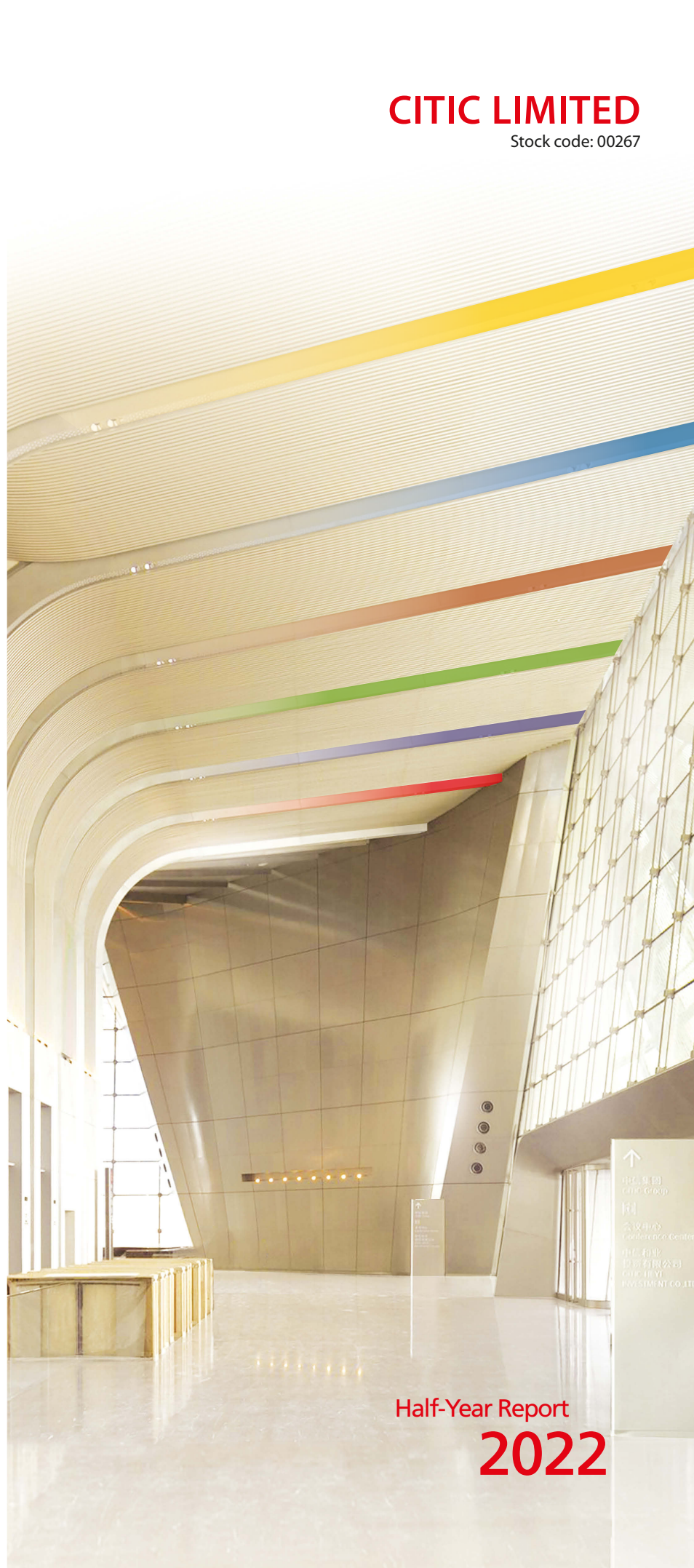


CITIC LIMITED

Stock code: 00267



中信股份
CITIC Limited



Half-Year Report

2022



Our Company

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

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

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

Our Businesses



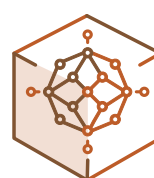
Comprehensive Financial Services

CITIC Financial Holdings ¹	(100%)
CITIC Bank ² (601998.SH) (00998.HK)	(65.97%)
CITIC Securities (600030.SH) (06030.HK)	(18.45%)
CITIC Trust	(100%)
CITIC-Prudential Life	(50%)
China Securities ³ (601066.SH) (06066.HK)	(4.53%)
CITIC Finance	(98.69%)
CITIC Consumer Finance ⁴	(70%)



Advanced Intelligent Manufacturing

CITIC Heavy Industries (601608.SH)	(67.27%)
CITIC Dicastal	(42.11%)
CITIC Holdings	(100%)



Advanced Materials

CITIC Pacific Special Steel (000708.SZ)	(83.85%)
CITIC Metal Group	(100%)
CITIC Resources ⁵ (01205.HK)	(59.50%)
CITIC Mining International	(100%)
CITIC Pacific Energy Investment	(100%)

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New Consumption

CITIC Telecom International (01883.HK)	(57.74%)
AsiaSat	(50.50%)
CITIC Press (300788.SZ)	(73.50%)
Dah Chong Hong	(100%)
CITIC Agriculture	(100%)



New-Type Urbanisation

CITIC Construction	(100%)
CITIC Engineering	(100%)
CITIC Environment	(100%)
CITIC Industrial Investment	(100%)
CITIC Offshore Helicopter (000099.SZ)	(38.63%)
CITIC Pacific Properties	(100%)
CITIC Urban Development & Operation	(100%)
CITIC Heye Investment	(100%)

Note 1: CITIC Limited holds 100% equity interest of CITIC Financial Holdings through CITIC Corporation Limited, a wholly-owned subsidiary. Currently, CITIC Financial Holdings is integrating the relevant equity interests and assets of the comprehensive financial services segment under its plan. Through CITIC Financial Holdings, CITIC Limited will further strengthen centralized and unified management of its comprehensive financial services segment.

Note 2: CITIC Corporation, a wholly-owned subsidiary of CITIC Limited, holds a total of 263,880,000 A-share convertible corporate bonds (Bond code: 113021) of CITIC Bank. Currently, the aforesaid A-share convertible corporate bonds of CITIC Bank held by CITIC Corporation had been transferred to and registered under the name of CITIC Financial Holdings on 18 July 2022.

Note 3: CITIC Limited holds 4.53% of the shares of China Securities through Glasslake Holdings Limited, an indirect wholly-owned subsidiary. At the same time, CITIC Securities directly holds 4.94% of the shares of China Securities.

Note 4: CITIC Limited holds 35.1% and 34.9% of the shares of CITIC Consumer Finance through CITIC Corporation, a wholly-owned subsidiary and CITIC Trust, an indirect wholly-owned subsidiary, respectively.

Note 5: CITIC Limited holds 9.61%, 1.37% and 7.94% of the shares of Alumina Limited (a listed company, Stock code: AWC.ASX) through CITIC Resources Holdings Limited, CITIC Australia Pty Limited and Bestbuy Overseas Company Limited, respectively.

Note 6: CITIC Limited holds 3.25% of the shares of SSC (Stock code: 600871.SH) through CITIC Corporation, a wholly-owned subsidiary and 10% shares of China Overseas Land & Investment Limited (Stock code: 00688.HK) through an indirect wholly-owned subsidiary.

Highlights

<i>HK\$ million</i>	Half-Year ended 30 June		Increase/ (Decrease)
	2022	2021	
Revenue	392,407	352,921	11%
Profit before taxation	87,777	69,137	27%
Net profit	73,524	58,689	25%
Profit attributable to ordinary shareholders	50,051	44,175	13%
Basic earnings per share (HK\$)	1.72	1.52	13%
Diluted earnings per share (HK\$)	1.72	1.52	13%
Dividend per share (HK\$)	0.20	0.15	33%
Net cash generated from/(used in) operating activities	15,369	(226,732)	107%
Capital expenditure	14,472	19,080	(24%)

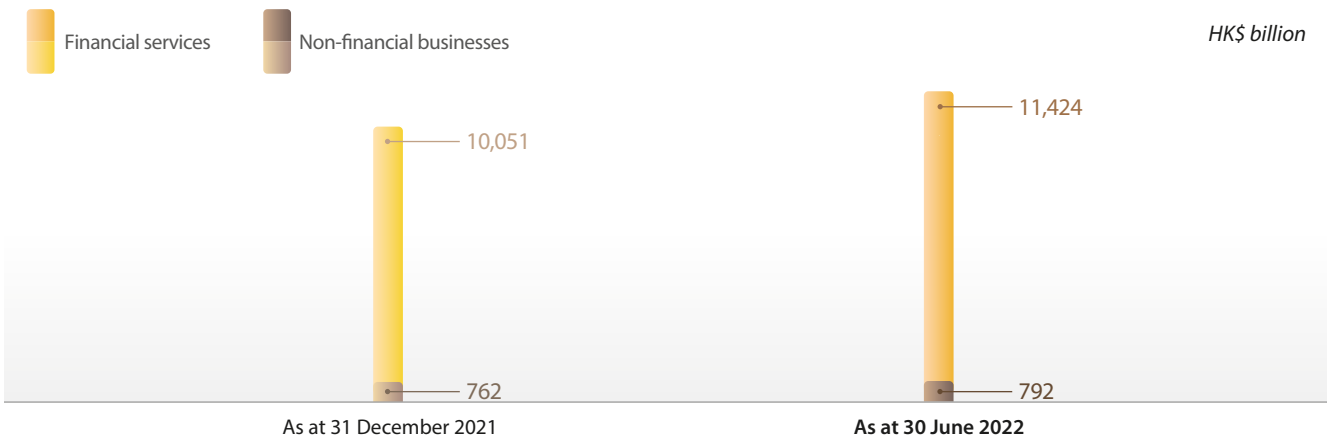
<i>HK\$ million</i>	As at	As at	Increase/ (Decrease)
	30 June 2022	31 December 2021	
Total assets	12,084,138	10,685,521	13%
Total liabilities	10,681,513	9,519,931	12%
Total ordinary shareholders' funds	752,010	751,407	0.1%

Business <i>HK\$ million</i>	Business assets		Revenue from external customers		Profit attributable to ordinary shareholders	
	As at 30 June 2022	Increase/ (Decrease) (Note)	Half-year ended 30 June 2022	Increase/ (Decrease)	Half-year ended 30 June 2022	Increase/ (Decrease)
Comprehensive financial services	11,423,747	14%	158,890	20%	30,532	5.1%
Advanced intelligent manufacturing	62,736	(6.1%)	29,105	26%	413	20%
Advanced materials	278,534	2.1%	152,128	6.8%	9,289	(31%)
New consumption	70,920	(1.6%)	30,577	(7.0%)	466	(41%)
New-type urbanisation	379,961	8.6%	21,662	(2.4%)	3,591	14%

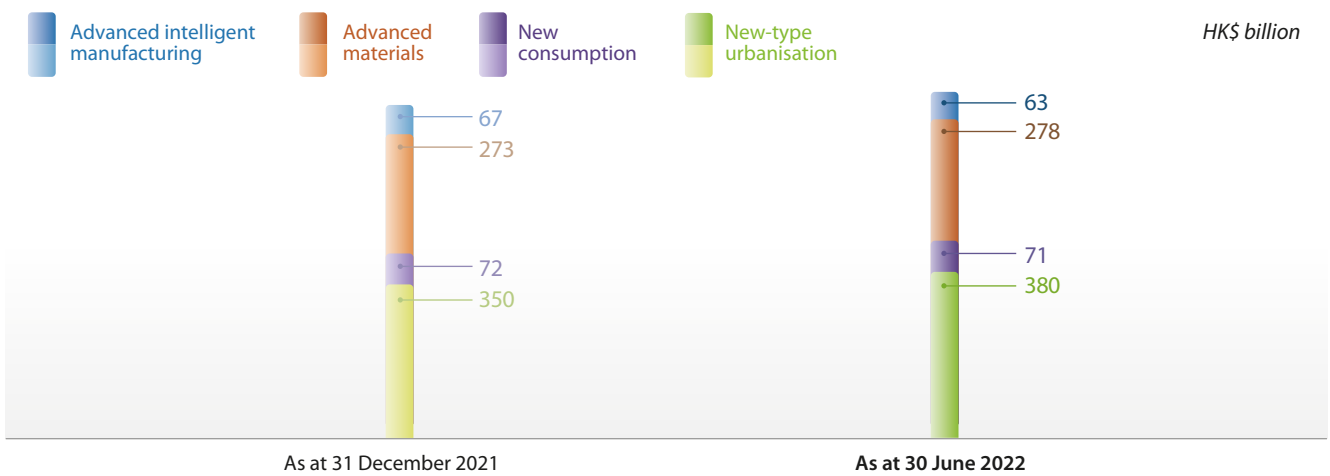
Note: As compared with balances as at 31 December 2021.

Highlights

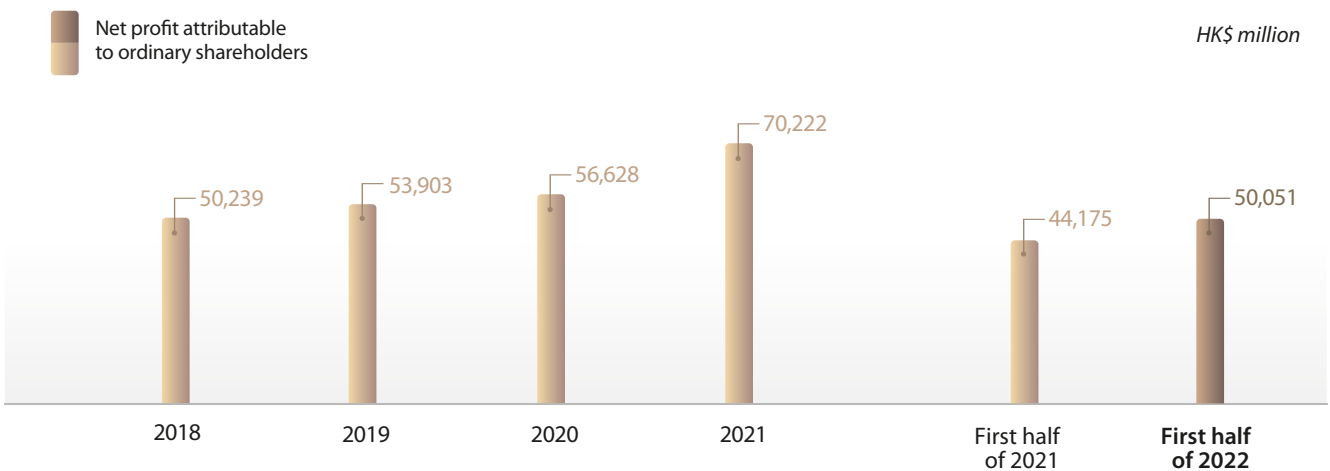
Business assets



Assets of non-financial businesses



Profit attributable to ordinary shareholders



Chairman's Letter to Shareholders



Dear Shareholders,

Amidst a difficult and complex operating environment in the first half of 2022, CITIC Limited realised a revenue of HK\$392.4 billion and a profit attributable to ordinary shareholders of HK\$50.1 billion, up by 11% and 13% respectively, year-on-year. Our financial subsidiaries provided support to the real economy, while our non-financial subsidiaries maintained steady operations and

production, despite the pressure of reduced market demand and supply chain disruptions.

The board recommends the payment of an interim dividend of HK\$0.20 per share, an increase of HK\$0.05 over the same period in 2021.

BUSINESS REVIEW

The comprehensive financial services segment recorded a profit attributable to ordinary shareholders of HK\$30.5 billion, a year-on-year increase of 5.1%. In March, CITIC Financial Holdings was officially established after becoming one of the first institutions to successfully obtain a financial holding company licence. CITIC Bank delivered strong performance with a 12% growth in net profit. Total assets increased with deposits and loans each exceeding RMB5 trillion, while asset quality improved with decreases in both the NPL ratio and NPL balance. CITIC Bank continued to provide credit support to public and private enterprises in key areas such as inclusive finance, manufacturing, strategic emerging industries, green credit and rural revitalisation. CITIC Securities maintained its industry leadership and ranked first as the lead underwriter of equity and bonds by value. The business enhancement of CITIC Trust yielded results with assets under management again exceeding RMB1 trillion. CITIC-Prudential Life also delivered steady performance with a comprehensive solvency adequacy ratio of 242%, above regulatory requirements.

The advanced intelligent manufacturing segment recorded a profit attributable to ordinary shareholders of HK\$0.41 billion, a year-on-year increase of 20%. Profit at CITIC Dicastal rose by 8.1% year-on-year. For the first time, CITIC Dicastal participated in the development and release of new ISO standards, another milestone for Chinese

Chairman's Letter To Shareholders

automotive wheel producers on the world stage. CITIC Heavy Industries intensified its market development efforts and received over RMB6 billion in new orders, a new record for a first half-year period.

The advanced materials segment realised a profit attributable to ordinary shareholders of HK\$9.3 billion. Despite weak market demand, CITIC Pacific Special Steel achieved a record sales volume of 7.68 million tonnes of products, securing its leading position in the special steel industry. Sino Iron focused on reducing costs and improving efficiency and overcame multiple challenges to maintain stable production and operations. In the first half of the year, it exported 10.1 million wet tonnes of iron ore concentrate to remain the world's largest seaborne supplier of magnetite concentrate to China. CITIC Metal grew in scale and continued to enhance its performance, recording a historic high revenue for the period. The second phase of its KK copper mine project in the Democratic Republic of Congo and CITIC Titanium's new 60,000-tonne titanium dioxide project went into production ahead of schedule, ensuring a stable national supply of these strategic resources. As part of its business transformation efforts and exploration of new growth areas, CITIC Resources is moving forward with the disposal of crude oil and coal assets.

The new consumption segment achieved a profit attributable to ordinary shareholders of HK\$0.47 billion. CITIC Press enhanced its content production and service capabilities, which led to multiple awards and maintained its industry leadership. Dah Chong Hong recorded a stable profit despite reduced consumer demand and supply chain disruptions. Its motor business was solid, while the food and FMCG businesses focused on driving synergy. Its healthcare

distribution business delivered strong growth. CITIC Telecom International accelerated efforts to improve the quality and efficiency of its business.

The new-type urbanisation segment recorded a profit attributable to ordinary shareholders of HK\$3.6 billion, a year-on-year increase of 14%. CITIC Construction's participation in the operation and maintenance of the Chongli Prince City Ice and Snow Town project for the 2022 Beijing Winter Olympic and Paralympic Games was recognised by both the Olympic organising committee and the local community, highlighting CITIC's comprehensive strengths, service expertise and contribution to the Games. Guided by its strategy of developing business at home and abroad in parallel, CITIC Construction won the bid for the Angola terminal franchise project and completed the Yunnan Chuda Highway project on time. CITIC Engineering also made progress on major construction projects. It has largely completed the Network Security Base project and opened the Forest Avenue project to traffic. CITIC Pacific Properties accelerated its asset optimisation with the successful sales of commercial buildings in the Nanjing Qingliangmen, Wuhan Harbour City and Shanghai T Center projects.

AIMING TO BECOME "A WORLD-CLASS ENTERPRISE"

Thriving enterprises contribute to a strong and prosperous nation. We are committed to the country's long-term development objectives and are striving to become a world-class enterprise. Focusing on three fundamental questions – who is the competition, on what basis should we compete and how to outcompete – we have defined goals for each stage of growth with a long-term view and holistic perspective, embracing the spirit of reform. We believe this

Chairman's Letter To Shareholders

approach will enable our development to progress at a steady pace. While maintaining stability and enhancing our operations and management, we have been rigorous in our transformation efforts, encouraging a hard red-line mentality, technological innovation and social responsibility to cement our business culture and accelerate our progress towards becoming a world-class enterprise.

- (1) *Tackling tough reforms and achieving multi-point breakthroughs.* The March debut of CITIC Financial Holdings will bring new opportunities for our comprehensive financial services business. This platform is positioned to become a major driver of CITIC's high-quality development. We are continuing to accelerate business integration to strengthen our core businesses, amplify our capabilities and improve resource allocation.
- (2) *Deepening synergies among businesses and exploring growth potential.* In the first half of 2022, we expanded CITIC's "circle of friends" and deepened internal synergies. The collaboration among our financial subsidiaries has yielded fruitful results, with co-financing totalling RMB979.5 billion, an increase of 25.87% year-on-year. Assets under custody by CITIC Bank grew by RMB779.4 billion to nearly RMB2 trillion and corporate client cross-selling reached RMB29.8 billion, a year-on-year increase of 154.7%. Retail cross-selling amounted to RMB53.7 billion, a year-on-year increase of 19.73%, pushing the combined cross-selling total to RMB83.5 billion. "CITIC U Enjoy+" directed 3.48 million customers to our financial subsidiaries. We also made
- (3) *Upholding red-line thinking and building solid safeguards.* We maintain a hard red-line mentality and a high level of risk awareness, regularly enhancing our comprehensive risk management system to safeguard our development. We continuously improve our risk governance structure, accountability and policies and procedures, while cultivating expertise and strengthening our digital capabilities. We are also actively exploring new risk mitigation models within the financial businesses, as well as between the financial and non-financial segments, to help our subsidiaries defuse risks.
- (4) *Leveraging technology and innovation to drive sustainable growth.* We have always valued technological advancements and innovation as they open up infinite possibilities and create the momentum for long-term growth. In the first half of 2022, we continued to increase our investment in R&D and improved our ability to innovate. At the head office, we established a technological innovation committee and a technological expert committee to expedite the implementation of major advancements. To foster a culture of innovation, we introduced a performance assessment framework to encourage investments in R&D, while our

breakthroughs in the collaboration between our financial and non-financial businesses and continued to promote cooperation among our subsidiaries and CITIC Bank. We have established a collaborative ecosystem, where our non-financial subsidiaries can deepen collaboration by sharing resources, complementing their unique strengths and undertaking joint projects.



Chairman's Letter To Shareholders

subsidiaries actively deployed cutting-edge technologies to accelerate the incubation of in-house innovations. In the first half of the year, we garnered a China Patent Excellence Award and 19 provincial and ministerial-level sci-tech awards and honorary titles.

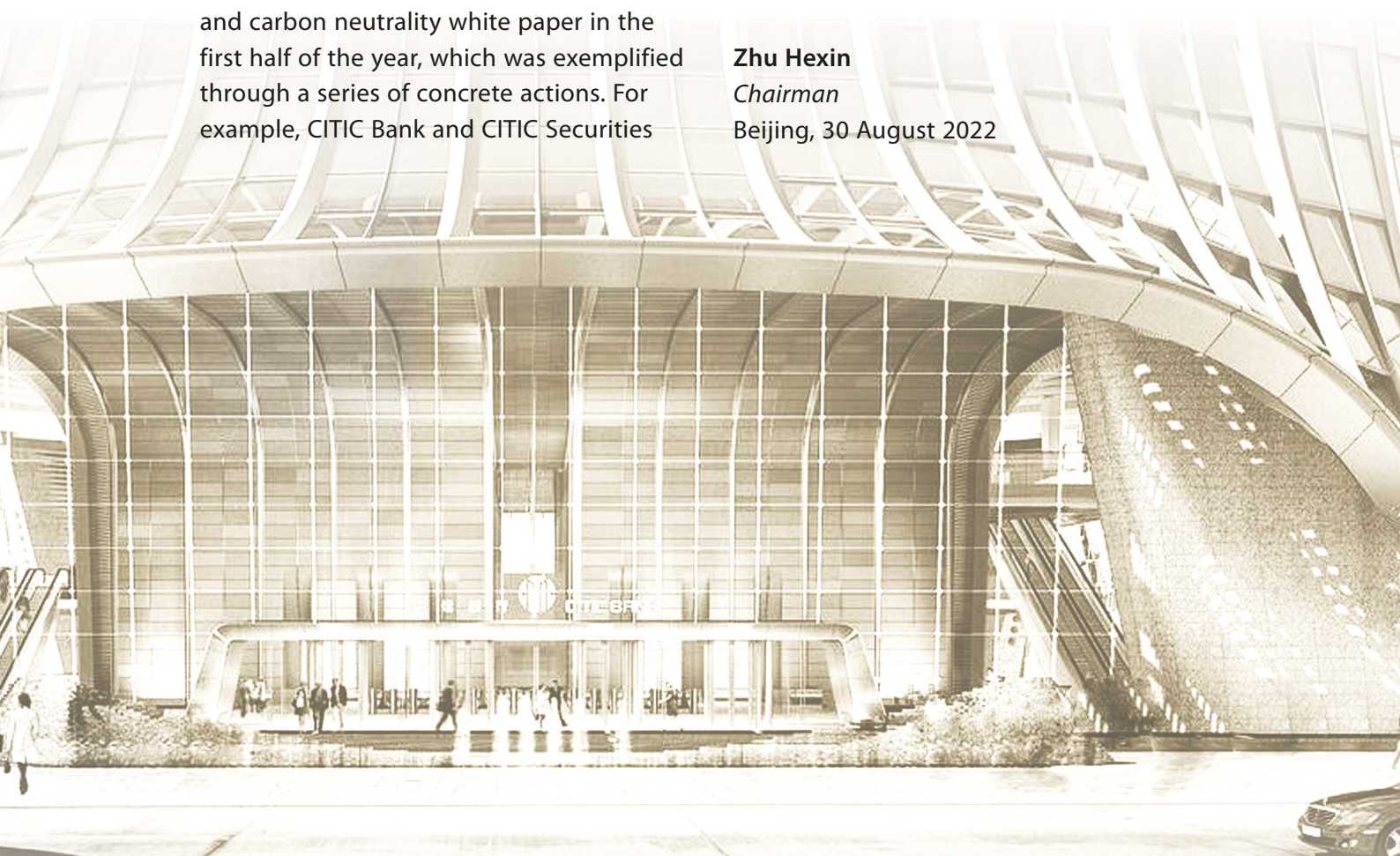
- (5) *Thinking responsibly and making a difference.* In addition to striving for excellence in our operations and management, a world-class enterprise must embrace responsible thinking to make a positive impact by embedding ESG fundamentals into corporate development. Leveraging the synergies among our diversified businesses, we have successfully navigated the challenges of the pandemic to maintain business continuity, uniting with our clients, employees and the wider community. Answering the call for green development, we released a carbon peak and carbon neutrality white paper in the first half of the year, which was exemplified through a series of concrete actions. For example, CITIC Bank and CITIC Securities

led their industries with green finance businesses while CITIC Dicastal steadily increased the use of green energy such as photovoltaics in its production processes and explored business opportunities in clean energy-aluminium and recycled aluminium.

Embarking on what is sure to be a long and challenging journey, we are steadily moving forward. With unswerving determination CITIC is resolutely marching on towards becoming a world-class enterprise. We look forward to an exciting chapter of high-quality development, with a focus on creating sustainable value and prosperity for society.

朱鹤新

Zhu Hexin
Chairman
Beijing, 30 August 2022



Financial Review

Highlights

In the first half of 2022, the Group insisted on seeking progress while maintaining stability under the complex and severe external development environment, and its operating results continued to outperform the market. The Group achieved revenue of HK\$392,407 million, representing an increase of 11% year-on-year, net profit of HK\$73,524 million, representing an increase of 25% year-on-year, and profit attributable to ordinary shareholders of HK\$50,051 million, representing an increase of 13% year-on-year.

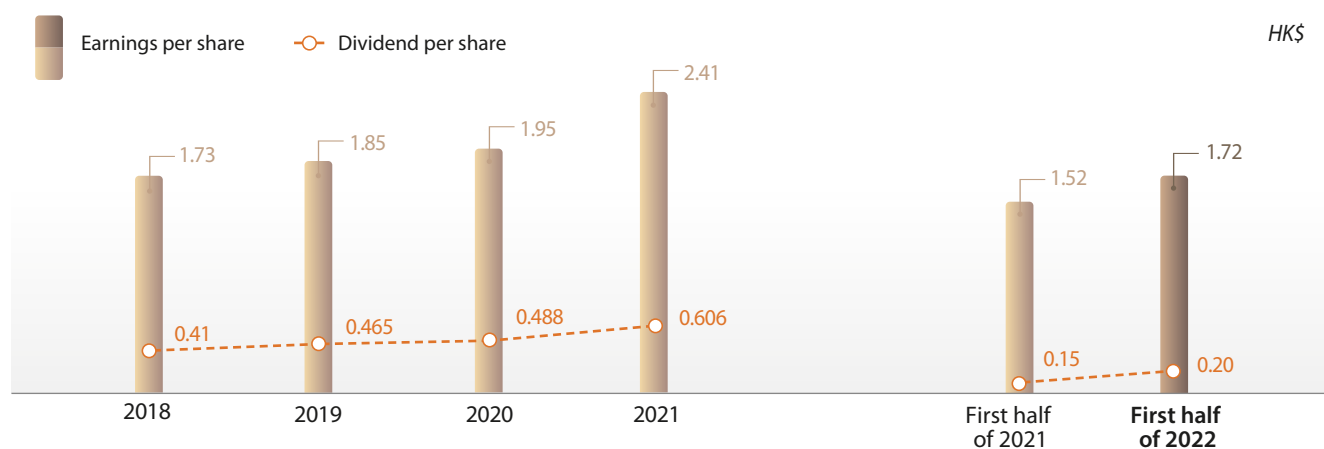
The **comprehensive financial services segment** increased credit support to public and private sectors such as green credit and strategic emerging industries, and recorded a year-on-year increase of 20% and 5.1% in revenue and profit attributable to ordinary shareholders, respectively. Among which, profit attributable to the shareholders of **CITIC Bank** increased by 12% year-on-year with decreases in both the NPL ratio and NPL balance. **CITIC Securities** maintained its leading position in the market, ranking first in the industry in both equity and bond lead underwriting scale. **CITIC Trust's** business transformation achieved initial results, and the proportion of innovative businesses increased significantly. **CITIC-Prudential Life** maintained double-digit growth in premium income and sufficient levels of both comprehensive and core solvency adequacy ratios.

The **non-financial segments** withstood multiple pressures such as recurrent pandemic outbreaks, shrinking demand and disrupted industrial chain, promoted the production and operation in an orderly manner, and recorded a year-on-year increase of 5.8% in revenue and a year-on-year decrease of 22% in profit attributable to ordinary shareholders. Among which, the **advanced intelligent manufacturing segment** continued to increase its investment in research and development as well as scientific and technological innovation, and the performance of the sector rose against the trend. The **advanced materials segment** effectively guaranteed the supply stability of the industrial chain despite the impact of commodity price fluctuations, and achieved growth in revenue. The **new consumption segment** seized the trend of organic integration of online and offline consumption, however, the business performance declined year-on-year due to the pandemic and other factors. The **new-type urbanisation segment** actively mitigated the risk of key projects and achieved substantial progress.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK\$1.72 in the first half of 2022, representing an increase of 13% from HK\$1.52 in the first half of 2021. As at 30 June 2022, the number of ordinary shares outstanding was 29,090,262,630.

HK\$5,818 million in cash will be distributed as interim dividend. The interim dividend per share of 2022 is HK\$0.20 (first half of 2021: HK\$0.15 per share).



Segment Results

COMPREHENSIVE FINANCIAL SERVICES

<i>HK\$ million</i>	First half of 2022	First half of 2021	Increase/(Decrease) Amount	%
Revenue from external customers	158,890	132,245	26,645	20%
Net profit	51,932	41,454	10,478	25%
Profit attributable to ordinary shareholders	30,532	29,052	1,480	5.1%
Total assets (as compared with that of the end of 2021)	11,423,747	10,050,873	1,372,874	14%

In the first half of 2022, this segment achieved revenue of HK\$158,890 million, net profit of HK\$51,932 million and profit attributable to ordinary shareholders of HK\$30,532 million, up by 20%, 25% and 5.1% year-on-year respectively.

CITIC Bank witnessed improvement in operation quality and efficiency while maintaining steadiness, which was driven by the strong growth in non-interest income. It achieved revenue of RMB108,218 million, up by 2.4% year-on-year, with a profit attributable to its shareholders of RMB32,524 million, up by 12% year-on-year. Among them, non-interest income amounted to RMB34,370 million, up by 8.9% year-on-year, whose proportion of revenue rose by 1.9 percentage points to 31.8%. The asset quality has been improving, and both the NPL balance and the NPL ratio have been decreasing: the NPL balance fell by RMB1,939 million to RMB65,520 million and the NPL ratio declined by 0.08 percentage point to 1.31%. The provision coverage ratio increased by 17.08 percentage points to 197.15% compared with the beginning of the year, hitting new record high in seven years.

CITIC Trust continued to promote its business transformation and upgrading by actively expanding innovative businesses such as special asset management, investment in standard products and family trust. In the first half of the year, it achieved revenue of RMB3,346 million, down by 18% year-on-year. CITIC Trust continuously strengthened asset quality and increased its provisions, and achieved profit attributable to the parent company of RMB1,522 million, a decrease of 24% year-on-year.

CITIC Securities, being affected by the capital market fluctuation, achieved revenue of RMB45,870 million^{note 1} in the first half of the year, down by 4.0% year-on-year, with a profit attributable to the parent company of RMB11,196 million, down by 8.2% year-on-year. CITIC Securities maintained its industry leading position, with both the lead underwriting scales of equity and bond ranking first in the industry, and its market share in investment banking increasing by 1.4 percentage points to 15.7%. CITIC Limited started the consolidation of the financial statements of CITIC Securities on 13 April, laying a solid foundation for building a world-class securities “carrier”.

CITIC-Prudential Life deepened cooperation with banks and actively expanded new channels and network layouts. It achieved premium income of RMB15,824 million^{note 2} for the year, up 13% year-on-year, which was better than the overall industry level. However, due to the fluctuations in the capital market, profit attributable to the parent company decreased by 62% year-on-year to RMB459 million. CITIC-Prudential Life is the only company that has been rated “Class A” of comprehensive regulatory risk rating for 25 consecutive quarters in China.

Note 1 CITIC Limited holds 18.45% equity interests of CITIC Securities and has consolidated its financial statements since April 2022.

Note 2 CITIC-Prudential Life is a joint venture of CITIC Limited, which holds 50% equity interests, without consolidating its financial statements.

Financial Review

ADVANCED INTELLIGENT MANUFACTURING

<i>HK\$ million</i>	First half of 2022	First half of 2021	Increase/(Decrease)	
			Amount	%
Revenue from external customers	29,105	23,071	6,034	26%
Net profit	854	742	112	15%
Profit attributable to ordinary shareholders	413	344	69	20%
Total assets (as compared with that of the end of 2021)	62,736	66,837	(4,101)	(6.1%)

In the first half of 2022, this segment achieved revenue of HK\$29,105 million, net profit of HK\$854 million and profit attributable to ordinary shareholders of HK\$413 million, representing a year-on-year increase of 26%, 15% and 20% respectively.

CITIC Dicastal deepened the construction of integrated overseas bases and achieved rapid growth in the overseas sales volume of aluminium wheels, while the increase in product prices driven by the rise in aluminium prices, contributing to a year-on-year increase of 28% in revenue to RMB19,878 million. Profit attributable to ordinary shareholders increased by 8.1% year on year to RMB541 million due to the enhancement of industrial chain cooperation and the improvement of product gross profit margins. In 2022, the company was ranked 50th in the “Top 100 Global Auto Parts Suppliers”, up 8 places from last year.

CITIC Heavy Industries actively cultivated the value of high-tech industries and achieved sound growth in critical equipment and special equipment, which contributed to a year-on-year increase of 13% in revenue to RMB4,267 million, and a year-on-year increase of 5.7% in profit attributable to ordinary shareholders to RMB184 million in the first half of the year. The new orders in force was RMB6,800 million, representing a year-on-year increase of 31%, hitting record high. The company was selected as the “2021 Annual Leading Company” of China’s heavy machinery industry.

ADVANCED MATERIALS

<i>HK\$ million</i>	First half of 2022	First half of 2021	Increase/(Decrease)	
			Amount	%
Revenue from external customers	152,128	142,504	9,624	6.8%
Net profit	10,445	14,532	(4,087)	(28%)
Profit attributable to ordinary shareholders	9,289	13,402	(4,113)	(31%)
Total assets (as compared with that of the end of 2021)	278,534	272,756	5,778	2.1%

In the first half of 2022, this segment achieved revenue of HK\$152,128 million, up by 6.8% year-on-year, net profit of HK\$10,445 million and profit attributable to ordinary shareholders of HK\$9,289 million, decreased by 28% and 31% year-on-year, respectively.

Financial Review

In faced with the unfavourable situation of insufficient demand from the downstream industry due to the pandemic, **CITIC Pacific Special Steel** gave full play of its internal synergy and flexibly utilised the compound production lines, as well as adjusted its product mix in a timely manner based on the changes of demand. The sales of steel recorded a year-on-year increase of 2% to 7.68 million tonnes for the first half of the year. The company achieved revenue of RMB51,822 million, representing an increase of 5.6% year-on-year. The higher cost of raw materials such as coking coal, coke and alloys led to a reduction of gross profit per tonne of steel, resulting in a year-on-year decrease in profit attributable to ordinary shareholders of 9.8% to RMB3,777 million. The company has offset the impact from the rising cost through the reduction in procurement cost, process cost and management cost, with its profitability topping the industry.

In the first half of 2022, **Sino Iron** continued its efforts to reduce costs and increase efficiencies while maintain stable production and operations despite a number of challenges, including the pandemic, unseasonal rainfall, fluctuating prices of iron ore, pressure of the overall rising costs brought by the inflation, labour shortages and increased labour costs. During the first half of the year, Sino Iron shipped more than 10.10 million wet metric tonnes of concentrate to CITIC's special steel plants and other steel mills, but the year-on-year lower average iron ore prices during the period resulted in a significant decline in project profit.

CITIC Metal Group continued to expand its trade scale, with significant increase in the revenue from steel, copper and aluminium. The company's revenue grew by 12% year-on-year to HK\$75,987 million, achieving the best level for the same period in history. The Kamo-a-Kakula Copper Mine Phase II in the Democratic Republic of Congo went into production ahead of schedule, with production of copper in the second quarter reaching a historic record of over 87,000 tonnes, which resulted in a 21% year-on-year increase in mining investment profits. Besides, the overall profit of the company fell by 2% year-on-year to HK\$1,732 million due to the higher profit base of the trade business for the same period last year.

CITIC Resources seized the opportunity brought by the rising energy prices, with revenue and profit increasing by 89% and 109% year-on-year to HK\$3,228 million and HK\$893 million respectively, including a year-on-year increase of 4.3% in the share of the output of crude oil business and an increase of 81% in profit to HK\$631 million. With the continuous optimisation of the company's asset structure support by the sufficient cash flows, the company settled the loans of US\$50 million in the first half of the year with its interest-bearing debt ratio further reducing to 25.1% at the end of June.

In the first half of this year, **CITIC Pacific Energy** achieved revenue of HK\$6,205 million, and profit attributable to parent company of HK\$250 million, representing a year-on-year increase of 14% and a year-on-year decrease of 13%, respectively. Although the high thermal coal costs continued to limit the profitability of the thermal power business, Xin Julong coal mine, in which the company has an interest, doubled its profit benefiting from a year-on-year increase of 76% in selling price of commercial coal.

Financial Review

NEW CONSUMPTION

<i>HK\$ million</i>	First Half of 2022	First Half of 2021	Increase/(Decrease)	
			Amount	%
Revenue from external customers	30,577	32,885	(2,308)	(7.0%)
Net profit	833	1,182	(349)	(30%)
Profit attributable to ordinary shareholders	466	791	(325)	(41%)
Total assets (as compared with that of the end of 2021)	70,920	72,055	(1,135)	(1.6%)

In the first half of 2022, this segment achieved revenue of HK\$30,577 million, with a net profit of HK\$833 million and profit attributable to ordinary shareholders of HK\$466 million, representing a year-on-year decrease of 7.0%, 30% and 41% respectively.

Faced with the general downturn in the book market, **CITIC Press** deepened its transformation and upgrade, expanded new media channels, and enhanced its influence in the book market. It captured a top market share of 3.08% in the book market, representing an increase of 0.25 percentage point over the same period last year. In the first half of the year, CITIC Press achieved revenue of RMB848 million, with a profit attributable to ordinary shareholders of RMB90 million, representing a year-on-year decrease of 11% and 38% respectively.

Against the backdrop of the continued pandemic and its impact on consumer demand and product supply chains, **Dah Chong Hong** achieved revenue of HK\$24,586 million, with a profit attributable to ordinary shareholders of HK\$133 million, representing a year-on-year decrease of 7.8% and 53% respectively. Excluding one-off items over the same period, its underlying profit remained stable, driven by improved performance in its motor business and continued growth in healthcare distribution across Southeast Asia.

CITIC Telecom International maintained growth momentums in its international telecommunications and internet business by capturing customers' demands and catering to new consumption patterns, leading to a year-on-year increase of 3.8% in overall revenue to approximately HK\$4,977 million and a year-on-year increase of 7.1% in profit attributable to ordinary shareholders to approximately HK\$572 million.

Financial Review

NEW-TYPE URBANISATION

<i>HK\$ million</i>	First Half of	First Half of	Increase/(Decrease)	
	2022	2021	Amount	%
Revenue from external customers	21,662	22,195	(533)	(2.4%)
Net profit	3,703	3,338	365	11%
Profit attributable to ordinary shareholders	3,591	3,145	446	14%
Total assets (as compared with that of the end of 2021)	379,961	349,907	30,054	8.6%

In the first half of 2022, this segment realised revenue of HK\$21,662 million, down by 2.4% year-on-year, and recorded a net profit of HK\$3,703 million and profit attributable to ordinary shareholders of HK\$3,591 million, up by 11% and 14% year-on-year respectively, which mainly due to the impact of provisions made in the same period last year.

The property development and operation business withstood the dual challenges of industry downturn and pandemic resurgence, and made every effort to ensure the smooth delivery of key projects such as Ningbo Fenghua project and Shanghai Nove Mansion, however net profit booked from CITIC's interest in China Overseas Land & Investment Limited declined year-on-year. Total revenue was HK\$3,652 million, up by 7.7% year-on-year, and profit attributable to ordinary shareholders was HK\$3,303 million, down by 6.0% year-on-year in the first half of the year.

The construction and engineering business's construction progress of certain overseas projects lagged behind, which recorded total revenue of HK\$11,858 million in the first half of the year, down by 18% year-on-year. Without taking account of the impact of provisions, an operating profit of HK\$441 million was achieved, representing a year-on-year decrease of 57%. Newly signed contracts for the first half of the year were valued at RMB15 billion, representing a year-on-year increase of 5.5%, laying a good foundation for future development.

The urban operation business achieved total revenue of HK\$6,280 million and a profit attributable to ordinary shareholders of HK\$217 million for the year, up by 46% and down by 53% year on year respectively. The increase in revenue was mainly benefitted from an increase in the parallel import of automobiles, while the decrease in profit was mainly due to declines in the energy saving and environmental protection business.

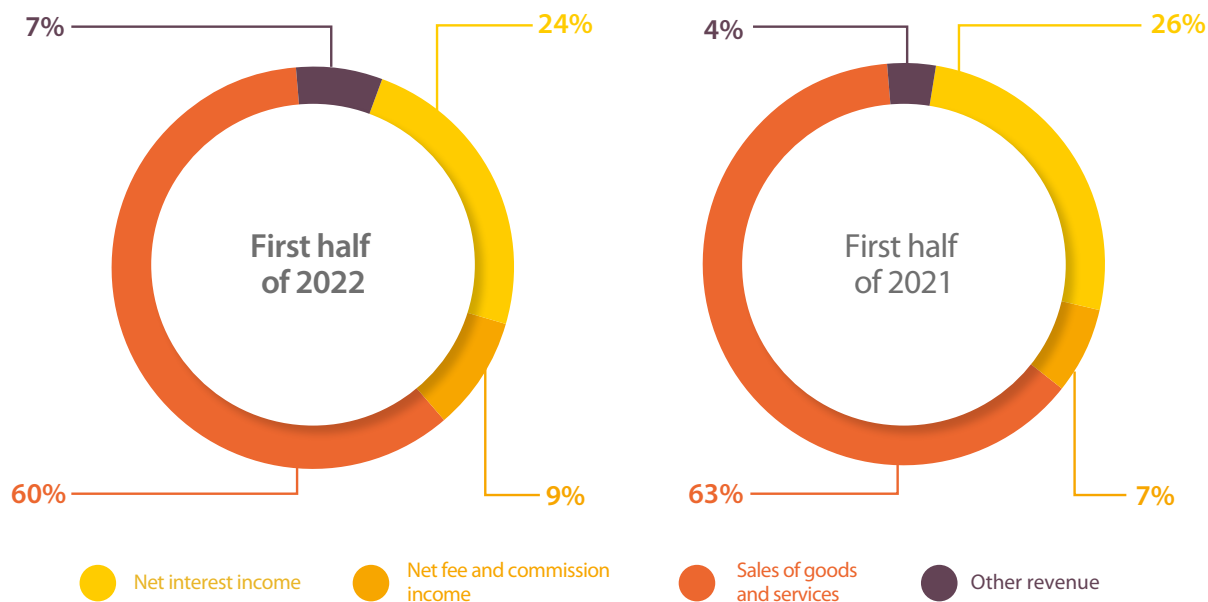
Financial Review

Group Financial Results

Revenue

by nature

HK\$ million	Half-year ended 30 June		Increase/(Decrease)	
	2022	2021	Amount	%
Net interest income	92,806	90,834	1,972	2.2%
Net fee and commission income	34,141	26,304	7,837	30%
Sales of goods and services	237,870	220,712	17,158	7.8%
– Sales of goods	211,446	191,298	20,148	11%
– Revenue from construction contracts	10,482	15,853	(5,371)	(34%)
– Revenue from other services	15,942	13,561	2,381	18%
Other revenue	27,590	15,071	12,519	83%



Expected credit losses and other impairment losses

In the first half of 2022, expected credit losses and other impairment losses of HK\$54,928 million were recorded, a decrease of 7.7% from the same period last year. CITIC Bank accounted for HK\$51,241 million of these losses, including HK\$37,620 million expected credited losses in its loans and advances to customers.

Financial Review

Net finance charges

Finance costs of the Group amounted to HK\$4,753 million in the first half of 2022, which was basically the same as the previous year.

In the first half of 2022, the finance income of the Group amounted to HK\$582 million, a year-on-year decrease of HK\$842 million, or 59%, mainly due to the decrease in interest income.

Income tax

Income tax of the Group in the first half of 2022 was HK\$14,253 million, an increase of HK\$3,805 million as compared with the same period last year, this was consistent with the increase in profit before taxation.

Group Cash Flows

HK\$ million	CITIC Limited Half-year ended 30 June				Including: CITIC Bank Half-year ended 30 June			
	2022	2021	Increase/(Decrease) Amount	%	2022	2021	Increase/(Decrease) Amount	%
Net cash generated from/(used in) operating activities	15,369	(226,732)	242,101	107%	43,752	(225,735)	269,487	119%
Net cash generated from/(used in) investing activities	207,982	(148,665)	356,647	240%	4,964	(144,799)	149,763	103%
Including: Proceeds from disposal and redemption of financial investments	1,643,162	2,030,707	(387,545)	(19%)	1,614,504	1,973,270	(358,766)	(18%)
Payments for purchase of financial investments	(1,617,911)	(2,162,949)	545,038	25%	(1,608,912)	(2,117,339)	508,427	24%
Net cash (used in)/generated from financing activities	(71,265)	223,051	(294,316)	(132%)	(62,012)	232,853	(294,865)	(127%)
Including: Proceeds from bank and other loans and debt instruments issued	578,299	684,504	(106,205)	(16%)	437,502	603,852	(166,350)	(28%)
Repayment of bank and other loans and debt instruments issued	(627,503)	(485,703)	(141,800)	(29%)	(484,046)	(402,604)	(81,442)	(20%)
Interest paid on bank and other loans and debt instruments issued	(20,517)	(19,552)	(965)	(4.9%)	(15,901)	(14,148)	(1,753)	(12%)
Dividends paid to non-controlling interests	(3,869)	(1,398)	(2,471)	(177%)	(2,247)	(222)	(2,025)	(912%)
Net increase/(decrease) in cash and cash equivalents	152,086	(152,346)	304,432	200%	(13,296)	(137,681)	124,385	90%
Cash and cash equivalents at the beginning of the Period	357,615	452,702	(95,087)	(21%)	309,220	379,694	(70,474)	(19%)
Effect of exchange rate changes	(18,159)	1,931	(20,090)	(1,040%)	(8,173)	1,601	(9,774)	(610%)
Cash and cash equivalents at the end of the Period	491,542	302,287	189,255	63%	287,751	243,614	44,137	18%

Financial Review

Capital Expenditure

<i>HK\$ million</i>	Half-year ended 30 June		Increase/(Decrease)	
	2022	2021	Amount	%
Comprehensive financial services	6,936	8,274	(1,338)	(16%)
Advanced intelligent manufacturing	1,004	537	467	87%
Advanced materials	3,475	5,775	(2,300)	(40%)
New consumption	756	730	26	3.6%
New-type urbanisation	2,301	3,764	(1,463)	(39%)
Total	14,472	19,080	(4,608)	(24%)

Capital Commitments

As at 30 June 2022, the contracted capital commitments of the Group amounted to approximately HK\$29,073 million. Details are disclosed in note 32(f) to the financial statements.

Group Financial Position

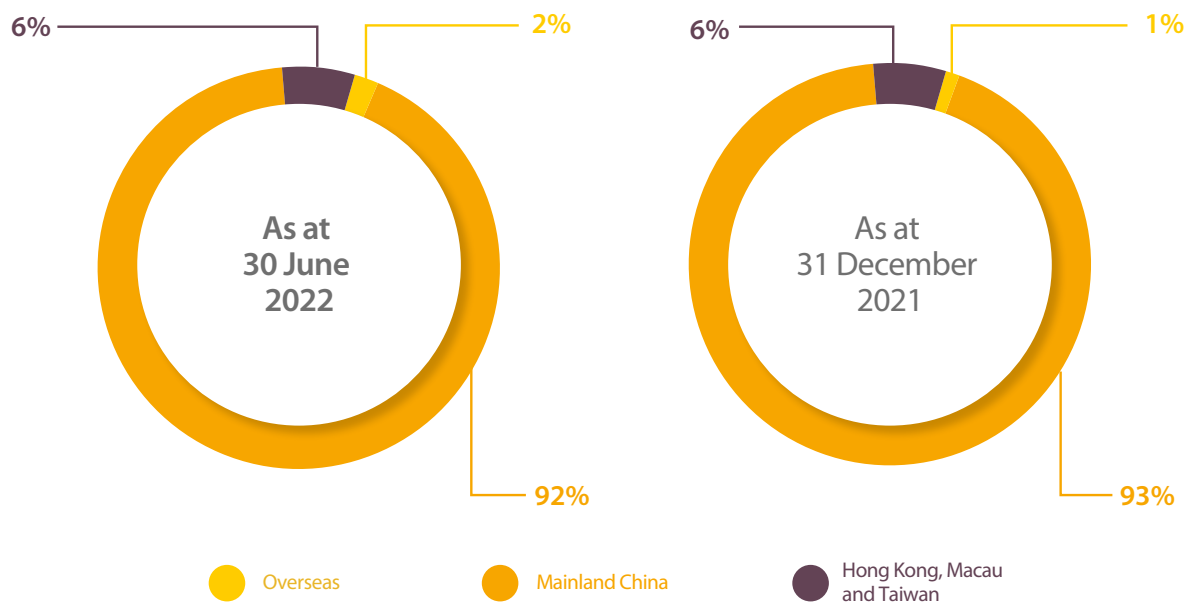
<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	30 June 2022	31 December 2021	Amount	%
Total assets	12,084,138	10,685,521	1,398,617	13%
Loans and advances to customers and other parties	5,719,555	5,809,296	(89,741)	(1.5%)
Investments in financial assets	3,526,457	2,906,862	619,595	21%
Cash and deposits	793,511	720,235	73,276	10%
Placement with banks and non-bank financial institutions	270,967	173,754	97,213	56%
Trade and other receivables	295,911	172,837	123,074	71%
Fixed assets	181,779	177,306	4,473	2.5%
Total liabilities	10,681,513	9,519,931	1,161,582	12%
Deposits from customers	6,011,183	5,852,701	158,482	2.7%
Deposits from banks and non-bank financial institutions	1,141,231	1,422,328	(281,097)	(20%)
Debt instruments issued	1,354,374	1,250,325	104,049	8.3%
Borrowing from central banks	221,837	231,479	(9,642)	(4.2%)
Bank and other loans	172,572	145,362	27,210	19%
Trade and other payables	469,004	184,939	284,065	154%
Total ordinary shareholders' funds	752,010	751,407	603	0.1%

Financial Review

Total assets

As at 30 June 2022, total assets were increased to HK\$12,084,138 million from HK\$10,685,521 million as at 31 December 2021, mainly due to the consolidation of CITIC Securities.

By geography



Financial Review

Loans and advances to customers and other parties

As at 30 June 2022, the net loans and advances to customers and other parties of the Group were HK\$5,719,555 million, a decrease of HK\$89,741 million, or 1.5% compared with 31 December 2021. The proportion of loans and advances to customers and other parties to total assets was 47.33%, a decrease of 7.04 percentage points compared with 31 December 2021.

<i>HK\$ million</i>	As at 30 June 2022	As at 31 December 2021	Increase/(Decrease) Amount	%
Loans and advances to customers and other parties measured at amortised cost				
Corporate loans	2,812,025	2,807,040	4,985	0.2%
Discounted bills	3,759	5,532	(1,773)	(32%)
Personal loans	2,459,957	2,523,024	(63,067)	(2.5%)
Accrued interest	17,010	16,181	829	5.1%
Total loans and advances to customers and other parties measured at amortised cost	5,292,751	5,351,777	(59,026)	(1.1%)
Allowance for impairment losses	(156,846)	(154,269)	(2,577)	(1.7%)
Carrying amount of loans and advances to customers and other parties measured at amortised cost	5,135,905	5,197,508	(61,603)	(1.2%)
Loans and advances to customers and other parties at FVOCI				
Corporate loans	56,216	47,210	9,006	19%
Discounted bills	527,434	564,578	(37,144)	(6.6%)
Carrying amount of loans and advances to customers and other parties at FVOCI	583,650	611,788	(28,138)	(4.6%)
Net loans and advances to customers and other parties	5,719,555	5,809,296	(89,741)	(1.5%)

Financial Review

Investments in financial assets

As at 30 June 2022, the investments in financial assets of the Group were HK\$3,526,457 million, an increase of HK\$619,595 million, or 21% compared with 31 December 2021. The proportion of investments in financial assets to total assets was 29.18%, an increase of 1.98 percentage points compared with 31 December 2021.

(a) Analysed by types

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	30 June 2022	31 December 2021	Amount	%
Debt securities	2,151,293	1,962,639	188,654	9.6%
Investment management products managed by securities companies	109,918	72,824	37,094	51%
Investment funds	653,016	518,277	134,739	26%
Trust investment plans	275,147	295,570	(20,423)	(6.9%)
Certificates of deposit and certificates of interbank deposit	83,571	44,601	38,970	87%
Equity investment	234,056	27,163	206,893	762%
Wealth management products	14,402	2,677	11,725	438%
Others	25,845	1,106	24,739	2,237%
Subtotal	3,547,248	2,924,857	622,391	21%
Accrued interest	19,985	18,760	1,225	6.5%
Less: allowance for impairment losses	(40,776)	(36,755)	(4,021)	(11%)
Total	3,526,457	2,906,862	619,595	21%

(b) Analysed by measurement attribution

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	30 June 2022	31 December 2021	Amount	%
Financial assets at amortised cost	1,269,857	1,435,823	(165,966)	(12%)
Financial assets at FVPL	1,359,305	667,206	692,099	104%
Debt investments at FVOCI	886,489	793,188	93,301	12%
Equity investments at FVOCI	10,806	10,645	161	1.5%
Total	3,526,457	2,906,862	619,595	21%

Financial Review

Deposits from customers

As at 30 June 2022, deposits from customers of the financial institutions under the Group were HK\$6,011,183 million, an increase of HK\$158,482 million or 2.7% as compared with 31 December 2021. The proportion of deposits from customers to total liabilities was 56.28%, a decrease of 5.20 percentage points as compared with 31 December 2021.

<i>HK\$ million</i>	As at 30 June 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Corporate deposits				
Time deposits	2,220,617	2,183,893	36,724	1.7%
Demand deposits	2,417,278	2,401,056	16,222	0.7%
Subtotal	4,637,895	4,584,949	52,946	1.2%
Personal deposits				
Time deposits	889,670	809,998	79,672	9.8%
Demand deposits	405,802	379,224	26,578	7.0%
Subtotal	1,295,472	1,189,222	106,250	8.9%
Outward remittance and remittance payables	14,118	13,062	1,056	8.1%
Accrued interest	63,698	65,468	(1,770)	(2.7%)
Total	6,011,183	5,852,701	158,482	2.7%

Bank and other loans

<i>HK\$ million</i>	As at 30 June 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Comprehensive financial services	12,694	4,865	7,829	161%
Advanced intelligent manufacturing	13,839	15,823	(1,984)	(13%)
Advanced materials	59,422	58,887	535	0.9%
New consumption	5,852	5,966	(114)	(1.9%)
New-type urbanisation	55,351	46,938	8,413	18%
Operation management	99,181	90,837	8,344	9.2%
Elimination	(74,586)	(78,411)	3,825	4.9%
Subtotal	171,753	144,905	26,848	19%
Accrued interest	819	457	362	79%
Total	172,572	145,362	27,210	19%

Financial Review

Debt instruments issued

<i>HK\$ million</i>	As at 30 June 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Comprehensive financial services	1,270,126	1,167,869	102,257	8.8%
Advanced intelligent manufacturing	–	–	–	–
Advanced materials	3,437	489	2,948	603%
New consumption	3,501	3,500	1	0.0%
New-type urbanisation	–	372	(372)	(100%)
Operation management	99,250	104,713	(5,463)	(5.2%)
Elimination	(30,904)	(32,237)	1,333	4.1%
Subtotal	1,345,410	1,244,706	100,704	8.1%
Accrued interest	8,964	5,619	3,345	60%
Total	1,354,374	1,250,325	104,049	8.3%

Total ordinary shareholders' funds

As at 30 June 2022, total ordinary shareholders' funds of the Group amounted to HK\$752,010 million, an increase of HK\$603 million as compared with 31 December 2021. The growth in net profits was mainly offset by dividends and foreign currencies translation loss due to Renminbi depreciation.

Risk Management

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

Financial Risk

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

Asset and liability management

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

1. Debt

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

As at 30 June 2022, consolidated debt of CITIC Limited⁽¹⁾ was HK\$1,517,163 million, including loans of HK\$171,753 million and debt instruments issued⁽²⁾ of HK\$1,345,410 million. Debt of CITIC Bank⁽³⁾ accounted for HK\$1,041,349 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$2,084 million and available committed facilities of HK\$27,732 million.

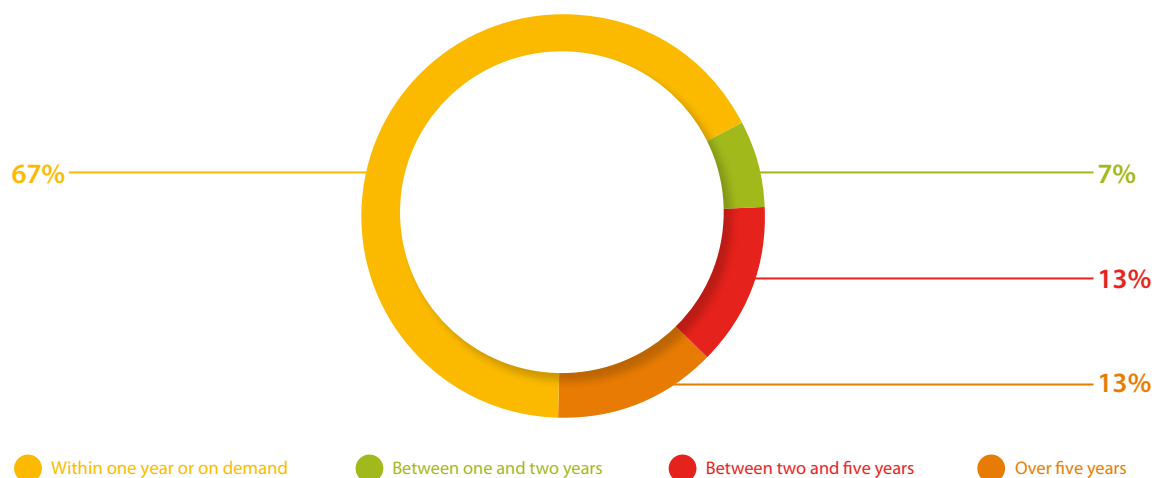
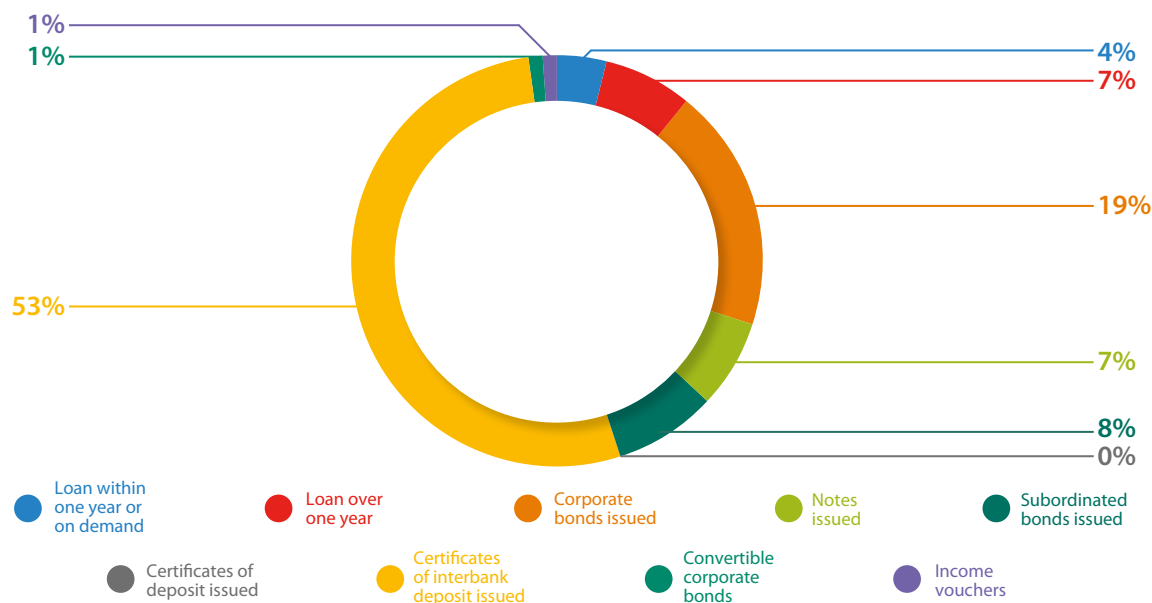
The details of debt are as follows:

As at 30 June 2022	HK\$ million
Consolidated debt of CITIC Limited	1,517,163
Among which: Debt of CITIC Bank	1,041,349

Note:

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

Risk Management

Consolidated debt by maturity as at 30 June 2022**Consolidated debt by type as at 30 June 2022**

The debt to equity ratio of CITIC Limited as at 30 June 2022 is as follows:

HK\$ million	Consolidated
Debt	1,517,163
Total equity ⁽⁴⁾	1,402,625
Debt to equity ratio	108%

Note:

(4) Total consolidated equity is based on the "total equity" in the Consolidated 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 monitors and graded 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 33(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 30 June 2022 are set out in Note 32 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the equity of subsidiaries pledged as security for CITIC Limited's loan as at 30 June 2022 are set out in Note 29(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	Moody's
30 June 2022	BBB+/ Stable	A3/Stable

Treasury risk management

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

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

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

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

Risk Management

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 33(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, cross currency swaps and other derivative instruments, provided that hedging is only considered for firm commitments and highly probable forecast transactions.

Details of currency risk management are set out in Note 33(d) to the consolidated financial statements.

3. Counterparty risk for financial products

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

Risk Management

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, forward contracts and other derivative instruments for hedging. While CITIC Limited views that natural offsetting is being achieved to a certain extent across its different business sectors, it performs a continual risk management review to ensure commodity risks are well understood and controlled within its business strategies.

5. Market price risk

CITIC Limited holds investments in financial assets classified as Derivative financial instruments or Investments in financial assets in the consolidated balance sheet, including shares of listed company.

To control price risks arising from such investments, the Group actively monitors the price changes and diversifies the relevant investment risks through appropriate asset allocation.

Economic Environment

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

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

Operational Risk

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

CITIC Limited carries out resources and energy, manufacturing, engineering contracting, property development and management, 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.

Risk Management

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 comprehensive 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, property development and management, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

Human Resources

Protecting Employees' Rights and Interests

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

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

Developing our Staff

Focusing on improving the human capital efficiency, we advance "The Programme of Talent Development during The Fourteenth five Year" which proposes building "Four Teams" and "Six Core Talents". We optimize the talent evaluation system, proposing that the professionals who take part in poverty alleviation, rural revitalization or epidemic prevention could be reviewed as Senior Professional Title preferentially. We recommended high-level professionals to take part in the review of Honors Programs. We also strengthen our approach to talent cultivation with highlighting our unique features, continuously improve the construction of the training system, build up a strong training guarantee mechanism, and insist on serving the overall situation and provide all staff with training based on demands and classification.

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

Caring for CITIC Employees

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

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this 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 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$ million	2021 HK\$ million
Interest income		193,903	184,307
Interest expenses		(101,097)	(93,473)
Net interest income	5(a)	92,806	90,834
Fee and commission income		38,202	29,107
Fee and commission expenses		(4,061)	(2,803)
Net fee and commission income	5(b)	34,141	26,304
Sales of goods and services	5(c)	237,870	220,712
Other revenue	5(d)	27,590	15,071
		265,460	235,783
Total revenue		392,407	352,921
Cost of sales and services	6,9	(211,497)	(190,106)
Other net income	7	14,442	3,781
Expected credit losses		(53,509)	(58,838)
Impairment losses		(1,419)	(676)
Other operating expenses	9	(55,175)	(42,380)
Net valuation loss on investment properties		(178)	(224)
Share of profits of associates, net of tax		4,898	6,689
Share of profits of joint ventures, net of tax		1,979	1,330
Profit before net finance charges and taxation		91,948	72,497
Finance income		582	1,424
Finance costs		(4,753)	(4,784)
Net finance charges	8	(4,171)	(3,360)
Profit before taxation	9	87,777	69,137
Income tax	10	(14,253)	(10,448)
Profit for the period		73,524	58,689
Attributable to:			
– Ordinary shareholders of the Company		50,051	44,175
– Non-controlling interests		23,473	14,514
Profit for the period		73,524	58,689
Earnings per share for profit attributable to ordinary shareholders of the Company during the period:			
Basic and diluted earnings per share (HK\$)	12	1.72	1.52

The notes on pages 38 to 133 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$ million	2021 HK\$ million
Profit for the period		73,524	58,689
Other comprehensive (loss)/gain for the period	13		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on debt instruments at fair value through other comprehensive income		(4,127)	555
Loss allowance changes on debt instruments at fair value through other comprehensive income		(28)	(247)
Cash flow hedge: net movement in the hedging reserve		602	403
Share of other comprehensive (loss)/gain of associates and joint ventures		(150)	200
Exchange differences on translation of financial statements and others		(63,141)	10,630
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on owner-occupied property reclassified as investment property		8	–
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		(31)	(12)
Other comprehensive (loss)/gain for the period		(66,867)	11,529
Total comprehensive income for the period		6,657	70,218
Attributable to:			
– Ordinary shareholders of the Company		13,787	52,060
– Non-controlling interests		(7,130)	18,158
Total comprehensive income for the period		6,657	70,218

The notes on pages 38 to 133 form part of these condensed unaudited consolidated interim accounts.

Consolidated Balance Sheet

As At 30 June 2022

	Note	30 June 2022 HK\$ million (Unaudited)	31 December 2021 HK\$ million (Audited)
Assets			
Cash and deposits	15	793,511	720,235
Cash held on behalf of customers	16	300,033	–
Placements with banks and non-bank financial institutions		270,967	173,754
Derivative financial instruments	17	76,944	27,958
Trade and other receivables	18	295,911	172,837
Contract assets		14,973	13,407
Inventories		133,313	113,403
Financial assets held under resale agreements		88,036	112,227
Loans and advances to customers and other parties	19	5,719,555	5,809,296
Margin accounts	20	130,274	–
Investments in financial assets	21		
– Financial assets at amortised cost		1,269,857	1,435,823
– Financial assets at fair value through profit or loss		1,359,305	667,206
– Debt investments at fair value through other comprehensive income		886,489	793,188
– Equity investments at fair value through other comprehensive income		10,806	10,645
Refundable deposits		79,556	–
Interests in associates	22	131,786	154,181
Interests in joint ventures	23	61,218	60,599
Fixed assets		181,779	177,306
Investment properties		40,299	40,006
Right-of-use assets		46,921	38,503
Intangible assets		17,877	18,404
Goodwill		34,513	21,590
Deferred tax assets		93,808	82,619
Other assets		46,407	42,334
Total assets		12,084,138	10,685,521

Consolidated Balance Sheet

As At 30 June 2022

	Note	30 June 2022 HK\$ million (Unaudited)	31 December 2021 HK\$ million (Audited)
Liabilities			
Borrowing from central banks		221,837	231,479
Deposits from banks and non-bank financial institutions	24	1,141,231	1,422,328
Placements from banks and non-bank financial institutions		144,878	107,799
Financial liabilities at fair value through profit or loss	25	118,584	5,685
Customer brokerage deposits	26	355,973	–
Derivative financial instruments	17	75,337	30,043
Trade and other payables	27	469,004	184,939
Contract liabilities		36,743	33,488
Financial assets sold under repurchase agreements		421,103	122,452
Deposits from customers	28	6,011,183	5,852,701
Employee benefits payables		55,542	38,548
Income tax payable		10,997	16,184
Bank and other loans	29	172,572	145,362
Debt instruments issued	30	1,354,374	1,250,325
Lease liabilities		20,720	20,762
Provisions		29,799	24,903
Deferred tax liabilities		22,094	14,480
Other liabilities		19,542	18,453
Total liabilities		10,681,513	9,519,931
Equity			
Share capital	31	381,710	381,710
Reserves		370,300	369,697
Total ordinary shareholders' funds		752,010	751,407
Non-controlling interests		650,615	414,183
Total equity		1,402,625	1,165,590
Total liabilities and equity		12,084,138	10,685,521

Approved and authorised for issue by the board of directors on 30 August 2022.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 38 to 133 form part of these condensed unaudited consolidated interim accounts.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

Note	Share	Capital	Investment		General	Retained	Exchange	Non-		Total
	capital	reserve	Hedging	related	reserve	earnings	reserve	Total	controlling	equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million	million	million	million	million	million
Six months ended 30 June 2022 (Unaudited)										
Balance at 1 January 2022	381,710	(60,312)	2,073	4,527	62,105	344,891	16,413	751,407	414,183	1,165,590
Profit for the period	-	-	-	-	-	50,051	-	50,051	23,473	73,524
Other comprehensive gain/(loss) for the period	13	-	617	(2,666)	-	-	(34,215)	(36,264)	(30,603)	(66,867)
Total comprehensive income for the period		-	617	(2,666)	-	50,051	(34,215)	13,787	(7,130)	6,657
Capital injection by non-controlling interests		-	-	-	-	-	-	-	127	127
Appropriation to general reserve		-	-	-	250	(250)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	11	-	-	-	-	(13,265)	-	(13,265)	-	(13,265)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(18,426)	(18,426)
Other equity instruments issued by subsidiaries		-	-	-	-	-	-	-	5,177	5,177
New subsidiaries		-	-	-	-	-	-	-	256,731	256,731
Disposal of subsidiaries		-	-	-	-	-	-	-	(9)	(9)
Disposal of equity investments at fair value through other comprehensive income		-	-	(37)	-	37	-	-	-	-
Others		-	81	-	-	-	-	81	(38)	43
Other changes in equity		-	81	(37)	250	(13,478)	-	(13,184)	243,562	230,378
Balance at 30 June 2022	381,710	(60,231)	2,690	1,824	62,355	381,464	(17,802)	752,010	650,615	1,402,625

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

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

The notes on pages 38 to 133 form part of these condensed unaudited consolidated interim account

Consolidated Cash Flow Statement

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$ million	2021 HK\$ million
Cash flows from operating activities			
Profit before taxation		87,777	69,137
Adjustments for:			
– Depreciation and amortisation	9(b)	11,358	10,313
– Expected credit losses		53,509	58,838
– Impairment losses		1,419	676
– Net valuation loss on investment properties		178	224
– Net valuation gain on investments		(4,138)	(4,121)
– Share of profits of associates and joint ventures, net of tax		(6,877)	(8,019)
– Interest expenses on debts instruments issued	5(a)	17,989	14,926
– Finance income	8	(582)	(1,424)
– Finance costs	8	4,753	4,784
– Net gain on investments in financial assets		(15,627)	(7,092)
– Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures		(12,834)	(362)
		136,925	137,880
Changes in working capital			
Increase in deposits with central banks, banks and non-bank financial institutions		(3,164)	(42,111)
Increase in placements with banks and non-bank financial institutions		(87,558)	(19,312)
Increase in trade and other receivables		(98,241)	(22,641)
Increase in contract assets		(1,566)	(2,966)
Increase in inventories		(18,794)	(20,425)
Decrease in financial assets held under resale agreements		61,746	25,592
Increase in loans and advances to customers and other parties		(209,078)	(305,270)
Increase in investments in financial assets held for trading purposes		(37,461)	(36,055)
Decrease in cash held on behalf of customers		31,693	–
Increase in other operating assets		(16,303)	(9,435)
Decrease in deposits from banks and non-bank financial institutions		(227,624)	(75,623)
Increase in placements from banks and non-bank financial institutions		10,232	13,572
Increase/(Decrease) in financial liabilities at fair value through profit or loss		21,632	(9,386)
Increase in trade and other payables		17,276	4,096
Increase in contract liabilities		2,835	2,048
Increase/(Decrease) in financial assets sold under repurchase agreements		7,897	(10,684)
Increase in deposits from customers		412,858	153,699
(Decrease)/Increase in borrowing from central banks		(1,820)	18,864
Increase in customer brokerage deposits		37,719	–
Increase/(Decrease) in other operating liabilities		6,511	(6,076)
Decrease in employee benefits payables		(7,725)	(5,154)
Increase/(Decrease) in provisions		3,803	(255)
Cash generated from/(used in) operating activities		41,793	(209,642)
Income tax paid		(26,424)	(17,090)
Net cash generated from/(used in) operating activities		15,369	(226,732)

Consolidated Cash Flow Statement

For the six months ended 30 June 2022

	Unaudited Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Cash flows from investing activities		
Proceeds from disposal and redemption of financial investments	1,643,162	2,030,707
Proceeds from disposal of fixed assets, intangible assets and other assets	841	695
Proceeds from disposal of associates and joint ventures	195	387
Net cash received from disposal of subsidiaries	3	19
Dividends received from equity investments, associates and joint ventures	2,785	2,072
Payments for purchase of financial investments	(1,617,911)	(2,162,949)
Payments for additions of fixed assets, intangible assets and other assets	(5,716)	(10,096)
Net cash received/(payment) for acquisition of subsidiaries	192,761	(27)
Net cash payment for acquisition of associates and joint ventures	(8,205)	(7,797)
Net decrease/(increase) in restricted cash	67	(1,676)
Net cash generated from/(used in) investing activities	207,982	(148,665)
Cash flows from financing activities		
Capital injection received from non-controlling interests	127	70
Proceeds from new bank and other loans	113,185	80,653
Repayment of bank and other loans and debt instruments issued	(627,503)	(485,703)
Proceeds from new debt instruments issued	465,114	603,851
Issue of other equity instruments by subsidiaries	5,177	47,952
Principal and interest elements of lease payment	(2,979)	(2,822)
Interest paid on bank and other loans and debt instruments issued	(20,517)	(19,552)
Dividends paid to non-controlling interests	(3,869)	(1,398)
Net cash (used in)/generated from financing activities	(71,265)	223,051
Net increase/(decrease) in cash and cash equivalents	152,086	(152,346)
Cash and cash equivalents at 1 January	357,615	452,702
Effect of exchange changes	(18,159)	1,931
Cash and cash equivalents at 30 June	491,542	302,287

The notes on pages 38 to 133 form part of these condensed unaudited consolidated interim accounts.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

1 General information

CITIC Limited (the “Company”) was incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

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

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

The financial information relating to the year ended 31 December 2021 that is included in the Accounts as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is extracted from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

2 Basis of preparation (continued)

The accounting policies adopted in the preparation of the Accounts are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2021, except for the following amendments which became effective for the first time for the financial year beginning on or after 1 January 2022:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKAS 16 (Amendments)	Property, Plant and Equipment
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5	Merger Accounting for Common Control Combinations

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

The Group has not applied the following new standard which is not yet effective for the financial year beginning on or after 1 January 2022 and which have not been early adopted in the Accounts:

HKFRS 17	Insurance Contracts ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKFRS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of accounting policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of accounting estimates ⁽¹⁾
HKAS 12 (Amendments)	Effect of deferred tax of assets and liabilities arising from a single transaction ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽²⁾

(1) Effective for the annual periods beginning on or after 1 January 2023.

(2) In December 2015 the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgements

In addition to those described below, the critical 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 2021.

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

Each of Sino Iron Pty Ltd. ("Sino Iron") and Korean Steel Pty Ltd. ("Korean Steel"), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements and approvals, provide Sino Iron and Korean Steel the right to develop and operate the Group's Sino Iron project in Western Australia ("Sino Iron Project") and to take and process one billion tonnes each of magnetite ore for that purpose.

There are a number of ongoing disputes between the Company, Sino Iron and Korean Steel ("CITIC Parties") on the one hand, and Mineralogy and Mr. Clive Palmer on the other hand, arising from the MRSLAs and other project agreements. Set out below are the details of those disputes considered to be material.

FCD Indemnity Disputes

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

(i) Queensland Nickel FCD Indemnity Claim

On 29 June 2017, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia ("Proceeding CIV 2072/2017") claiming damages in the sum of AUD2,324,000,000 (now reduced by an amended statement of claim to AUD1,800,438,000). This amount is alleged to represent the reduction in the value of the assets of the joint venture business carried on by the Queensland Nickel group of companies controlled by Mr. Palmer. The joint venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgement *(continued)*

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes *(continued)*

FCD Indemnity Disputes *(continued)*

(i) **Queensland Nickel FCD Indemnity Claim** *(continued)*

On 14 September 2020, Justice K Martin ordered that:

- (a) this proceeding be heard together with Proceeding CIV 1267/2018; and
- (b) damages be determined separately and subsequently to liability.

The CITIC Parties filed a re-amended defence on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy and Mr. Palmer to file a reply to the CITIC Parties’ re-amended defence, and that reply was filed on 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy and Mr. Palmer file any cross application in response to the CITIC Parties’ permanent stay application, which was filed on 21 April 2022.

On 29 June 2022, Justice K Martin made orders by consent reserving to the final hearing of the matter the CITIC Parties’ permanent stay or dismissal application and discontinuing Mineralogy and Mr. Palmer’s cross application for orders including that abuse of process allegations be finally determined as a separate question at the same time as the hearing of the CITIC Parties’ permanent stay or dismissal application.

On 29 April 2022, the CITIC Parties filed an application to strike out certain allegations raised in Mineralogy’s and Mr. Palmer’s reply. No date has been fixed for the hearing of this application.

A strategic conference in this proceeding was held on 19 August 2022. Mineralogy and Mr. Palmer sought a trial date to be set immediately, alongside detailed programming orders. The CITIC Parties sought orders for the case management of several issues before a trial is listed. Justice K Martin reserved his decision and, as at the date of these financial statements, orders have not yet been made.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgement *(continued)*

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes *(continued)*

FCD Indemnity Disputes *(continued)*

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

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

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

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

Mineralogy’s claim purports to be made pursuant to an indemnity given by the Company under the FCD to Mineralogy, which extends to losses suffered by Mineralogy in relation to failure by Sino Iron and Korean Steel to perform their Royalty Component B payment obligations under the MRSLAs.

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgement *(continued)*

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes *(continued)*

FCD Indemnity Disputes *(continued)*

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

On 14 September 2020, Justice K Martin ordered that:

- (a) this proceeding be heard together with Proceeding CIV 2072/2017; and
- (b) damages be determined separately and subsequently to liability.

The CITIC Parties filed an amended defence in Proceeding CIV 1267/2018 on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy to file a reply to the CITIC Parties’ re-amended defence, and that reply was filed on 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy file any cross application in response to the CITIC Parties’ permanent stay application, which was filed on 21 April 2022.

On 29 June 2022, Justice K Martin made orders by consent reserving to the final hearing of the matter the CITIC Parties’ permanent stay or dismissal application and discontinuing Mineralogy’s cross application for orders including that abuse of process allegations be finally determined as a separate question at the same time as the hearing of the CITIC Parties’ permanent stay or dismissal application.

On 29 April 2022, the CITIC Parties filed an application to strike out certain allegations raised in Mineralogy’s reply. No date has been fixed for the hearing of this application.

A strategic conference in this proceeding was held on 19 August 2022. Mineralogy sought a trial date to be set immediately, alongside detailed programming orders. The CITIC Parties sought orders for the case management of several issues before a trial is listed. Justice K Martin reserved his decision and, as at the date of these financial statements, orders have not yet been made.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgement *(continued)*

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes *(continued)*

Mine Continuation Proposals Dispute

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

The CITIC Parties commenced a proceeding against Mineralogy and Mr. Palmer in the Federal Court of Australia (“Proceeding WAD 471/2018”). Following a cross-vesting application by the defendants, the proceeding was transferred to the Supreme Court of Western Australia and admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 (“Proceeding CIV 1915/2019”). The proceeding relates to the failure and refusal of Mineralogy to:

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

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

Mediation was conducted in late 2019 but was unsuccessful.

On 30 June 2021, Mineralogy and Mr. Palmer filed a chamber summons seeking a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the specific performance orders or injunctions sought by the CITIC Parties. On 15 July 2021, Mineralogy and Mr. Palmer advised the CITIC Parties’ solicitors that they did not intend to pursue that application. On 16 July 2021, by consent, that application was dismissed by the Court.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgements (continued)

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

Mine Continuation Proposals Dispute (continued)

The CITIC Parties commenced a new proceeding (“Proceeding CIV 2326/2021”) on 8 December 2021. Proceeding CIV 2326/2021 seeks orders for specific performance in relation to a refined tenure request addressed to Mineralogy on 29 November 2021. That tenure request is in the alternative to the tenure in respect of which relief is sought in Proceeding CIV 1915/2019. The CITIC Parties applied to the Court on 8 December 2021 to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019. That application was heard by Justice K Martin on 13 December 2021, and, on 29 December 2021, his Honour ordered that Proceeding CIV 1915/2019 and Proceeding CIV 2326/2021 be consolidated and proceed as one action (“Consolidated MCP Proceedings”). The orders required the CITIC Parties to file a consolidated further amended statement of claim incorporating the Proceeding CIV 1915/2019 further amended statement of claim and the Proceeding CIV 2326/2021 writ of summons and statement of claim.

On 18 January 2022, Justice K Martin’s decision to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019 was appealed by Mineralogy and Mr. Palmer to the Court of Appeal (“Proceeding CACV 5/2022”). On 7 April 2022, the CITIC Parties filed their respondents’ answer. On 28 July 2022, the Court of Appeal ordered that the hearing of the appeal in Proceeding CACV 5/2022 be stayed pending delivery of the judgment in the primary trial.

On 14 March 2022, part way through the trial described below, the CITIC Parties’ solicitors received a chamber summons from Mr. Palmer. The chamber summons sought a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the relief sought by the CITIC Parties. The chamber summons was on substantially the same terms as the chamber summons which was previously filed by Mineralogy and Mr. Palmer on 30 June 2021, and subsequently dismissed by consent. On 21 March 2022, the CITIC Parties filed submissions contending that the Court should make no directions on Mr Palmer’s chamber summons and that the Court should not allow any further time of the Court or the CITIC Parties to be taken up by the chamber summons. On 30 March 2022, Mr. Palmer filed an amended chamber summons seeking orders that summary judgment be entered for Mr. Palmer and that the CITIC Parties’ claims against Mr. Palmer be dismissed. Justice K Martin made orders on 31 March 2022 refusing Mr. Palmer’s application for leave to bring his application under his amended chamber summons of 30 March 2022.

The primary trial in the Consolidated MCP Proceedings commenced before Justice K Martin on 21 February 2022 and concluded on 29 April 2022. The primary trial was to determine all issues in the Consolidated MCP Proceedings other than the quantification of any loss or damage suffered by the CITIC Parties. That question will be addressed in a separate trial in the Consolidated MCP Proceedings if that trial becomes necessary. Justice K Martin reserved his decision on the issues raised in the primary trial.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgements *(continued)*

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes *(continued)*

Site Remediation Fund Disputes

(i) 2018 Site Remediation Fund Dispute

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

- (a) Mineralogy will establish the Site Remediation Fund, which will be maintained in a separate interest-bearing trust account, designated as a trust account, and Sino Iron and Korean Steel will make contributions into the Site Remediation Fund; and
- (b) for each Operating Year, Mineralogy will “determine an annual charge on account of future Site Remediation Costs ... having regard to ... Mineralogy’s best prevailing estimate of the amount of future Site Remediation Costs ... and the number of years remaining until Mine Closure”.

On 22 October 2018, Mineralogy commenced a proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 2840/2018”) concerning the Site Remediation Fund. Mineralogy claimed that the CITIC Parties were required to contribute AUD529,378,207 into the Site Remediation Fund established under the MRSLAs, as security for the performance of their obligations relating to the protection of the environment and rehabilitation. The CITIC Parties filed a defence and counterclaim in Proceeding CIV 2840/2018 which sought, among other things, orders appointing an independent trustee in place of Mineralogy.

While the CITIC Parties have always acknowledged their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they disputed the amount claimed by Mineralogy. Among other arguments, the CITIC Parties considered that the amount demanded by Mineralogy was not an “annual charge” as required by clause 20.6(e) of the MRSLAs. Further, the CITIC Parties did not consider that the amount demanded was a “best prevailing estimate” of future site remediation costs, as required by clause 20.6(e) of the MRSLAs.

The trial took place between 16 and 24 November 2020. On 24 February 2021, Justice K Martin published his reasons for decision. His Honour held that Mineralogy’s claim should be dismissed, and that the CITIC Parties’ counterclaim should also be dismissed. His Honour found, consistent with the submissions of the CITIC Parties, that the formulation of an “annual charge” pursuant to clause 20.6(e) requires Mineralogy to take its best prevailing estimate, subtract the amount already in the Site Remediation Fund, and then divide that amount by the number of years remaining until mine closure.

On 10 June 2021, Mineralogy appealed Justice K Martin’s decision to dismiss Mineralogy’s claim in Proceeding CIV 2840/2018 (“Proceeding CACV 42/2021”). Proceeding CACV 42/2021 was heard by the Court of Appeal on 16 May 2022. The Court of Appeal reserved its decision.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgements (continued)

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

Site Remediation Fund Disputes (continued)

(ii) 2021/22 Site Remediation Fund Dispute

On 31 May 2021, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2021-2022 Operating Year seeking payment of AUD580,504,721 into the Site Remediation Fund by 31 December 2021 ("2021 Notices"). Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2021 Notices, but Mineralogy refused to provide the requested information.

On 16 December 2021, Sino Iron and Korean Steel commenced a proceeding against Mineralogy in the Supreme Court of Western Australia ("Proceeding CIV 2373/2021"). Sino Iron and Korean Steel seek declarations that the 2021 Notices are invalid and of no effect. Sino Iron and Korean Steel allege that the 2021 Notices are not valid due to non-compliance with the terms of the MRSLAs. Consequently, Sino Iron and Korean Steel also allege that the 2021 Notices do not enliven their obligations under clause 20.6 of the MRSLAs to pay an annual charge into the Site Remediation Fund. Nevertheless, on a voluntary basis and without admission of liability, Sino Iron and Korean Steel each made a good faith payment of AUD7,256,309 on 24 December 2021 into the account notified by Mineralogy for Site Remediation Fund contributions. On 24 January 2022, Justice K Martin made orders staying Proceeding CIV 2373/2021 pending the outcome of the appeal in Proceeding CACV 42/2021.

On 26 May 2022, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2022-2023 Operating Year seeking payment of AUD618,866,793.38 into the Site Remediation Fund by 31 December 2022 ("2022 Notices"). As in 2021, Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2022 Notices, but Mineralogy refused to provide the requested information.

(b) Metallurgical Corporation of China ("MCC") claim

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Sino Iron Project. The fixed price contract amount was US\$3.4 billion.

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

As at the date of issuance of these financial statements, MCC has not claimed any additional costs from Sino Iron or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US\$5 million per day, with a cap of approximately US\$530 million in total). As at balance sheet date the cumulative days of delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

3 Critical accounting estimates and judgements *(continued)*

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

As set out in the Company’s announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 30 June 2022.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the six months ended 30 June 2022 is 16.5% (six months ended 30 June 2021: 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 2022 is 25% (six months ended 30 June 2021: 25%).

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

The non-taxable income mainly contains interest income arising from PRC government bonds and local government bonds.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income, and net trading gain (Notes 5(a), 5(b), 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods and services rendered to customers (Note 5(c)).

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

5 Revenue (continued)

(a) Net interest income

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Interest income arising from (note):		
Deposits with central banks, banks and non-bank financial institutions	7,192	5,091
Placements with banks and non-bank financial institutions	3,284	2,745
Financial assets held under resale agreements	1,303	583
Investments in financial assets		
– Financial assets at amortised cost	24,829	23,221
– Debt investments at fair value through other comprehensive income (“FVOCI”)	10,275	12,716
Loans and advances to customers and other parties	144,396	139,947
Margin financing and securities lending	2,552	–
Others	72	4
	193,903	184,307
Interest expenses arising from:		
Borrowing from central banks	(3,407)	(4,107)
Deposits from banks and non-bank financial institutions	(15,291)	(17,113)
Placements from banks and non-bank financial institutions	(1,671)	(1,551)
Financial assets sold under repurchase agreements	(2,206)	(1,122)
Deposits from customers	(59,299)	(54,337)
Debt instruments issued	(17,989)	(14,926)
Customer brokerage deposits	(460)	–
Lease liabilities	(313)	(272)
Others	(461)	(45)
	(101,097)	(93,473)
Net interest income	92,806	90,834

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$214 million for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$298 million).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

5 Revenue (continued)

(b) Net fee and commission income

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Bank card fees	9,712	9,343
Trustee commission and fees	9,287	10,746
Agency fees and commission	3,707	4,554
Guarantee and advisory fees	3,703	3,102
Commission on securities brokerage	3,888	–
Commission on fund management	2,250	–
Commission on investment banking	2,066	–
Settlement and clearing fees	1,410	1,171
Commission on asset management	1,015	–
Commission on futures brokerage	882	–
Others	282	191
	38,202	29,107
Fee and commission expenses	(4,061)	(2,803)
Net fee and commission income	34,141	26,304

(c) Sales of goods and services

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Sales of goods	211,446	191,298
Services rendered to customers		
– Revenue from construction contracts	10,482	15,853
– Revenue from other services	15,942	13,561
	237,870	220,712

(d) Other revenue

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Net trading gain under financial services segment (note (i))	3,999	4,534
Net gain on financial investments under financial services segment	23,371	9,927
Others	220	610
	27,590	15,071

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

5 Revenue (continued)

(d) Other revenue (continued)

(i) Net trading gain under financial services segment

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Trading profit:		
– debt securities and certificates of deposits	1,740	2,904
– foreign currencies	(1,299)	1,509
– derivatives	3,558	121
	3,999	4,534

6 Costs of sales and services

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Costs of goods sold	190,933	166,250
Costs of services rendered		
– costs of construction contracts	9,783	14,761
– costs of other services	10,781	9,095
	211,497	190,106

7 Other net income

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	12,834	358
Net (loss)/gain on financial investments under non-financial services segment	(165)	484
Net foreign exchange gain	116	913
Others	1,657	2,026
	14,442	3,781

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

8 Net finance charges

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Finance costs		
– Interest on bank and other loans	2,580	1,919
– Interest on debt instruments issued	2,591	2,916
– Interest and finance charges paid for lease liabilities	125	120
	5,296	4,955
Less: interest expense capitalised	(649)	(339)
	4,647	4,616
Other finance charges	106	168
	4,753	4,784
Finance income	(582)	(1,424)
	4,171	3,360

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	
	2022 HK\$ million (note)	2021 HK\$ million
Salaries and bonuses	28,549	21,438
Contributions to defined contribution retirement schemes	3,162	2,559
Others	7,023	5,861
	38,734	29,858

Note:

The Group included CITIC Securities Company Limited (“CITIC Securities”) in the consolidated financial statements from 13 April 2022 onward (Note 36(a)). On a comparable basis without consolidating CITIC Securities, the staff costs of the Group is HK\$31,873 million for the six months ended 30 June 2022, with a year-on-year increase of 7%, among which, salaries and bonuses are HK\$22,652 million, with a year-on-year increase of 6%.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

9 Profit before taxation (continued)

(b) Other items

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Amortisation	1,541	1,206
Depreciation	9,817	9,107
Lease charges	236	289
Tax and surcharges	2,296	1,621
Property management fees	436	434
Non-operating expenses	253	231
Professional fees	598	482
	15,177	13,370

10 Income tax expense

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Current tax – Mainland China		
Provision for enterprise income tax	15,443	15,190
Land appreciation tax	23	205
	15,466	15,395
Current tax – Hong Kong		
Provision for Hong Kong profits tax	800	648
Current tax – Overseas		
Provision for the period	104	39
	16,370	16,082
Deferred tax		
Origination and reversal of temporary differences	(2,117)	(5,634)
	14,253	10,448

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 2022

11 Dividends

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
2021 Final dividend paid: HK\$0.456 (2020 Final: HK\$0.388) per share	13,265	11,287
2022 Interim dividend proposed: HK\$0.20 (2021 Interim: HK\$0.15) per share	5,818	4,364

12 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK\$50,051 million for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$44,175 million) calculated as follows:

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Profit attributable to ordinary shareholders of the Company	50,051	44,175
Weighted average number of ordinary shares (in million)	29,090	29,090

Diluted earnings per share for the six months ended 30 June 2022 and 2021 are same as basic earnings per share. As at 30 June 2022, 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 2022 (30 June 2021: Nil).

The basic and diluted earnings per share for the six months ended 30 June 2022 are HK\$1.72 (six months ended 30 June 2021: HK\$1.52).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

13 Other comprehensive (loss)/gain

Components of other comprehensive (loss)/gain

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gains on debt instruments at FVOCI	(3,194)	2,128
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	(2,281)	(1,423)
Tax effect	1,348	(150)
	(4,127)	555
Allowance change for impairment gain/(loss) on debt investments at FVOCI	(81)	(350)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	–	–
Tax effect	53	103
	(28)	(247)
Gain arising from cash flow hedge	765	367
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current period	(169)	31
Tax effect	6	5
	602	403
Share of other comprehensive (loss)/gain of associates and joint ventures	(150)	200
Exchange differences on translation of financial statements and others	(63,141)	10,630
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	8	–
Less: Tax effect	–	–
	8	–
Fair value changes on investments in equity instruments designated at FVOCI	(75)	(17)
Less: Tax effect	44	5
	(31)	(12)
	(66,867)	11,529

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

14 Segment reporting

The Group has presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these five reportable segments are as follows:

- Comprehensive financial services: this segment includes banking, trust, asset management, securities and insurance services.
- Advanced intelligent manufacturing: this segment includes manufacturing of heavy machineries, specialised robotics, aluminium wheels, aluminium casting parts and other products.
- Advanced materials: this segment includes exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore, as well as manufacturing of special steels.
- New consumption: this segment includes motor and food and consumer products business, telecommunication services, publication services, modern agriculture, and others.
- New-type urbanisation: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, environmental services and others.

(a) Segment results, assets and liabilities

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

14 Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for six months ended 30 June 2022 and 2021 is set out below:

	Six months ended 30 June 2022							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Revenue from external customers	158,890	29,105	152,128	30,577	21,662	45	-	392,407
Inter-segment revenue	442	177	670	49	754	8	(2,100)	-
Reportable segment revenue	159,332	29,282	152,798	30,626	22,416	53	(2,100)	392,407
Disaggregation of revenue:								
- Net interest income (Note 5(a))	93,233	-	-	-	-	6	(433)	92,806
- Net fee and commission income (Note 5(b))	34,151	-	-	-	-	-	(10)	34,141
- Sales of goods (Note 5(c))	4,355	28,784	151,730	23,038	4,353	5	(819)	211,446
- Services rendered to customers-construction contracts (Note 5(c))	-	249	-	-	10,669	-	(436)	10,482
- Services rendered to customers-others (Note 5(c))	-	249	1,068	7,588	7,394	36	(393)	15,942
- Other revenue (Note 5(d))	27,593	-	-	-	-	6	(9)	27,590
Share of profits/(losses) of associates, net of tax	2,014	(3)	874	(88)	2,128	(27)	-	4,898
Share of profits/(losses) of joint ventures, net of tax	632	(1)	553	23	746	26	-	1,979
Finance income (Note 8)	-	37	245	33	464	160	(357)	582
Finance costs (Note 8)	-	(246)	(1,088)	(246)	(675)	(3,398)	900	(4,753)
Depreciation and amortisation (Note 9(b))	(4,674)	(721)	(3,830)	(1,195)	(890)	(48)	-	(11,358)
Expected credit losses	(53,042)	(79)	(10)	(34)	(344)	-	-	(53,509)
Impairment losses	(302)	(94)	(930)	(93)	-	-	-	(1,419)
Profit before taxation	61,944	1,003	12,811	1,138	4,198	6,873	(190)	87,777
Income tax (Note 10)	(10,012)	(149)	(2,366)	(305)	(495)	(918)	(8)	(14,253)
Profit for the period	51,932	854	10,445	833	3,703	5,955	(198)	73,524
Attributable to:								
- Ordinary shareholders of the Company	30,532	413	9,289	466	3,591	5,958	(198)	50,051
- Non-controlling interests	21,400	441	1,156	367	112	(3)	-	23,473

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For the six months ended 30 June 2022

14 Segment reporting (continued)

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

	As at 30 June 2022							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Reportable segment assets	11,423,747	62,736	278,534	70,920	379,961	136,971	(268,731)	12,084,138
Including:								
Interests in associates (Note 22)	30,533	886	25,921	8,809	63,537	2,100	-	131,786
Interests in joint ventures (Note 23)	17,000	658	8,647	2,007	31,232	1,674	-	61,218
Reportable segment liabilities	10,276,361	41,796	261,909	34,159	200,835	240,421	(373,968)	10,681,513
Including:								
Bank and other loans (Note 29) (note)	12,694	13,839	59,422	5,852	55,351	99,181	(74,586)	171,753
Debt instruments issued (Note 30) (note)	1,270,126	-	3,437	3,501	-	99,250	(30,904)	1,345,410

Note:

The amount is the principal excluding interest accrued.

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For the six months ended 30 June 2022

14 Segment reporting (continued)

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

	Six months ended 30 June 2021							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Revenue from external customers	132,245	23,071	142,504	32,885	22,195	21	-	352,921
Inter-segment revenue	(5)	103	273	55	450	78	(954)	-
Reportable segment revenue	132,240	23,174	142,777	32,940	22,645	99	(954)	352,921
Disaggregation of revenue:								
- Net interest income (Note 5(a))	90,882	-	-	-	-	55	(103)	90,834
- Net fee and commission income (Note 5(b))	26,311	-	-	-	-	-	(7)	26,304
- Sales of goods (Note 5(c))	-	22,810	140,728	25,481	2,644	-	(365)	191,298
- Services rendered to customers-construction contracts (Note 5(c))	-	245	-	-	15,756	-	(148)	15,853
- Services rendered to customers-others (Note 5(c))	-	119	2,049	7,459	4,245	31	(342)	13,561
- Other revenue (Note 5(d))	15,047	-	-	-	-	13	11	15,071
Share of profits/(losses) of associates, net of tax	3,514	2	573	(11)	2,575	36	-	6,689
Share of profits of joint ventures, net of tax	557	3	340	104	303	23	-	1,330
Finance income (Note 8)	-	54	215	43	1,110	368	(366)	1,424
Finance costs (Note 8)	-	(164)	(912)	(313)	(632)	(3,361)	598	(4,784)
Depreciation and amortisation (Note 9(b))	(3,908)	(690)	(3,649)	(1,214)	(820)	(32)	-	(10,313)
Expected credit losses	(56,561)	(84)	(26)	(15)	(2,140)	(12)	-	(58,838)
Impairment losses	(49)	(61)	(23)	(73)	1	(471)	-	(676)
Profit/(Loss) before taxation	48,497	851	16,186	1,528	3,923	(1,856)	8	69,137
Income tax (Note 10)	(7,043)	(109)	(1,654)	(346)	(585)	(703)	(8)	(10,448)
Profit/(Loss) for the period	41,454	742	14,532	1,182	3,338	(2,559)	-	58,689
Attributable to:								
- Ordinary shareholders of the Company	29,052	344	13,402	791	3,145	(2,559)	-	44,175
- Non-controlling interests	12,402	398	1,130	391	193	-	-	14,514

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For the six months ended 30 June 2022

14 Segment reporting (continued)

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

	As at 31 December 2021							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Reportable segment assets	10,050,873	66,837	272,756	72,055	349,907	141,799	(268,706)	10,685,521
Including:								
Interests in associates (Note 22)	59,880	944	25,297	9,532	55,795	2,733	-	154,181
Interests in joint ventures (Note 23)	17,135	692	8,171	1,973	30,811	1,817	-	60,599
Reportable segment liabilities	9,154,415	45,128	261,138	34,047	168,199	231,000	(373,996)	9,519,931
Including:								
Bank and other loans (Note 29) (note)	4,865	15,823	58,887	5,966	46,938	90,837	(78,411)	144,905
Debt instruments issued (Note 30) (note)	1,167,869	-	489	3,500	372	104,713	(32,237)	1,244,706

Note:

The amount is the principal excluding interest accrued.

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For the six months ended 30 June 2022

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
	2022	2021	2022	2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Mainland China	346,029	304,389	11,071,602	9,952,724
Hong Kong, Macau and Taiwan	25,755	26,155	696,201	586,588
Overseas	20,623	22,377	316,335	146,209
	392,407	352,921	12,084,138	10,685,521

15 Cash and deposits

	30 June	31 December
	2022	2021
	HK\$ million	HK\$ million
Cash	7,116	7,232
Bank deposits	199,903	40,143
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	430,505	444,955
– Surplus deposit reserve funds (note (iii))	24,847	80,199
– Fiscal deposits (note (iv))	3,251	3,315
Deposits with banks and non-bank financial institutions	126,948	143,236
	792,570	719,080
Accrued interest	1,110	1,333
	793,680	720,413
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions	(169)	(178)
	793,511	720,235

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For the six months ended 30 June 2022

15 Cash and deposits (continued)

Notes:

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

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

As at 30 June 2022, the statutory deposit reserve funds placed by CITIC Bank with the People’s Bank of China was calculated at 7.75% (31 December 2021: 8%) of eligible RMB deposits for domestic branches of CITIC Bank and at 8% (31 December 2021: 8%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 8% (31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 30 June 2022.

As at 30 June 2022, the statutory RMB deposit reserve rate applicable to Zhejiang Lin’an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, was at 5% (31 December 2021: 5%).

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

As at 30 June 2022, the statutory deposit reserve funds placed by CITIC Finance with the People’s Bank of China was calculated at 5% (31 December 2021: 5%) of eligible RMB deposits from the customers of CITIC Finance. CITIC Finance is also required to deposit an amount equivalent to 8% (31 December 2021: 9%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

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

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

(v) In addition to the statutory deposit reserve funds and fiscal deposits, HK\$16,077 million (31 December 2021: HK\$6,342 million) included in cash and deposits as at 30 June 2022 were restricted in use, mainly including pledged bank deposits, transaction risk reserves and guaranteed deposits.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

16 Cash held on behalf of customers

CITIC Securities, a subsidiary company of the Group, maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 26). In the Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission. In Hong Kong, the “Securities and Futures (Client Money) Rules” together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by relevant institutions.

17 Derivative financial instruments

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

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

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For the six months ended 30 June 2022

17 Derivative financial instruments (continued)

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

	30 June 2022			31 December 2021		
	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Hedging instruments						
Fair value hedge						
– Interest rate derivatives	1,000	11	–	–	–	–
– Currency derivatives	2,675	148	481	2,212	35	441
Cash flow hedge						
– Interest rate derivatives	13,582	217	597	14,982	53	1,298
– Currency derivatives	771	33	2	1,069	6	6
– Other derivatives	376	90	–	102	15	1
Non-hedging instruments						
– Interest rate derivatives	4,971,188	22,703	21,888	3,217,393	10,571	10,443
– Currency derivatives	2,833,063	25,973	25,054	2,371,579	17,040	17,421
– Equity derivatives	498,394	22,706	20,672	–	–	–
– Precious metals derivatives	56,128	439	707	20,846	180	185
– Credit derivatives	12,490	40	340	–	–	–
– Other derivatives	803,116	4,584	5,596	18,593	58	248
	9,192,783	76,944	75,337	5,646,776	27,958	30,043

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

17 Derivative financial instruments (continued)

(a) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the China Banking and Insurance Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 30 June 2022, the credit risk weighted amount for counterparty was HK\$32,886 million (31 December 2021: HK\$27,158 million).

18 Trade and other receivables

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Account and bills receivables	75,645	72,072
Advanced payments and settlement accounts	83,107	28,339
Prepayments, deposits and other receivables	149,697	85,282
	308,449	185,693
Less: allowance for impairment losses	(12,538)	(12,856)
	295,911	172,837

As at 30 June 2022, the amount of the Group’s prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$4,932 million (31 December 2021: HK\$5,679 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

19 Loans and advances to customers and other parties

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,755,008	2,749,733
– Discounted bills	3,759	5,532
– Finance lease receivables	57,017	57,307
	2,815,784	2,812,572
Personal loans:		
– Residential mortgages	1,149,610	1,190,546
– Business loans	411,747	382,318
– Credit cards	605,097	646,112
– Personal consumption	293,503	304,048
	2,459,957	2,523,024
	5,275,741	5,335,596
Accrued interest	17,010	16,181
	5,292,751	5,351,777
Less: allowance for impairment losses	(156,846)	(154,269)
Carrying amount of loans and advances to customers and other parties at amortised cost	5,135,905	5,197,508
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	56,216	47,210
– Discounted bills	527,434	564,578
Carrying amount of loans and advances to customers and other parties at FVOCI	583,650	611,788
Total carrying amount of loans and advances	5,719,555	5,809,296
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	(598)	(916)

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

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

(b) Assessment method of allowance for impairment losses

	As at 30 June 2022				Gross loans and advances at stage 3 as a percentage of gross total loans and advances
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	
Loans and advances at amortised cost	5,069,825	112,556	93,360	5,275,741	1.61%
Accrued interest	14,651	1,411	948	17,010	
Less: allowance for impairment losses	(64,942)	(26,833)	(65,071)	(156,846)	
Carrying amount of loans and advances at amortised cost	5,019,534	87,134	29,237	5,135,905	
Carrying amount of loans and advances at FVOCI	582,531	939	180	583,650	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,602,065	88,073	29,417	5,719,555	
Allowance for impairment losses of loans and advances at FVOCI	(483)	(33)	(82)	(598)	

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

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

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

As at 31 December 2021

	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	5,136,320	107,217	92,059	5,335,596	1.55%
Accrued interest	14,392	1,519	270	16,181	
Less: allowance for impairment losses	(62,690)	(31,637)	(59,942)	(154,269)	
Carrying amount of loans and advances at amortised cost	5,088,022	77,099	32,387	5,197,508	
Carrying amount of loans and advances at FVOCI	610,500	948	340	611,788	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,698,522	78,047	32,727	5,809,296	
Allowance for impairment losses of loans and advances at FVOCI	(675)	(35)	(206)	(916)	

Note:

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

	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Secured portion	56,298	63,359
Unsecured portion	37,242	29,310
Total	93,540	92,669
Allowance for impairment losses	(65,153)	(60,148)

As at 30 June 2022 the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$55,063 million (31 December 2021: HK\$64,426 million).

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For the six months ended 30 June 2022

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

(c) Overdue loans by overdue period

	As at 30 June 2022				
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	Total HK\$ million
Unsecured loans	18,914	10,258	2,786	326	32,284
Guaranteed loans	1,547	3,287	2,201	2,390	9,425
Secured loans					
– Loans secured by collateral	13,029	11,144	15,238	3,617	43,028
– Pledged loans	6,845	3,299	1,566	411	12,121
	40,335	27,988	21,791	6,744	96,858

	As at 31 December 2021				
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	Total HK\$ million
Unsecured loans	22,875	12,735	1,096	351	37,057
Guaranteed loans	2,636	2,699	2,560	279	8,174
Secured loans					
– Loans secured by collateral	18,696	11,539	17,520	1,213	48,968
– Pledged loans	8,842	6,729	1,371	146	17,088
	53,049	33,702	22,547	1,989	111,287

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

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20 Margin accounts

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Margin accounts	130,418	–
Less: impairment allowance	(144)	–
Total	130,274	–

Margin accounts are funds that the Group lends to the customers for margin financing business.

As of 30 June 2022, the Group received collateral with fair value amounted to HK\$595,161 million in connection with its margin financing business.

21 Investments in financial assets

(a) Analysed by types

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Financial assets at amortised cost		
Debt securities	976,306	1,104,924
Investment management products managed by securities companies	51,572	61,660
Trust investment plans	268,142	290,864
Certificates of deposit and certificates of interbank deposit	–	1,692
Others	687	646
	1,296,707	1,459,786
Accrued interest	13,926	12,792
	1,310,633	1,472,578
Less: allowance for impairment losses	(40,776)	(36,755)
	1,269,857	1,435,823
Financial assets at FVPL		
Debt securities	324,950	75,792
Investment management products managed by securities companies	58,346	11,134
Trust investment plans	7,005	4,706
Certificates of deposit and certificates interbank deposit	53,178	37,642
Wealth management products	14,402	2,677
Investment funds	652,693	517,919
Equity investment	223,726	16,876
Others	25,005	460
	1,359,305	667,206

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21 Investments in financial assets (continued)

(a) Analysed by types (continued)

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Debt investments at FVOCI (note (i))		
Debt securities	850,037	781,923
Certificates of deposit and certificates of interbank deposit	30,393	5,267
Investment management products managed by securities companies	–	30
	880,430	787,220
Accrued interest	6,059	5,968
	886,489	793,188
Allowance for impairment losses on debt investments at FVOCI	(3,011)	(2,919)
Equity investments at FVOCI (note(i))		
Equity investment	10,330	10,287
Investment funds	323	358
Others	153	–
	10,806	10,645
	3,526,457	2,906,862

Notes:

(i) Financial assets measured at FVOCI

	As at 30 June 2022		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	11,333	882,103	893,436
Accumulative fair value change in OCI	(527)	(1,673)	(2,200)
Accrued interest	–	6,059	6,059
Carrying amount	10,806	886,489	897,295
Allowance for impairment losses	N/A	(3,011)	(3,011)
	As at 31 December 2021		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	10,918	783,280	794,198
Accumulative fair value change in OCI	(273)	3,940	3,667
Accrued interest	–	5,968	5,968
Carrying amount	10,645	793,188	803,833
Allowance for impairment losses	N/A	(2,919)	(2,919)

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21 Investments in financial assets (continued)

(b) Analysed by counterparties

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Issued by:		
– Government	1,198,927	1,139,453
– Policy banks	123,003	166,336
– Banks and non-bank financial institutions	1,774,280	1,408,770
– Corporates	385,930	170,293
– Public entities	24,385	3,376
	3,506,525	2,888,228
Accrued interest	19,932	18,634
	3,526,457	2,906,862
– Listed in Hong Kong	58,067	58,046
– Listed outside Hong Kong	2,862,630	2,371,165
– Unlisted	585,828	459,017
	3,506,525	2,888,228
Accrued interest	19,932	18,634
	3,526,457	2,906,862

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

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21 Investments in financial assets (continued)

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

	As at 30 June 2022			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,217,922	3,675	75,110	1,296,707
Accrued interest	13,272	155	499	13,926
Less: allowance for impairment losses	(6,569)	(2,189)	(32,018)	(40,776)
Carrying amount of investments in financial assets at amortised cost	1,224,625	1,641	43,591	1,269,857
Gross carrying amount of debt investments in financial assets at FVOCI	879,673	254	503	880,430
Accrued interest	6,029	5	25	6,059
Carrying amount of debt investments in financial assets at FVOCI	885,702	259	528	886,489
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,110,327	1,900	44,119	2,156,346
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,315)	(204)	(1,492)	(3,011)
	As at 31 December 2021			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,374,977	22,108	62,701	1,459,786
Accrued interest	12,310	455	27	12,792
Less: allowance for impairment losses	(7,404)	(6,809)	(22,542)	(36,755)
Carrying amount of investments in financial assets at amortised cost	1,379,883	15,754	40,186	1,435,823
Gross carrying amount of debt investments in financial assets at FVOCI	786,296	409	515	787,220
Accrued interest	5,925	17	26	5,968
Carrying amount of debt investments in financial assets at FVOCI	792,221	426	541	793,188
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,172,104	16,180	40,727	2,229,011
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,194)	(193)	(1,532)	(2,919)

For the details of the allowance for credit loss on financial assets, refer to Note 33(a).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

22 Interests in associates

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Carrying value	137,844	160,259
Less: allowance for impairment losses	(6,058)	(6,078)
	131,786	154,181

23 Interests in joint ventures

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Carrying value	62,705	62,088
Less: allowance for impairment losses	(1,487)	(1,489)
	61,218	60,599

24 Deposits from banks and non-bank financial institutions

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Banks	263,497	347,919
Non-bank financial institutions	872,332	1,068,369
	1,135,829	1,416,288
Accrued interest	5,402	6,040
	1,141,231	1,422,328
Analysed by remaining maturity:		
– On demand	695,161	909,177
– Within 3 months	44,813	92,477
– Between 3 months and 1 year	395,855	414,634
	1,135,829	1,416,288
Accrued interest	5,402	6,040
	1,141,231	1,422,328

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

25 Financial liabilities at fair value through profit or loss

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Mandatory		
Debt instruments	14,102	1,424
Equity instruments	7,888	–
Structured notes	226	–
Minority interests in consolidated structured entities and others	1,054	4,261
	23,270	5,685
Financial liabilities designated as at fair value through profit or loss		
Structured notes	79,923	–
Minority interests in consolidated structured entities and others	15,390	–
Equity instruments	1	–
	95,314	–
	118,584	5,685

26 Customer brokerage deposits

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Customer brokerage deposits	355,973	–

Customer brokerage deposits represent the amount received from and repayable to customers arising from the ordinary course of the Group's securities brokerage activities. For more details, please refer to Note 16 "Cash held on behalf of customers".

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

27 Trade and other payables

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Trade and bills payables	94,290	98,886
Advances from lessees	356	310
Other taxes payables	10,483	9,319
Settlement accounts	39,541	6,533
Client deposits payables	155,722	–
Dividend payables	28,033	211
Other payables	140,579	69,680
	469,004	184,939

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 2022 HK\$ million	31 December 2021 HK\$ million
Within 1 year	82,144	83,039
Between 1 and 2 years	2,327	3,066
Between 2 and 3 years	2,232	616
Over 3 years	7,587	12,165
	94,290	98,886

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

28 Deposits from customers

(a) Types of deposits from customers

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Demand deposits		
– Corporate customers	2,417,278	2,401,056
– Personal customers	405,802	379,224
	2,823,080	2,780,280
Time and call deposits		
– Corporate customers	2,220,617	2,183,893
– Personal customers	889,670	809,998
	3,110,287	2,993,891
Outward remittance and remittance payables	14,118	13,062
Accrued interest	63,698	65,468
	6,011,183	5,852,701

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Bank acceptances	358,354	303,261
Letters of credit issued	23,685	23,991
Letters of guarantee issued	19,759	17,201
Others	87,846	99,446
	489,644	443,899

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

29 Bank and other loans

(a) Types of loans

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Bank loans		
Unsecured loans	124,459	99,946
Loan pledged with assets (note (d))	16,095	17,638
	140,554	117,584
Other loans		
Unsecured loans	29,851	25,804
Loan pledged with assets (note (d))	1,348	1,517
	31,199	27,321
	171,753	144,905
Accrued interest	819	457
	172,572	145,362

(b) Maturity of loans

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Bank loans		
– Within 1 year or on demand	60,093	36,102
– Between 1 and 2 years	20,643	18,867
– Between 2 and 5 years	37,881	35,449
– Over 5 years	21,937	27,166
	140,554	117,584
Other loans		
– Within 1 year or on demand	4,606	4,517
– Between 1 and 2 years	6,400	6,400
– Between 2 and 5 years	20,021	14,599
– Over 5 years	172	1,805
	31,199	27,321
	171,753	144,905
Accrued interest	819	457
	172,572	145,362

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

29 Bank and other loans (continued)

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
RMB	54,842	40,199
US\$	54,490	48,029
HK\$	57,012	50,475
Other currencies	5,409	6,202
	171,753	144,905
Accrued interest	819	457
	172,572	145,362

- (d) As at 30 June 2022, the Group's bank and other loans of HK\$17,443 million (31 December 2021: HK\$19,155 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the interests in associates with an aggregate carrying amount of HK\$83,701 million (31 December 2021: HK\$83,158 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 33(b). As at 30 June 2022, none of the covenants relating to drawn down facilities have been breached (31 December 2021: Nil).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Corporate bonds issued (note (a))	282,132	102,776
Notes issued (note (b))	109,156	81,075
Subordinated bonds issued (note (c))	120,694	138,390
Certificates of deposit issued (note (d))	1,488	1,480
Certificates of interbank deposit issued (note (e))	807,926	904,546
Convertible corporate bonds (note (f))	18,092	16,439
Structured notes (Note (g))	5,922	–
	1,345,410	1,244,706
Accrued interest	8,964	5,619
	1,354,374	1,250,325
Analysed by remaining maturity:		
– Within 1 year or on demand	958,066	927,411
– Between 1 and 2 years	73,362	57,260
– Between 2 and 5 years	137,526	73,257
– Over 5 years	176,456	186,778
	1,345,410	1,244,706
Accrued interest	8,964	5,619
	1,354,374	1,250,325

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Notes:

(a) Corporate bonds issued

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
The Company (note (i))	61,299	57,399
CITIC Corporation Limited (“CITIC Corporation”) (note (ii))	37,951	40,165
CITIC Securities (note (iii))	178,446	–
CITIC Telecom International Holdings Limited (“CITIC Telecom International”) (note (iv))	3,501	3,500
CITIC Pacific Limited’s (“CITIC Pacific”) subsidiaries (note(v))	935	1,712
	282,132	102,776

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(i) Details of corporate bonds issued by the Company

	As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US\$ Notes1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes21	US\$	200	2018-04-18	2048-04-18	5.07%
US\$ Notes22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes23	US\$	700	2020-02-25	2030-02-25	2.85%
US\$ Notes24	US\$	700	2022-02-17	2027-02-17	2.88%
US\$ Notes25	US\$	300	2022-02-17	2032-02-17	3.50%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 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 2021		Interest rate per annum
			Issue date	Maturity date	
US\$ Notes1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes21	US\$	200	2018-04-18	2048-04-18	5.07%
US\$ Notes22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes23	US\$	700	2020-02-25	2030-02-25	2.85%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%
21 CITIC bond-1	RMB	1,000	2021-11-02	2026-11-02	3.49%
21 CITIC bond-2	RMB	2,000	2021-11-02	2031-11-02	3.79%

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%
21 CITIC bond-1	RMB	1,000	2021-11-02	2026-11-02	3.49%
21 CITIC bond-2	RMB	2,000	2021-11-02	2031-11-02	3.79%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(iii) Details of corporate bonds issued by CITIC Securities

	As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
13 CITIC 02	RMB	12,000	2013-06-07	2023-06-07	5.05%
15 CITIC 02	RMB	2,500	2015-06-25	2025-06-25	5.10%
18 CITIC G2	RMB	600	2018-06-15	2023-06-15	4.90%
19 CITICS Financial Bond 01	RMB	9,000	2019-07-25	2022-07-25	3.58%
19 CS 05	RMB	5,000	2019-11-26	2022-11-26	3.75%
19 CS G1	RMB	2,000	2019-09-10	2022-09-10	3.39%
19 CS G2	RMB	1,000	2019-09-10	2024-09-10	3.78%
20 CS 09	RMB	4,500	2020-06-02	2023-06-02	2.70%
20 CS 11	RMB	2,000	2020-06-19	2023-06-19	3.10%
20 CS 13	RMB	3,000	2020-07-14	2023-07-14	3.58%
20 CS 15	RMB	7,500	2020-07-28	2023-07-28	3.49%
20 CS 16	RMB	5,200	2020-08-07	2023-08-07	3.55%
20 CS 18	RMB	2,800	2020-08-24	2023-08-24	3.48%
20 CS 20	RMB	800	2020-09-11	2030-09-11	4.20%
20 CS 21	RMB	7,500	2020-10-21	2022-10-21	3.48%
20 CS 23	RMB	4,300	2020-10-28	2022-10-28	3.45%
20 CS 24	RMB	900	2020-10-28	2030-10-28	4.27%
20 CS G1	RMB	3,000	2020-02-21	2023-02-21	3.02%
20 CS G2	RMB	2,000	2020-02-21	2025-02-21	3.31%
20 CS G3	RMB	2,200	2020-03-10	2023-03-10	2.95%
20 CS G4	RMB	2,000	2020-03-10	2025-03-10	3.20%
20 CS G6	RMB	3,300	2020-04-14	2023-04-14	2.54%
20 CS G7	RMB	1,000	2020-04-14	2025-04-14	3.10%
21 CS 02	RMB	4,600	2021-01-25	2024-01-25	3.56%
21 CS 03	RMB	3,200	2021-01-25	2031-01-25	4.10%
21 CS 04	RMB	1,500	2021-03-01	2024-03-01	3.60%
21 CS 05	RMB	3,000	2021-03-01	2031-03-01	4.10%
21 CS 06	RMB	2,500	2021-03-19	2031-03-19	4.10%
21 CS 07	RMB	1,400	2021-04-13	2031-04-13	4.04%
21 CS 08	RMB	1,000	2021-06-11	2026-06-11	3.70%
21 CS 09	RMB	2,500	2021-06-11	2031-06-11	4.03%
21 CS 10	RMB	1,500	2021-07-09	2026-07-09	3.62%
21 CS 11	RMB	1,500	2021-07-09	2031-07-09	3.92%
21 CS 12	RMB	3,000	2021-08-23	2024-08-23	3.01%
21 CS 13	RMB	1,000	2021-08-23	2026-08-23	3.34%
21 CS 14	RMB	4,500	2021-09-16	2024-09-16	3.08%
21 CS 16	RMB	2,200	2021-09-28	2024-09-27	3.09%
21 CS 17	RMB	1,800	2021-09-28	2026-09-28	3.47%
21 CS 18	RMB	2,500	2021-10-19	2024-10-19	3.25%
21 CS 19	RMB	2,000	2021-10-19	2026-10-19	3.59%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

(iii) Details of corporate bonds issued by CITIC Securities (continued)

	Denominated currency	Face value in denominated currency million	As at 31 December 2021		Interest rate per annum
			Issue date	Maturity date	
21 CS 20	RMB	3,000	2021-11-24	2024-11-24	3.07%
21 CS 21	RMB	3,000	2021-12-14	2024-12-14	2.97%
22 CS 01	RMB	500	2022-02-16	2027-01-29	3.20%
22 CS 02	RMB	1,000	2022-02-16	2032-02-06	3.69%
22 CS 03	RMB	1,000	2022-03-11	2025-03-11	3.03%
22 CS 04	RMB	500	2022-03-11	2027-03-11	3.40%
CITIC SEC N2410	US\$	200	2019-10-24	2024-10-24	2.88%
CITIC SEC N2210	US\$	500	2019-10-24	2022-10-24	2.75%
CITIC SEC N2306	US\$	500	2020-06-03	2023-06-03	1.75%
CITIC SEC N2506	US\$	500	2020-06-03	2025-06-03	2.00%
CITIC SEC N2504	US\$	300	2022-04-21	2025-04-21	3.38%
CITICSMTNECP22	HK\$	400	2021-07-20	2022-07-19	0.00%
CITICSMTNECP23	HK\$	300	2021-07-22	2022-07-21	0.00%
CITICSMTNECP25	US\$	70	2021-08-19	2022-08-18	0.00%
CITICSMTNECP27	HK\$	400	2021-09-08	2022-09-07	0.00%
CITICSMTNECP29	US\$	100	2021-09-17	2022-09-15	0.58%
CITICSMTNECP30	US\$	50	2021-09-17	2022-09-16	0.00%
CITICSMTNECP31	US\$	50	2021-09-29	2022-09-28	0.00%
CITICSMTNECP36	US\$	100	2021-11-23	2022-11-22	0.00%
CITICSMTNECP37	HK\$	300	2021-12-02	2022-12-01	0.00%
CITICSMTNECP38	HK\$	750	2021-12-14	2022-12-13	0.75%
CITICSMTNECP39	HK\$	250	2021-12-20	2022-12-19	0.00%
CITICSMTNECP40	US\$	50	2021-12-21	2022-09-21	0.00%
CITICSMTNECP41	US\$	80	2022-01-28	2023-01-28	0.00%
CITICSMTNECP42	US\$	25	2022-04-19	2022-10-19	0.00%
CITICSMTNECP43	US\$	75	2022-05-25	2022-12-23	0.00%
CITICSMTNECP44	US\$	30	2022-05-27	2023-05-22	2.82%
CITICSMTNECP45	US\$	50	2022-05-27	2022-12-20	0.00%
CITICSMTNECP46	US\$	50	2022-05-27	2023-02-27	0.00%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(a) Corporate bonds issued (continued)

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

	As at 30 June 2022				
	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 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

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

	As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
21 JLEPC SCP002	RMB	200	2021-11-17	2022-08-04	2.98%
22 JLEPC SCP002	RMB	200	2022-04-13	2022-08-04	2.56%
22 JLEPC SCP003	RMB	200	2022-04-15	2022-09-07	2.50%
22 JLEPC SCP004	RMB	200	2022-06-16	2023-03-10	2.50%

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
21 JLEPC SCP001	RMB	200	2021-08-10	2022-04-20	2.97%
21 JLEPC SCP002	RMB	200	2021-11-17	2022-08-04	2.98%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
CITIC Corporation (note (i))	–	5,926
CITIC Bank (note (ii))	107,220	74,761
CITIC Offshore Helicopter Company Limited (note (iii))	–	372
CITIC Trust Co., Ltd. (note (iv))	1,936	16
	109,156	81,075

(i) Details of notes issued by CITIC Corporation

As at 30 June 2022, all notes issued by CITIC Corporation had matured.

	Denominated currency	Face value in denominated currency million	As at 31 December 2021		Interest rate per annum
			Issue date	Maturity date	
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 2022

30 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

(ii) Details of notes issued by CITIC Bank

	As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
					Three months
Financial bonds	US\$	550	2017-12-14	2022-12-15	Libor+1%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%
Financial bonds	US\$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US\$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%
Financial bonds	US\$	500	2021-11-17	2024-11-17	1.75%
Financial bonds	RMB	30,000	2022-04-28	2025-04-28	2.80%

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
					Three months
Financial bonds	US\$	550	2017-12-14	2022-12-15	Libor+1%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%
Financial bonds	US\$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US\$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%
Financial bonds	US\$	500	2021-11-17	2024-11-17	1.75%

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(b) Notes issued (continued)

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

As at 30 June 2022, the 2020 asset-backed medium-term notes issued by CITIC Offshore Helicopter Company Limited had been terminated before maturity.

	Denominated currency	Face value in denominated currency million	As at 31 December 2021		Interest rate per annum
			Issue date	Maturity date	
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

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

	Denominated currency	Face value in denominated currency million	As at 30 June 2022		Interest rate per annum
			Issue date	Maturity date	
Participation notes	US\$	5 (Offset 4.71)	2018-01-22	2023-01-22	Non fixed interest rate
Participation notes	US\$	1.54	2021-06-25	2024-06-24	Non fixed interest rate
Guaranteed notes	US\$	270	2022-03-30	2025-03-30	Fixed interest rate

	Denominated currency	Face value in denominated currency million	As at 31 December 2021		Interest rate per annum
			Issue date	Maturity date	
Participation notes	US\$	5 (Offset 4.33)	2018-01-22	2023-01-22	Non fixed interest rate
Participation notes	US\$	1.54	2021-06-25	2024-06-24	Non fixed interest rate

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(c) Subordinated bonds issued

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Fixed rate notes maturing		
– In February 2029 (i)	3,901	3,882
Fixed rate bonds maturing		
– In October 2022 (ii)	5,730	–
– In March 2023 (iii)	2,337	–
– In February 2024 (iv)	3,502	–
– In September 2028 (v)	35,075	36,687
– In October 2028 (vi)	23,383	24,458
– In August 2030 (vii)	46,766	48,915
– In June 2027 (viii)	–	24,448
	120,694	138,390

		As at 30 June 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum	
(i)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
	Subordinated Fixed Rate Bonds					
(ii)	(note)	RMB	4,900	2017-10-26	2022-10-26	5.25%
	Subordinated Fixed Rate Bonds					
(iii)	(note)	RMB	2,000	2020-03-24	2023-03-24	3.32%
	Subordinated Fixed Rate Bonds					
(iv)	(note)	RMB	3,000	2021-02-08	2024-02-08	3.97%
(v)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(vii)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%

Note

Subordinated fixed rate bonds are issued by CITIC Securities, a subsidiary of the Group acquired in a business combination. Please refer to Note 36 for the combination of CITIC Securities.

		As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum	
(i)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(v)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(vii)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%
(viii)	Subordinated Fixed Rate Bonds (note)	RMB	20,000	2012-06-21	2027-06-21	5.15%

Note

The coupon rate of subordinated fixed rate bonds issued on 21 June 2012 was 5.15% per annum, and CITIC Bank redeemed such bonds on 21 June 2022.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

30 Debt instruments issued (continued)

Notes (continued):

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate ranging from 0.25% to 0.40% per annum (31 December 2021: 3.25% per annum).

(e) Certificates of interbank deposit issued

As at 30 June 2022 CITIC Bank issued certain certificates of interbank deposit with a total value of RMB690,931 million (approximately HK\$807,926 million) (31 December 2021: RMB739,557 million (approximately HK\$904,546 million)). The yield ranges from 1.81% to 2.82% per annum (31 December 2021: 2.60% to 3.18% per annum). The original expiry terms are between three months to one year (31 December 2021: between 1 month to 1 year).

(f) Convertible corporate bonds

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK\$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019. A subsidiary of the Group have subscribed 65.97% of the convertible corporate bonds in accordance with the proportion of ordinary shares held by the Group, with an amount of RMB26,388 million (HK\$30,890 million). The convertible bonds have a term of six years from 4 March 2019 to 3 March 2025, at annual coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 30 June 2022, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,437 million (HK\$15,712 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

As approved by the relevant regulatory authorities in China, CITIC Pacific Special Steel Group Co., Ltd. made a public offering of RMB5,000 million (HK\$6,163 million) A-share convertible corporate bonds (the "convertible bonds") on 25 February 2022. CITIC Pacific Special Steel Investment Limited, as its parent company, has subscribed RMB2,500 million (HK\$3,082 million), 50% of the total corporate bonds. The convertible bonds of CITIC Pacific Special Steel Group Co., Ltd. have a term of 6 years from 25 February 2022 to 24 February 2028, at coupon rates of 0.2% for the first year, 0.4% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (3 March 2022) after six months upon the completion date of the offering until the maturity date (from 3 September 2022 to 24 February 2028). As at 30 June 2022, convertible bonds were recorded as debt instruments issued of RMB2,140 million (HK\$2,502 million) and non-controlling interests of RMB382 million (HK\$447 million), respectively.

(g) Structured notes

The structured notes are issued by CITIC Securities. As at 30 June 2022, the balance of the outstanding structured notes issued by CITIC Securities with original maturity within one year (including accrued interest) amounted to HK\$5,177 million, with coupon rates ranging from 1.00% to 4.00% per annum, and the balance of the outstanding structured notes issued by CITIC Securities with original maturity greater than one year (including accrued interest) amounted to HK\$807 million, with coupon rates ranging from 2.00% to 3.40% per annum.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

31 Share capital and capital management

(a) Share capital

As at 30 June 2022, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2021: 29,090,262,630).

(b) Capital management

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

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

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 30 June 2022 (31 December 2021: Nil).

32 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, letters of guarantee issued, letters of credit issued and bank 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. Letters of guarantee issued and letters of credit issued represent guarantee provided by the Group to guarantee the performance of customers to third parties. Bank 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 letters of guarantee issued, letters of credit issued and bank acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

32 Contingent liabilities and commitments (continued)

(a) Credit commitments (continued)

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	16,376	16,787
With an original maturity of 1 year or above	48,742	48,616
	65,118	65,403
Credit card commitments	844,821	866,855
Bank acceptances	946,282	819,149
Letters of credit issued	275,049	262,913
Letters of guarantee issued	179,394	157,615
	2,310,664	2,171,935

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Credit risk weighted amount on credit commitments	635,258	576,974

Notes:

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

32 Contingent liabilities and commitments (continued)

(c) Redemption commitment for treasury bonds

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

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Redemption commitment for treasury bonds	3,486	3,974

As at 30 June 2022, the original maturities of these bonds vary from 1 to 5 years (31 December 2021: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(d) Guarantees provided

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Related parties (note)	6,866	5,110
Third parties	2,495	3,743
	9,361	8,853

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

32 Contingent liabilities and commitments (continued)

(d) Guarantees provided (continued)

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Related parties (note)	1,169	1,223
Third parties	–	–
	1,169	1,223

Note:

As at 30 June 2022, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016, amounting to RMB1,000 million (approximately HK\$1,169 million) (31 December 2021: RMB1,000 million (approximately HK\$1,223 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 34.

(e) Outstanding litigation and disputes

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

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

(f) Capital commitments

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Contracted for	29,073	33,917

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values

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

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

(a) Credit risk

Credit risk management

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Credit risk management (continued)

Credit risk arising from the securities financing business primarily includes clients' provision of false information, failure to make full repayment in a timely manner, contractual breach of portfolio limits and compositions, violation of regulatory requirements for trading activities, and provision of collateral encumbered with legal disputes, etc. Credit risk arising from this type of business is mainly controlled through client education, credit reference checks, credit approval, daily mark to market, and risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means.

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.

Measurement of the expected credit losses ("ECL")

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

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

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

(1) Significant increase in credit risk

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

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) default probability of borrower/debtor increases; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), for the financing financial assets whose margin calls are triggered when the threshold of relevant collateral to loan ratios are below a force liquidation level, for the debt securities investments whose latest internal ratings of issuers of debt securities or the debt securities themselves underwent two levels of downward migration or more when compared to their ratings on initial recognition and the latest external ratings of the debt securities or the issuers of the debt securities were under investment grade, the Group considers that their credit risk has increased significantly and classifies them to stage 2.

(2) Definition of default and credit-impaired assets

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

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

- The issuer or borrower/debtor is in significant financial difficulties;
- The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc.;
- The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

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

- It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;
- For Financing Assets, a forced liquidation of a client's position is triggered based on a pre-determined threshold of collateral to loan ratios and the collateral valuation falls short of the related loan or repo amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

(3) Inputs for measurement of ECL

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

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

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

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For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(3) Inputs for measurement of ECL (continued)

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

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

(4) Forward-looking information

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

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

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

Macroeconomic scenario and weighting information

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	786,395	713,003
Placements with banks and non-bank financial institutions	270,967	173,754
Trade and other receivables	269,673	147,586
Financial assets held under resale agreements	88,036	112,227
Loans and advances to customers and other parties	5,719,555	5,809,296
Refundable deposits	79,556	–
Margin accounts	130,274	–
Investments in financial assets		
– At amortised cost	1,269,857	1,435,823
– Debt investments at FVOCI	886,489	793,188
Cash held on behalf of customers	300,033	–
Contract assets	14,973	13,407
Other financial assets	5,497	6,319
	9,821,305	9,204,603
Credit commitments and guarantees provided	2,320,025	2,180,788
Maximum credit risk exposure	12,141,330	11,385,391

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Derivative financial instruments	76,944	27,958
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	950,768	610,847
Maximum credit risk exposure	1,027,712	638,805

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses

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

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	5,761,212	109,684	92,669	5,963,565
Movements:				
Net transfers out from stage 1	(97,287)	–	–	(97,287)
Net transfers into stage 2	–	32,652	–	32,652
Net transfers into stage 3	–	–	64,635	64,635
Net increase/(decrease) during the period (note (i))	243,664	(18,796)	(26,082)	198,786
Write offs	–	–	(36,642)	(36,642)
Others (note (ii))	(240,582)	(8,634)	(92)	(249,308)
Balance at 30 June 2022	5,667,007	114,906	94,488	5,876,401

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

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

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	2,179,508	22,989	63,269	2,265,766
Movements:				
Business combinations (Note 36 (a))	76,735	1,931	–	78,666
Net transfers out from stage 1	(6,018)	–	–	(6,018)
Net transfers out from stage 2	–	(14,444)	–	(14,444)
Net transfers into stage 3	–	–	20,462	20,462
Net decrease during the period (note (i))	(35,718)	(3,988)	(4,732)	(44,438)
Write offs	(5,213)	–	(54)	(5,267)
Others (note (ii))	(92,398)	(2,399)	(2,808)	(97,605)
Balance at 30 June 2022	2,116,896	4,089	76,137	2,197,122
	Six months ended 30 June 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	1,994,208	5,551	34,454	2,034,213
Movements:				
Net transfers out from stage 1	(9,207)	–	–	(9,207)
Net transfers into stage 2	–	6,535	–	6,535
Net transfers into stage 3	–	–	2,672	2,672
Net increase/(decrease) during the period (note (i))	48,061	(3,245)	19,886	64,702
Write offs	–	–	–	–
Others (note (ii))	25,062	(103)	590	25,549
Balance at 30 June 2021	2,058,124	8,738	57,602	2,124,464

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

The following table explains the changes in the gross carrying amount for margin accounts for the period:

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	–	–	–	–
Movements:				
Business combinations (Note 36 (a))	136,963	1,042	550	138,555
Net transfers out from stage 1	(1,318)	–	–	(1,318)
Net transfers into stage 2	–	1,318	–	1,318
Net transfers into stage 3	–	–	–	–
Net decrease during the period (note (i))	(7,119)	(1,007)	(14)	(8,140)
Write offs	–	–	–	–
Others (note (ii))	–	–	3	3
Balance at 30 June 2022	128,526	1,353	539	130,418

Notes:

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

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

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	63,365	31,672	60,148	155,185
Movements (note (iii)):				
Net transfers out from stage 1	(2,774)	–	–	(2,774)
Net transfers into stage 2	–	2,110	–	2,110
Net transfers into stage 3	–	–	28,530	28,530
Net increase/(decrease) during the period (note (iv))	7,365	(7,903)	(9,520)	(10,058)
Write offs	–	–	(36,642)	(36,642)
Parameters change for the period (note (v))	383	2,247	14,038	16,668
Others (note (vi))	(2,914)	(1,260)	8,599	4,425
Balance at 30 June 2022	65,425	26,866	65,153	157,444
	Six months ended 30 June 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	52,527	39,612	64,732	156,871
Movements (note (iii)):				
Net transfers into stage 1	714	–	–	714
Net transfers out from stage 2	–	(3,411)	–	(3,411)
Net transfers into stage 3	–	–	31,870	31,870
Net increase/(decrease) during the period (note (iv))	7,175	(5,791)	(1,264)	120
Write offs	–	–	(36,160)	(36,160)
Parameters change for the period (note (v))	2,095	3,440	3,948	9,483
Others (note (vi))	419	436	7,286	8,141
Balance at 30 June 2021	62,930	34,286	70,412	167,628

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

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

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	8,598	7,002	24,074	39,674
Movements (note (iii)):				
Net transfers out from stage 1	(295)	–	–	(295)
Net transfers out from stage 2	–	(4,314)	–	(4,314)
Net transfers into stage 3	–	–	8,305	8,305
Net increase/(decrease) during the period (note (iv))	(2,054)	(614)	(643)	(3,311)
Write offs	(67)	–	(54)	(121)
Parameters change for the period (note (v))	(104)	424	3,233	3,553
Others (note (vi))	1,806	(105)	(1,405)	296
Balance at 30 June 2022	7,884	2,393	33,510	43,787
	Six months ended 30 June 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	6,200	655	13,755	20,610
Movements (note (iii)):				
Net transfers out from stage 1	(413)	–	–	(413)
Net transfers into stage 2	–	1,026	–	1,026
Net transfers into stage 3	–	–	332	332
Net increase during the period (note (iv))	542	576	11,202	12,320
Write offs	–	–	–	–
Parameters change for the period (note (v))	37	1,889	(239)	1,687
Others (note (vi))	1,157	14	182	1,353
Balance at 30 June 2021	7,523	4,160	25,232	36,915

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(ii) Expected credit losses (continued)

Movements of the loss allowances for margin accounts for the period is as follows:

	Six months ended 30 June 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	-	-	-	-
Movements (note (iii)):				
Net transfers out from stage 1	-	-	-	-
Net transfers out from stage 2	-	-	-	-
Net transfers into stage 3	-	-	-	-
Net increase/(decrease) during the period (note (iv))	(56)	197	1	142
Write offs	-	-	-	-
Parameters change for the period (note (v))	-	-	-	-
Others (note (vi))	-	-	2	2
Balance at 30 June 2022	(56)	197	3	144

Notes:

- (iii) Movements mainly include the impacts to ECL due to changes in stages.
- (iv) Net increase/(decrease) mainly includes changes in allowance of impairment due to newly purchased or originated credit-impaired financial assets or de-recognition excluding write-offs.
- (v) Parameters change mainly includes the impacts to ECL due to unwinding of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.
- (vi) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

	30 June 2022			31 December 2021		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Corporate loans						
– Real estate	345,233	6%	293,178	354,659	6%	309,106
– Rental and business services	559,188	9%	225,096	562,752	9%	233,393
– Manufacturing	442,458	7%	196,374	419,048	7%	193,150
– Water, environment and public utility management	474,838	8%	157,879	467,708	8%	171,333
– Wholesale and retail	216,504	4%	123,139	202,827	3%	117,848
– Transportation, storage and postal services	161,644	3%	84,095	176,216	3%	100,559
– Construction	126,146	2%	65,173	131,142	2%	75,948
– Production and supply of electric power, gas and water	105,425	2%	54,430	103,947	2%	54,444
– Public management and social organisations	9,311	1%	1,805	9,858	1%	4,033
– Others	427,494	7%	122,540	426,093	7%	135,270
	2,868,241	49%	1,323,709	2,854,250	48%	1,395,084
Personal loans	2,459,957	41%	1,648,457	2,523,024	42%	1,671,869
Discounted bills	531,193	9%	–	570,110	9%	–
	5,859,391	99%	2,972,166	5,947,384	99%	3,066,953
Accrued interest	17,010	1%	–	16,181	1%	–
	5,876,401	100%	2,972,166	5,963,565	100%	3,066,953

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

	30 June 2022			31 December 2021		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Mainland China	5,599,864	95%	2,858,941	5,694,343	95%	2,958,739
Hong Kong, Macau and Taiwan	221,939	3%	100,191	218,528	3%	96,407
Overseas	37,588	1%	13,034	34,513	1%	11,807
	5,859,391	99%	2,972,166	5,947,384	99%	3,066,953
Accrued interest	17,010	1%	–	16,181	1%	–
	5,876,401	100%	2,972,166	5,963,565	100%	3,066,953

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Unsecured loans	1,564,573	1,582,817
Guaranteed loans	791,459	727,504
Secured loans		
– Loans secured by collateral	2,346,507	2,395,469
– Pledged loans	625,659	671,484
	5,328,198	5,377,274
Discounted bills	531,193	570,110
	5,859,391	5,947,384
Accrued interest	17,010	16,181
Gross loans and advances	5,876,401	5,963,565

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

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

	30 June 2022		31 December 2021	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances	20,247	0.34%	19,792	0.33%
- Rescheduled loans and advances overdue more than 3 months	8,411	0.14%	7,088	0.12%

(vii) Offsetting

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

As at 30 June 2022, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsetting of any assets and liabilities in the consolidated balance sheet (31 December 2021: Nil).

(b) Liquidity risk

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	As at 30 June 2022					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 fixed maturity date HK\$ million (note)	
Total financial assets	876,848	3,943,180	2,417,091	2,577,455	1,445,929	11,260,503
Total financial liabilities	(4,342,801)	(4,806,186)	(1,135,267)	(176,172)	(35,889)	(10,496,315)
Financial asset-liability surplus/(gap)	(3,465,953)	(863,006)	1,281,824	2,401,283	1,410,040	764,188

	As at 31 December 2021					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 fixed maturity date HK\$ million (note)	
Total financial assets	366,248	3,522,117	2,253,114	2,684,360	1,078,398	9,904,237
Total financial liabilities	(3,915,731)	(4,190,846)	(1,073,865)	(178,730)	(5,074)	(9,364,246)
Financial asset-liability surplus/ (gap)	(3,549,483)	(668,729)	1,179,249	2,505,630	1,073,324	539,991

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	As at 30 June 2022					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 fixed maturity date HK\$ million (note)	
Total financial assets	876,848	4,309,571	2,945,755	3,250,952	1,456,996	12,840,122
Total financial liabilities	(4,343,477)	(5,198,514)	(1,239,561)	(197,718)	(35,889)	(11,015,159)
Financial asset-liability surplus/(gap)	(3,466,629)	(888,943)	1,706,194	3,053,234	1,421,107	1,824,963

	As at 31 December 2021					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 fixed maturity date HK\$ million (note)	
Total financial assets	366,248	3,839,022	2,808,085	3,431,813	1,089,848	11,535,016
Total financial liabilities	(3,915,731)	(4,337,356)	(1,208,547)	(198,000)	(5,074)	(9,664,708)
Financial asset-liability surplus/(gap)	(3,549,483)	(498,334)	1,599,538	3,233,813	1,084,774	1,870,308

Note:

For cash and balances with central banks, the no fixed maturity date amount represented statutory deposit reserve funds and fiscal deposits maintained with the People's Bank of China. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the no fixed maturity date amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under no fixed maturity date.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Credit Commitments include bank acceptances, credit card commitments, letters of guarantee issued, loan commitments, letters of credit issued. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 30 June 2022			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	5,053	20,145	39,920	65,118
Letters of guarantee issued	115,734	61,700	1,960	179,394
Letters of credit issued	273,999	1,050	–	275,049
Bank acceptances	946,282	–	–	946,282
Credit card commitments	844,821	–	–	844,821
Total	2,185,889	82,895	41,880	2,310,664

	As at 31 December 2021			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	5,011	22,844	37,548	65,403
Letters of guarantee issued	98,111	57,949	1,555	157,615
Letters of credit issued	261,632	1,281	–	262,913
Bank acceptances	819,119	24	6	819,149
Credit card commitments	859,051	7,348	456	866,855
Total	2,042,924	89,446	39,565	2,171,935

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(c) Interest rate risk

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

(i) Asset-liability gap

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

	As at 30 June 2022				
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Total HK\$ million
Total financial assets	1,370,142	7,887,028	1,436,572	566,761	11,260,503
Total financial liabilities	(877,915)	(8,343,228)	(1,080,249)	(194,923)	(10,496,315)
Financial asset-liability surplus/(gap)	492,227	(456,200)	356,323	371,838	764,188

	As at 31 December 2021				
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Total HK\$ million
Total financial assets	743,149	7,232,258	1,420,122	508,708	9,904,237
Total financial liabilities	(241,872)	(7,967,930)	(946,989)	(207,455)	(9,364,246)
Financial asset-liability surplus/(gap)	501,277	(735,672)	473,133	301,253	539,991

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Effective interest rate

	30 June 2022		31 December 2021	
	Effective interest rate	HK\$ million	Effective interest rate	HK\$ million
Assets				
Cash and deposits	1.45%-1.83%	793,511	1.49%-1.94%	720,235
Placements with banks and non-bank financial institutions	2.23%	270,967	1.90%	173,754
Financial assets held under resale agreements	1.59%	88,036	1.96%	112,227
Loans and advances to customers and other parties	4.88%	5,719,555	5.31%	5,809,296
Investments in financial assets	2.73%-3.54%	3,526,457	3.11%-3.71%	2,906,862
Others	–	1,685,612	–	963,147
		12,084,138		10,685,521
Liabilities				
Borrowing from central banks	2.98%	221,837	3.00%	231,479
Deposits from banks and non-bank financial institutions	2.24%	1,141,231	2.45%	1,422,328
Placements from banks and non-bank financial institutions	2.19%	144,878	2.39%	107,799
Financial assets sold under repurchase agreements	2.01%	421,103	2.17%	122,452
Deposits from customers	2.04%	6,011,183	2.10%	5,852,701
Bank and other loans	0.13%-8.50%	172,572	0.85%-8.00%	145,362
Debt instruments issued	0.75%-6.90%	1,354,374	2.45%-6.90%	1,250,325
Lease liabilities	1.20%-5.67%	20,720	2.46%-6.00%	20,762
Others	–	1,193,615	–	366,723
		10,681,513		9,519,931

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 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 2022, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK\$3,596 million (31 December 2021: decrease or increase by HK\$8,540 million).

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

(d) Currency risk

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(d) Currency risk (continued)

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

	As at 30 June 2022				
	HK\$	US\$	RMB	Others	Total
Total financial assets	264,443	710,744	10,182,071	103,245	11,260,503
Total financial liabilities	(282,694)	(743,610)	(9,410,863)	(59,148)	(10,496,315)
Financial asset-liability surplus/(gap)	(18,251)	(32,866)	771,208	44,097	764,188

	As at 31 December 2021				
	HK\$	US\$	RMB	Others	Total
Total financial assets	213,733	400,603	9,219,391	70,510	9,904,237
Total financial liabilities	(245,058)	(483,353)	(8,592,733)	(43,102)	(9,364,246)
Financial asset-liability surplus/(gap)	(31,325)	(82,750)	626,658	27,408	539,991

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

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK\$ against US\$, RMB and other currencies as at 30 June 2022 would decrease or increase the Group's total comprehensive income by HK\$7,824 million (31 December 2021: decrease or increase by HK\$5,669 million).

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 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 2022

33 Financial risk management and fair values (continued)

(e) Fair values (continued)

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

	As at 30 June 2022			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Assets				
Bills receivables at FVOCI	–	5,892	–	5,892
Loans and advances to customers and other parties at FVOCI	–	583,650	–	583,650
Derivative financial assets	1,874	70,106	4,964	76,944
Investments in financial assets	632,452	1,480,257	143,891	2,256,600
	634,326	2,139,905	148,855	2,923,086
Liabilities				
Financial liabilities at FVPL	(15,773)	(57,969)	(44,842)	(118,584)
Derivative financial liabilities	(1,889)	(66,790)	(6,658)	(75,337)
	(17,662)	(124,759)	(51,500)	(193,921)
	As at 31 December 2021			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Assets				
Bills receivables at FVOCI	–	11,242	–	11,242
Loans and advances to customers and other parties at FVOCI	400	611,388	–	611,788
Derivative financial assets	151	27,807	–	27,958
Investments in financial assets	309,480	1,121,873	39,686	1,471,039
	310,031	1,772,310	39,686	2,122,027
Liabilities				
Financial liabilities at FVPL	(775)	(4,651)	(259)	(5,685)
Derivative financial liabilities	(477)	(29,566)	–	(30,043)
	(1,252)	(34,217)	(259)	(35,728)

For the six months ended 30 June 2022, there were no significant transfers between instruments in different levels (six months ended 30 June 2021: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (six months ended 30 June 2021: Nil).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 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 2022					
	Assets			Liabilities		
	Derivatives financial assets HK\$ million	Investments in financial assets HK\$ million	Total HK\$ million	Financial liabilities at fair value through profit or loss HK\$ million	Derivatives financial liabilities HK\$ million	Total HK\$ million
At 1 January 2022	–	39,686	39,686	(259)	–	(259)
Total gain/(loss):	(211)	(869)	(1,080)	2,650	1,999	4,649
– in profit or loss	(215)	(82)	(297)	2,607	1,999	4,606
– in other comprehensive income/(loss)	4	(787)	(783)	43	–	43
Net settlements	(859)	(23,836)	(24,695)	(6,253)	(3,296)	(9,549)
Business combinations (Note 36)	6,034	128,910	134,944	(40,980)	(5,361)	(46,341)
At 30 June 2022	4,964	143,891	148,855	(44,842)	(6,658)	(51,500)

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(e) Fair values (continued)

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

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

	As at 30 June 2022				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,269,857	1,297,969	6,207	974,069	317,693
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	286,045	329,111	176,707	100,293	52,111
– Notes issued	109,907	120,918	11,012	107,749	2,157
– Subordinated bonds issued	124,790	127,757	–	127,757	–
– Certificates of deposit issued (non-trading)	1,492	1,492	–	–	1,492
– Certificates of interbank deposit issued	807,941	809,442	–	809,442	–
– Convertible corporate bonds issued	18,215	19,275	–	–	19,275
– Structured notes	5,984	5,973	5,973	–	–
	1,354,374	1,413,968	193,692	1,145,241	75,035

	As at 31 December 2021				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,435,823	1,372,874	10,064	1,039,259	323,551
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	104,247	100,655	58,213	41,949	493
– Notes issued	82,773	87,386	11,345	76,025	16
– Subordinated bonds issued	140,624	144,271	–	144,271	–
– Certificates of deposit issued (non-trading)	1,482	1,482	–	–	1,482
– Certificates of interbank deposit issued	904,552	892,762	–	892,762	–
– Convertible corporate bonds issued	16,647	20,547	–	–	20,547
	1,250,325	1,247,103	69,558	1,155,007	22,538

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

33 Financial risk management and fair values (continued)

(e) Fair values (continued)

(iii) Estimation of fair values

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

Investments in financial assets and financial liabilities

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

Derivatives

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

Financial guarantees

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

34 Material related parties

(a) Relationship of related parties

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

34 Material related parties (continued)

(b) Related party transactions

(i) Transaction amounts with related parties

	Six months ended 30 June 2022			
	Parent company	Ultimate shareholder's fellow entities	Associates and joint ventures	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Sales of goods	–	45	761	806
Purchase of goods	–	879	5,081	5,960
Interest income (note (2))	19	97	1,621	1,737
Interest expenses	36	240	514	790
Fee and commission income	32	1	104	137
Fee and commission expenses	–	–	9	9
Income from other services	1	62	3,034	3,097
Expenses for other services	–	67	624	691
Interest income from deposits and receivables	–	–	280	280
Other operating expenses	2	20	325	347

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

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

34 Material related parties (continued)

(b) Related party transactions (continued)

(i) Transaction amounts with related parties (continued)

Notes:

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

(ii) Outstanding balances with related parties

	As at 30 June 2022			Total HK\$ million
	Parent company HK\$ million	Ultimate controlling shareholder's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	74	1,147	5,790	7,011
Loans and advances to customers and other parties (note (2))	–	4,975	15,501	20,476
Cash and deposits	–	–	37,299	37,299
Derivative financial instruments and other assets	–	35	8,898	8,933
Investments in financial assets				
– Financial assets at FVPL	–	–	1,416	1,416
– Financial assets at amortised cost	–	–	1,137	1,137
Trade and other payables	224	12,232	7,162	19,618
Deposits from customers	4,370	9,528	19,750	33,648
Deposits from bank and non-bank financial institutions	–	–	13,216	13,216
Derivative financial instruments and other liabilities	–	17	298	315
Bank and other loans	1,627	31,132	–	32,759
Off-balance sheet items				
Guarantees provided (note (3))	–	–	6,866	6,866

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

34 Material related parties (continued)

(b) Related party transactions (continued)

(ii) Outstanding balances with related parties (continued)

	As at 31 December 2021			Total HK\$ million
	Parent company HK\$ million	Ultimate shareholder's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	76	1,163	4,815	6,054
Loans and advances to customers and other parties (note (2))	5,989	5,455	17,564	29,008
Cash and deposits	–	–	41,094	41,094
Derivative financial instruments and other assets	–	–	4,478	4,478
Investments in financial assets				
– Financial assets at FVPL	–	–	3,155	3,155
– Financial assets at amortised cost	–	–	1,188	1,188
Trade and other payables	189	12,247	5,182	17,618
Deposits from customers	9,679	9,354	35,118	54,151
Deposits from bank and non-bank financial institutions	–	–	50,857	50,857
Derivative financial instruments and other liabilities	–	–	534	534
Bank and other loans	1,913	24,009	–	25,922
Off-balance sheet items				
Guarantees provided (note (3))	–	–	5,110	5,110

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 2022

34 Material related parties (continued)

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

In addition to these related party transactions disclosed in Note 34 (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.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

35 Structured entities

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

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

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

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

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

Carrying amount	As at 30 June 2022						
	Investments in financial assets					Total HK\$ million	Maximum loss exposure HK\$ million
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million			
Wealth management products	–	11,006	–	–	11,006	11,006	
Investment management products managed by securities companies	51,572	58,346	–	–	109,918	109,918	
Trust investment plans	268,142	7,005	–	–	275,147	275,147	
Asset-backed securities	314,647	1,902	82,006	–	398,555	398,555	
Investment funds	–	609,282	–	54	609,336	609,336	
Total	634,361	687,541	82,006	54	1,403,962	1,403,962	

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

35 Structured entities (continued)

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

Carrying amount	As at 31 December 2021					
	Investments in financial assets				Total	Maximum loss exposure
	Financial assets at amortised cost	Financial assets at FVPL	Debt investments at FVOCI	Equity investments at FVOCI		
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Wealth management products	–	2,647	–	–	2,647	2,647
Investment management products managed by securities companies	61,660	11,134	30	–	72,824	72,824
Trust investment plans	290,864	4,639	–	–	295,503	295,503
Asset-backed securities	319,739	7,005	115,075	–	441,819	441,819
Investment funds	–	517,919	–	55	517,974	517,974
Total	672,263	543,344	115,105	55	1,330,767	1,330,767

(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 2022, 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\$3,766,096 million (31 December 2021: HK\$2,971,161 million).

During the six months ended 30 June 2022, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$7,047 million (six months ended 30 June 2021: HK\$8,537 million); interest income of HK\$27 million (six months ended 30 June 2021: HK\$681 million). The amount of interest expenses was HK\$0 million (six months ended 30 June 2021: HK\$380 million).

As at 30 June 2022, the placements from the Group with these wealth management products sponsored by the Group amounted to HK\$0 million (31 December 2021: HK\$24,461 million). During the six months ended 30 June 2022, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was HK\$0 million (31 December 2021: HK\$71,448 million). These transactions were conducted under normal business terms and conditions.

In order to achieve a smooth transition and steady development of the wealth management business, In the first half of 2022, in accordance with the requirements of the “Guiding Opinions on Regulating the Asset Management Business of Financial Institutions”, the Group continues to promote net-value-based reporting of its asset management products and dispose of existing portfolios.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

35 Structured entities (continued)

(d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements for the six months ended 30 June 2022.

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

Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the six months ended 30 June 2022 totalled HK\$14,089 million (six months ended 30 June 2021: HK\$36,827 million) are set forth below.

Securitisation transactions

During the six months ended 30 June 2022, the Group, through securitisation, transferred financial assets at the original cost of HK\$8,074 million (six months ended 30 June 2021: HK\$34,561 million), which qualified for full de-recognition (During the six months ended 30 June 2021, for HK\$25,210 million securitisation, the Group recognised other assets and other liabilities of HK\$2,671 million arising from such continuing involvement).

Loan transfers

During the six months ended 30 June 2022, the Group also transferred loan and other financial assets of book value before impairment of HK\$6,015 million through other types of transactions (six months ended 30 June 2021: HK\$2,266 million). HK\$5,402 million of this balance (six months ended 30 June 2021: HK\$2,266 million) was non-performing loans. HK\$613 million of this balance (six months ended 30 June 2021: HK\$0 million) was non-performing financial investments. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full de-recognition.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

36 Major business combinations

(a) Combination of CITIC Securities

The Group holds 18.45% shareholding interest of CITIC Securities, which was originally an associate of the Group. On 13 April 2022, CITIC Securities issued a resolution announcement of the interim shareholders' meeting, which approved the restructuring of the Board of Directors of CITIC Securities. The majority of the members of the Board of Directors of CITIC Securities after the restructuring were nominated by the Group. Taking into account other relevant factors, the Group consolidated CITIC Securities as business combinations achieved in stages.

The investment in CITIC Securities held by the Group were treated as a deemed disposal at the combination date (13 April 2022), resulting in a deemed disposal gain of HK\$12,677 million (RMB10,312 million) (Note 7).

The consideration paid for the acquisition and the fair value of identifiable assets, liabilities and non-controlling interests acquired at the combination date are summarised as follows:

Consideration:

	HK\$ million
Fair value of investment in CITIC Securities held by the Group at the combination date	66,366
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	201,695
Cash held on behalf of customers	331,726
Margin accounts	138,555
Refundable deposits	77,927
Trade and other receivables	14,340
Financial assets at fair value through profit or loss	623,630
Debt investments at fair value through other comprehensive income	78,666
Interests in associates and joint ventures	17,847
Intangible assets	716
Investment property	1,817
Fixed assets	10,702
Right-of-use assets	11,844
Deferred tax assets	10,529
Others	78,643
Total identifiable assets acquired	1,598,637

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

36 Major business combinations (continued)

(a) Combination of CITIC Securities (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed (continued)

	HK\$ million
Placements from banks and non-bank financial institutions	32,879
Financial liabilities at fair value through profit or loss	72,685
Financial assets sold under repurchase agreements	298,076
Customer brokerage deposits	335,413
Trade and other payables	235,164
Employee benefits payables	24,698
Debt instruments issued	227,820
Deferred tax liabilities	7,068
Provisions	1,093
Others	57,851
Total identifiable liabilities assumed	1,292,747
Total identifiable net assets of CITIC Securities	305,890
Non-controlling interests	(253,577)
Goodwill	14,053
Total net assets acquired	66,366

Net cash paid for acquisition:

	HK\$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	192,413
	192,413

The Group's revenue and net profit attributable to ordinary shareholders of the Company during the period from 13 April 2022 to 30 June 2022 contributed by CITIC Securities were HK\$23,647 million and HK\$1,330 million respectively.

Had CITIC Securities been consolidated from 1 January 2022, the Group's consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Company of HK\$434,548 million and HK\$50,051 million respectively.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

36 Major business combinations (continued)

(b) Combination of a trust plan and Shenzhen Chengkai Xinyin Investment Co., Ltd.

On 21 June 2022, subsidiaries of the Group entered into an agreement with Kaisa Group (Shenzhen) Co., Ltd. (“Kaisa”) to restructure certain projects (“underlying projects”) originally held by Kaisa through a trust plan, after which the interests of the underlying projects enjoyed by the Group and Kaisa was held by Shenzhen Chengkai Xinyin Investment Co., Ltd. (“Chengkai Xinyin”), which was wholly owned by the trust plan. The Group and Kaisa hold the corresponding interests of the trust plan. In accordance with the provisions of the agreement, the Group nominated a majority of members in the decision-making departments of the trust plan and Chengkai Xinyin, and has variable returns. Therefore, the Group obtained control over the trust plan and Chengkai Xinyin, and included them in the scope of the consolidated financial statements.

The consideration paid for this business combination and the identifiable fair value of assets, liabilities and non-controlling interests acquired at the combination date (21 June 2022) are summarised as follows:

Consideration:

	HK\$ million
Fair value of the equity of the underlying projects enjoyed at the combination date	18,381
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	67
Trade and other receivables	12,429
Inventories	2,006
Interests in associates and joint ventures	8,469
Fixed assets	1,013
Others	558
Total identifiable assets acquired	24,542
Trade and other payables	2,231
Others	876
Total identifiable liabilities assumed	3,107
Total identifiable net assets of the trust plan and Chengkai Xinyin	21,435
Non-controlling interests	(3,054)
Total net assets acquired	18,381

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2022

36 Major business combinations (continued)

- (b) Combination of a trust plan and Shenzhen Chengkai Xinyin Investment Co., Ltd.
(continued)

Net cash received from acquisition:

	HK\$ million
Total consideration received in cash for acquisition	–
Cash and cash equivalents acquired	67
	<u>67</u>

From 21 June 2022 to 30 June 2022, the impact of the trust plan and Chengkai Xinyin on the Group's revenue and net profit attributable to ordinary shareholders of the Company was not material.

37 Post balance sheet events

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

Report on Review of Interim Financial Information



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CITIC LIMITED *(incorporated in Hong Kong with limited liability)*

Introduction

We have reviewed the interim condensed financial information set out on pages 30 to 133, which comprises the consolidated balance sheet of CITIC Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2022

Statutory Disclosure

Interim Dividend and Closure of Register of Members

The directors have declared an interim dividend (“2022 Interim Dividend”) of HK\$0.20 per share (2021: HK\$0.15 per share) for the year ending 31 December 2022, payable on Friday, 11 November 2022 to shareholders whose names appear on CITIC Limited’s register of members on Tuesday, 27 September 2022. The register of members of CITIC Limited will be closed from Friday, 23 September 2022 to Tuesday, 27 September 2022, both days inclusive, during which period no transfer of shares will be effected. To qualify for the 2022 Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with CITIC Limited’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 September 2022.

The 2022 Interim Dividend will be payable in cash to each shareholder in HK Dollars (“HK\$”) unless an election is made to receive the same in Renminbi (“RMB”).

Shareholders will be given the option to elect to receive all (but not part) of the 2022 Interim Dividend in RMB at the exchange rate of HK\$1.0: RMB0.873318, being the average benchmark exchange rate of HK\$ to RMB as published by the People’s Bank of China during the five business days immediately before 30 August 2022. If shareholders elect to receive the 2022 Interim Dividend in RMB, such dividend will be paid to shareholders at RMB0.1746636 per share. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders in late September 2022 as soon as practicable after the record date of 27 September 2022 to determine shareholders’ entitlement to the 2022 Interim Dividend, and return it to CITIC Limited’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 October 2022.

Shareholders who are minded to elect to receive all (but not part) of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Friday, 11 November 2022 at the shareholders’ own risk.

If no election is made by a shareholder or no duly completed Dividend Currency Election Form in respect of that shareholder is received by CITIC Limited’s Share Registrar, Tricor Tengis Limited, by 4:30 p.m. on Monday, 17 October 2022, such shareholder will automatically receive the 2022 Interim Dividend in HK\$. All dividend payments in HK\$ will be made in the usual way on Friday, 11 November 2022.

If shareholders wish to receive the 2022 Interim Dividend in HK\$ in the usual way, no additional action is required.

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

Statutory Disclosure

Share Option Plan Adopted by Subsidiaries of CITIC Limited

CITIC Telecom International Holdings Limited ("CITIC Telecom")

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

Particulars of the outstanding share options granted under the CITIC Telecom Share Option Plan and their movements during the six months ended 30 June 2022 are as follows:

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

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

The share options granted on 24 March 2015 have expired at the close of business on 23 March 2022. The above outstanding options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the six months ended 30 June 2022.

As at 1 January 2022, options for 30,275,250 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2022, options for 4,884,000 CITIC Telecom Shares were exercised, options for 5,902,250 CITIC Telecom Shares have lapsed but no option has been cancelled. As at 30 June 2022, options for 19,489,000 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

Statutory Disclosure

A summary of the movements of the share options during the six months ended 30 June 2022 is as follows:

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

Date of grant	Exercise period	Balance as at 01.01.2022	Number of share options		Balance as at 30.06.2022
			Exercised during the six months ended 30.06.2022 (Note 1)	Lapsed during the six months ended 30.06.2022 (Note 2)	
24.03.2015	24.03.2017 – 23.03.2022	8,010,250	2,205,000	5,805,250	–
24.03.2017	24.03.2018 – 23.03.2023	8,847,500	1,157,000	38,500	7,652,000
24.03.2017	24.03.2019 – 23.03.2024	13,417,500	1,522,000	58,500	11,837,000

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.83.
2. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned; or ii) lapsed upon the expiry of the relevant share options.

CITIC Resources Holdings Limited (“CITIC Resources”)

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

To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the “New Scheme”). During the six months ended 30 June 2022, no share options were granted under the New Scheme.

Directors’ Interests in Securities

As at 30 June 2022, none of the directors of CITIC Limited had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance (“SFO”), any interests or short positions in the shares, underlying shares and debentures of CITIC Limited or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by CITIC Limited pursuant to section 352 of the SFO or as otherwise notified to CITIC Limited and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

Statutory Disclosure

Interests of Substantial Shareholders

As at 30 June 2022, substantial shareholders of CITIC Limited (other than directors of CITIC Limited) who had interests or short positions in the shares or underlying shares of CITIC Limited which would fall to be disclosed to CITIC Limited under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by CITIC Limited under section 336 of the SFO, or which were notified to CITIC Limited and the Hong Kong Stock Exchange, were as follows:

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

Statutory Disclosure

Notes:

- (1) CITIC Group is deemed to be interested in 22,728,222,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. For clarity, CITIC Group's interest in CITIC Limited did not increase, decrease, or otherwise change in the past year. The discrepancy between CITIC Group's interest disclosed in this report (22,728,222,755 shares) and its interest disclosed in the 2019 annual report (26,055,943,755 shares) was caused by a revision of calculation methodology adopted by CITIC Group for the purpose of aligning CITIC Group's disclosure of interest with the disclosures of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. The revised calculation methodology has been agreed among the parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
- (2) CITIC Glory is beneficially interested in 7,446,906,755 shares of CITIC Limited.
- (3) CITIC Polaris is deemed to be interested in 22,728,222,755 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares Subscription Agreement, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. For clarity, CITIC Polaris' interest in CITIC Limited did not increase, decrease, or otherwise change in the past year. The discrepancy between CITIC Polaris' interest disclosed in this report (22,728,222,755 shares) and its interest disclosed in the 2019 annual report (18,609,037,000 shares) was caused by a revision of calculation methodology adopted by CITIC Polaris for the purpose of aligning CITIC Polaris' disclosure of interest with the disclosures of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. The revised calculation methodology has been agreed among the parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.
- (4) CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. CT Bright has a short position of 5,818,053,363 shares because it is under an obligation to deliver a maximum of 5,818,053,363 shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.
- (5) CT Brilliant is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.
- (6) CPG is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant, its wholly-owned subsidiary.
- (7) ITOCHU is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

Purchase, Sale or Redemption of Listed Securities

On 28 February 2022, CITIC Limited fully redeemed the USD500 million 3.125% notes under the Medium Term Note Programme upon maturity. These notes were issued on 28 February 2017 and listed on the Hong Kong Stock Exchange.

Save as disclosed above, neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the six months ended 30 June 2022.

Statutory Disclosure

Corporate Governance

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found in CITIC Limited's Annual Report 2021 and on CITIC Limited's website at www.citic.com.

Board Composition and Changes

On 4 January 2022, Mr Zhang Lin was appointed as a non-executive director and a member of the remuneration committee of CITIC Limited and Mr Tang Jiang was appointed as a non-executive director of CITIC Limited.

Board Committees

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

- Audit and Risk Management Committee oversees the relationship with the external auditor, and reviews CITIC Limited's financial reporting, annual audit and half-year report. The committee acts on behalf of the board in providing oversight of CITIC Limited's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews CITIC Limited's policies and practices on corporate governance. The committee consists of three independent non-executive directors, Mr Francis Siu Wai Keung (who serves as the chairman of the committee), Dr Xu Jinwu and Mr Anthony Francis Neoh, and two non-executive directors, Mr Yang Xiaoping and Mr Peng Yanxiang.
- Nomination Committee reviews the structure, size, composition and diversity of the board at least annually and makes recommendations on any proposed changes to the board; identifies and nominates qualified candidates to become board members and/or fills casual vacancies for the approval of the board; assesses the independence of independent non-executive directors; makes recommendations to the board on the appointment or re-appointment of directors and succession planning for directors; and reviews the board diversity policy and the director nomination policy on an annual basis, and makes recommendation on any required changes to the board. The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), a non-executive director, Ms Yu Yang, and four independent non-executive directors, Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl.
- Remuneration Committee determines the remuneration packages of individual executive directors and senior management including salaries, bonuses, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment). The committee consists of three independent non-executive directors, Mr Anthony Francis Neoh (who serves as the chairman of the committee), Mr Francis Siu Wai Keung, Dr Xu Jinwu, and a non-executive director, Mr Zhang Lin (appointed as a committee member with effect from 4 January 2022 in place of Mr Liu Zhuyu who resigned on 29 December 2021).

Statutory Disclosure

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

Management Committees

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

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

Statutory Disclosure

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

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

- Asset and Liability Management Committee (the “ALCO”) has been established as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of CITIC Limited. The principal responsibilities of the ALCO are to
 - monitor and control the asset and liability financial position of CITIC Limited on a regular basis;
 - monitor and control the asset and liability structure, counterparties, currencies, interest rates, commodities, and commitments and contingent liabilities of CITIC Limited;
 - review financing plans and manage the cash flow of CITIC Limited on the basis of the annual budget; and
 - establish hedging policies and approve the use of new financial instruments for hedging.

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

Compliance with Corporate Governance Code

CITIC Limited has applied the principles of good corporate governance and complied with all code provisions set out in the Corporate Governance Code (Appendix 14 to the Listing Rules) during the six months ended 30 June 2022.

Statutory Disclosure

Review of Half-Year Report

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

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

Compliance with the Model Code for Securities Transactions by Directors

CITIC Limited has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All directors complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

Update on Directors' Information

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

Change in other directorship

Executive Director

Ms Li Qingping has been appointed as vice chairperson of CITIC Financial Holdings Ltd. with effect from June 2022.

Non-executive Director

Mr Yang Xiaoping has been appointed as a non-executive director and the vice chairman of True Corporation Public Company Limited and resigned as a non-executive director of Chery Holding Group Co., Ltd..

Independent Non-executive Director

Mr Francis Siu Wai Keung retired as an independent non-executive director of China International Capital Corporation Limited and has been appointed as an independent non-executive director of Morgan Stanley Securities (China) Co., Ltd., both effective from 23 June 2022.

Corporate Information

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Website

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

Stock Codes

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

Share Registrar

Shareholders should contact CITIC Limited's Share Registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

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

Financial Calendar

Closure of Register:	23 September 2022 to 27 September 2022 (both days inclusive)
Interim Dividend payable:	11 November 2022

Half-Year Report 2022

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

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

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

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

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