



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,

In the first half of 2023, CITIC Limited remained fully committed to the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and thoroughly implemented the guiding principles set forth by the 20th National Congress of the Communist Party of China as well as the major decisions and plans of the Party Central Committee. We made solid progress in studying and implementing the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We are dedicated to following the principle of seeking progress while maintaining stability, supporting national development and implementing national strategies. Our substantial progress in advancing reforms and addressing challenges to consolidate and strengthen our comprehensive operational advantages have yielded fruitful results in high-quality development. Despite a series of economic challenges both in China and globally, CITIC Limited achieved steady growth. The company recorded total revenue of RMB334 billion, a year-on-year increase of 2.8%. Profit attributable to ordinary shareholders was RMB32.1 billion, a year-on-year increase of 2.3% on a comparable basis excluding the one-off revaluation gain of CITIC Securities' consolidated earnings of RMB10.3 billion in the same period last year. The board recommends a dividend distribution of RMB0.18 per share, with a total dividend amount of RMB5.236 billion. Earlier this year, CITIC Group made its debut among the top 100 organisations on the Fortune Global 500 list. S&P Global Ratings upgraded CITIC Limited's outlook from "Stable" to "Positive", and the company's stock price has outperformed the Hang Seng Index during the first half of the year, further enhancing our international image and credibility. These achievements are testaments to the company's steady development, stable growth in profitability and strengthened risk resilience, reflecting the investment community's confidence in the company's high-quality development.

BUILDING A STRONG FOUNDATION FOR COMPREHENSIVE FINANCIAL SERVICES

CITIC is dedicated to implementing the decisions and action plan of the Party Central Committee regarding financial work. The company is comprehensively carrying out the "three tasks", which guide the allocation of financial resources to key areas including strategic and cutting-edge industries as well as those affecting the national economy and people's livelihoods, to drive the high-quality development of the real economy.

Developing major drivers for high-quality development: We have been making significant progress in our goal to become a top-tier financial holding company under the “One-Four-Three-Five” strategy. We have leveraged the advantage of having comprehensive financial licences to strengthen the core competence of our comprehensive financial services. We are supporting the development of our comprehensive financial services business by enhancing corporate governance, risk management, capital management and wealth management systems. We are building a top-tier digital platform to harness the potential of CITIC Financial Holdings and to lead industry-wide digitalisation with Chinese characteristics. Our optimised capital allocation with migration to lower risk-weighted assets resulted in a capital saving of RMB10.5 billion. Additionally, we successfully hosted the First Session of the CITIC Wealth Manager Conference, which gathered a significant number of asset management institutions to build a comprehensive wealth management ecosystem. The new “CITIC Fortune Plaza” was successfully launched as well.

Committed to serving the real economy: We are committed to consolidating our comprehensive financial services as a “ballast stone” and emphasising the very essence of finance. CITIC Bank achieved double-digit loan growth in key areas such as inclusive finance, medium-to-long-term financing for the manufacturing sector, green lending, strategic emerging industries and agricultural loans compared to the beginning of the year. ROA and ROE both recorded year-on-year improvement, while the non-performing loan ratio and non-performing loan balance decreased. CITIC Securities has increased its support for strategic emerging industries and is ranked first in both equity and bond underwriting value. China Securities has actively facilitated the development of specialised and sophisticated enterprises. It has maintained an industry-leading position in total sponsored listings and fundraising value on the Beijing Stock Exchange. CITIC Trust, closely aligned with the developmental needs of the real economy, has further accelerated its business transformation, surpassing RMB1.2 trillion in the scale of its innovative business, marking a major breakthrough. CITIC-Prudential Life has remained committed to implementing new regulations under the second phase of the China Risk-Oriented Solvency System. CITIC-Prudential Life has also optimised its business structure, resulting in growth in both new business value and margin. The number of customers served by CITIC Consumer Finance, which has been improving its consumer lending capabilities, has exceeded tens of millions. With a cumulative loan amount of RMB87 billion, it helps boost domestic consumption and stimulate domestic demand.

Building a strong line of defence against risks: Our ability to respond and address risks has been enhanced by the establishment of a comprehensive risk management system, which has strengthened the integration of compliance and internal controls and given us a thorough understanding of our risk profile. Our financial subsidiaries have shown improvements in reducing the balance and ratios of non-performing assets as well as the proportion of special-mention assets. The exploration and application of CITIC’s distinctive approach to promoting synergies among financial and non-financial sectors has yielded tangible results in risk mitigation. To help rebuild market confidence and foster social stability, and guided by the 16-point set of financial measures, CITIC has played a role in supporting key property developers to ensure the completion and delivery of projects.

ENHANCING THE VALUE CREATION CAPABILITY OF NON-FINANCIAL SUBSIDIARIES

With a focus on stabilising the supply chain and ensuring a steady supply of strategic resources for the country, we strive to promote the supporting and catalytic role of the industrial chain. As we actively integrate and support the construction of a Chinese-style modern industrial system, we are also capitalising on opportunities for industrial transformation and upgrading to accelerate the development of the “second growth curve” and help our industrial businesses grow stronger, better and bigger.

Consolidating our industry-leading advantage: CITIC Dicastal is conducting R&D on integrated chassis die-casting projects for automobiles, to reduce production costs and improve the strength of vehicle bodies. The initiative will contribute to the development of intelligent manufacturing in China’s automobile industry. CITIC Heavy Industries recorded rapid growth in orders from the offshore wind power sector, as part of the continuous expansion of its new business portfolio. CITIC Pacific Special Steel aims to become the world’s largest producer of seamless steel tubes. It has manufactured tubes specifically designed for use in the underwater pipeline infrastructure of “Deep Sea No.1”, China’s first-ever ultra-deepwater high-pressure gas field development project. Overall, CITIC owns four specialised and sophisticated “little giant” enterprises, 20 specialised and sophisticated enterprises and 24 national high-tech enterprises.

Continuously improving the resilience of the industrial chain: CITIC Metal’s Kamo-Kakula Copper Project in the Democratic Republic of Congo has maintained steady production and met production targets, retaining its leading position in the production of key non-ferrous metals for trading. The Sino Iron project has ensured the stable seaborne supply of magnetite concentrate for China, achieving a production volume of 10.41 million wet tonnes. Sino Iron remains the world’s largest seaborne supplier of magnetite concentrate to China. CITIC Resources has further improved production efficiency and asset value, yielding an equity oil production of 4.67 million barrels.

Contributing to better lives: CITIC Telecom International has a penetration rate of over 50% in the 5G market in Macau, supporting the city’s “Digital Macau 3.0” initiative. CITIC Press’s market share in the publishing sector has continued to grow, further solidifying its leading position in the industry. CITIC Environment won the bid for China’s largest seawater desalination project under construction. Dah Chong Hong has leveraged its strong channel network to expand its healthy snacks portfolio and identify business opportunities in the new energy vehicle market. CITIC Agriculture is working to build a leading enterprise in the seed industry, actively contributing to China’s development as an agricultural powerhouse.

Promoting globalised industrial development: Marking the 10th anniversary of the Belt and Road Initiative, we are strategically expanding our presence in key markets and advantageous sectors along the Belt and Road with the purpose of raising our global competitiveness. CITIC Dicastal’s aluminium casting parts manufacturing base in Morocco and aluminium wheels manufacturing base in Mexico have continuously strengthened their global competitiveness, with year-on-year increases in the sales of aluminium wheels and castings. CITIC Construction has made significant progress in the 20,000-unit Social Housing Project in Riyadh, Saudi Arabia, whilst the subway car project in Buenos Aires, Argentina, was successfully inspected and completed.

ACCELERATING GROWTH THROUGH INNOVATION

Capitalising on our advantages of having both financial and non-financial businesses, we are facilitating the integration of innovation, industry and finance to continuously cultivate CITIC's comprehensive strengths.

Stimulating innovation and creativity: We have constructed a result-oriented system for technological innovation, founded a science and technology association and optimised top-level design. Incentives have been introduced to expedite innovative developments, such as R&D credits and scientific and technological achievement awards. We are also advancing the construction of a science and technology innovation platform system, which is predominantly comprised of State Key Laboratories. Ten national-level and 117 provincial-level R&D platforms have been established to date. To deepen cooperation with national strategic scientific and technological bodies, the "PCL & CITIC Joint Laboratory" was officially launched with a mission to create a competitive and open innovation ecosystem.

Empowering industrial transformation and upgrading: CITIC has launched a dedicated campaign for digital transformation, establishing "Digital CITIC" as a cornerstone. Through the implementation of cloud-based management, we have built a digitalised intelligent management system to improve management quality and efficiency. With our "Blooming Application" initiative, we have leveraged the advantages of CITIC's diverse business model, extensive use cases and vast data volumes. The company has capitalised on AI technology across our five business segments to drive continuous transformation in the areas of smart finance, smart manufacturing, smart cities, smart agriculture, smart publishing and new digital infrastructure. Our cutting-edge achievements, such as the three-dimensional digital banking outlet, seamless steel tube manufacturing with digital twins, large-scale integrated smart cities, BIDS (Breeding information decision system), AIGC+ publishing and intelligent network infrastructure, were showcased at the 2023 World Artificial Intelligence Conference, demonstrating CITIC's thriving, collaborative AI ecosystem.

PROMOTING LEAN MANAGEMENT

In our endeavour to become a world-class enterprise, we strive to continuously build a highly efficient management system through integration, collaboration and expansion. To achieve this, we focus on the concept of "creating excellent products, building a distinguished brand, leading innovation and modernising governance".

Fostering integration and collaboration efforts: We are actively engaged in deepening strategic restructuring and professional integration, which has contributed to the stable and sustainable development of our environmental businesses. Our proactive approach to separate listings for our subsidiaries has facilitated CITIC Metal's successful A-share debut. Driven by enhanced synergies, joint financing by our financial subsidiaries has reached RMB979.5 billion, while sales from business-to-business cross-selling has reached RMB36.9 billion, marking a year-on-year growth of 24%. Our financial subsidiaries also achieved sales of RMB59.1 billion through a retail consignment system for their products. We have fostered extensive collaboration with strategic clients, including businesses, universities and governments, providing products and services as well as research and development support,

to enable us to explore new markets. By actively seizing opportunities in industrial upgrading and technological transformation, such as the successful acquisition and integration of Tianjin Pipe Corporation, we have solidified our leading position in the high-end seamless steel tube sector.

Enhancing quality and efficiency through state-owned enterprise reform: We have witnessed the increasing advantages of empowerment at the headquarters level and the effectiveness of refined management. The 2.0 version of our “Cost Reduction and Efficiency Enhancement” initiative has established a long-term control mechanism that focuses on comprehensive efficiency across all areas of our operations instead of single metrics. Meanwhile, we have worked on managing losses, reducing redundancies, streamlining processes and improving efficiency with the 2.0 version of the special project, “Streamlining and Strengthening”. This has prompted the iterative improvement of our centralised fund management, significantly sharpening the efficiency of capital operations and enhancing the quality of our business. In line with our approach to introduce market-based mechanisms, performance assessments serve as a guiding tool to drive our focus toward front line staff in the non-financial segments. We aim to create a positive work environment with a fulfilling atmosphere and to promote a “Happy CITIC” culture by enhancing employee satisfaction with organisational care and fostering cultural cohesion. We have also strengthened our brand management efforts to enhance brand value, while improving communications with stakeholders in both overseas and local capital markets to promote a more comprehensive understanding of the company’s investment value.

ACTIVELY IMPLEMENTING ESG VALUES

We firmly believe that responsibility and accountability are fundamental to achieving high-quality development. Therefore, we are dedicated to relentlessly integrating sustainable development principles into our business management and operations. We have issued the “CITIC Limited ESG Guidelines” to enhance the level of ESG-integrated management throughout our organisation. We have also employed the strategy of “Two Increases, One Decrease” and made tangible progress in our dual-carbon efforts. As a result, CITIC Bank has achieved a double-digit year-on-year growth rate in the underwriting value of green loans and green bonds, while CITIC Securities has emerged as the first securities firm in the country to lead national carbon emissions trading. Our non-financial subsidiaries are rapidly transitioning towards more sustainable development practices, such as strengthening carbon asset management, implementing advanced carbon-reduction technologies, improving the efficiency of resource utilisation and adopting clean production processes. CITIC Environment actively supports the development of the green economy through significant innovations in energy conservation, consumption reduction and resource utilisation. The utilisation of CITIC Dicastal’s green-power aluminium and recycled aluminium is steadily increasing, and our green, low-carbon manufacturing technologies have reached advanced levels in the sector. CITIC Pacific Energy has also expanded its implementation and operation of new energy projects, accelerating our efforts towards a green, low-carbon transition. These achievements in ESG practices have earned us recognition within the industry. We were shortlisted for “Top 100 ESG Listed Companies in China”, securing second place among all competing diversified companies, and were acknowledged as a “Leader in ESG Development of Listed Companies”.

Our mission is a call to action; our dedication steers the course to the future. Not only has the year of 2023 been a new start for implementing the guiding principles of the 20th National Congress of the Communist Party, but it is also a critical year for CITIC Limited to execute our strategic plan. Guided by the approach of seeking progress amidst stability, CITIC Limited will continue to completely embrace and precisely implement new development philosophy, accelerate our adaption to evolving environment and strive to become a world-class enterprise. As we work towards building CITIC into an excellent and lasting enterprise, we are firmly committed to driving reforms with the objective of promoting high-quality development to reach new heights. Our unwavering dedication will enable us to make further and greater contributions to the Chinese path to modernisation on all fronts while driving value creation for our shareholders and the wider community.

Zhu Hexin

Chairman

Beijing, 31 August 2023