



# 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 the complex operational environment of the first half of 2021, CITIC Limited leveraged market recovery opportunities to resume normal business operations. During this period, CITIC Limited recorded profit attributable to ordinary shareholders of HK\$44.2 billion, an increase of 64% against the same period in 2020 and a historic high. The financial services business realised a solid profit growth of 32% while our non-financial business quickly rebounded to deliver a profit growth of 130%, highlighting the advantages we have as a conglomerate. As of 30 June, CITIC Limited had HK\$37.7 billion in cash and available facilities.

The board recommends an interim dividend payment of HK\$0.15 per share, which is HK\$0.05 more than the same period last year.

### **BUSINESS REVIEW**

In the beginning of 2021, as China entered into its 14th Five Year Plan, CITIC announced an updated strategic vision to build a lasting enterprise and solidify the CITIC brand's strong market position. CITIC will embrace a new paradigm of growth and focus on five strategic business segments, which include comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. In the first half of the year, our businesses achieved more than half of our performance goals, marking a strong beginning and a solid foundation for achievement of our development objectives.

Our comprehensive financial services segment continued to support the real economy, with all businesses in the segment delivering solid performance. I'm pleased to share that our financial holding company application was the first to have been accepted by The People's Bank of China and development efforts are moving forward on all fronts. During the reporting period, CITIC Bank focused on promoting a capital-light business and realised an 18% increase in fee income and a 13.7% increase in net profit, along with marked improvements in the bank's asset quality and overall operational effectiveness. Both NPL balance and NPL ratio decreased for the first time in nearly ten years. At CITIC Securities, net profit increased by 37% and the business maintained its leading market position in key metrics, including its number one lead

underwriting ranking in equity and debt. CITIC Trust advanced its business transformation and expanded its product offering to include standardised securities investments and family trust. Its net profit increased 88%. CITIC-Prudential Life focused on higher value business and recorded a 57% increase in profit. Its increase in premium income was one of the highest in the industry.

The advanced intelligent manufacturing segment continued its technological advancement and realised a strong net profit increase of 86%. During the period, CITIC Dicastal accelerated the implementation of its digital strategy. The “Lighthouse” project is in the final stages of accreditation, and the second phase of the Moroccan plant achieved full production, adding annual production capacity of 3 million aluminium wheels. With increased demand for lightweight vehicles due to the revival of domestic and international automotive markets, CITIC Dicastal’s profit increased by 81%. During the same period, CITIC Heavy Industries’ transformation programme achieved solid results with strong momentum in new business streams. For example, its offshore wind power and specialised mining robots businesses both attained high speed growth.

The advanced materials segment continued to reduce operating costs and improve efficiency. Benefiting from the rise in commodity prices, the segment recorded a substantial increase of 280% in net profit. The Sino Iron project’s effective operating rate is now at an advanced level equal to similar mines as it continued to increase production and recorded a significant rise in profit during the period. CITIC Pacific Special Steel delivered a net profit increase of 52% due to continuous efforts to strengthen its operations and management, optimise its product portfolio and adopt innovative technologies to reduce material consumption. At CITIC Metal, profit increased substantially by 153%, primarily due to the solid performance of its commodities trading and investment businesses. The company’s Ivanhoe copper mine in the Democratic Republic of the Congo also commenced production ahead of schedule. CITIC Resources delivered a turnaround profit, driven by improved management of the oil production business as well as debt structure optimisation.

The new consumption segment recorded a turnaround profit with an increase of HK\$822 million, supported by our solid business foundations and customer-centric philosophy, along with the revitalisation of consumer markets. Dah Chong Hong delivered a solid profit as the result of a strong recovery in its motor business as it continued to optimise its vehicle brand and dealership portfolio. Net profit at CITIC Press jumped 52%, as the retail business explored new operational models and established an online-offline membership system. CITIC Telecom International recorded a stable profit and became the first provider in Macau with full outdoor and indoor 5G network coverage.

Our new-type urbanisation segment actively participates in the country’s regional development strategy. Sales from projects in mainland China and Hong Kong were satisfactory and rental income was solid. The construction and engineering business focused on the domestic market and saw a steady increase in new contracts with the construction of key projects, such as Chongli Ice Town, progressing well. Excluding a provision made for overseas projects affected by the pandemic, the operating profit of the segment recorded a year-on-year increase of 24%.

## **STRENGTHENING FUNDAMENTALS, ENHANCING MANAGEMENT**

To further improve the quality and efficiency of our businesses, we are emphasising integration, collaboration and expansion as strategic drivers. During the period, we rolled out several key initiatives to improve our overall operational fitness. These efforts will help to strengthen our businesses and support our long-term development.

As a conglomerate, fostering synergy and collaboration is essential to achieve our full potential. As such, we have focused on enhancing our structure to enable collaboration not only among businesses in each segment, but also across segments. In the first half of 2021, we provided RMB768.9 billion of co-financing and achieved RMB56.5 billion in organisational cross-sales. To encourage further collaboration, we have established an internal assessment system to facilitate and recognise synergy development efforts. Outside the organisation, we have been expanding our network, promoting strategic partnerships and enhancing the scale and depth of our collaboration with partners. These efforts have already improved our ability to win new projects and enhanced our overall competitiveness.

While the economic environment still faces uncertainties, in order to improve our risk resilience, we continued to move forward with cost reduction and revenue expansion initiatives to transform operational performance pressure into motivation to achieve high quality growth. Additionally, we have implemented a thorough risk management enhancement programme that touches on every aspect of our business, embracing the principle that effective risk management protects earnings. The benefits of this fully comprehensive risk management system have already been demonstrated and will continue to safeguard the organisation.

## **EMBRACING A GREENER GROWTH PARADIGM**

In 2020 China announced new targets to achieve peak CO<sub>2</sub> emissions and carbon neutrality, a clear demonstration of its dedication to promote the country's sustainable development, address climate change and build a greener future for all of mankind. To support these goals, we are leveraging both our financial and non-financial businesses to give new purpose to our development strategy and the five business segments. We will use the full range of licences in our financial business to provide support to our non-financial businesses as they transition to lower carbon emission operations. Meanwhile, environmental impacts and other considerations will be central to all new business development.

Although the market faces continued challenges and the ongoing pandemic, as long as we work together towards a common goal, taking a step-by-step approach in the implementation of our 14th five-year plan, I believe our vision will be realised. We are committed to building a lasting enterprise, solidifying the CITIC brand's positioning and creating long term value for our shareholders. As the classic Chinese poem reminds us, "Don't be afraid of shifting clouds."

Thank you for your continued trust and support.

**Zhu Hexin**

*Chairman*

Beijing, 27 August 2021