



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,

2022 was an extremely important year in the history of the Communist Party of China and our country. The successful convening of the 20th National Congress of the Communist Party laid out the grand blueprint for building a modern socialist country. CITIC Limited remains fully committed to studying and implementing the guiding principles set forth by the 20th National Congress. We are dedicated to strengthening our businesses and building a solid foundation to support the new pattern of development in China. In 2022, CITIC Limited's operating results and stock price outperformed the market significantly. Despite challenges on many fronts, the company delivered solid results as it sought to achieve high-quality growth while maintaining overall stability. CITIC Limited achieved a net profit attributable to ordinary shareholders of HK\$75.5 billion in 2022, up 7.5% year-on-year, yet another historic high. The board recommends a final dividend payment of HK\$0.451 per share, resulting in a total dividend of HK\$0.651 per share for the year 2022, HK\$0.045 higher than in 2021. It is worth noting that CITIC Limited's share price rose steadily throughout the year and significantly outperformed the Hang Seng Index amid capital market volatility, bringing rock-solid confidence and tangible returns to our investors. Our unique strengths of having a clear strategy, stable operations, high dividends and strong risk management have become increasingly prominent and contributed to the construction of a valuation system with Chinese characteristics.

LEVERAGING OUR UNIQUE ADVANTAGES AS A CENTRAL STATE-OWNED ENTERPRISE TO STRENGTHEN THE FOUNDATION FOR HIGH-QUALITY DEVELOPMENT

CITIC Limited has faithfully studied and acted on the guiding principles of the Party's 20th National Congress. We have complied with the rectification requirements directed by the Central Leading Group for Inspection Works as well as the National Audit Office. Leveraging our unique advantages as a state-owned enterprise (SOE) under the leadership of the Party, we have further solidified our political foundation, providing organisational support for the company's continued high-quality development.

Adopting the central disciplinary inspection and rectifications as an opportunity to promote reform and development: We effectively carried out wall-to-wall rectifications in accordance with the requirements of the disciplinary inspection conducted by the Central Leading Group for Inspection Work and have diligently cooperated with the National Audit Office during its audit process. Our focus on rectification efforts served as a driving force to promote the sustainable and healthy development of the company, continually optimising corporate governance, fostering righteousness and pushing forward reform. The Party's strict governance has driven the comprehensive governance of the company to achieve remarkable results, strengthening our corporate image and ensuring CITIC's development remains on the right track.

Implementing special projects to strengthen lean management: We completed the Three-Year Action Plan for SOE Reform in an effective manner, optimising our business structure and further improving the efficiency of our resource allocation. Our "Revenue Growth and Cost Control" and "Cost Reduction and Efficiency Enhancement" initiatives have achieved significant results, while the special project, "Streamlining and Strengthening," effectively reduced the company's complexity and improved transparency by reducing the number of business layers and legal entities. Promoting synergies between financial and non-financial businesses to lower leverage has become a long-term management mechanism. Continued enhancements in fund centralisation have helped lower the company's overall financing costs and leverage ratio. We have pioneered a more sophisticated treasury system with CITIC characteristics, which has laid a solid foundation and provided the resources, capabilities and management for the company to achieve excellence. It also serves as a valuable example for other central SOEs.

Embarking on a new journey of high-quality development with the goal of building a world-class enterprise: CITIC has, for many years, benchmarked leading global companies and explored internationalisation. We strive to lead the way on this new journey to build world-class enterprises. In 2022, we set the goal to achieve "excellent products, outstanding brands, leading innovation and modern governance". We strive to build a leading global company by improving our benchmarking of best-in-class systems for competitiveness, innovation, management, market influence and risk resistance. We also strive to identify gaps, clarify goals, deploy key tasks and strengthen our management system and capacity building in a comprehensive way. We have identified 10 subsidiaries with the competitive strengths and potential to implement the "Demonstration Action for Building World-Class Enterprises", and aspire to reach global- or industry-leading levels in products, services and market influence.

FOCUSING ON "THREE TASKS" TO CONSOLIDATE AND STRENGTHEN OUR LEADING POSITION IN COMPREHENSIVE FINANCIAL SERVICES

The comprehensive financial services segment focused on serving the real economy, preventing and controlling financial risks and deepening financial reform. At the same time, the businesses in the segment have applied their political and people-oriented nature, firmly committed to the implementation of the country's financial development with Chinese characteristics. In taking up these responsibilities, we have achieved outstanding results. CITIC Financial Holdings completed the application process for its establishment and has successfully commenced operations, contributing to CITIC having a more complete set of financial licences and solidifying the competitive advantages of the company's comprehensive financial services. Overall, the segment's role as both the "ballast stone" and "propeller" has become more apparent.

Creating value in serving the real economy: Each of CITIC Limited’s financial subsidiaries focused on its individual core business and service areas, providing financial support at all levels to bolster weak areas of the real economy and have delivered an outstanding performance. CITIC Bank focused on key areas such as inclusive finance, green development, strategic emerging industries and rural revitalisation. Its SME finance business was awarded the highest supervisory rating amongst joint-stock commercial banks. CITIC Bank’s deposits and loans have each exceeded RMB5 trillion and the bank’s net profit has risen by 12%. CITIC Securities increased its support for fields such as science and technological innovation. Its equity underwriting by value ranked first globally for the first time and its revenue and profit have ranked first domestically for 17 consecutive years. China Securities supported the development of technologically advanced enterprises and became the leader in fund raising and the number of sponsorships on the Beijing Stock Exchange. At CITIC Trust, 75% of the business now serves the real economy and innovative business has exceeded RMB1 trillion.

Maintaining resilience while building a solid bottom line for risk: We have always regarded risk prevention and resolution as our top priority. Leveraging the advantage of having both financial and non-financial businesses, CITIC has creatively proposed and actively explored a model of forging collaborations between the two segments to reduce risk and has already achieved notable results. By coordinating different stakeholders, we successfully implemented a real estate risk resolution project, effectively supporting the government’s effort to ensure the delivery of homes, safeguarding people’s livelihoods and creating a win-win situation for all.

Transforming and upgrading amid deepening financial reform: Acting as a front runner, CITIC responded promptly to the requirements of the government’s reform of financial holding companies in China. We designed a practical and realistic plan, effectively taking the lead in establishing a true Chinese financial holding company. Now the dream of establishing a financial holding company, relentlessly pursued by generations of CITIC people, has finally been realised. CITIC Financial Holdings had a strong beginning and has preliminarily put in place corporate governance, comprehensive risk management, financial and capital management and wealth management systems with financial holding company characteristics, which are accelerating the transformation and enhancement of CITIC’s overall financial operations. We are confident that this will further strengthen the role of our financial business as the “ballast stone” and lead the segment to become the primary engine driving the company’s high-quality development. At the same time, we are actively promoting internal reform. By consolidating CITIC Securities into CITIC’s consolidated financial accounts, we are helping CITIC Securities accelerate towards its goal of benchmarking world-class investment banks.

UPHOLDING THE COUNTRY’S MOST FUNDAMENTAL INTERESTS AND DEVELOPING INDUSTRIES WITH STRENGTH AND QUALITY

By staying true to its mission of “Serving the Country”, our non-financial business segment aims to meet the needs of national strategic development and industrial upgrading, focusing on cultivating industry-leading enterprises, enhancing value creation and continuously solidify our leading position in the industries in which we operate. As a result, these businesses have achieved solid performance with numerous highlights.

Committed to serving major national projects: CITIC Heavy Industries has supported 15 successful consecutive launches of the Shenzhou spacecraft. Leveraging CITIC’s expertise and competitive advantages, CITIC Construction successfully constructed and operated the Chongli Prince City Ice and Snow Town for the Beijing Winter Olympics, while CITIC Offshore Helicopter provided helicopter medical rescue support and AsiaSat offered event broadcasting services. CITIC Offshore Helicopter also successfully supported China’s 38th Antarctic scientific research flight mission.

Proactively ensuring the supply of strategic raw materials: The Sino Iron project exported 21.41 million tonnes of iron ore concentrate, maintaining its position as the largest seaborne supplier of magnetite concentrate to China. CITIC Pacific Special Steel is one of the world’s leading manufacturers of special steel products. In early 2023, it successfully acquired a controlling interest in Tianjin Pipe Corporation, taking CITIC Pacific Special Steel’s total production capacity to 20 million tonnes annually. CITIC Metal’s commodity trading volume exceeded 60 million tonnes and the company led the domestic market in niobium products. The Kamo-Kakula Copper Mine Phase II in the Democratic Republic of Congo commenced production ahead of schedule.

Effectively filling in the gaps in niche markets: CITIC Pacific Special Steel achieved large scale production of the world’s biggest continuous casting billet with a diameter of 1,200 mm. It also made breakthroughs in the development of core component materials, such as materials for large-scale wind power generation and bearings used for high-speed rails. CITIC Heavy Industries mastered heavy-duty hydraulic mechanical arm technology and achieved advanced international standards overall. CITIC Engineering developed a series of BIM software that extends across the engineering construction life cycle.

Consolidating and elevating leading positions in our industries: CITIC Dicastal, for the first time, entered the world’s top 50 suppliers of automotive components. With its aluminium wheel production base in Mexico commencing production, CITIC Dicastal has achieved its mission of “global manufacturing, global service”. CITIC Telecom International’s subsidiary Companhia de Telecomunicações de Macau became the first 5G telecommunications operator in Macau, maintaining its market-leading position and enhancing its digital capabilities to support the development of “Digital Macau”. CITIC Agriculture has become a leading seed company in China, actively undertaking key national projects and realising a significant improvement in operating performance. CITIC Press maintained its leading position in its market, securing the largest market share in the business management and social sciences categories.

Forging the “second growth curve”: CITIC Investment Holdings established the CITIC Hangzhou Science and Technology Innovation Fund of Funds to focus on investing in early-stage, innovative and micro enterprises. As an advocate of “lighthouse factories”, CITIC Holdings has developed proprietary technical systems in areas including key industrial sensors and industrial AI-powered models while CITIC Resources is actively exploring the new energy and new materials fields. We have also reorganised our real estate, commercial property management and environmental protection businesses so that each business can better focus on its core strengths, explore potential value and create synergies.

SYSTEMATICALLY PROMOTING TECHNOLOGICAL INNOVATION AND ENHANCING ENDOGENOUS DEVELOPMENT MOMENTUM

Innovation is an integral part of CITIC Limited's DNA. We insist on seeking productivity from technological innovation, strengthening original development and promoting leading edge research as we strive to be a technological and innovation pioneer amongst SOEs. For the first time, we have formulated a five-year plan for technological innovation to specify the direction of advancements towards key breakthroughs. We established a Technological Innovation Committee, a Technology Experts Committee and an Association of Science and Technology to enhance our coordination of innovation activities. We also increased our investment in research and development (R&D) and established a performance assessment policy to encourage subsidiaries to invest in R&D projects that are strategic, comprehensive and forward-looking. In 2022, our R&D investment exceeded RMB10 billion. To strengthen the workforce of technical talents, six academician workstations and 11 post-doctoral workstations were established. We also recruited a group of top technical talents, including the first batch of "National Great Craftsman". Additionally, we fostered academic exchanges and collaboration with major scientific research institutes and have established 110 R&D institutions and 24 high-tech enterprises to consolidate knowledge from industry, academia and research institutes in order to deliver scientific and technological breakthroughs. We have also introduced science and technology awards to promote an innovative environment, successfully stimulating a significant rise in the quantity and quality of technological innovation achievements. Throughout the year, we released one international standard and 17 national standards while obtaining 1,203 authorised patents, including 424 invention patents. We accelerated the construction of "Digital CITIC", promoted digital intelligence transformation, applied new generation technologies such as 5G and AI, and continuously explored frontier fields like metaverse and blockchain. The results of our digital technology applications were unveiled at the 2022 World Artificial Intelligence Conference. The company also garnered over 70 industry, ministerial and provincial digitisation-related awards.

FULFILLING SOCIAL RESPONSIBILITIES AND DEMONSTRATING GOOD CORPORATE CITIZENSHIP

Our approach to development is grounded in a deep sense of responsibility to society and we strive to integrate social responsibility into every aspect of our business. We have actively established and continually refine our ESG management system with the aim of integrating ESG into our business approach, facilitating development, improving ratings and setting strong examples. In this way, we drive the organic integration of ESG with our development strategies, management practices and business operations. Specifically, we implemented the "Two Increases, One Decrease" strategy, set a "dual carbon" target, formulated a "dual carbon" evaluation mechanism and established a carbon asset management system. Our financial subsidiaries proactively provided financing support for green and low-carbon industries such as energy conservation, environmental protection and clean energy. By the end of 2022, the green loan balance of CITIC Bank reached RMB334.1 billion, a year-on-year increase of 67%. Non-financial subsidiaries including CITIC Dicastal and CITIC Pacific Special Steel took the initiative to utilise clean production technology, significantly increasing the "green value" of their business development. CITIC was awarded first place in the "China Industrial Carbon Peak Pioneer Enterprise" list. Through consumption subsidies and rural revitalisation, we continued to solidify the results of our poverty alleviation work to serve

the community and enhance living. During the pandemic, a great number of our medical staff travelled to different provinces and cities to fight the battle against COVID-19. Our financial subsidiaries helped numerous market participants address their difficulties with a range of financial instruments, while front-line employees both at home and abroad remained at their posts to ensure business continuity, stable production and uninterrupted services. Many of our employees, alongside our business units, took up voluntary services to collect supplies and medicines, demonstrating CITIC's commitment to supporting social initiatives.

Great visions can only be realised through concrete action. At present, global, societal and historical changes are unfolding in unprecedented ways. As a diversified and comprehensive enterprise operating internationally, CITIC Limited will continue to adhere to its goal of becoming a world-class enterprise, enhancing operational performance and driving growth. Our people remain pragmatic, hard-working and courageous in the pursuit of excellence. With concerted effort, we aim to begin a new chapter of high-quality growth, better serving the overall development of China and creating considerable returns for our shareholders.

Zhu Hexin

Chairman

Hong Kong, 31 March 2023