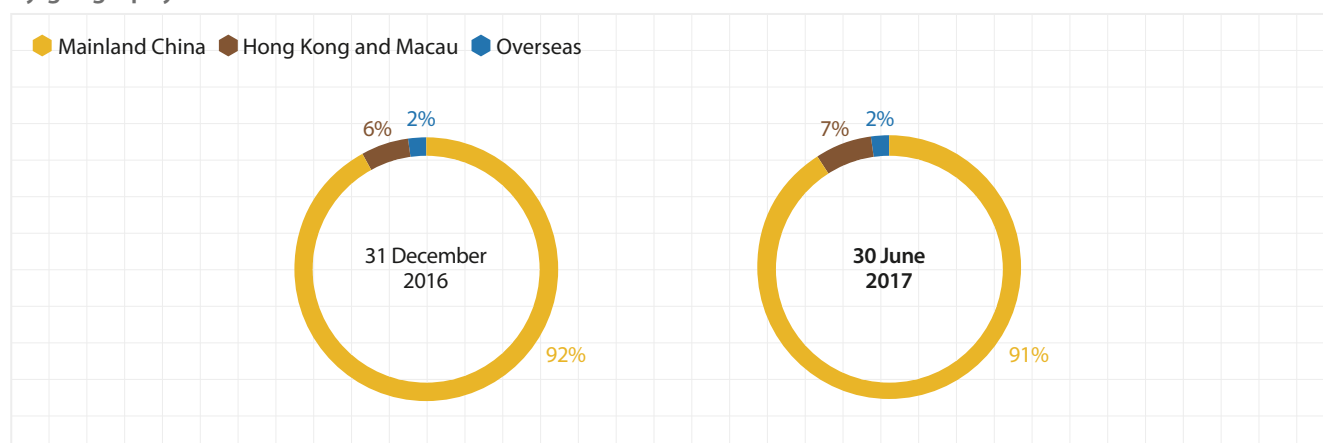
## Group Financial Position

<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/(Decrease) Amount	%	Note to the Financial Statements
<b>Total assets</b>	<b>7,155,425</b>	7,237,995	(82,570)	(1)	
Loans and advances to customers and other parties	3,475,325	3,137,906	337,419	11	19
Investments classified as receivables	980,328	1,166,325	(185,997)	(16)	22
Cash and deposits	758,717	927,259	(168,542)	(18)	15
Available-for-sale financial assets	698,010	642,477	55,533	9	20
Held-to-maturity investments	266,323	244,151	22,172	9	21
Placements with banks and non-bank financial institutions	182,916	186,927	(4,011)	(2)	
Fixed assets	174,938	172,236	2,702	2	
Trade and other receivables	156,753	138,942	17,811	13	18
Financial assets held under resale agreements	29,067	193,615	(164,548)	(85)	
<b>Total liabilities</b>	<b>6,413,396</b>	6,542,144	(128,748)	(2)	
Deposits from customers	3,950,545	4,031,522	(80,977)	(2)	27
Deposits from banks and non-bank financial institutions	1,010,882	1,097,164	(86,282)	(8)	25
Debt instruments issued	666,365	543,893	122,472	23	29
Borrowing from central banks	223,322	205,755	17,567	9	
Trade and other payables	188,971	207,285	(18,314)	(9)	26
Bank and other loans	119,845	112,819	7,026	6	28
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	<b>528,458</b>	490,633	37,825	8	

### Total assets

Total assets decreased from HK\$7,237,995 million as at 31 December 2016 to HK\$7,155,425 million as at 30 June 2017, which was mainly attributed to a decrease in investments classified as receivables, cash and deposits and financial assets held under resale agreements as well as an increase in loans and advances to customers and other parties compared with 31 December 2016.

### By geography



## Financial Review

### Loans and advances to customers and other parties

As at 30 June 2017, the net loans and advances to customers and other parties of the Group was HK\$3,475.3 billion, an increase of HK\$337.4 billion, or 11% compared with 31 December 2016. The proportion of loans and advances to customers and other parties to total assets was 48.57%, an increase of 5.22pp compared with 31 December 2016.

<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/(Decrease) Amount	%
Corporate loans	2,145,744	2,073,150	72,594	4
Discounted bills	119,195	83,949	35,246	42
Personal loans	1,304,610	1,069,417	235,193	22
<b>Total loans and advances to customers and other parties</b>	<b>3,569,549</b>	<b>3,226,516</b>	<b>343,033</b>	<b>11</b>
<b>Impairment allowances of loans and advances to customers and other parties</b>	<b>(94,224)</b>	<b>(88,610)</b>	<b>(5,614)</b>	<b>6</b>
<b>Net loans and advances to customers and other parties</b>	<b>3,475,325</b>	<b>3,137,906</b>	<b>337,419</b>	<b>11</b>

### Deposits from customers

As at 30 June 2017, total deposits from customers of the financial institutions of the Group was HK\$3,950.5 billion, a decrease of HK\$81 billion, or 2% compared with 31 December 2016. The proportion of deposits from customers to total liabilities was 61.60%, a decrease of 0.02pp compared with 31 December 2016.

<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/(Decrease) Amount	%
Corporate deposits				
Time deposits	1,464,664	1,554,160	(89,496)	(6)
Demand deposits	1,821,643	1,845,451	(23,808)	(1)
<b>Subtotal</b>	<b>3,286,307</b>	<b>3,399,611</b>	<b>(113,304)</b>	<b>(3)</b>
Personal deposits				
Time deposits	365,099	363,387	1,712	0.5
Demand deposits	289,808	260,433	29,375	11
<b>Subtotal</b>	<b>654,907</b>	<b>623,820</b>	<b>31,087</b>	<b>5</b>
<b>Outward remittance and remittance payables</b>	<b>9,331</b>	<b>8,091</b>	<b>1,240</b>	<b>15</b>
<b>Total</b>	<b>3,950,545</b>	<b>4,031,522</b>	<b>(80,977)</b>	<b>(2)</b>

## Bank and other loans

<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/(Decrease)	
			Amount	%
Financial services	2,682	2,964	(282)	(10)
Resources and energy	45,994	41,398	4,596	11
Manufacturing	17,577	15,088	2,489	16
Engineering contracting	1,522	1,276	246	19
Real estate	13,523	10,721	2,802	26
Others	37,256	32,863	4,393	13
Operation management	23,482	21,749	1,733	8
Elimination	(22,191)	(13,240)	(8,951)	68
<b>Total</b>	<b>119,845</b>	<b>112,819</b>	<b>7,026</b>	<b>6</b>

## Debt instruments issued

<i>HK\$ million</i>	30 June 2017	31 December 2016	Increase/(Decrease)	
			Amount	%
Financial services	544,091	432,579	111,512	26
Resources and energy	1,152	1,453	(301)	(21)
Manufacturing	3,912	4,242	(330)	(8)
Engineering contracting	–	–	–	–
Real estate	–	–	–	–
Others	5,117	4,682	435	9
Operation management	112,093	100,937	11,156	11
Elimination	–	–	–	–
<b>Total</b>	<b>666,365</b>	<b>543,893</b>	<b>122,472</b>	<b>23</b>

## Total ordinary shareholders' funds and perpetual capital securities

As at 30 June 2017, total ordinary shareholders' funds and perpetual capital securities of the Group was HK\$528.5 billion, an increase of HK\$37.8 billion compared with 31 December 2016, which was mainly attributed to net profits occurred in the first half of 2017 and other comprehensive income, such as exchange differences on translation of foreign financial statements resulted from RMB appreciation during the period.

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

## Financial Risk

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

### Asset and liability management

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

#### 1. Debt

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

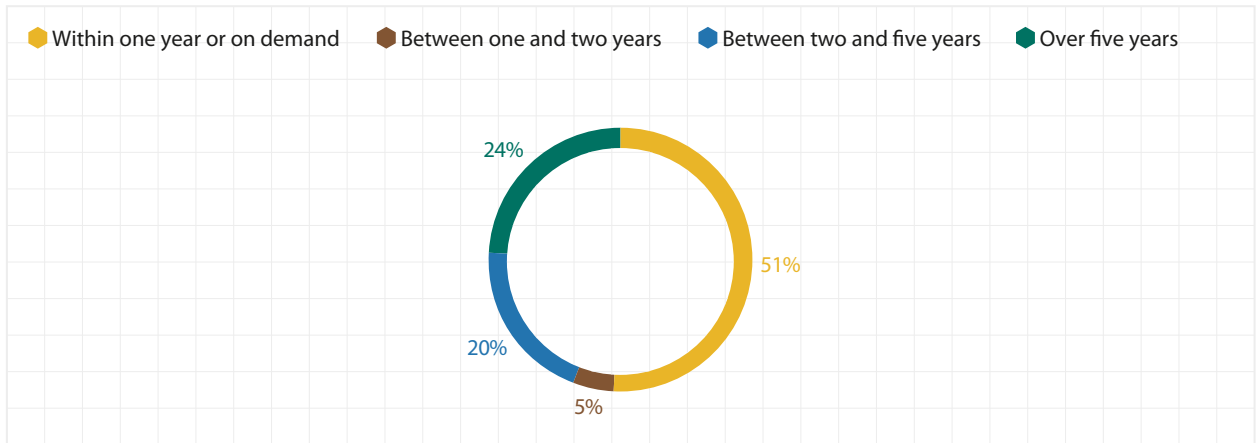
As at 30 June 2017, consolidated debt of CITIC Limited<sup>(1)</sup> was HK\$786,210 million, including loans of HK\$119,845 million and debt instruments issued<sup>(2)</sup> of HK\$666,365 million. Debt of the head office of CITIC Limited<sup>(3)</sup> accounted for HK\$78,246 million and debt of CITIC Bank<sup>(4)</sup> HK\$544,091 million. In addition, the head office of CITIC Limited had cash and deposits of HK\$6,974 million and available committed facilities from banks of HK\$17,000 million.

The details of debt are as follows:

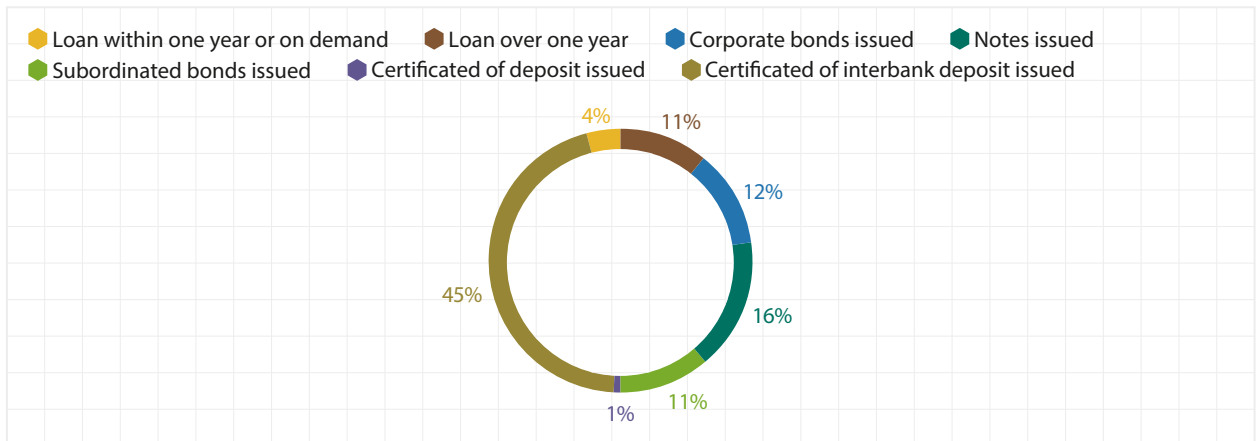
<b>As at 30 June 2017</b>	<i>HK\$ million</i>
Consolidated debt of CITIC Limited	786,210
Among which: Debt of the head office of CITIC Limited	78,246
Debt of CITIC Bank	544,091

- 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 2017



## Consolidated debt by type as at 30 June 2017



The debt to equity ratio of CITIC Limited as at 30 June 2017 is as follows:

HK\$ million	Consolidated	Head office
Debt	786,210	78,246
Total equity <sup>(5)</sup>	742,029	394,729
Debt to equity ratio	106%	20%

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.

# Risk Management

## 2. Liquidity risk management

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

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

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

Details of liquidity risk management are set out in Note 32(b) to the consolidated financial statements.

## 3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 30 June 2017 are set out in Note 31 to the consolidated financial statements.

## 4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets and other assets pledged as security for CITIC Limited's loan as at 30 June 2017 are set out in Note 28(d) to the consolidated financial statements.

## 5. Credit ratings

	Standard & Poor's	Moody's
30 June 2017	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.

Details of interest rate risk management are set out in Note 32(c) to the consolidated financial statements.

## 2. Currency risk

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

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

Details of currency risk management are set out in Note 32(d) to the consolidated financial statements.

# Risk Management

## 3. Counterparty risk for financial products

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

## 4. Commodity risk

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

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

## 5. Market price risk

CITIC Limited holds investments in financial assets classified as 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.

# Risk Management

## 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.

## Equality

All of our labour contracts were established and modified in strict accordance with relevant laws and regulations to protect the legal rights of our employees. We offer equal opportunities in employment, career advancement, remuneration and benefits, as well as training and development, and operate against any discrimination in connection with ethnicity, nationality, religion, physical disability or gender, to develop a harmonious relationship with our staff.

## Incentives

We have a remuneration mechanism in place across all of our subsidiaries, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism makes reference to statistical data on salaries and remuneration prepared by professional consultants with equal emphasis on market competitiveness and fairness. We optimised our performance appraisal and remuneration mechanism based on the principle of “one company, one policy”, which helped to create a closer link between performance appraisal results and staff remuneration/incentives. In the construction of welfare and benefit schemes, apart from social insurance required by local governments, most of our subsidiaries have instituted corporate annuities (supplementary pension insurance) and supplementary medical insurance schemes for our employees.

## Training

In line with our people-oriented philosophy, we actively promoted the implementation of Talent Strategy, accelerated the construction of our five talent teams, and established a systematic, scientific and standard training regime. We specifically implemented CITIC Excellence Training Project for outstanding young officers, and continued to run training sessions for Hong Kong employees.



# Past Performance and Forward Looking Statements

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

# Consolidated Income Statement

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Continuing operations</b>			
Interest income		125,332	128,784
Interest expenses		(68,574)	(64,466)
<b>Net interest income</b>	5(a)	56,758	64,318
Fee and commission income		30,278	29,680
Fee and commission expenses		(2,240)	(1,271)
<b>Net fee and commission income</b>	5(b)	28,038	28,409
Sales of goods and services	5(c)	108,118	86,934
Other revenue	5(d)	5,150	4,313
		113,268	91,247
<b>Total revenue</b>		198,064	183,974
Cost of sales and services	6	(95,266)	(72,158)
Other net income	7	8,638	3,595
Impairment losses on			
– Loans and advances to customers		(24,220)	(23,632)
– Others		(3,675)	(4,838)
Other operating expenses	9	(32,977)	(37,352)
Net valuation gain on investment properties		400	171
Share of profits of associates, net of tax		3,506	957
Share of profits of joint ventures, net of tax		3,899	868
<b>Profit before net finance charges and taxation</b>		58,369	51,585
Finance income		656	534
Finance costs		(5,285)	(3,624)
<b>Net finance charges</b>	8	(4,629)	(3,090)
<b>Profit before taxation</b>	9	53,740	48,495
Income tax	10	(10,747)	(12,343)
<b>Profit for the period from continuing operations</b>		42,993	36,152
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	35	–	(4,782)
<b>Profit for the period</b>		42,993	31,370

# Consolidated Income Statement

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Profit for the period</b>		<b>42,993</b>	31,370
<b>Attributable to:</b>			
– Ordinary shareholders of the Company		<b>32,261</b>	20,182
– Holders of perpetual capital securities		<b>336</b>	460
– Non-controlling interests		<b>10,396</b>	10,728
<b>Profit for the period</b>		<b>42,993</b>	31,370
<b>Profit/(loss) attributable to ordinary shareholders of the Company arising from:</b>			
– Continuing operations		<b>32,261</b>	24,918
– Discontinued operations		–	(4,736)
		<b>32,261</b>	20,182
<b>Basic and diluted earnings per share for profit/(loss) attributable to ordinary shareholders of the Company during the period (HK\$):</b>			
	12		
– Continuing operations		<b>1.11</b>	0.85
– Discontinued operations		–	(0.16)
		<b>1.11</b>	0.69

The notes on pages 38 to 114 form part of these condensed unaudited consolidated interim accounts.



# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Profit for the period</b>		<b>42,993</b>	31,370
<b>Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)</b>	13		
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		(3,901)	(2,653)
Cash flow hedge: net movement in the hedging reserve		433	(447)
Share of other comprehensive income/(loss) of associates and joint ventures		730	(581)
Exchange differences on translation of financial statements and others		19,651	(11,545)
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		19	11
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>16,932</b>	(15,215)
<b>Total comprehensive income for the period</b>		<b>59,925</b>	16,155
<b>Attributable to:</b>			
– Ordinary shareholders of the Company		44,827	9,331
– Holders of perpetual capital securities		336	460
– Non-controlling interests		14,762	6,364
<b>Total comprehensive income for the period</b>		<b>59,925</b>	16,155
<b>Total comprehensive income/(loss) attributable to ordinary shareholders of the Company arising from:</b>			
– Continuing operations		44,827	14,275
– Discontinued operations		–	(4,944)
		<b>44,827</b>	9,331

The notes on pages 38 to 114 form part of these condensed unaudited consolidated interim accounts.



# Consolidated Balance Sheet

As at 30 June 2017

	Note	30 June 2017 HK\$ million (Unaudited)	31 December 2016 HK\$ million (Audited)
<b>Assets</b>			
Cash and deposits	15	758,717	927,259
Placements with banks and non-bank financial institutions		182,916	186,927
Financial assets at fair value through profit or loss	16	78,100	77,819
Derivative financial instruments	17	31,021	53,281
Trade and other receivables	18	156,753	138,942
Amounts due from customers for contract work		1,820	1,949
Inventories		55,656	48,905
Financial assets held under resale agreements		29,067	193,615
Loans and advances to customers and other parties	19	3,475,325	3,137,906
Available-for-sale financial assets	20	698,010	642,477
Held-to-maturity investments	21	266,323	244,151
Investments classified as receivables	22	980,328	1,166,325
Interests in associates	23	91,002	84,125
Interests in joint ventures	24	30,851	19,387
Fixed assets		174,938	172,236
Investment properties		32,545	31,539
Intangible assets		19,391	19,322
Goodwill		22,445	21,871
Deferred tax assets		38,253	34,786
Other assets		31,964	35,173
<b>Total assets</b>		<b>7,155,425</b>	<b>7,237,995</b>
<b>Liabilities</b>			
Borrowing from central banks		223,322	205,755
Deposits from banks and non-bank financial institutions	25	1,010,882	1,097,164
Placements from banks and non-bank financial institutions		73,876	93,596
Derivative financial instruments	17	29,719	52,648
Trade and other payables	26	188,971	207,285
Amounts due to customers for contract work		1,883	2,892
Financial assets sold under repurchase agreements		77,087	134,534
Deposits from customers	27	3,950,545	4,031,522
Employee benefits payables		15,629	18,283
Income tax payable		8,122	9,999
Bank and other loans	28	119,845	112,819
Debt instruments issued	29	666,365	543,893
Provisions		4,067	3,668
Deferred tax liabilities		7,510	6,682
Other liabilities		35,573	21,404
<b>Total liabilities</b>		<b>6,413,396</b>	<b>6,542,144</b>

# Consolidated Balance Sheet

As at 30 June 2017

	Note	30 June 2017 HK\$ million (Unaudited)	31 December 2016 HK\$ million (Audited)
<b>Equity</b>	30		
Share capital		381,710	381,710
Perpetual capital securities		7,873	7,873
Reserves		138,875	101,050
<b>Total ordinary shareholders' funds and perpetual capital securities</b>		<b>528,458</b>	490,633
Non-controlling interests		213,571	205,218
<b>Total equity</b>		<b>742,029</b>	695,851
<b>Total liabilities and equity</b>		<b>7,155,425</b>	7,237,995

Approved and authorised for issue by the board of directors on 29 August 2017.

Director: **Chang Zhenming**

Director: **Wang Jiong**

The notes on pages 38 to 114 form part of these condensed unaudited consolidated interim accounts.



# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Note	Perpetual		Investment			General reserve	Retained earnings	Exchange reserve	Non-controlling		
		Share capital	capital securities	Capital reserve	Hedging reserve	related reserves				Total interests	Total equity	
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
<b>Six months ended 30 June 2017 (unaudited)</b>												
Balance at 1 January 2017		381,710	7,873	(62,209)	1,203	(2,445)	44,497	158,040	(38,036)	490,633	205,218	695,851
Profit for the period	9	-	336	-	-	-	-	32,261	-	32,597	10,396	42,993
Other comprehensive income/(loss) for the period	13	-	-	-	234	(1,412)	-	-	13,744	12,566	4,366	16,932
<b>Total comprehensive income/(loss) for the period</b>		-	336	-	234	(1,412)	-	32,261	13,744	45,163	14,762	59,925
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	-	104	104
Dividends paid to ordinary shareholders of the Company	11	-	-	-	-	-	-	(6,691)	-	(6,691)	-	(6,691)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(6,434)	(6,434)
Distribution to holders of perpetual capital securities		-	(336)	-	-	-	-	-	-	(336)	-	(336)
Disposal of subsidiaries	36	-	-	-	-	-	-	-	-	-	(5)	(5)
Others		-	-	(311)	-	-	-	-	-	(311)	(74)	(385)
<b>Other changes in equity</b>		-	(336)	(311)	-	-	-	(6,691)	-	(7,338)	(6,409)	(13,747)
<b>Balance at 30 June 2017</b>		<b>381,710</b>	<b>7,873</b>	<b>(62,520)</b>	<b>1,437</b>	<b>(3,857)</b>	<b>44,497</b>	<b>183,610</b>	<b>(24,292)</b>	<b>528,458</b>	<b>213,571</b>	<b>742,029</b>

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Note	Share capital HK\$ million	Perpetual capital securities HK\$ million	Capital reserve HK\$ million	Hedging reserve HK\$ million	Investment related reserves HK\$ million	General reserve HK\$ million	Retained earnings HK\$ million	Exchange reserve HK\$ million	Total HK\$ million	Non- controlling interests HK\$ million	Total equity HK\$ million
<b>Six months ended 30 June 2016</b>												
<b>(unaudited)</b>												
Balance at 1 January 2016		381,710	13,836	(65,387)	294	4,306	37,013	131,132	(10,002)	492,902	170,267	663,169
Profit for the period	9	-	460	-	-	-	-	20,182	-	20,642	10,728	31,370
Other comprehensive loss for the period	13	-	-	-	(458)	(2,116)	-	-	(8,277)	(10,851)	(4,364)	(15,215)
<b>Total comprehensive income/(loss) for the period</b>		-	460	-	(458)	(2,116)	-	20,182	(8,277)	9,791	6,364	16,155
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	-	129	129
Redemption of perpetual capital securities	30(b)	-	(5,850)	-	-	-	-	-	-	(5,850)	-	(5,850)
Dividends paid to ordinary shareholders of the Company	11	-	-	-	-	-	-	(5,818)	-	(5,818)	-	(5,818)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(6,237)	(6,237)
Distribution to holders of perpetual capital securities		-	(567)	-	-	-	-	-	-	(567)	-	(567)
New subsidiaries		-	-	-	-	-	-	-	-	-	147	147
Transactions with non-controlling interests		-	-	(232)	-	-	-	-	-	(232)	(5,399)	(5,631)
Others		-	-	93	-	-	-	-	-	93	27	120
<b>Other changes in equity</b>		-	(6,417)	(139)	-	-	-	(5,818)	-	(12,374)	(11,333)	(23,707)
<b>Balance at 30 June 2016</b>		<b>381,710</b>	<b>7,879</b>	<b>(65,526)</b>	<b>(164)</b>	<b>2,190</b>	<b>37,013</b>	<b>145,496</b>	<b>(18,279)</b>	<b>490,319</b>	<b>165,298</b>	<b>655,617</b>

The notes on pages 38 to 114 form part of these condensed unaudited consolidated interim accounts.



# Consolidated Cash Flow Statement

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Cash flows from operating activities</b>			
Profit before taxation from continuing operations		53,740	48,495
Adjustments for:			
– Depreciation and amortisation	9(b)	6,203	5,570
– Impairment losses		27,895	28,470
– Net valuation gain on investment properties		(400)	(171)
– Net valuation gain on investments		(1,688)	(210)
– Share of profits of associates and joint ventures, net of tax		(7,405)	(1,825)
– Interest expenses on debt instruments issued	5(a)	10,013	7,819
– Finance income	8	(656)	(534)
– Finance costs	8	5,285	3,624
– Net gain on available-for-sale financial assets		(1,884)	(2,019)
– Net gain on disposal of subsidiaries, associates and joint ventures		(6,411)	(2,029)
		84,692	87,190
<b>Changes in working capital</b>			
Decrease/(increase) in deposits with central banks, banks and non-bank financial institutions		25,791	(12,918)
Decrease/(increase) in placements with banks and non-bank financial institutions		82,397	(2,652)
Decrease/(increase) in financial assets at fair value through profit or loss		16,319	(21,854)
Increase in trade and other receivables		(14,156)	(8,893)
Decrease in amounts due from customers for contract work		129	783
Increase in inventories		(6,565)	(5,012)
Decrease in financial assets held under resale agreements		167,330	51,404
Increase in loans and advances to customers and other parties		(266,259)	(286,866)
Decrease/(increase) in investments classified as receivables		217,523	(78,840)
Decrease/(increase) in other assets		3,579	(52,598)
(Decrease)/increase in deposits from banks and non-bank financial institutions		(116,631)	89,970
Decrease in placements from banks and non-bank financial institutions		(17,469)	(210)
Increase in financial liabilities at fair value through profit or loss		–	121
Decrease in trade and other payables		(15,513)	(5,039)
Decrease in amounts due to customers for contract work		(1,009)	(3,099)
Decrease in financial assets sold under repurchase agreements		(60,430)	(61,774)
(Decrease)/increase in deposits from customers		(200,567)	313,666
Increase in borrowing from central bank		11,055	48,317
Increase in other liabilities		11,716	13,667
Decrease in employee benefits payables		(2,654)	(2,895)
Increase in provisions		399	344
<b>Cash (used in)/generated from operating activities of continuing operations</b>		<b>(80,323)</b>	62,812
Income tax paid		(12,624)	(14,634)
<b>Net cash (used in)/generated from operating activities of continuing operations</b>		<b>(92,947)</b>	48,178
<b>Net cash generated from operating activities of discontinued operations</b>		–	7,446
<b>Net cash (used in)/generated from operating activities</b>		<b>(92,947)</b>	55,624

# Consolidated Cash Flow Statement

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of financial investments		694,115	334,376
Proceeds from disposal of fixed assets, intangible assets and other assets		411	364
Proceeds from disposal of associates and joint ventures		287	3,246
Net cash received from disposal of subsidiaries	36	58	–
Dividends received from equity investments, associates and joint ventures		1,971	914
Payments for purchase of financial investments		(763,321)	(421,804)
Payments for additions of fixed assets, intangible assets and other assets		(5,023)	(11,940)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		(5,222)	(7,607)
<b>Net cash used in investing activities of continuing operations</b>		<b>(76,724)</b>	<b>(102,451)</b>
<b>Net cash generated from investing activities of discontinued operations</b>		<b>–</b>	<b>728</b>
<b>Net cash used in investing activities</b>		<b>(76,724)</b>	<b>(101,723)</b>
<b>Cash flows from financing activities</b>			
Capital injection received from non-controlling interests		104	104
Transactions with non-controlling interests		–	(5,631)
Proceeds from new bank and other loans		41,238	29,195
Repayment of bank and other loans and debt instruments issued		(398,462)	(292,528)
Proceeds from new debt instruments issued		466,675	436,673
Interest paid on bank and other loans and debt instruments issued		(14,079)	(10,379)
Dividends paid to non-controlling interests		(896)	(1,019)
Dividends paid to ordinary shareholders of the Company		(6,691)	(5,818)
Redemption of perpetual capital securities		–	(5,850)
Distribution paid to holders of perpetual capital securities		(336)	(567)
<b>Net cash generated from financing activities of continuing operations</b>		<b>87,553</b>	<b>144,180</b>
<b>Net cash used in financing activities of discontinued operations</b>		<b>–</b>	<b>(10,141)</b>
<b>Net cash generated from financing activities</b>		<b>87,553</b>	<b>134,039</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(82,118)</b>	<b>87,940</b>
Cash and cash equivalents at 1 January		494,138	354,111
Effect of exchange rate changes		10,087	(6,224)
<b>Cash and cash equivalents at 30 June</b>		<b>422,107</b>	<b>435,827</b>
Less: cash and cash equivalents included in assets of disposal group classified as held for sale at 30 June		–	(7,792)
<b>Cash and cash equivalents of continuing operations at 30 June</b>		<b>422,107</b>	<b>428,035</b>

The notes on pages 38 to 114 form part of these condensed unaudited consolidated interim accounts.



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 2016 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 2016 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted in the preparation of the Accounts are consistent with those adopted in the Company’s annual financial statements for the year ended 31 December 2016, except in relation to the following amendments which became effective for the first time for the financial year beginning on or after 1 January 2017:

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosure of interest in other entities

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 2 Basis of preparation (continued)

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 2017 and which have not been early adopted in the Accounts.

HKAS 28 (Amendments)	Investments in associates and joint ventures <sup>(1)</sup>
HKFRS 4 (Amendments)	Insurance contracts <sup>(1)</sup>
HKFRS 1 (Amendments)	First time adoption of HKFRS <sup>(1)</sup>
HKFRS 15	Revenue from contracts with customers <sup>(1)</sup>
HKFRS 9	Financial instruments <sup>(1)</sup>
HK (IFRIC) 22	Foreign currency transactions and advance consideration <sup>(1)</sup>
HKFRS 16	Leases <sup>(2)</sup>
HKAS 28 and HKFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(3)</sup>

(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.

None of the above amendments to standards and new standards is expected to have a significant effect on the consolidated financial statements of the Group, except as set out below:

The Group has not completed its assessment of the full impact of adopting HKFRS 9 and therefore its possible impact on the Group's operating results and financial position has not yet been quantified. HKFRS 16 will affect primarily the accounting for group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments HK\$19,279 million (Note 31(g)).

## 3 Critical accounting estimates and judgment

In addition to those described below, the accounting estimates and judgements required to be made in preparation of the Accounts are consistent with those set out in the Company's annual financial statements for the year ended 31 December 2016.

### (a) 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

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 2017.

### (b) 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 and operate the Sino Iron Project and take two billion tonnes of magnetite ore.

A number of disputes have arisen in relation to the MRSLAs and associated agreements, a number of which are described 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.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

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

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.

#### **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 published annual FOB prices’ for certain iron ore products. Sino Iron and Korean Steel’s position is that, because this phrase refers to the Annual Benchmark Pricing System (“Benchmark”) which ceased to exist in early 2010, it is no longer possible to calculate Royalty Component B. Mineralogy’s position is that the phrase is not limited to a reference to the Benchmark and Royalty Component B is still ascertainable from other published data. Mineralogy pursued proceedings in the Supreme Court of Western Australia seeking payment of sums for Royalty Component B on products produced to date, damages for alleged breaches of the MRSLAs and certain other relief.

The principal issues for determination by the Court are: (a) the proper construction of the phrase ‘prevailing published annual FOB prices’, in particular, whether this is only a reference to the Benchmark; (b) whether there are other available prices that meet the description of ‘prevailing published annual FOB prices’; (c) whether Royalty Component B should be severed from the MRSLAs; (d) if there are no ‘prevailing published annual FOB prices’, whether there is an implied term in the MRSLAs requiring Sino Iron and Korean Steel pay a fair and reasonable royalty; and (e) if there is an implied term providing for a fair and reasonable royalty, how such a royalty is to be determined.

The trial for the Royalty Component B proceedings commenced on 14 June 2017 and ran for 10 sitting days, ending on 29 June 2017. Judgement was reserved.

In November 2015, Mineralogy filed an application for an urgent interlocutory mandatory injunction requiring Sino Iron, Korean Steel and the Company (together, the “CITIC Parties”) pay to Mineralogy royalties under the MRSLAs. Justice Tottle dismissed the application at first instance and Mineralogy appealed the decision to the Court of Appeal. The appeal was upheld and the application was remitted to the Supreme Court of Western Australia for rehearing.

The remitted injunction application was heard by Justice Kenneth Martin, who made orders that the CITIC parties were to pay, on an interlocutory basis pending final judgment, sums of monies to Mineralogy and into Court. The CITIC Parties appealed the decision. On 20 April 2017, the Court of Appeal delivered judgment, allowing the appeals by the CITIC Parties on all grounds it found necessary to consider. The Court of Appeal also ordered that the payment orders made by Justice Martin be set aside and Mineralogy’s application for a mandatory interlocutory injunction be dismissed.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 3 Critical accounting estimates and judgment (continued)

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

#### Indemnity Claim Dispute

On 29 June 2017, Mr. Clive Palmer commenced proceedings against the Company in the Supreme Court of Western Australia in which he claimed damages in the sum of AUD\$2.324 billion, which is said to represent the reduction in the enterprise value of companies in the Queensland Nickel group of companies (“Queensland Nickel”) controlled by Mr. Palmer. The claim purports to be made pursuant to an indemnity from the Company given under the Fortescue Coordination Deed, one of the Sino Iron project agreements, that extends to losses suffered by Palmer in relation to failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

Mr. Palmer claims that Mineralogy and Queensland Nickel entered into an agreement in or around November 2015 whereby Mineralogy agreed to provide AUD\$28 million to those companies for working capital. As Sino Iron and Korean Steel did not pay the amounts sought by Mineralogy in the November 2015 urgent mandatory interlocutory injunction referred to in the section headed “Royalties Disputes” above, it is claimed Mineralogy did not have funds to provide the loan. Palmer alleges that Queensland Nickel was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy. The proceeding is in its early stages.

#### Port Dispute

Sino Iron and Korean Steel have developed port infrastructure at Cape Preston 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 Federal Court refused to grant any of the relief sought by Mineralogy.

Mineralogy appealed the decision at first instance. On 30 March 2017, the Full Court of the Federal Court of Australia handed down its unanimous decision dismissing the appeal on all grounds raised by Mineralogy. The Full Court held that Mineralogy was not entitled to a declaration that it was the owner of the port terminal facilities. The Full Court found that the primary judge was correct in concluding that the CITIC Parties (and another group company), and not Mineralogy, were solely responsible for the operation and maintenance of the port terminal facilities. The Full Court held that the Facilities Deeds termination notices issued in November 2014 and relied upon by Mineralogy in the appeal were ineffective.

On 2 May 2017, Mineralogy served on the CITIC Parties (and another group company) its application for special leave to appeal the decision of the Full Court to the High Court of Australia. There is no automatic right of appeal to the High Court and so special leave is required. The application for special leave will be heard by the High Court on 15 September 2017.

# Notes to the Consolidated Financial Statements

*For the six months ended 30 June 2017*

## 4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2017 is 16.5% (six months ended 30 June 2016: 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 2017 is 25% (six months ended 30 June 2016: 25%).

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

## 5 Revenue

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

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (see Notes 5(a), 5(b) and 5(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 5(c)).

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 5 Revenue (continued)

### (a) Net interest income

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
<b>Interest income arising from:</b>		
Deposits with central banks, banks and non-bank financial institutions	6,133	5,501
Placements with banks and non-banks financial institutions	3,051	1,973
Financial assets held under resale agreements	684	544
Investments classified as receivables	24,315	29,245
Loans and advances to customers and other parties	76,824	79,192
Investments in debt securities	14,286	12,327
Others	39	2
	<b>125,332</b>	<b>128,784</b>
<b>Interest expenses arising from:</b>		
Borrowing from central banks	(2,947)	(1,434)
Deposits from banks and non-bank financial institutions	(23,407)	(20,146)
Placements from banks and non-bank financial institutions	(1,500)	(739)
Financial assets sold under repurchase agreements	(1,330)	(401)
Deposits from customers	(29,361)	(33,895)
Debt instruments issued	(10,013)	(7,819)
Others	(16)	(32)
	<b>(68,574)</b>	<b>(64,466)</b>
<b>Net interest income</b>	<b>56,758</b>	<b>64,318</b>

### (b) Net fee and commission income

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Consultancy and advisory fees	2,924	3,776
Bank card fees	15,295	9,899
Settlement and clearing fees	731	884
Commission for wealth management services	2,933	3,881
Agency fees and commission	2,920	4,620
Guarantee fees	1,223	1,500
Trustee commission and fees	4,065	4,700
Others	187	420
	<b>30,278</b>	<b>29,680</b>
Fee and commission expenses	(2,240)	(1,271)
<b>Net fee and commission income</b>	<b>28,038</b>	<b>28,409</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 5 Revenue (continued)

### (c) Sales of goods and services

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Sales of goods	92,719	69,431
Services rendered to customers	11,580	11,827
Revenue from construction contracts	3,819	5,676
	<b>108,118</b>	<b>86,934</b>

### (d) Other revenue

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Net trading gain (note (i))	3,929	2,654
Net gain on investment assets under financial services segment	603	1,304
Others	618	355
	<b>5,150</b>	<b>4,313</b>

### (i) Net trading gain

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Trading profit:		
– debt securities and certificates of deposits	1,429	752
– foreign currencies	127	1,035
– derivatives	2,373	867
	<b>3,929</b>	<b>2,654</b>

## 6 Cost of sales and services

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Costs of goods sold	83,908	60,190
Costs of services rendered	7,976	7,345
Costs of construction contracts	3,382	4,623
	<b>95,266</b>	<b>72,158</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 7 Other net income

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	6,411	2,030
Net gain on financial assets under non-financial services segment	1,286	808
Commissions income, net foreign exchange gain and others	941	757
	<b>8,638</b>	<b>3,595</b>

## 8 Net finance charges

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Finance costs		
– Interest on bank and other loans	2,166	1,198
– Interest on debt instruments issued and other interest expenses	3,103	2,699
	<b>5,269</b>	<b>3,897</b>
Less: interest expense capitalised	(145)	(324)
	<b>5,124</b>	<b>3,573</b>
Other finance charges	161	51
	<b>5,285</b>	<b>3,624</b>
Finance income	(656)	(534)
	<b>4,629</b>	<b>3,090</b>

## 9 Profit before taxation

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

### (a) Staff costs

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Salaries and bonuses	15,840	16,264
Contributions to defined contribution retirement schemes	1,863	2,210
Others	3,642	3,561
	<b>21,345</b>	<b>22,035</b>



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 9 Profit before taxation (continued)

### (b) Other items

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Amortisation	1,223	1,246
Depreciation	4,980	4,324
Operating lease charges: minimum lease payments	2,760	2,798
Tax and surcharges	1,119	4,765
Property management fees	401	389
Non-operating expenses	134	439
Professional fees	444	455
	<b>11,061</b>	<b>14,416</b>

## 10 Income tax expense

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
<b>Current tax – Mainland China</b>		
Provision for enterprise income tax	10,840	10,796
Land appreciation tax	12	48
	<b>10,852</b>	<b>10,844</b>
<b>Current tax – Hong Kong</b>		
Provision for Hong Kong profits tax	480	953
<b>Current tax – Overseas</b>		
Provision for the period	259	273
	<b>11,591</b>	<b>12,070</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(844)	273
	<b>10,747</b>	<b>12,343</b>

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 11 Dividends

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
2016 Final dividend paid: HK\$0.23 (2015: HK\$0.20) per share	6,691	5,818
2017 Interim dividend proposed: HK\$0.11 (2016: HK\$0.10) per share	3,200	2,909

## 12 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK\$32,261 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$20,182 million), calculated as follows:

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Profit/(loss) attributable to ordinary shareholders of the Company arising from:		
– Continuing operations	32,261	24,918
– Discontinued operations	–	(4,736)
	32,261	20,182
Weighted average number of ordinary shares (in million)	29,090	29,090

The diluted earnings per share for the six months ended 30 June 2017 and 2016 are the same as the basic earnings per share. As at 30 June 2017, 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 2017 (30 June 2016: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2017 are HK\$1.11 (six months ended 30 June 2016: HK\$0.69).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 13 Other comprehensive income/(loss)

(a) Tax effects relating to each component of other comprehensive income/(loss)

	Six months ended 30 June					
	2017			2016		
	Before tax amount HK\$ million	Tax benefit/ (expense) HK\$ million	Net-of-tax amount HK\$ million	Before tax amount HK\$ million	Tax benefit/ (expense) HK\$ million	Net-of-tax amount HK\$ million
Available-for-sale financial assets: net movement in fair value reserve	(5,600)	1,699	(3,901)	(3,340)	687	(2,653)
Cash flow hedge: net movement in hedging reserve	643	(210)	433	(517)	70	(447)
Share of other comprehensive income/(loss) of associates and joint ventures	730	-	730	(581)	-	(581)
Exchange differences on translation of financial statements and others	19,651	-	19,651	(11,545)	-	(11,545)
Reclassification of owner-occupied property as investment property: revaluation gain	25	(6)	19	15	(4)	11
	15,449	1,483	16,932	(15,968)	753	(15,215)

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 13 Other comprehensive income/(loss) (continued)

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

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Fair value loss of available-for-sale financial assets	(5,748)	(2,071)
Less: Net amounts previously recognised in other comprehensive loss/(income) transferred to profit or loss in the current period	148	(1,269)
Tax effect	1,699	687
	(3,901)	(2,653)
Gains/(loss) arising from cash flow hedge	588	(573)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current period	55	56
Tax effect	(210)	70
	433	(447)
Share of other comprehensive income/(loss) of associates and joint ventures	730	(581)
Exchange differences on translation of financial statements and others	19,651	(11,545)
Reclassification of owner-occupied property as investment property: revaluation gain	25	15
Less: Tax effect	(6)	(4)
	19	11
	16,932	(15,215)

## 14 Segment reporting

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

- Financial services: this segment includes banking, trust, asset management, securities and insurance services.
- Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.
- Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminum wheels and other products.
- Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.
- Real estate: this segment includes development, sale and holding of properties.
- Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services, environment protection services and others.

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 14 Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below:

	Six months ended 30 June 2017								
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Continuing operations</b>									
Revenue from external customers	89,944	31,732	39,450	3,653	1,228	32,037	20	-	198,064
Inter-segment revenue	(234)	1,821	119	106	55	494	-	(2,361)	-
<b>Reportable segment revenue</b>	<b>89,710</b>	<b>33,553</b>	<b>39,569</b>	<b>3,759</b>	<b>1,283</b>	<b>32,531</b>	<b>20</b>	<b>(2,361)</b>	<b>198,064</b>
Share of profits of associates, net of tax	1,065	363	28	-	2,003	45	2	-	3,506
Share of profits of joint ventures, net of tax	304	543	-	-	2,786	266	-	-	3,899
Finance income (Note 8)	-	177	157	89	291	47	430	(535)	656
Finance costs (Note 8)	-	(1,075)	(384)	(42)	(218)	(686)	(3,281)	401	(5,285)
Depreciation and amortisation (Note 9(b))	(1,663)	(1,437)	(1,670)	(70)	(93)	(1,223)	(47)	-	(6,203)
Impairment losses	(27,625)	58	(76)	2	(81)	(173)	-	-	(27,895)
<b>Profit/(loss) before taxation</b>	<b>39,037</b>	<b>216</b>	<b>2,395</b>	<b>362</b>	<b>6,250</b>	<b>8,701</b>	<b>(3,245)</b>	<b>24</b>	<b>53,740</b>
Income tax	(8,345)	(308)	(492)	(53)	(431)	(1,063)	(53)	(2)	(10,747)
Profit/(loss) for the period from continuing operations	30,692	(92)	1,903	309	5,819	7,638	(3,298)	22	42,993
Loss for the period from discontinued operations	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>30,692</b>	<b>(92)</b>	<b>1,903</b>	<b>309</b>	<b>5,819</b>	<b>7,638</b>	<b>(3,298)</b>	<b>22</b>	<b>42,993</b>
Attributable to:									
- Ordinary shareholders of the Company	21,276	(284)	1,796	310	5,691	7,084	(3,634)	22	32,261
Continuing operations	21,276	(284)	1,796	310	5,691	7,084	(3,634)	22	32,261
Discontinued operations	-	-	-	-	-	-	-	-	-
- Non-controlling interests and holders of perpetual capital securities	9,416	192	107	(1)	128	554	336	-	10,732
Continuing operations	9,416	192	107	(1)	128	554	336	-	10,732
Discontinued operations	-	-	-	-	-	-	-	-	-

	As at 30 June 2017								
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	<b>6,605,963</b>	<b>141,921</b>	<b>103,684</b>	<b>37,988</b>	<b>156,022</b>	<b>132,522</b>	<b>145,878</b>	<b>(168,553)</b>	<b>7,155,425</b>
Including:									
Interests in associates	33,646	12,974	1,009	311	33,683	9,305	74	-	91,002
Interests in joint ventures	4,544	3,743	-	-	19,082	3,482	-	-	30,851
<b>Reportable segment liabilities</b>	<b>6,086,238</b>	<b>167,588</b>	<b>54,016</b>	<b>27,259</b>	<b>97,014</b>	<b>73,685</b>	<b>175,791</b>	<b>(268,195)</b>	<b>6,413,396</b>
Including:									
Bank and other loans	2,682	45,994	17,577	1,522	13,523	37,256	23,482	(22,191)	119,845
Debt instruments issued	544,091	1,152	3,912	-	-	5,117	112,093	-	666,365

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 14 Segment reporting (continued)

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

	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
<b>Continuing operations</b>									
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)	-
<b>Reportable segment revenue</b>	<b>97,081</b>	<b>22,458</b>	<b>28,953</b>	<b>6,096</b>	<b>1,688</b>	<b>29,443</b>	<b>23</b>	<b>(1,768)</b>	<b>183,974</b>
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 8)	-	153	129	120	114	44	1,298	(1,324)	534
Finance costs (Note 8)	-	(795)	(363)	(37)	(163)	(821)	(3,024)	1,579	(3,624)
Depreciation and amortisation (Note 9(b))	(1,575)	(827)	(1,656)	(67)	(90)	(1,323)	(32)	-	(5,570)
Impairment losses	(28,825)	(16)	(36)	650	(186)	(57)	-	-	(28,470)
<b>Profit/(loss) before taxation</b>	<b>41,333</b>	<b>1,586</b>	<b>2,207</b>	<b>1,231</b>	<b>670</b>	<b>3,885</b>	<b>(2,413)</b>	<b>(4)</b>	<b>48,495</b>
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)
<b>Profit/(loss) for the period</b>	<b>31,756</b>	<b>1,251</b>	<b>1,740</b>	<b>1,059</b>	<b>(4,777)</b>	<b>2,802</b>	<b>(2,495)</b>	<b>34</b>	<b>31,370</b>
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)
<b>As at 31 December 2016</b>									
	Financial services HK\$ million	Resources and energy HK\$ million	Manufacturing HK\$ million	Engineering contracting HK\$ million	Real estate HK\$ million	Others HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	<b>6,729,902</b>	<b>135,784</b>	<b>96,112</b>	<b>36,796</b>	<b>143,596</b>	<b>113,090</b>	<b>150,506</b>	<b>(167,791)</b>	<b>7,237,995</b>
Including:									
Interests in associates	32,128	11,719	950	465	31,832	6,959	72	-	84,125
Interests in joint ventures	3,999	2,906	-	-	9,149	3,333	-	-	19,387
<b>Reportable segment liabilities</b>	<b>6,237,647</b>	<b>160,848</b>	<b>49,474</b>	<b>26,579</b>	<b>94,244</b>	<b>70,059</b>	<b>167,944</b>	<b>(264,651)</b>	<b>6,542,144</b>
Including:									
Bank and other loans	2,964	41,398	15,088	1,276	10,721	32,863	21,749	(13,240)	112,819
Debt instruments issued	432,579	1,453	4,242	-	-	4,682	100,937	-	543,893

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 14 Segment reporting (continued)

### (b) Geographical information

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

	Revenue from external customers		Reportable segment assets	
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Mainland China	157,409	155,249	6,533,712	6,682,751
Hong Kong and Macau	26,595	16,797	502,113	447,065
Overseas	14,060	11,928	119,600	108,179
	198,064	183,974	7,155,425	7,237,995

## 15 Cash and deposits

	30 June	31 December
	2017	2016
	HK\$ million	HK\$ million
Cash	7,409	8,867
Bank deposits	52,996	50,263
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	522,817	520,751
– Surplus deposit reserve funds (note (iii))	51,810	65,795
– Fiscal deposits (note (iv))	5,395	3,989
– Foreign exchange reserves (note (v))	13,030	21,090
Deposits with banks and non-bank financial institutions	105,260	256,544
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions	–	(40)
	758,717	927,259



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 15 Cash and deposits (continued)

Notes:

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

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

As at 30 June 2017, the statutory deposit reserve placed by CITIC Bank with the People's Bank of China was calculated at 15% (31 December 2016: 15%) of eligible RMB deposits for domestic branches of CITIC Bank, and at 15% (31 December 2016: 15%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2016: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve as at 30 June 2017.

As at 30 June 2017, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 9% (31 December 2016: 9%).

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

As at 30 June 2017, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 7% (31 December 2016: 7%) of eligible RMB deposits from the customers of CITIC Finance. As at 30 June 2017, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2016: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

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

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

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China on 31 August 2015. The reserve is payable on a monthly basis at 20% (31 December 2016: 20%) of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK\$5,376 million (31 December 2016: HK\$5,517 million) included in cash and deposits as at 30 June 2017 were restricted in use. They mainly include guaranteed deposits.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 16 Financial assets at fair value through profit or loss

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Held for trading purpose:		
– Debt trading financial asset (note (a))	17,288	10,767
– Certificates of interbank deposit (note (b))	54,527	56,677
– Investment funds (note (c))	3,192	2,577
– Trading equity investments (note (d))	214	189
Financial assets designated at fair value through profit or loss (note (e)):		
– Debt securities	2,063	5,121
– Others	816	2,488
	<b>78,100</b>	<b>77,819</b>
Issued by:		
– Government	733	57
– Policy banks	3,999	3,177
– Banks and non-bank financial institutions	63,057	71,054
– Corporates	10,311	3,531
	<b>78,100</b>	<b>77,819</b>
Analysed by remaining maturity:		
– Within 3 months	46,079	19,188
– Between 3 months and 1 year	22,788	48,585
– Over 1 year	7,518	7,262
– No fixed terms	1,715	2,784
	<b>78,100</b>	<b>77,819</b>

The remaining term to maturity of financial assets at fair value through profit or loss does not represent the Group's intended holding period.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 16 Financial assets at fair value through profit or loss (continued)

### (a) Debt trading financial assets

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Listed in Hong Kong	674	1,092
Listed outside Hong Kong	16,536	7,575
Unlisted	78	2,100
	<b>17,288</b>	<b>10,767</b>

### (b) Certificates of interbank deposit

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Listed outside Hong Kong	54,527	56,677

### (c) Investment funds

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Listed in Hong Kong	141	–
Unlisted	3,051	2,577
	<b>3,192</b>	<b>2,577</b>

### (d) Trading equity investments

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Listed in Hong Kong	99	103
Listed outside Hong Kong	109	82
Unlisted	6	4
	<b>214</b>	<b>189</b>

### (e) Financial assets designated at fair value through profit or loss

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Listed outside Hong Kong	1,901	4,970
Unlisted	978	2,639
	<b>2,879</b>	<b>7,609</b>

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 17 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards and swap of interest rate and currency to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes.

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

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk. Hedging instruments are derivatives qualified for hedge accounting, and non-hedging instruments are derivatives not qualified for hedge accounting.

	30 June 2017			31 December 2016		
	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million
<b>Hedging instruments</b>						
Fair value hedge (note (c)(i)):						
– Interest rate derivatives	14,865	187	32	15,727	225	26
Cash flow hedge (note (c)(ii)):						
– Interest rate derivatives	16,168	7	2,190	17,416	–	2,187
– Currency derivatives	1,482	25	16	1,423	9	19
– Other derivatives	2,594	772	62	1,253	99	9
<b>Non-hedging instruments</b>						
– Interest rate derivatives	1,214,165	3,027	2,810	945,104	3,548	3,173
– Currency derivatives	3,859,598	25,451	23,875	2,920,994	47,423	44,774
– Precious metals derivatives	104,122	1,552	734	86,511	1,977	2,460
	<b>5,212,994</b>	<b>31,021</b>	<b>29,719</b>	<b>3,988,428</b>	<b>53,281</b>	<b>52,648</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 17 Derivative financial instruments (continued)

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Within 3 months	1,529,462	1,077,629
Between 3 months and 1 year	3,309,469	2,573,742
Between 1 year and 5 years	360,177	324,205
Over 5 years	13,886	12,852
	<b>5,212,994</b>	<b>3,988,428</b>

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

### (b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 30 June 2017, the credit risk weighted amount for counterparty was HK\$51,451 million (31 December 2016: HK\$41,513 million).

### (c) Derivatives designated as hedging instruments

#### (i) Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

#### (ii) Cash flow hedge

Cash flow hedge is adopted to hedge the risk that a financial instrument's cash flows will fluctuate because of changes in market interest rates, foreign exchange rates or commodity price by using foreign currency forward contracts, commodity forward contracts or interest rate swaps.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 18 Trade and other receivables

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Trade and bills receivables (note (a))	<b>32,982</b>	32,990
Interest receivables (note (b))	<b>38,917</b>	37,579
Prepayments, deposits and other receivables (note (c))	<b>84,854</b>	68,373
	<b>156,753</b>	138,942

As at 30 June 2017, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year was HK\$13,878 million (31 December 2016: HK\$14,243 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Trade and bills receivables

#### (i) Ageing analysis

As at the balance sheet date, the ageing analysis of trade and bills receivables of the Group based on invoice date and net of allowance for impairment losses is as follows:

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Within 1 year	<b>27,484</b>	29,055
Over 1 year	<b>6,933</b>	5,370
	<b>34,417</b>	34,425
Less: allowance for impairment losses	<b>(1,435)</b>	(1,435)
	<b>32,982</b>	32,990

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

#### (ii) Impairment of trade and bills receivables

As at 30 June 2017, the Group's trade and bills receivables of HK\$70 million (31 December 2016: HK\$103 million) were individually determined to be impaired. These receivables mainly relate to customers which were in financial difficulties. It is assessed that a portion of such receivables is expected to be recovered. Consequently, specific allowance for impairment losses is recognised.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 18 Trade and other receivables (continued)

### (a) Trade and bills receivables (continued)

#### (iii) Trade and bills receivables that are not impaired

The ageing analysis of past due trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Less than 1 year past due	1,642	1,298
Over 1 year past due	367	383
	<b>2,009</b>	<b>1,681</b>

Receivables that are past due but not impaired are related to a number of third-party customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

### (b) Interest receivables

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Interest receivables	43,763	41,949
Less: allowance for impairment losses	(4,846)	(4,370)
	<b>38,917</b>	<b>37,579</b>

### (c) Prepayments, deposits and other receivables

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Prepayments, deposits and other receivables	86,425	69,925
Less: allowance for impairment losses	(1,571)	(1,552)
	<b>84,854</b>	<b>68,373</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 19 Loans and advances to customers and other parties

### (a) Loans and advances

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Corporate loans		
– Loans	2,097,072	2,034,571
– Discounted bills	119,195	83,949
– Finance lease receivables	48,672	38,579
	<b>2,264,939</b>	2,157,099
Personal loans		
– Residential mortgages	570,923	484,297
– Business loans	147,953	125,151
– Credit cards	348,565	265,745
– Personal consumption	237,169	194,224
	<b>1,304,610</b>	1,069,417
	<b>3,569,549</b>	3,226,516
Less: impairment allowance		
– Individually assessed	(29,617)	(32,240)
– Collectively assessed	(64,607)	(56,370)
	<b>(94,224)</b>	(88,610)
	<b>3,475,325</b>	3,137,906

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Unsecured loans	719,133	617,132
Guaranteed loans	586,592	567,054
Secured loans		
– Loans secured by collateral	1,770,275	1,583,998
– Pledged loans	374,354	374,383
	<b>3,450,354</b>	3,142,567
Discounted bills	119,195	83,949
Gross loans and advances	<b>3,569,549</b>	3,226,516



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

	As at 30 June 2017				Gross impaired loans and advances as a percentage of gross total loans and advances
	Loans and advances for which the allowance is collectively assessed HK\$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK\$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK\$ million	Total HK\$ million	
Gross loans and advances	3,506,242	14,444	48,863	3,569,549	1.77%
Less: allowance for impairment losses	(53,839)	(10,768)	(29,617)	(94,224)	
	3,452,403	3,676	19,246	3,475,325	

	As at 31 December 2016				Gross impaired loans and advances as a percentage of gross total loans and advances
	Loans and advances for which the allowance is collectively assessed HK\$ million	Impaired loans and advances (note (i)) for which the allowance is collectively assessed HK\$ million	Impaired loans and advances (note (i)) for which the allowance is individually assessed HK\$ million	Total HK\$ million	
Gross loans and advances	3,168,261	11,826	46,429	3,226,516	1.81%
Less: allowance for impairment losses	(47,308)	(9,062)	(32,240)	(88,610)	
	3,120,953	2,764	14,189	3,137,906	

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

Notes:

- (i) Identified impaired loans and advances to customers and other parties include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).
- (ii) As at 30 June 2017, the loans and advances of the Group for which the impairment allowance were individually assessed amounted to HK\$48,863 million (31 December 2016: HK\$46,429 million). The secured and unsecured portion of these loans and advances were as follows:

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Secured portion	28,077	25,254
Unsecured portion	20,786	21,175
	<b>48,863</b>	<b>46,429</b>

As at 30 June 2017, the fair value of pledge and collateral held against these loans and advances amounted to HK\$23,692 million (31 December 2016: HK\$20,842 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

### (d) Movements of allowance for impairment losses

	Six months ended 30 June 2017			Total HK\$ million
	Loans and advances for which the allowance is collectively assessed HK\$ million	Impaired loans and advances for which the allowance is collectively assessed HK\$ million	for which the allowance is individually assessed HK\$ million	
At 1 January	47,308	9,062	32,240	88,610
Charge for the period				
– Impairment allowance on loans charged	5,097	3,248	18,908	27,253
– Reversal of impairment for the period	(80)	(534)	(2,419)	(3,033)
Unwinding of discount on allowance	–	–	(377)	(377)
Write-offs	–	(1,846)	(19,524)	(21,370)
Recovery of loans and advances written off in previous year	–	533	181	714
Changes of exchange rate	1,514	305	608	2,427
At 30 June	<b>53,839</b>	<b>10,768</b>	<b>29,617</b>	<b>94,224</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (d) Movements of allowance for impairment losses (continued)

	Six months ended 30 June 2016			Total HK\$ million
	Loans and advances for which the allowance is collectively assessed HK\$ million	Impaired loans and advances for which the allowance is collectively assessed HK\$ million	for which the allowance is individually assessed HK\$ million	
At 1 January	47,335	6,978	21,973	76,286
Charge for the period				
– Impairment allowance on loans charged	228	3,926	25,605	29,759
– Reversal of impairment for the period	(3,138)	(204)	(2,785)	(6,127)
Unwinding of discount on allowance	–	–	(341)	(341)
Write-offs	–	(2,464)	(21,185)	(23,649)
Recovery of loans and advances written off in previous year	–	204	97	301
Changes of exchange rate	(879)	(162)	(294)	(1,335)
At 30 June	43,546	8,278	23,070	74,894

### (e) Overdue loans by overdue period

	As at 30 June 2017				Total HK\$ million
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	
Unsecured loans	4,871	5,116	5,356	205	15,548
Guaranteed loans	9,306	9,550	10,238	1,400	30,494
Secured loans					
– Loans secured by collateral	18,852	22,051	16,855	793	58,551
– Pledged loans	3,146	1,722	2,931	206	8,005
	36,175	38,439	35,380	2,604	112,598

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (e) Overdue loans by overdue period (continued)

	As at 31 December 2016				Total HK\$ million
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	
Unsecured loans	4,455	6,235	3,073	335	14,098
Guaranteed loans	8,693	13,022	7,978	128	29,821
Secured loans					
– Loans secured by collateral	25,364	19,297	9,867	750	55,278
– Pledged loans	1,780	3,091	1,169	70	6,110
	40,292	41,645	22,087	1,283	105,307

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

## 20 Available-for-sale financial assets

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Debt securities (note (a))	462,708	449,754
Certificates of deposit and certificates of interbank deposit (note (b))	94,642	129,736
Wealth management products issued by financial institutions (note (c))	28,200	17,555
Equity investments (note (d))	18,963	15,763
Investment funds (note (e))	94,329	30,532
	698,842	643,340
Less: allowance for impairment losses	(832)	(863)
	698,010	642,477
Issued by:		
– Government	230,818	202,541
– Policy banks	87,147	102,744
– Banks and non-bank financial institutions	261,084	225,284
– Corporates	118,961	111,908
	698,010	642,477
Analysed by remaining maturity:		
– Within 3 months	106,807	150,556
– Between 3 months and 1 year	117,839	106,324
– Over 1 year	368,471	370,052
– No fixed terms	104,893	15,545
	698,010	642,477

The remaining term to maturity of available-for-sale financial assets does not represent the Group's intended holding period.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 20 Available-for-sale financial assets (continued)

### (a) Debt securities

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Debt securities	462,708	449,754
Less: allowance for impairment losses	(30)	(148)
	<b>462,678</b>	449,606
Representing:		
– Listed in Hong Kong	25,103	18,521
– Listed outside Hong Kong	419,681	398,907
– Unlisted	17,894	32,178
	<b>462,678</b>	449,606

### (b) Certificates of deposit and certificates of interbank deposit

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Certificates of deposit and certificates of interbank deposit	94,642	129,736
Representing:		
– Listed outside Hong Kong	94,642	129,736

### (c) Wealth management products issued by financial institutions

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Wealth management products issued by financial institutions	28,200	17,555
Less: allowance for impairment losses	(433)	(373)
	<b>27,767</b>	17,182
Representing:		
– Unlisted	27,767	17,182

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 20 Available-for-sale financial assets (continued)

### (d) Equity investments

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Equity investments	<b>18,963</b>	15,763
Less: allowance for impairment losses	<b>(336)</b>	(309)
	<b>18,627</b>	15,454
Representing:		
– Listed in Hong Kong	<b>7,920</b>	2,292
– Listed outside Hong Kong	<b>1,751</b>	1,678
– Unlisted	<b>8,956</b>	11,484
	<b>18,627</b>	15,454

### (e) Investment Funds

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Investment funds	<b>94,329</b>	30,532
Less: allowance for impairment losses	<b>(33)</b>	(33)
	<b>94,296</b>	30,499
Representing:		
– Listed in Hong Kong	<b>1,545</b>	1,492
– Listed outside Hong Kong	<b>85,202</b>	21,894
– Unlisted	<b>7,549</b>	7,113
	<b>94,296</b>	30,499

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 21 Held-to-maturity investments

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Debt securities	266,323	244,123
Others	–	30
	<b>266,323</b>	<b>244,153</b>
Less: allowance for impairment losses	–	(2)
	<b>266,323</b>	<b>244,151</b>
Representing:		
– Listed in Hong Kong	1,939	1,017
– Listed outside Hong Kong	259,205	238,128
– Unlisted	5,179	5,006
	<b>266,323</b>	<b>244,151</b>
Issued by:		
– Government	60,574	55,098
– Policy banks	67,773	78,100
– Banks and non-bank financial institutions	113,622	86,397
– Public entities	3	4
– Corporates	24,351	24,552
	<b>266,323</b>	<b>244,151</b>
Analysed by remaining maturity:		
– Within 3 months	36,865	13,663
– Between 3 months and 1 year	46,537	64,873
– Over 1 year	182,921	165,615
	<b>266,323</b>	<b>244,151</b>
Fair value	264,597	244,876
Of which: listed debt securities	259,685	240,837

Note:

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 22 Investments classified as receivables

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Trust investment plans	146,801	145,595
Investment management products managed by securities companies	395,130	509,120
Wealth management products issued by financial institutions	440,997	512,448
Others	542	1,296
	983,470	1,168,459
Less: allowance for impairment losses	(3,142)	(2,134)
	980,328	1,166,325

As at 30 June 2017, certain of the Group's investments with an aggregate amount of HK\$118,062 million (31 December 2016: HK\$164,894 million) were managed by certain subsidiaries and related parties of the Group.

The underlying assets of investment classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

## 23 Interests in associates

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Carrying value	93,332	86,440
Less: allowance for impairment losses	(2,330)	(2,315)
	91,002	84,125

## 24 Interests in joint ventures

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Carrying value	32,359	20,894
Less: allowance for impairment losses	(1,508)	(1,507)
	30,851	19,387



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Banks	276,778	502,387
Non-bank financial institutions	734,104	594,777
	<b>1,010,882</b>	<b>1,097,164</b>
Analysed by remaining maturity:		
– On demand	263,116	205,334
– Within 3 months	643,450	658,028
– Between 3 months and 1 year	104,294	233,187
– Over 1 year	22	615
	<b>1,010,882</b>	<b>1,097,164</b>

## 26 Trade and other payables

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Trade and bills payables	56,059	52,895
Advances from customers	8,595	5,547
Interest payables	45,851	44,214
Other taxes payables	4,293	4,309
Settlement accounts	7,687	33,575
Other payables	66,486	66,745
	<b>188,971</b>	<b>207,285</b>

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Within 1 year	39,381	36,050
Between 1 and 2 years	8,569	8,725
Between 2 and 3 years	6,604	6,732
Over 3 years	1,505	1,388
	<b>56,059</b>	<b>52,895</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 27 Deposits from customers

### (a) Types of deposits from customers

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Demand deposits		
– Corporate customers	1,821,643	1,845,451
– Personal customers	289,808	260,433
	2,111,451	2,105,884
Time and call deposits		
– Corporate customers	1,464,664	1,554,160
– Personal customers	365,099	363,387
	1,829,763	1,917,547
Outward remittance and remittance payables	9,331	8,091
	3,950,545	4,031,522

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Bank acceptances	199,347	238,817
Letters of credit	10,674	10,759
Guarantees	18,040	28,867
Others	139,727	166,345
	367,788	444,788

## 28 Bank and other loans

### (a) Types of loans

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
<b>Bank loans</b>		
Unsecured loans	80,646	80,128
Loan pledged with assets (note (d))	31,059	23,900
Guaranteed loans	631	643
	112,336	104,671
<b>Other loans</b>		
Unsecured loans	7,098	6,883
Loan pledged with assets (note (d))	390	1,143
Guaranteed loans	21	122
	7,509	8,148
	119,845	112,819

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 28 Bank and other loans (continued)

### (b) Maturity of loans

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Bank and other loans are repayable:		
– Within 1 year or on demand	29,099	29,413
– Between 1 and 2 years	9,349	10,985
– Between 2 and 5 years	30,637	27,464
– Over 5 years	50,760	44,957
	<b>119,845</b>	<b>112,819</b>

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
RMB	36,191	33,045
US\$	50,406	50,453
HK\$	14,262	14,876
Other currencies	18,986	14,445
	<b>119,845</b>	<b>112,819</b>

- (d) As at 30 June 2017, the Group's bank and other loans of HK\$31,449 million (31 December 2016: HK\$25,043 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets and other assets with an aggregate carrying amount of HK\$84,897 million (31 December 2016: HK\$86,290 million).
- (e) All of the Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 32(b). As at 30 June 2017, none of the covenants relating to drawn down facilities had been breached (31 December 2016: Nil).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Corporate bonds issued (note (a))	91,019	81,376
Notes issued (note (b))	126,763	64,916
Subordinated bonds issued (note (c))	87,617	85,234
Certificates of deposit issued (note (d))	10,731	10,612
Certificates of interbank deposit issued (note (e))	350,235	301,755
	<b>666,365</b>	<b>543,893</b>
Analysed by remaining maturity:		
– Within 1 year or on demand	373,856	320,997
– Between 1 and 2 years	33,472	34,395
– Between 2 and 5 years	122,623	55,073
– Over 5 years	136,414	133,428
	<b>666,365</b>	<b>543,893</b>

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 2017 (six months ended 30 June 2016: Nil).

Notes:

### (a) Corporate bonds issued

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
The Company (note (i))	64,534	54,832
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	16,666	16,166
CITIC Telecom International Holdings Limited ("CITIC Telecom International") (note (iii))	3,485	3,483
CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries") (note (iv))	3,682	3,460
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note (v))	1,383	2,236
CITIC Environment Investment Group Co., Limited's ("CITIC Environment") subsidiaries (note(vi))	1,269	1,199
	<b>91,019</b>	<b>81,376</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

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

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

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US\$ Notes 3.1	US\$	750	2012-03-21	2018-01-21	6.88%
US\$ Notes 3.2	US\$	350	2012-04-26	2018-01-21	6.88%
HK\$ Notes 1	HK\$	500	2013-07-31	2018-07-31	5.90%
US\$ Notes 5	US\$	500	2013-04-10	2020-04-10	6.38%
US\$ Notes 2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes 2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes 1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes 4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes 4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes 4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes 6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes 8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes 9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes 10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes 11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes 12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes 13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes 14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes 15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes 16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes 17	US\$	500	2017-02-28	2022-02-28	3.13%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

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

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

	Denominated currency	Face value in denominated currency million	As at 31 December 2016		Interest rate per annum
			Issue date	Maturity date	
US\$ Notes 3.1	US\$	750	2012-03-21	2018-01-21	6.88%
US\$ Notes 3.2	US\$	350	2012-04-26	2018-01-21	6.88%
HK\$ Notes 1	HK\$	500	2013-07-31	2018-07-31	5.90%
US\$ Notes 5	US\$	500	2013-04-10	2020-04-10	6.38%
US\$ Notes 2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes 2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes 1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes 4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes 4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes 4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes 6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes 8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes 9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes 10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes 11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes 12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes 13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes 14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes 15	US\$	250	2016-09-07	2046-09-07	4.49%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

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

#### (ii) Details of corporate bonds issued by CITIC Corporation

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
02 CITIC bond	RMB	4,500	2002-09-26	2017-09-26	4.08%
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%

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

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed Bonds	US\$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed Bonds	US\$	450	2013-03-05	2025-03-05	6.10%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

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

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

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Short Term Corporate Bonds	RMB	1,600	2017-01-18	2018-01-18	4.30%
Corporate Bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%
Corporate Bonds	RMB	600	2013-01-25	2020-01-25	5.20%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Short Term Corporate Bonds	RMB	1,500	2016-02-26	2017-02-26	3.20%
Corporate bonds	RMB	1,000	2014-11-26	2019-11-26	4.98%
Corporate bonds	RMB	600	2013-01-25	2020-01-25	5.20%

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

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Jiangyin Xingcheng Special Steel Works Co., Ltd. – RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
Jiangyin Ligang Electric Power Generation Co., Ltd. – 16 Ligang SCP003	RMB	200	2016-10-19	2017-07-18	2.99%
– 16 Ligang SCP004	RMB	300	2016-11-15	2017-08-14	3.28%



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

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

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

	Denominated currency	Face value in denominated currency million	As at 31 December 2016		Interest rate per annum
			Issue date	Maturity date	
Medium Term Notes	RMB	200	2015-05-19	2018-05-19	4.50%
Medium Term Notes	RMB	300	2015-06-08	2018-06-08	4.70%
Hubei Xin Yegang Steel Co., Ltd.					
– RMB Notes 2	RMB	500	2012-06-25	2017-06-25	5.23%
Jiangyin Xingcheng Special Steel Works Co., Ltd.					
– RMB Notes 3	RMB	200	2012-11-27	2017-11-26	6.06%
Jiangyin Ligang Electric Power Generation Co., Ltd.					
– 16 Ligang SCP001	RMB	100	2016-09-01	2017-06-02	3.02%
– 16 Ligang SCP002	RMB	200	2016-09-21	2017-06-20	3.04%
– 16 Ligang SCP003	RMB	200	2016-10-19	2017-07-18	2.99%
– 16 Ligang SCP004	RMB	300	2016-11-15	2017-08-14	3.28%

#### (vi) Details of corporate bonds issued by CITIC Environment's subsidiaries

	Denominated currency	Face value in denominated currency million	As at 30 June 2017		Interest rate per annum
			Issue date	Maturity date	
CITIC Envirotech Co., Ltd. ("CITIC Envirotech").					
– Medium Term Notes	SG\$	225	2015-04-29	2018-04-29	4.70%

	Denominated currency	Face value in denominated currency million	As at 31 December 2016		Interest rate per annum
			Issue date	Maturity date	
CITIC Envirotech					
– Medium Term Notes	SG\$	225	2015-04-29	2018-04-29	4.70%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

### (b) Notes issued

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
CITIC Corporation (note (i))	30,892	29,938
CITIC Bank (note (ii))	95,508	34,978
CITIC Offshore Helicopter Company Limited (note (iii))	363	–
	<b>126,763</b>	<b>64,916</b>

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

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 First tranche medium term note	RMB	3,000	2011-07-28	2018-08-02	5.85%
2011 Second tranche medium term note-1	RMB	2,000	2011-11-15	2018-11-16	5.10%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

### (b) Notes issued (continued)

#### (ii) Details of notes issued by CITIC Bank

	As at 30 June 2017				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%
17 Financial bonds	RMB	50,000	2017-04-13	2020-04-17	4.20%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%

	As at 31 December 2016				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial debts	RMB	15,000	2013-11-08	2018-11-12	5.20%
Dim Sum bonds	RMB	1,500	2014-02-27	2017-02-27	4.13%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	RMB	8,000	2015-11-13	2020-11-17	3.61%

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 29 Debt instruments issued (continued)

Notes: (continued)

### (c) Subordinated bonds issued

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	4,075	4,071
– In September 2022 (note (ii))	2,340	2,322
– In May 2024 (note (iii))	2,342	2,328
Fixed rate bonds maturing		
– In May 2025 (note (iv))	13,250	12,856
– In June 2027 (note (v))	23,020	22,335
– In August 2024 (note (vi))	42,590	41,322
	<b>87,617</b>	<b>85,234</b>

		As at 30 June 2017				
		Face value in denominated				
	Denominated currency	currency million	Issue date	Maturity date	Interest rate per annum	
(i)	Subordinated Notes	US\$ 500	2010-06-24	2020-06-24	6.88%	
(ii)	Subordinated Notes	US\$ 300	2012-09-27	2022-09-28	3.88%	
(iii)	Subordinated Notes	US\$ 300	2013-11-07	2024-05-07	6.00%	
(iv)	Subordinated Fixed Rate Bonds	RMB 11,500	2010-05-28	2025-05-28	4.30%	
(v)	Subordinated Fixed Rate Bonds	RMB 20,000	2012-06-21	2027-06-21	5.15%	
(vi)	Subordinated Fixed Rate Bonds	RMB 37,000	2014-08-26	2024-08-26	6.13%	

		As at 31 December 2016				
		Face value in denominated				
	Denominated currency	currency million	Issue date	Maturity date	Interest rate per annum	
(i)	Subordinated Notes	US\$ 500	2010-06-24	2020-06-24	6.88%	
(ii)	Subordinated Notes	US\$ 300	2012-09-27	2022-09-28	3.88%	
(iii)	Subordinated Notes	US\$ 300	2013-11-07	2024-05-07	6.00%	
(iv)	Subordinated Fixed Rate Bonds	RMB 11,500	2010-05-28	2025-05-28	4.30%	
(v)	Subordinated Fixed Rate Bonds	RMB 20,000	2012-06-21	2027-06-21	5.15%	
(vi)	Subordinated Fixed Rate Bonds	RMB 37,000	2014-08-26	2024-08-26	6.13%	

### (d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 0.69% to 3.62% per annum (31 December 2016: 0.46% to 3.62% per annum).

### (e) Certificates of interbank deposit issued

As at 30 June 2017, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB303,976 million (approximately HK\$350,235 million) (31 December 2016: RMB269,923 million (approximately HK\$301,755 million)). The yield ranges from 2.71% to 4.85% per annum (31 December 2016: 2.68% to 3.75% per annum). The original expiry terms are between 1 month to 2 years (31 December 2016: between 1 month to 2 years).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 30 Share capital and perpetual capital securities

### (a) Share capital

As at 30 June 2017, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2016: 29,090,262,630).

### (b) Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the “perpetual capital securities”) with a nominal amount of US\$750 million (approximately HK\$5,850 million) and US\$1,000 million (approximately HK\$7,800 million), respectively. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 15 April 2016, the perpetual capital securities of US\$750 million were redeemed by the Company. The amounts as at 30 June 2017 and 31 December 2016 included the accrued distribution payments.

### (c) Capital management

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

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

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 30 June 2017 (31 December 2016: Nil).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments

### (a) Credit commitments

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

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

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	6,794	9,292
With an original maturity of 1 year or above	71,098	74,332
	<b>77,892</b>	83,624
Guarantees	248,406	195,605
Letters of credit	101,635	96,798
Acceptances	476,749	598,680
Credit card commitments	323,849	241,299
Others	5	3
	<b>1,228,536</b>	1,216,009

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments (continued)

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Credit risk weighted amount on credit commitments	397,236	376,984

Notes:

- (i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.
- (ii) As at 30 June 2017 and 31 December 2016, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

### (c) Redemption commitment for treasury bonds

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

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Redemption commitment for treasury bonds	14,146	14,223

As at 30 June 2017, the original maturities of these bonds vary from one to five years (31 December 2016: one to five years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments (continued)

### (d) Guarantees provided

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Related parties (note)	<b>17,731</b>	17,712
Third parties	<b>3,733</b>	2,940
	<b>21,464</b>	20,652

Note:

As at 30 June 2017, the guarantees provided to related parties by the Group included guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016 amounting to RMB5,000 million (approximately HK\$5,800 million)(31 December 2016: RMB5,300 million (approximately HK\$5,900 million)). The guarantees were being transferred to China Overseas which has provided counter guarantees to the Group.

The relationship of related parties is disclosed in Note 33.

Included in the above table, the Group's counter guarantees issued to related parties and third parties as at the balance sheet date are as follows:

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Related parties	<b>329</b>	261
Third parties	<b>11</b>	11
	<b>340</b>	272

### (e) Outstanding litigation and disputes

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



## 31 Contingent liabilities and commitments (continued)

### (e) Outstanding litigation and disputes (continued)

#### (i) Investigation into 2008 forex incident

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments (continued)

### (e) Outstanding litigation and disputes (continued)

#### (ii) Mineralogy Disputes

The MRSLAs provide that royalties are payable to Mineralogy by each of Sino Iron and Korean Steel on magnetite 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 remain on foot, they are described above in Note 3(b). Those proceedings continue to be vigorously contested by the Group.

The Group does not consider that a reliable estimate can be made of the amount of any potential liability (if such liability is found to exist) for Royalty Component B arising from the Royalty B proceeding. Therefore, no provision has been recognised in the Accounts.

There are a number of disputes with Mineralogy. Refer to Note 3(b) for details.

#### (iii) 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.), commenced a claim in 山西省高級人民法院 (the Shanxi High People’s Court) (the “Shanxi Court”) against, amongst others, CITIC Australia Commodity Trading Pty Limited (“CACT”), an indirect wholly-owned subsidiary of the Company (“Shanxi Claim A”). In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the inventories (the “Shanxi APO”).

In January 2017, pursuant to a civil ruling of the Shanxi Court, Shanxi Claim A was transferred to the Public Security Bureau and as a result, Shanxi Claim A terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

In February 2017, the Qingdao Court ordered the lifting of the Shanxi APO.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments (continued)

### (e) Outstanding litigation and disputes (continued)

#### (iii) CITIC Resources Holdings Limited (“CITIC Resources”) Litigation (continued)

- (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 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 (“Shanxi Claim B”).

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no provision was made in respect of Shanxi Claim B.

In November 2016, a hearing was held in Singapore to determine the jurisdiction of Shanxi Claim B. However, up to the date of approval of the Accounts, the determination is still pending.

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

### (f) Capital commitments

As at the balance sheet date, the Group had the following contracted capital commitments not provided for in the Accounts:

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
<b>Contracted for (note)</b>	<b>30,407</b>	18,004

Note:

As at 30 June 2017, the capital commitments included the consideration to be paid for the acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses (Note 37).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 31 Contingent liabilities and commitments (continued)

### (g) Operating lease commitments

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

	<b>30 June 2017 HK\$ million</b>	31 December 2016 HK\$ million
Within 1 year	4,408	4,309
Between 1 and 2 years	3,616	3,362
Between 2 and 3 years	3,065	2,817
Over 3 years	8,190	8,442
	<b>19,279</b>	<b>18,930</b>

## 32 Financial risk management and fair values

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

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

### (a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. For loan business, the Group identifies and manages the credit risk through its target markets definitions, credit approval process, post-disbursement monitoring and remedial management procedures. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counterparties in fulfilling their obligations. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (a) Credit risk (continued)

#### (i) Maximum credit risk exposure

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

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	751,308	918,392
Placements with banks and non-bank financial institutions	182,916	186,927
Financial assets at fair value through profit or loss	74,694	75,053
Derivative financial assets	31,021	53,281
Trade and other receivables	133,426	116,283
Financial assets held under resale agreements	29,067	193,615
Loans and advances to customers and other parties	3,475,325	3,137,906
Available-for-sale financial assets	557,320	579,342
Held-to-maturity investments	266,323	244,151
Investments classified as receivables	980,328	1,166,325
	6,481,728	6,671,275
Credit commitments and guarantees provided	1,250,000	1,236,661
Maximum credit risk exposure	7,731,728	7,907,936

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (a) Credit risk (continued)

#### (ii) Distribution by credit exposure is as follows:

	As at 30 June 2017				
	Loans and advances to customers and other parties HK\$ million	Due from central banks, banks and non-bank financial institutions HK\$ million	Financial asset held under resale agreements HK\$ million	Debt securities investments and certificates of deposit HK\$ million	Investments classified as receivables HK\$ million
<b>Impaired</b>					
Individually assessed					
Gross balance	48,863	1	-	198	216
Allowance for impairment losses	(29,617)	(1)	-	(30)	(35)
	19,246	-	-	168	181
Collectively assessed					
Gross balance	14,444	-	-	-	-
Allowance for impairment losses	(10,768)	-	-	-	-
	3,676	-	-	-	-
<b>Overdue but not impaired (note (1))</b>					
Gross balance	57,100	-	-	-	-
Within which:					
- Within 3 months	34,523	-	-	-	-
- Between 3 months and 1 year	19,607	-	-	-	-
- Over 1 year	2,970	-	-	-	-
Allowance for impairment losses	(10,113)	-	-	-	-
	46,987	-	-	-	-
<b>Neither overdue nor impaired</b>					
Gross balance	3,449,142	934,224	29,067	897,353	983,254
Allowance for impairment losses (note (2))	(43,726)	-	-	-	(3,107)
	3,405,416	934,224	29,067	897,353	980,147
<b>Net balance</b>	<b>3,475,325</b>	<b>934,224</b>	<b>29,067</b>	<b>897,521</b>	<b>980,328</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (a) Credit risk (continued)

#### (ii) Distribution by credit exposure is as follows: (continued)

	As at 31 December 2016				
	Loans and advances to customers and other parties HK\$ million	Due from central banks, banks and non-bank financial institutions HK\$ million	Financial asset held under resale agreements HK\$ million	Debt securities investments and certificates of deposit HK\$ million	Investments classified as receivables HK\$ million
<b>Impaired</b>					
Individually assessed					
Gross balance	46,429	36	–	68	31
Allowance for impairment losses	(32,240)	(9)	–	(35)	(16)
	14,189	27	–	33	15
Collectively assessed					
Gross balance	11,826	–	–	–	–
Allowance for impairment losses	(9,062)	–	–	–	–
	2,764	–	–	–	–
<b>Overdue but not impaired (note (1))</b>					
Gross balance	50,757	–	–	–	148
Within which:					
– Within 3 months	38,754	–	–	–	148
– Between 3 months and 1 year	12,003	–	–	–	–
Allowance for impairment losses	(9,393)	–	–	–	(3)
	41,364	–	–	–	145
<b>Neither overdue nor impaired</b>					
Gross balance	3,117,504	1,105,332	193,615	896,110	1,168,280
Allowance for impairment losses (note (2))	(37,915)	(40)	–	(115)	(2,115)
	3,079,589	1,105,292	193,615	895,995	1,166,165
Net balance	3,137,906	1,105,319	193,615	896,028	1,166,325

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (a) Credit risk (continued)

#### (ii) Distribution by credit exposure is as follows: (continued)

Notes:

- (1) Collateral and other credit enhancements for overdue but not impaired loans and advances:

As at 30 June 2017, the corporate loans and advances of the Group which were overdue but not impaired were HK\$46,648 million (31 December 2016: HK\$42,556 million). As at 30 June 2017, the secured portion of these loans and advances were HK\$31,658 million (31 December 2016: HK\$29,775 million), and the remaining loans and advances were unsecured.

The fair value of collateral held against these loans and advances amounted to HK\$30,539 million as at 30 June 2017 (31 December 2016: HK\$28,672 million).

The fair value of collateral was estimated by management based on the latest revaluations including available external valuations, if any, adjusted by taking into account the current realisation experience as well as market conditions.

- (2) The balance represents collectively assessed allowance for impairment losses.

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

	As at 30 June 2017			As at 31 December 2016		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Corporate loans						
– Manufacturing	395,719	11%	191,502	427,307	14%	223,605
– Real estate	369,668	10%	319,464	334,116	10%	278,240
– Wholesale and retail	235,194	7%	138,864	266,677	8%	163,971
– Rental and business services	242,382	7%	152,799	203,030	6%	130,565
– Transportation, storage and postal services	176,696	5%	95,316	181,078	6%	94,720
– Water, environment and public utility management	195,889	5%	101,354	167,601	5%	87,097
– Construction	99,231	3%	42,607	101,321	3%	44,362
– Production and supply of electric power, gas and water	80,614	2%	34,882	67,127	2%	28,157
– Public management and social organisations	25,395	1%	5,924	22,187	1%	4,949
– Others	324,956	9%	144,402	302,706	9%	125,048
	2,145,744	60%	1,227,114	2,073,150	64%	1,180,714
Personal loans	1,304,610	37%	917,515	1,069,417	33%	777,667
Discounted bills	119,195	3%	–	83,949	3%	–
	3,569,549	100%	2,144,629	3,226,516	100%	1,958,381



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (a) Credit risk (continued)

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

	As at 30 June 2017			As at 31 December 2016		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Mainland China	3,367,790	94%	2,065,952	3,032,139	94%	1,881,768
Hong Kong and Macau	186,954	5%	73,246	175,682	5%	66,741
Overseas	14,805	1%	5,431	18,695	1%	9,872
	<b>3,569,549</b>	<b>100%</b>	<b>2,144,629</b>	<b>3,226,516</b>	<b>100%</b>	<b>1,958,381</b>

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

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

	As at 30 June 2017		As at 31 December 2016	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances overdue less than 3 months	3,064	0.08%	2,855	0.09%
Rescheduled loans and advances overdue more than 3 months	19,233	0.54%	16,411	0.51%
	<b>22,297</b>	<b>0.62%</b>	<b>19,266</b>	<b>0.60%</b>

#### (vi) Offsetting

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

As at 30 June 2017, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2016: Nil).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (b) Liquidity risk

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

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

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

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

	As at 30 June 2017					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No maturity date HK\$ million	
Total financial assets	275,933	2,859,507	1,559,172	1,221,455	717,166	6,633,233
Total financial liabilities	(2,676,054)	(2,946,481)	(531,121)	(172,040)	(2,028)	(6,327,724)
Financial asset-liability gap	(2,400,121)	(86,974)	1,028,051	1,049,415	715,138	305,509

	As at 31 December 2016					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No maturity date HK\$ million	
Total financial assets	290,434	3,518,796	1,279,761	1,031,725	625,327	6,746,043
Total financial liabilities	(2,727,659)	(3,064,248)	(511,839)	(160,971)	(4,643)	(6,469,360)
Financial asset-liability gap	(2,437,225)	454,548	767,922	870,754	620,684	276,683

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (b) Liquidity risk (continued)

	As at 30 June 2017			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	8,629	30,349	38,914	77,892
Guarantees	145,069	102,425	912	248,406
Letters of credit	99,024	2,611	–	101,635
Acceptances	476,749	–	–	476,749
Credit card commitments	323,849	–	–	323,849
Others	3	2	–	5
<b>Total</b>	<b>1,053,323</b>	<b>135,387</b>	<b>39,826</b>	<b>1,228,536</b>

	As at 31 December 2016			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	16,811	31,118	35,695	83,624
Guarantees	106,027	88,426	1,152	195,605
Letters of credit	95,121	1,677	–	96,798
Acceptances	598,680	–	–	598,680
Credit card commitments	241,299	–	–	241,299
Others	–	3	–	3
<b>Total</b>	<b>1,057,938</b>	<b>121,224</b>	<b>36,847</b>	<b>1,216,009</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (c) Interest rate risk

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

### (i) Asset-liabilities gap

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

	As at 30 June 2017				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	319,527	5,350,918	712,617	250,171	6,633,233
Total financial liabilities	(202,950)	(5,482,647)	(509,639)	(132,488)	(6,327,724)
Financial asset-liability gap	116,577	(131,729)	202,978	117,683	305,509

	As at 31 December 2016				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	314,617	4,827,499	1,372,794	231,133	6,746,043
Total financial liabilities	(225,551)	(5,645,273)	(477,137)	(121,399)	(6,469,360)
Financial asset-liability gap	89,066	(817,774)	895,657	109,734	276,683

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

#### (ii) Effective interest rate

	Effective interest rate	As at 30 June 2017 HK\$ million	Effective interest rate	As at 31 December 2016 HK\$ million
<b>Assets</b>				
Cash and deposits	1.55%-2.13%	758,717	1.40%-1.52%	927,259
Placements with banks and non-bank financial institutions	2.87%	182,916	2.56%	186,927
Financial assets held under resale agreements	2.87%	29,067	2.30%	193,615
Loans and advances to customers and other parties	4.60%	3,475,325	4.82%	3,137,906
Investments classified as receivables	4.12%	980,328	4.01%	1,166,325
Investments (note (1))	3.34%	1,164,286	3.41%	1,067,959
Others		564,786		558,004
		<b>7,155,425</b>		<b>7,237,995</b>
<b>Liabilities</b>				
Borrowing from central banks	3.03%	223,322	3.02%	205,755
Deposits from banks and non-bank financial institutions	3.76%	1,010,882	2.81%	1,097,164
Placements from banks and non-bank financial institutions	2.70%	73,876	2.10%	93,596
Financial assets sold under repurchase agreements	2.92%	77,087	2.42%	134,534
Deposits from customers	1.57%	3,950,545	1.68%	4,031,522
Bank and other loans	0.33%-8.80%	119,845	0.33%-7.80%	112,819
Debt instruments issued	2.80%-6.90%	666,365	2.80%-6.90%	543,893
Others		291,474		322,861
		<b>6,413,396</b>		<b>6,542,144</b>

Note:

- (1) The Group's investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. The calculation of effective interest rate is based on the interest yielding part of the financial assets.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 32 Financial risk management and fair values *(continued)*

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

#### (iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 30 June 2017, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's annualised profit before taxation would decrease or increase by HK\$4,776 million (31 December 2016: the Group's annual profit before taxation would decrease or increase by HK\$9,393 million).

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

### (d) Currency risk

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

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

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US\$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US\$) have been designated as an accounting hedge against other US\$ loans.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (d) Currency risk (continued)

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

	As at 30 June 2017				
	HK\$	US\$	RMB	Others	Total
Total financial assets	250,115	406,779	5,923,676	52,663	6,633,233
Total financial liabilities	(201,638)	(453,676)	(5,606,941)	(65,469)	(6,327,724)
Financial asset-liability gap	48,477	(46,897)	316,735	(12,806)	305,509

	As at 31 December 2016				
	HK\$	US\$	RMB	Others	Total
Total financial assets	166,422	403,896	6,135,557	40,168	6,746,043
Total financial liabilities	(180,068)	(443,208)	(5,781,541)	(64,543)	(6,469,360)
Financial asset-liability gap	(13,646)	(39,312)	354,016	(24,375)	276,683

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

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK\$ against the US\$, RMB and other currencies as at 30 June 2017 would decrease or increase the Group's annualised profit before taxation by HK\$2,608 million (31 December 2016: decrease or increase the Group's annual profit before taxation by HK\$2,982 million).

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 32 Financial risk management and fair values *(continued)*

### (e) Fair values

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

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

- Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (e) Fair values (continued)

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

	As at 30 June 2017			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Assets</b>				
Financial assets at fair value through profit or loss	5,996	72,087	17	78,100
Derivative financial assets	134	30,886	1	31,021
Available-for-sale financial assets	67,941	605,889	17,977	691,807
	74,071	708,862	17,995	800,928
<b>Liabilities</b>				
Derivative financial liabilities	(84)	(29,634)	(1)	(29,719)
	As at 31 December 2016			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Assets</b>				
Financial assets at fair value through profit or loss	8,517	69,270	32	77,819
Derivative financial assets	206	53,073	2	53,281
Available-for-sale financial assets	60,874	553,965	18,057	632,896
	69,597	676,308	18,091	763,996
<b>Liabilities</b>				
Derivative financial liabilities	–	(52,646)	(2)	(52,648)

During the six months ended 30 June 2017, there were no significant transfers between instruments in different levels (six months ended 30 June 2016: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (six months ended 30 June 2016: Nil).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

### (e) Fair values (continued)

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

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

	Six months ended 30 June 2017				Liabilities
	Financial assets at fair value through profit or loss HK\$ million	Assets		Total HK\$ million	
Derivative financial assets HK\$ million		Available-for-sale financial assets HK\$ million	Derivative financial liabilities HK\$ million		
As at 1 January 2017	32	2	18,057	18,091	(2)
Total losses					
– in profit or loss	(16)	–	(20)	(36)	–
– in other comprehensive loss	–	–	(37)	(37)	–
Net settlements	1	(1)	(23)	(23)	1
As at 30 June 2017	17	1	17,977	17,995	(1)
Total losses for the period included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(16)	–	(20)	(36)	–

	Six months ended 30 June 2016				Liabilities
	Financial assets at fair value through profit or loss HK\$ million	Assets		Total HK\$ million	
Derivative financial assets HK\$ million		Available-for-sale financial assets HK\$ million	Derivative financial liabilities HK\$ million		
As at 1 January 2016	81	4	18,911	18,996	(908)
Total (losses)/gains					
– in profit or loss	(44)	4	35	(5)	(4)
– in other comprehensive loss	–	–	(127)	(127)	36
Net settlements	(2)	(2)	(667)	(671)	2
As at 30 June 2016	35	6	18,152	18,193	(874)
Total (losses)/gains for the period included in profit or loss for assets and liabilities held in Level 3 as at the balance sheet date	(44)	4	35	(5)	(4)



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 32 Financial risk management and fair values *(continued)*

### (e) Fair values *(continued)*

#### (iii) Estimation of fair values

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

##### *Debt securities and equity investments*

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

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

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

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

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

##### *Derivatives*

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

##### *Financial guarantees*

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

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 33 Material related party

### (a) Relationship of related parties

- (i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.
- (ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

### (b) Related party transactions

#### (i) Transaction amounts with related parties:

	Six months ended 30 June 2017			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Sales of goods	–	1	43	44
Purchase of goods	–	44	66	110
Interest income (note (2))	–	194	55	249
Interest expenses	32	68	132	232
Fee and commission income	51	11	383	445
Fee and commission expenses	–	–	1	1
Income from other services	–	12	36	48
Expenses for other services	–	13	335	348
Interest income from deposits and receivables	–	12	–	12
Other operating expenses	–	10	195	205

	Six months ended 30 June 2016			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Sales of goods	–	13	5	18
Purchase of goods	–	9	37	46
Interest income (note (2))	9	83	110	202
Interest expenses	3	19	208	230
Fee and commission income	–	6	18	24
Fee and commission expenses	–	–	3	3
Income from other services	–	43	40	83
Expenses for other services	–	11	215	226
Interest income from deposits and receivables	–	32	63	95
Other operating expenses	–	10	19	29

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 33 Material related party (continued)

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

#### (i) Transaction amounts with related parties: (continued)

Notes:

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

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

	As at 30 June 2017			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	69	2,753	1,838	4,660
Loans and advances (note (2))	–	10,578	3,480	14,058
Placements with banks and non- bank financial institutions	–	–	735	735
Cash and deposits	–	–	320	320
Derivative financial instruments and other assets	–	2	224	226
Trade and other payables	3,035	17,705	2,012	22,752
Deposits from customers	968	9,779	29,230	39,977
Deposits from banks and non- bank financial institutions	–	–	10,651	10,651
Derivative financial instruments and other liabilities	–	2	20	22
Bank and other loans	6,949	–	172	7,121
<b>Off-balance sheet items</b>				
Entrusted funds	1,695	173	7,086	8,954
Funds raised from investors of non-principle guaranteed wealth management products	–	9	743	752
Guarantees provided (note (3))	–	329	17,402	17,731
Guarantees received	–	5,596	5,992	11,588

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 33 Material related party (continued)

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

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

	As at 31 December 2016			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	69	3,202	1,249	4,520
Loans and advances (note (2))	–	12,837	4,058	16,895
Placements with banks and non- bank financial institutions	–	27	748	775
Cash and deposits	–	–	2,549	2,549
Derivative financial instruments and other assets	–	3	736	739
Trade and other payables	3,055	21,405	2,043	26,503
Deposits from customers	1,365	8,000	9,067	18,432
Deposits from banks and non- bank financial institutions	–	1	11,737	11,738
Derivative financial instruments and other liabilities	3	233	76	312
Bank and other loans	6,643	–	171	6,814
<b>Off-balance sheet items</b>				
Entrusted funds	–	–	9,145	9,145
Funds raised from investors of non-principle guaranteed wealth management products	–	7	–	7
Guarantees provided (note (3))	–	261	17,451	17,712
Guarantees received	–	2,716	5,813	8,529

Notes:

- (1) The above transactions with related party transactions which were conducted under the normal commercial terms.
- (2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.
- (3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 33 Material related party (continued)

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

In addition to these related party transactions disclosed in Note 33(b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- purchase, sale and leases of property and other assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and
- rendering and receiving of utilities and other services.

## 34 Structured entities

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

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



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 34 Structured entities (continued)

- (b) Structured entities sponsored by third party institutions in which the Group holds an interest

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

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

Carrying amount	As at 30 June 2017						
	Financial assets at fair value through profit or loss HK\$ million	Held-to-maturity investments HK\$ million	Available-for-sale financial assets HK\$ million	Investments classified as receivables HK\$ million	Total HK\$ million	Guarantees HK\$ million	Maximum loss exposure HK\$ million
Wealth management products issued by banks	-	-	18,441	440,997	459,438	-	459,438
Investment management products managed by non-bank financial institutions	-	-	779	395,091	395,870	-	395,870
Trust investment plans	-	-	2,561	138,325	140,886	-	140,886
Asset-backed securities	-	11,171	12,228	-	23,399	-	23,399
Investment funds	-	-	93,134	351	93,485	-	93,485
<b>Total</b>	<b>-</b>	<b>11,171</b>	<b>127,143</b>	<b>974,764</b>	<b>1,113,078</b>	<b>-</b>	<b>1,113,078</b>

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 34 Structured entities (continued)

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

As at 31 December 2016

Carrying amount	Financial assets at fair value through profit or loss HK\$ million	Held-to-maturity investments HK\$ million	Available-for-sale financial assets HK\$ million	Investments classified as receivables HK\$ million	Total HK\$ million	Guarantees HK\$ million	Maximum loss exposure HK\$ million
Wealth management products issued by banks	-	-	12,336	512,448	524,784	-	524,784
Investment management products managed by non-bank financial institutions	-	-	1,077	509,064	510,141	-	510,141
Trust investment plans	-	-	2,757	141,203	143,960	-	143,960
Asset-backed securities	-	1,707	10,896	-	12,603	-	12,603
Investment funds	1,118	-	28,990	1,096	31,204	-	31,204
<b>Total</b>	<b>1,118</b>	<b>1,707</b>	<b>56,056</b>	<b>1,163,811</b>	<b>1,222,692</b>	<b>-</b>	<b>1,222,692</b>

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

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

#### Wealth management products and trust plans

As at 30 June 2017, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK\$3,116,516 million (31 December 2016: HK\$2,662,231 million).

As at 30 June 2017, the carrying amounts of management fee receivables being recognised in the balance sheet were HK\$611 million (31 December 2016: HK\$601 million).

As at 30 June 2017, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK\$69,361 million (31 December 2016: HK\$69,312 million).

## 34 Structured entities (continued)

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

### Wealth management products and trust plans (continued)

During the six months ended 30 June 2017, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK\$63,744 million (six months ended 30 June 2016: HK\$47,529 million). In the opinion of management, these transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the six months ended 30 June 2017, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$5,257 million (six months ended 30 June 2016: HK\$6,786 million).

### Securitisation transactions and loan transfers

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements. Details of securitisation and loan transfer transactions conducted by the Group for the six months ended 30 June 2017 totalled HK\$37,298 million (six months ended 30 June 2016: HK\$54,433 million) are set forth below.

During the six months ended 30 June 2017, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of HK\$17,196 million (six months ended 30 June 2016: Nil) in respect of performing loans, which were all qualified for full derecognition.

During the six months ended 30 June 2017, the Group did not enter into any securitisation transactions in respect of non-performing loans transferred (six months ended 30 June 2016: HK\$2,271 million, of which HK\$1,558 million were qualified for full derecognition). The Group transferred certain financial assets to special purpose trusts and the relevant trust issued asset-backed securities to investors based on those assets. The Group may have continuing involvement in these assets. As at 30 June 2017, the Group continued to recognise assets of HK\$795 million (31 December 2016: HK\$771 million) under loans and advances to customers together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 19).

During six months ended 30 June 2017, the Group also through other types of transactions transferred loans of book value before impairment of HK\$20,102 million (six months ended 30 June 2016: HK\$52,172 million), of which HK\$16,841 million represented non-performing loans (six months ended 30 June 2016: HK\$38,471 million). The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition (Note 19(d)).

# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

## 35 Discontinued operations

On 14 March 2016, the Company, CITIC Pacific and CITIC Corporation entered into an agreement with 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. Completion of the transaction took place in September 2016.

The aggregate results of the discontinued operations were as follows:

	Six months ended 30 June 2016 HK\$ million
Revenue	7,484
Expenses	(10,415)
Loss before taxation	(2,931)
Income tax	(1,851)
<b>Loss arising from discontinued operations</b>	<b>(4,782)</b>
Attributable to:	
– Ordinary shareholders of the Company	(4,736)
– Non-controlling interests	(46)
	(4,782)

## 36 Disposal of subsidiaries

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Total assets	915	–
Total liabilities	(1,292)	–
Non-controlling interests	(5)	–
Net liabilities disposed	(382)	–
Total consideration	40	–
Retained interest in a former subsidiary at fair value	2,304	–
Gains on disposal/deemed disposal of subsidiaries	2,726	–
Net cash inflow is determined as follows:		
Cash proceeds received	405	–
Less: cash and cash equivalents disposed	(347)	–
	58	–

## 37 Post balance sheet events

- The acquisition of a controlling interest in McDonald's Mainland China and Hong Kong businesses by the Company, CITIC Capital China Partners III, L.P. and Carlyle Asia Partners IV, L.P. (the "Acquisition") was completed on 31 July 2017 after having obtained regulatory approval and having fulfilled all conditions precedent. The final consideration of the Acquisition is subject to post-closing adjustment.
- On 21 August 2017, CITIC Bank received China Banking Regulatory Commission's approval on the commencement of business of CITIC aiBank Corporation Limited (the "Approval in relation to the Commencement of Business of CITIC aiBank Corporation Limited by China Banking Regulatory Commission" (CBRC approval [2017] No. 255)).

# Report on Review of Interim Financial Information



羅兵咸永道

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

## Introduction

We have reviewed the interim condensed financial information set out on pages 29 to 114, which comprises the consolidated balance sheet of CITIC Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 August 2017

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## Interim Dividend and Closure of Register of Members

The directors have declared an interim dividend of HK\$0.11 per share (2016: HK\$0.10 per share) for the year ending 31 December 2017, payable on Friday, 29 September 2017 to shareholders whose names appear on the Company's register of members on Thursday, 21 September 2017. The register of members of the Company will be closed from Monday, 18 September 2017 to Thursday, 21 September 2017, 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 the Company'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 Friday, 15 September 2017.

## Share Option Plan Adopted by the Company

### CITIC Pacific Share Incentive Plan 2011

The CITIC Pacific Share Incentive Plan 2000 adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, the purpose of which is to promote the interests of the Company and its shareholders by providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and attracting and retaining the best available personnel to participate in the on-going business operation of the Group. Pursuant to the Plan 2011, the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Company who shall make payment of HK\$1.00 to the Company on acceptance. The subscription price determined by the board will not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on the date of offer of the grant; and (iii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant. The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011. As at 30 June 2017, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

No share options were granted under the Plan 2011 during the six months ended 30 June 2017.

## Share Option Plan Adopted by Subsidiaries of the Company

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

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

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

Date of grant	Number of share options	Exercise price per share <i>HK\$</i>	Exercise period
23.05.2007	18,720,000	3.26	23.05.2007 – 22.05.2012
17.09.2009	17,912,500	2.10	17.09.2010 – 16.09.2015
17.09.2009	17,912,500	2.10	17.09.2011 – 16.09.2016
19.08.2011	24,227,500	1.54	19.08.2012 – 18.08.2017
19.08.2011	24,227,500	1.54	19.08.2013 – 18.08.2018
26.06.2013	81,347,000	2.25	26.06.2013 – 25.06.2018
24.03.2015	43,756,250	2.612	24.03.2016 – 23.03.2021
24.03.2015	43,756,250	2.612	24.03.2017 – 23.03.2022
24.03.2017	45,339,500	2.45	24.03.2018 – 23.03.2023
24.03.2017	45,339,500	2.45	24.03.2019 – 23.03.2024

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

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

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

The share options granted on 23 May 2007 and 17 September 2009 have expired. In addition, the first 50% of the share options granted on 19 August 2011 have expired at the close of business on 18 August 2017. The remaining options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

As at 1 January 2017, options for 140,533,659 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2017, options for 6,834,810 CITIC Telecom Shares were exercised, options for 1,784,450 CITIC Telecom Shares have lapsed and options for 1,513,000 CITIC Telecom Shares were cancelled. As at 30 June 2017, options for 133,054,399 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

The closing price of CITIC Telecom Shares immediately before the grant on 24 March 2017 was HK\$2.39.

# Statutory Disclosure

A summary of the movements of the share options during the six months ended 30 June 2017 is as follows:

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

Date of grant	Exercise period	Number of share options					Balance as at 30.06.2017
		Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017 <sup>(Note 1)</sup>	Cancelled during the six months ended 30.06.2017	Lapsed during the six months ended 30.06.2017 <sup>(Note 2)</sup>	
19.08.2011	19.08.2012 – 18.08.2017	5,399,321	–	3,628,064	–	45	1,771,212
19.08.2011	19.08.2013 – 18.08.2018	10,100,704	–	3,046,746	–	1,905	7,052,053
26.06.2013	26.06.2013 – 25.06.2018	43,045,817	–	160,000	–	105,000	42,780,817
24.03.2015	24.03.2016 – 23.03.2021	39,887,567	–	–	–	347,500	39,540,067
24.03.2015	24.03.2017 – 23.03.2022	40,900,250	–	–	–	190,000	40,710,250
24.03.2017	24.03.2018 – 23.03.2023	–	44,739,500	–	756,500	570,000	43,413,000
24.03.2017	24.03.2019 – 23.03.2024	–	44,739,500	–	756,500	570,000	43,413,000

## B. Others <sup>(Note 3)</sup>

Date of grant	Exercise period	Number of share options			Balance as at 30.06.2017
		Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017	
26.06.2013	26.06.2013 – 25.06.2018	400,000	–	–	400,000
24.03.2015	24.03.2016 – 23.03.2021	200,000	–	–	200,000
24.03.2015	24.03.2017 – 23.03.2022	600,000	–	–	600,000
24.03.2017	24.03.2018 – 23.03.2023	–	600,000	–	600,000
24.03.2017	24.03.2019 – 23.03.2024	–	600,000	–	600,000

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.38.
2. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the six months ended 30 June 2017.
3. These are in respect of options granted to independent non-executive directors (including a former independent non-executive director who retired on 1 June 2017) of CITIC Telecom who are not employees under continuous contracts. None of these options were cancelled or lapsed during the six months ended 30 June 2017.



The average fair value of an option on one ordinary share of CITIC Telecom measured at the date of grant of 24 March 2017 was HK\$0.558 based on the following assumptions using the binomial option pricing model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.2 years respectively;
- Expected volatility of CITIC Telecom’s share price at 38% per annum (based on historical movements of CITIC Telecom’s share prices);
- Expected annual dividend yield of 4.2%;
- Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;
- Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and
- Risk-free interest rate of 1.47% and 1.53% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

The result of the binomial option pricing model can be materially affected by changes in these assumptions so an option’s actual value may differ from the estimated fair value of the options due to limitations of the model.

The total expense recognised in CITIC Telecom Group’s consolidated income statement for the six months ended 30 June 2017 in respect of options granted by CITIC Telecom was HK\$16,395,000 (six months ended 30 June 2016: HK\$11,464,000).

## Dah Chong Hong Holdings Limited (“DCH Holdings”)

DCH Holdings adopted the Share Option Scheme (the “Scheme”) on 28 September 2007. Since the adoption of the Scheme, DCH Holdings has granted the following share options:

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

\* Subject to a vesting scale

The share options granted on 7 July 2010 has expired by the close of business on 6 July 2015.

## Statutory Disclosure

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the share options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of DCH Holdings' shares immediately before the grant on 8 June 2012 was HK\$7.49 per share. The share options expired by the close of business on 7 June 2017.

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

The grantees were certain directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of the Company. As at 1 January 2017, options for 45,600,000 DCH Holdings' shares were outstanding under the Scheme. During the six months ended 30 June 2017, 22,350,000 share options were lapsed and none of the share options under the Scheme were exercised and cancelled. As at 30 June 2017, options for 23,250,000 DCH Holdings' shares under the Scheme were exercisable.

### A. Employees of the DCH Holdings Group working under continuous contracts (as defined in the Employment Ordinance)

Date of Grant	Number of share options					Balance as at 30.06.2017
	Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Cancelled during the six months ended 30.06.2017	Lapsed during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017	
08.06.2012	13,500,000	–	–	13,300,000	–	–(Note 2)
30.04.2014	18,250,000	–	–	1,250,000	–	16,800,000(Note 3)

### B. Others (Note 1)

Date of Grant	Number of share options					Balance as at 30.06.2017
	Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Cancelled during the six months ended 30.06.2017	Lapsed during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017	
08.06.2012	7,600,000(Note 2)	–	–	7,800,000(Note 2)	–	–
30.04.2014	6,250,000(Note 3)	–	–	–	–	6,450,000(Note 3)

Notes:

1. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.
2. 1,800,000 share options (granted on 8 June 2012) and 1,800,000 share options (granted on 30 April 2014) were reclassified and added to the opening balance subsequent to certain employees having retired on 1 January 2017.
3. 200,000 share options (granted on 8 June 2012) and 200,000 share options (granted on 30 April 2014) were reclassified to "Others", subsequent to certain employees having retired during the six months ended 30 June 2017.

## CITIC Resources Holdings Limited ("CITIC Resources")

CITIC Resources adopted a share option scheme on 30 June 2004 (the "Old Scheme") for a term of 10 years, which expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiry of the Old Scheme remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the "New Scheme").

A summary of the movements of the share options of CITIC Resources under the Old Scheme during the six months ended 30 June 2017 is as follows:

Date of grant	Exercise price per share <i>HK\$</i>	Exercise Period	Number of share options		
			Balance as at 01.01.2017	Exercised/ Lapsed/ Cancelled during the six months ended 30.06.2017	Balance as at 30.06.2017
06.11.2013	1.77	06.11.2014 – 05.11.2018	200,000,000 <sup>(Note)</sup>	–	200,000,000 <sup>(Note)</sup>
06.11.2013	1.77	06.11.2015 – 05.11.2018	200,000,000 <sup>(Note)</sup>	–	200,000,000 <sup>(Note)</sup>

Note:

The share options are subject to the following vesting conditions:

- (i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and
- (ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

The grantee was a director of CITIC Resources. No share option was granted, exercised, lapsed or cancelled during the period. As at 30 June 2017, CITIC Resources had 400,000,000 share options outstanding under the Old Scheme.

No share options were granted under the New Scheme during the six months ended 30 June 2017.

# Statutory Disclosure

## CITIC Envirotech Ltd. (“CITIC Envirotech”)

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

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

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

Under the Scheme, the ordinary shares of CITIC Envirotech under option may be exercised in full or a multiple thereof, on the payment of the exercise price.

The grantees were certain directors and employees of CITIC Envirotech. None were granted to the directors, chief executives or substantial shareholders of the Company. As at 1 January 2017, 53,592,500 ordinary shares of CITIC Envirotech under option were outstanding.

On 1 February 2017, CITIC Envirotech split every one existing ordinary share in its share capital into two shares. 20,928,800 (post-split) ordinary shares of CITIC Envirotech were exercised during the six months ended 30 June 2017. None of the ordinary shares of CITIC Envirotech under option were lapsed or cancelled during the six months ended 30 June 2017.

No options were granted during the period. As at 30 June 2017, 86,256,200 (post-split) ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of the share options under the Scheme during the six months ended 30 June 2017 is as follows:

**A. Directors of CITIC Envirotech**

Date of grant	Number of share options					Balance as at 30.06.2017
	Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Cancelled during the six months ended 30.06.2017	Lapsed during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017	
01.03.2010	1,500,000 (3,000,000) Post-split	-	-	-	-	1,500,000 (3,000,000) Post-split
01.03.2010	1,500,000 (3,000,000) Post-split	-	-	-	-	1,500,000 (3,000,000) Post-split
28.03.2013	12,000,000 (24,000,000) Post-split	-	-	-	-	12,000,000 (24,000,000) Post-split

**B. Employees of CITIC Envirotech**

Date of grant	Number of share options					Balance as at 30.06.2017
	Balance as at 01.01.2017	Granted during the six months ended 30.06.2017	Cancelled during the six months ended 30.06.2017	Lapsed during the six months ended 30.06.2017	Exercised during the six months ended 30.06.2017	
15.02.2013	33,492,500 (66,985,000) Post-split	-	-	-	8,797,500 (17,595,000) Post-split	24,695,000 (49,390,000) Post-split
25.07.2014	5,100,000 (10,200,000) Post-split	-	-	-	1,666,900 (3,333,800) Post-split	3,433,100 (6,866,200) Post-split

## Directors' Interests in Securities

As at 30 June 2017, none of the directors of the Company had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

# Statutory Disclosure

## Interests of Substantial Shareholders

As at 30 June 2017, substantial shareholders of the Company (other than directors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which were notified to the Company, were as follows:

Name	Nature of interest/capacity	Number of ordinary shares held	Approximate percentage to the total number of issued shares
CITIC Group Corporation ("CITIC Group") <sup>(Note 1)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	26,055,943,755 (Long position)	89.57% (Long position)
CITIC Glory Limited ("CITIC Glory") <sup>(Note 2)</sup>	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") <sup>(Note 3)</sup>	Beneficial owner and interests in a section 317 concert party agreement	18,609,037,000 (Long position)	63.97% (Long position)
Chia Tai Bright Investment Company Limited ("CT Bright") <sup>(Note 4)</sup>	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") <sup>(Note 5)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") <sup>(Note 6)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)
ITOCHU Corporation ("ITOCHU") <sup>(Note 7)</sup>	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
		5,818,053,363 (Short position)	20.00% (Short position)

## Notes:

1. CITIC Group is deemed to be interested in 26,055,943,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
2. CITIC Glory is beneficially interested in 7,446,906,755 shares of the Company.
3. CITIC Polaris is deemed to be interested in 18,609,037,000 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares Subscription Agreement, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
4. CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. CT Bright has a short position of 5,818,053,363 shares because it is under an obligation to deliver a maximum of 5,818,053,363 shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.
5. CT Brilliant is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.
6. CPG is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant, its wholly-owned subsidiary.
7. ITOCHU is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## Corporate Governance

The Company 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 the Company's Annual Report 2016 and on the Company's website at [www.citic.com](http://www.citic.com).

## Board Changes

On 1 June 2017, Mr Yang Jinming retired from the board as a non-executive director and a member of the remuneration committee of the Company.

On 7 August 2017, Mr Liu Zhuyu was appointed as a non-executive director and a member of the remuneration committee of the Company.

# Statutory Disclosure

## Board Committees

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

- An audit and risk management committee to oversee the relationship with the external auditor; and to review the Company's financial reporting, annual audit and interim report. The committee acts on behalf of the board in providing oversight of the Company's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews the Company'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, and two non-executive directors, Mr Liu Yeqiao and Mr Yang Xiaoping.
- A nomination committee to determine the policy for the nomination of directors, 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 annually. 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 the Company), a non-executive director, Ms Yan Shuqin, and four independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh and Ms Lee Boo Jin.
- 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, pension rights, compensation payments (including any compensation payable for loss or termination of office or appointment) and other plans. The committee comprises four independent non-executive directors, Mr Anthony Francis Neoh (who serves as the chairman of the committee), Mr Francis Siu Wai Keung, Dr Xu Jinwu and Mr Paul Chow Man Yiu, and a non-executive director, Mr Liu Zhuyu.
- A strategic committee to accommodate the strategic development of the Company and enhance its core competitiveness, make and implement the development plan of the Company, streamline the investment-related decision making procedures and procure well-advised and efficient decision making. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include an executive director, Mr Wang Jiong (being vice chairman and president of the Company), three non-executive directors, Mr Song Kangle, Ms Yan Shuqin and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Noriharu Fujita. Mr Li Rucheng, being a former non-executive director of the Company continues to serve as a member of the strategic committee in the capacity as a consultant to the Company.
- A special committee to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, the Company 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.



## Management Committees

- The executive committee is the highest authority of the management of the Company accountable to the board. The functions and powers of the executive committee are to formulate the Company's material strategic plans and annual material investment and financing plans, to review the Company's annual business plan, finance plans and monthly reports, to manage and monitor the Company's core activities, to appoint and remove mid-level and above key personnel of the Company (other than personnel above the rank of assistant to general manager, and those appointed and removed by the board), to approve internal rules on day-to-day operations of the Company, to review and approve proposals to establish and adjust the Company's management and organizational structure and to discharge other powers and functions conferred on it by the board. The committee is chaired by Mr Chang Zhenming, the chairman of the board, and other members include Mr Wang Jiong (being executive director, vice chairman and president of the Company and also serves as vice chairman of the committee), Mr Cai Huaxiang (who serves as vice chairman of the committee), Mr Feng Guang, Ms Li Qingping (being executive director and vice president of the Company), Mr Pu Jian (being executive director and vice president of the Company), Mr Zhu Gaoming (being vice president of the Company) and Mr Cai Xiliang (being vice president of the Company).
- The asset and liability management committee (the "ALCO") has been established as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of the Company. The principal responsibilities of the ALCO are to monitor and control the asset and liability financial position of the Company on a regular basis and to monitor and control the asset and liability structure, counterparties, currencies, interest rates, commodities and commitments and contingent liabilities of the Company. It also reviews financing plans and manages the cash flow of the Company on the basis of the annual budget and establishes hedging policies and approves the use of new financial instruments for hedging. The committee is chaired by Mr Zhu Gaoming (being vice president of the Company and a member of the executive committee), and other members include responsible persons of the financial control department, treasury department, strategic development department, the office of the board of directors and legal and compliance functions.

## Compliance with Corporate Governance Code

The Company has applied the principles and complied with all the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2017.

## Review of Half-Year Report

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

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

## Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 to the Listing Rules. All directors complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

## Update on Directors' Information

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

### Executive Director

Mr Pu Jian was appointed as a non-executive director of Digital Domain Holdings Limited (listed on the Main Board of the Hong Kong Stock Exchange) on 5 July 2017.

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Beijing 100004, China

## Website

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

## Stock Codes

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

## Share Registrar

Shareholders should contact our Share Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

## Investor Relations

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

## Financial Calendar

Closure of Register:	18 September 2017 to 21 September 2017 (both days inclusive)
Interim Dividend payable:	29 September 2017

The Half-Year Report is printed in English and Chinese and is also available on our website at [www.citic.com](http://www.citic.com) under the 'Investor Relations' section.

Shareholders may choose to receive the Half-Year Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by notice in writing to the Company's Share Registrar.

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

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



## **CITIC Limited**

### **Registered Office**

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**[www.citic.com](http://www.citic.com)**

Stock code 00267

