



CITIC Limited
中國中信股份有限公司

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

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 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 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 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.
- (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 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.

Zhu Hexin

Chairman

Beijing, 30 August 2022