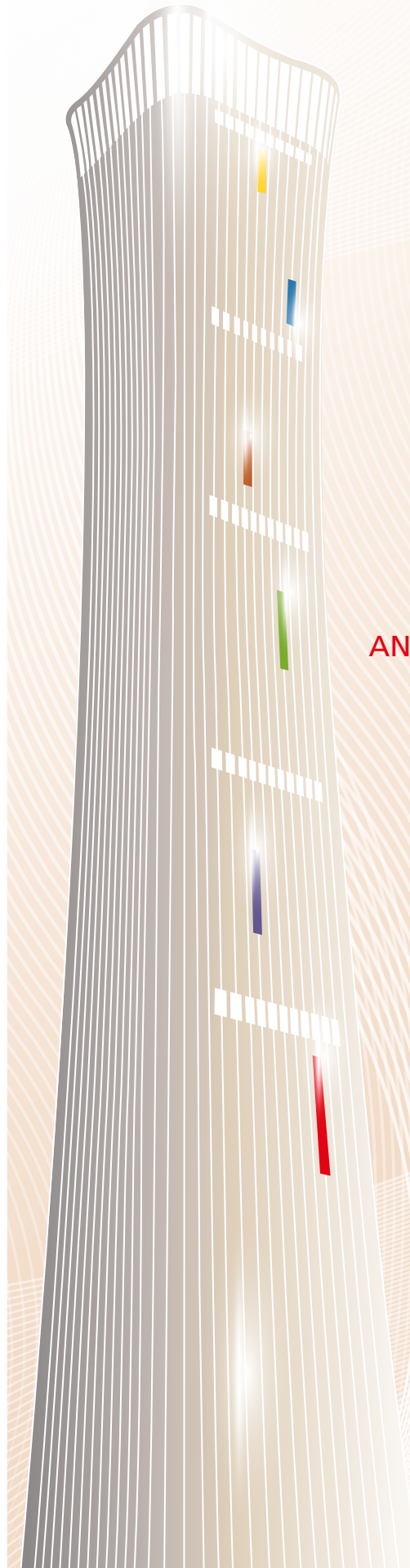


CITIC LIMITED

Stock code: 00267



中信
CITIC



ANNUAL REPORT | 2020

Our Company

CITIC Limited (SEHK: 00267) 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



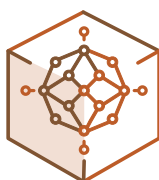
COMPREHENSIVE FINANCIAL SERVICES

CITIC Bank	(65.97%)
CITIC Securities	(15.47%) ^{Note}
CITIC Trust	(100%)
CITIC-Prudential Life	(50%)



ADVANCED INTELLIGENT MANUFACTURING

CITIC Heavy Industries	(67.27%)
CITIC Dicastal	(42.11%)
CITIC Holdings	(100%)



ADVANCED MATERIALS

CITIC Metal Group	(100%)
CITIC Resources	(59.50%)
CITIC Mining International	(100%)
CITIC Pacific Special Steel	(83.85%)
CITIC Pacific Energy Investment	(100%)



NEW CONSUMPTION

CITIC Press	(73.50%)
CITIC Telecom International	(58.11%)
CITIC Agriculture	(100%)
Dah Chong Hong	(100%)



NEW-TYPE URBANISATION

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

As at 28 February 2021

Note: As at 31 March 2021, CITIC Limited's shareholding in CITIC Securities has increased to 16.46%

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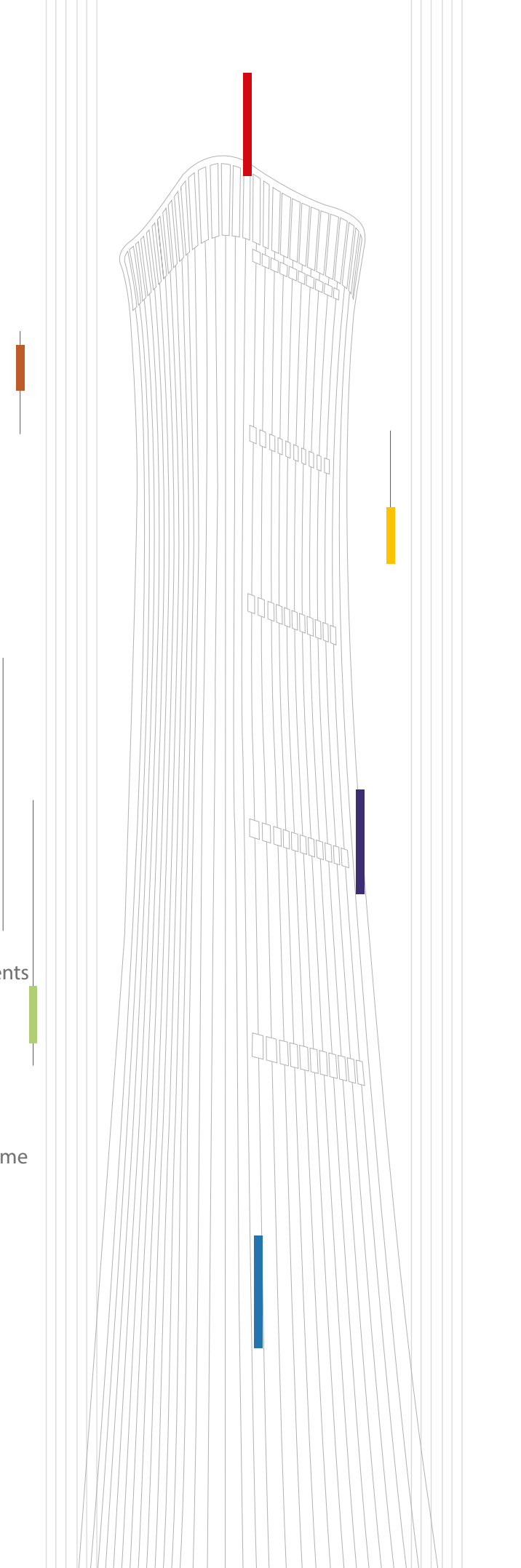
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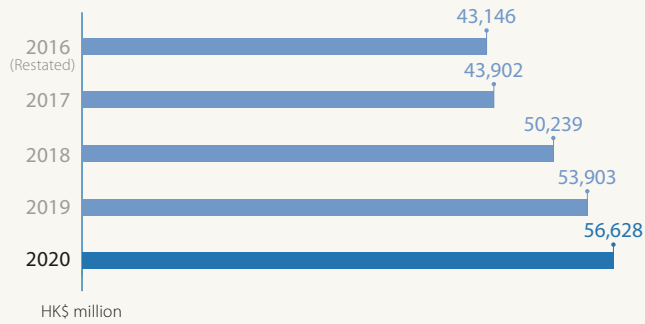
Highlights

<i>HK\$ million</i>	Year ended 31 December		
	2020	2019	Increase/ (Decrease)
Revenue	552,949	566,497	(2.4%)
Profit before taxation	97,718	96,015	1.8%
Net profit	80,928	78,188	3.5%
Net profit attributable to ordinary shareholders	56,628	53,903	5.1%
Basic earnings per share (HK\$)	1.95	1.85	5.1%
Diluted earnings per share (HK\$)	1.95	1.85	5.1%
Dividend per share (HK\$)	0.488	0.465	4.9%
Net cash generated from operating activities	193,225	160,082	21%
Capital expenditure	29,616	32,318	(8.4%)

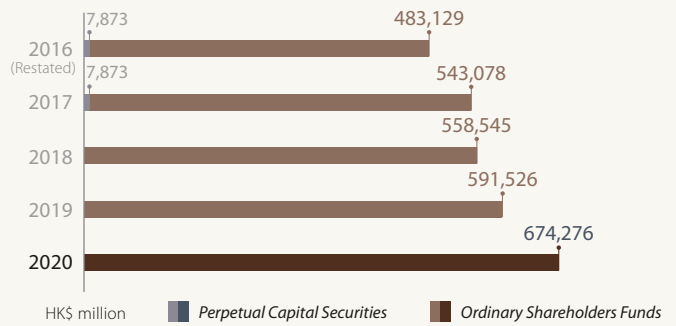
<i>HK\$ million</i>	As at	As at	Increase/ (Decrease)
	31 December 2020	31 December 2019	
Total assets	9,740,828	8,289,924	18%
Total liabilities	8,732,186	7,395,433	18%
Total ordinary shareholders' funds	674,276	591,526	14%
Return on total assets (%)	1.2%	1.4%	(0.2pp)
Return on net assets (%)	8.9%	9.4%	(0.5pp)
Staff employed	135,304	287,910	(53%)

Business <i>HK\$ million</i>	Business assets			Revenue from external customer			Profit attributable to ordinary shareholders		
	As at 31 December 2020	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation	Year ended 31 December 2020	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation	Year ended 31 December 2020	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation
Comprehensive financial services	9,113,747	18%	11%	229,103	3.1%	4.4%	43,516	1.6%	2.9%
Advanced intelligent manufacturing	58,719	110%	98%	13,759	(62%)	(61%)	453	(60%)	(59%)
Advanced materials	239,155	5.0%	5.0%	195,754	9.7%	9.7%	10,149	28%	28%
New consumption	76,157	(23%)	(24%)	70,056	(21%)	(21%)	894	(21%)	(21%)
New-type urbanisation	309,736	12%	7.8%	44,224	8.6%	9.7%	9,409	17%	18%

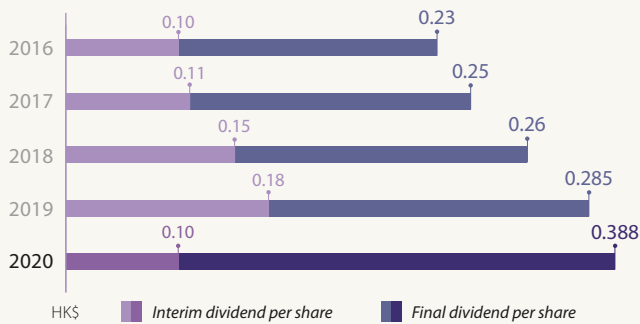
Profit attributable to ordinary shareholders



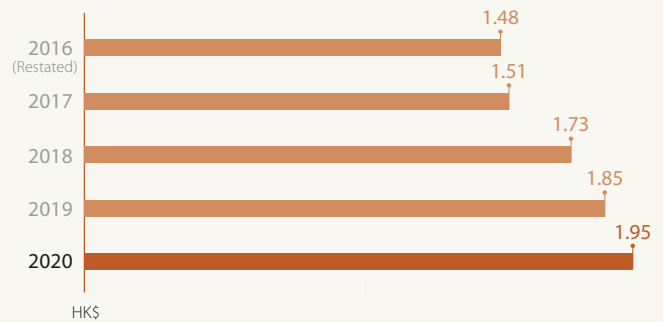
Total ordinary shareholders' funds and perpetual capital securities



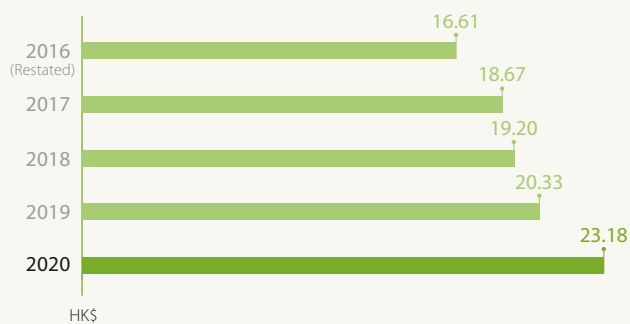
Dividend per share



Earnings per share



Ordinary shareholders' funds per share



Chairman's Letter to Shareholders



Dear Shareholders,

The year 2020 was both extraordinary and challenging. The world struggled with new complexities as global norms were upended by the COVID-19 pandemic and resulting economic downturn. In China, however, effective pandemic management measures contributed to a swift recovery and the rapid resumption of domestic industrial, social and economic activities.

As such, CITIC Limited realised profit attributable to ordinary shareholders of HK\$56.6 billion in 2020, an increase of 5% year-on-year that was driven by 45% growth in profit in the second half. Our financial services business, the largest contributor to the bottom line, recorded an increase of 1.6% in net profit for the year, following the implementation of policies to support the real economy and an improvement in

asset quality. Our non-financial business recorded profit growth of 15% by adjusting operational strategies in response to market challenges, rapidly resuming production and fully leveraging beneficial policies.

The board recommends a final dividend payment of HK\$0.388 per share, giving shareholders a total dividend of HK\$0.488 per share for the year 2020, 5% more than in 2019. As of the end of 2020, CITIC Limited had approximately HK\$50.68 billion in cash and available facilities.

To better prepare for continued change and uncertainty, China is accelerating its dual-circulation economic strategy, which prioritises the development of a dominant domestic economy supplemented by international trade. In alignment with China's 14th Five-Year Plan, and to adapt to the increasingly complex operating environment, CITIC has outlined an updated development strategy focused on comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. These five segments will be matrixed with five platforms: the financial, industrial, capital investment, capital operations and strategic investment platforms. We will leverage integration, collaboration and expansion to build a lasting enterprise and solidify the CITIC brand's positioning as a leader in the fields in which we operate.

Optimising asset allocation, focusing on five business segments

To better capitalise on the advantages of operating both financial and non-financial businesses, we have optimised our business portfolio into five strategic segments for enhanced alignment and a sharpened focus.

Our comprehensive financial services segment aims to become a leader in integration, guided by the principle of "one CITIC, one account" and the objective to provide seamless services across banking, securities, trust and insurance. This segment recorded a profit of HK\$43.5 billion, an increase of 1.6% from 2019 as each business managed unique challenges. CITIC Bank's profit was up 2%, while CITIC-Prudential Life outperformed the market with earnings growth of

40%. CITIC Securities and CITIC Trust maintained their market leading positions. To facilitate deeper connectivity and collaboration, we will establish a financial holding company, enabling us to better leverage information and technology, effectively prevent and control risks and provide more robust financial solutions for the real economy. This, in turn, will strengthen each of our individual businesses. We will continue to provide full support to CITIC Bank as it strives to become a premier joint-stock bank driven by technology. Our security and trust companies will also be positioned for continued industry leadership, while our insurance business will benefit from additional resources as a new driver of profit growth.

In 2020, the advanced intelligent manufacturing segment realised a net profit of HK\$450 million, a decrease of 60% year-on-year, primarily due to our reduced shareholding in CITIC Dicastal as well as a loss recorded at the company's KSM production facility in Germany. During the year, CITIC Dicastal focused on expanding its domestic business to supplement international sales, which helped increase sales of aluminium wheels and castings by 17% and 19%, respectively, in the second half of 2020. Profit at CITIC Heavy Industries increased 67%, with solid performance in its heavy machinery business. New orders reached RMB10 billion, up by 48% year-on-year, a historical record. Looking ahead, we are positioning the businesses in this segment to become pioneers in smart manufacturing, able to deliver operational breakthroughs in critical technologies, such as specialty robotics, industrial software and microchips. Today, we are a leader in the production of lightweight auto parts, but we aim to build on our solid market position and transition from single components to modular and integrated manufacturing. As vehicle technology advances, we will explore opportunities in new energy vehicle manufacturing and the development of smart car solutions. Our special-purpose robots are currently used in firefighting and we will endeavour to extend these capabilities in support of emergency rescue, mining and underwater operations.

In 2020, the advanced materials segment realised a net profit of HK\$10.1 billion, an increase of 28% year-on-year, driven by favourable commodity

prices and the solid performance of CITIC Pacific Special Steel. Profit at our Sino Iron project grew substantially to HK\$3.4 billion, reflecting the strong price of iron ore as well as enhanced operating efficiency and cost management. Profit at CITIC Metal increased by 80%. At CITIC Pacific Special Steel, the rapid adjustment of operating strategies led to an increase in sales volume and profit growth of 12%. In our specialty raw materials businesses, we will continue to leverage CITIC's investment in mineral resources such as iron ore, copper and aluminium to further develop our commodity trading operations and contribute to the stability of domestic supply chains. In special new materials, we will promote integration and broaden our competitive strengths with continued innovation in key technologies. This segment, together with advanced intelligent manufacturing, will establish advantageous vertical industrial value chains.

Driven by the principle of putting customers first, our new consumption segment will embrace opportunities catalysed by the increase in domestic digital and lifestyle consumption. In 2020, this segment realised a net profit of HK\$890 million, a decline of 21% year-on-year, mainly reflecting our divestment of 22% of the McDonald's China business as well as the operational impact of the pandemic. Our publishing business, CITIC Press, achieved 12% growth in profit by quickly deploying resources to strengthen online channels. Our telecommunications business remained steady and generated stable cash flow, while the agricultural seeds business delivered a turnaround profit, realising the value of this investment. As part of our development strategy, we will continue to explore opportunities created by the transition to 5G technology, trends in the digital, cultural, lifestyle and agricultural industries. Big data, collected through our many consumer touchpoints, will empower us to serve our customers holistically and facilitate further business expansion.

In the new-type urbanisation segment, we are positioning ourselves as builders of smart cities. In 2020, this segment realised a profit of HK\$9.4 billion, an increase of 17% over 2019, when an impairment was made on our equity investment in China Overseas Land and Investment. Our

property business achieved 50% growth in profit while earnings from the engineering and construction business were heavily affected by the pandemic, resulting in a 10% decline in profit. However, project activities in China resumed quickly, and in the second half of 2020 profit increased by 7% against the same period in 2019. Other urban operations businesses such as water treatment and aviation services also made positive contributions. In the years ahead, we will continue to implement China's regional development strategies by focusing on the Beijing and Tianjin municipalities, Hebei province, the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, and the Chengdu-Chongqing economic circle, providing smart-city solutions that integrate engineering contracting, wastewater treatment, and property development and operation. We will also invest additional resources in the healthcare industry to promote longer, healthier living.

Our five business segments create a virtuous circle. The production-oriented segments, advanced intelligent manufacturing and advanced materials, serve to stabilise the industrial value chain and strengthen our reputation as a manufacturer. In our consumer-focused segments, new consumption and new-type urbanisation, we will establish CITIC as a trusted consumer brand that is data-driven and service-oriented. At the same time, our comprehensive financial services segment supports the other four segments with financial resources and a wide, well-established customer base.

Building five platforms, vitalising our businesses

In addition to the five business segments, CITIC will also establish five platforms—financial, industrial, capital investment, capital operations and strategic investment—embracing integration, collaboration and expansion to drive future development.

The financial platform will be founded on the formation of a financial holding company, which will unleash the advantage of our full range of operating licences and enhance the competitiveness of each individual business through a centralised structure, effective risk

management and stronger governance.

The industrial platform will focus on building our existing businesses into leaders of their respective fields. Specifically, we will integrate and develop synergies among the four non-financial segments to maintain the stability of domestic supply, build vertical value chains and solidify CITIC's reputational leadership.

A capital investment platform with a focus on industrial development and transformation will be established to make strategic investments that promote industrial enhancement and improve our long-term competitiveness, serving the company's overall strategy. This platform aims to incubate businesses in strategic areas to drive industrial integration, transformation and upgrading, ultimately increasing our scale and influence.

Our capital operations platform will help us increase capital efficiency and maximise capital returns. Through the careful management of equity investment, funds and value management, as well as project investment and divestment, this platform will drive strong capital flows, value creation, preservation and appreciation.

Finally, our strategic investment platform will leverage the synergy between our financial and non-financial segments, enabling us to cultivate capabilities in core industries, incubate start-ups and facilitate advancements in critical technologies.

Together, these five platforms will help us maintain a clear focus on our major businesses, solidify leading positions in the industries in which we operate and ensure the highest level of corporate governance and management efficiency. Emphasising integration, collaboration and expansion as strategic drivers, the five segments and platforms create an innovative management matrix to vitalise our business with broadened management perspective and higher operational efficiency.

Making a difference in our communities

In addition to delivering business performance,

CITIC also invests in the well-being of our communities. In 2020, we made concrete contributions to the fight against the COVID-19 pandemic, poverty alleviation, environmental protection and social development.

During the height of the pandemic, CITIC leveraged the capabilities of its diverse businesses to offer rapid and substantial support, which included designing Huoshenshan Hospital within 60 hours, donating over RMB100 million and providing financing of more than RMB800 billion to those in need.

The year 2020 was particularly decisive in China's efforts to alleviate poverty. CITIC provided financial support and other resources to partner districts and counties with the aim of assisting the development of specialised industries and enabling our communities to support themselves. During the year, we also invested in nine special projects that included drone applications for agriculture, sericulture workshops and new production lines for red rice in terraced paddy fields in poverty-stricken areas, such as Yuanyang County, Pingbian County, and Qianjiang District.

As we believe that caring for the environment is critical for our future, we continued to develop green management and green finance initiatives during the year. Our non-financial subsidiaries focused their efforts on upgrading operations to be cleaner and more energy efficient with innovation in production techniques. CITIC is also actively involved in serving society and performing charitable work. We strive to be a responsible corporate citizen and to give back to the communities in which we operate.

Achieving excellence and high-quality development

Marking the commencement of the 14th Five-Year Plan, 2021 will be pivotal in CITIC's continued growth and development.

On the one hand, we will continue to optimise our business structure and the allocation of resources by disposing of under-performing assets and nurturing new businesses, particularly in emerging industries. On the other hand, CITIC will continue to focus on becoming a leaner,

more efficient and risk-resilient organisation. As a conglomerate operating in both the financial and non-financial industries, CITIC has unique strengths and can unlock vast potential through the development of deep synergies across our many businesses. In this way, we will be greater as a whole than the sum of our parts.

At the same time, digitalisation is reshaping industry development and redefining competitive advantages. CITIC, with its unique business architecture, has accumulated an enormous bank of information over decades of operations in diverse sectors. Technological innovation and application must remain at the heart of our continued development and will be crucial to achieving our objectives. Accordingly, we will optimise the allocation of our technology resources, promote cooperation with external parties, enhance our technology training programmes and continually strengthen our ability to innovate. Ultimately, we must build an adaptable and synergy-generating ecosystem. As a pioneering spirit has always been a part of our DNA, I fully believe that our combined efforts will enable us to deliver against our full potential.

As CITIC enters a new phase of development, we will focus on enhancing our capabilities, cultivating the unique opportunities afforded to a conglomerate of our size and diversity, ever mindful of risk management and compliance. By adhering to our strategy and operating at the highest level of excellence, we will continue to create value for our shareholders.

Zhu Hexin
Chairman
Beijing, 30 March 2021



COMPREHENSIVE FINANCIAL SERVICES



Our comprehensive financial services segment aims to become a leader in integration. To facilitate connectivity and collaboration, we will apply to establish a financial holding company, providing more robust financial solutions for the real economy and in turn strengthening each of our businesses.

MAJOR SUBSIDIARIES

CITIC Bank

is a joint-stock commercial bank offering corporate banking, retail banking and financial markets services. In a joint venture with Baidu, CITIC Bank also launched an intelligent direct bank, CITIC AiBank.

CITIC Trust

is the market leader in its field in China, providing integrated financial services including financing, wealth management and trust services.

CITIC-Prudential Life

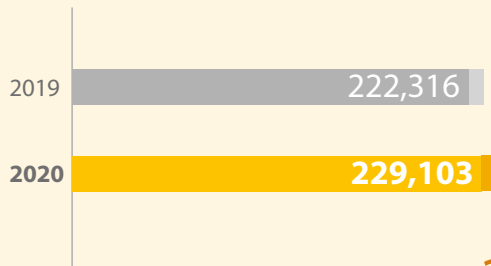
is a joint venture between CITIC Corporation and Prudential plc, offering life, health and accident insurance, as well as reinsurance services.

CITIC Securities

is a premium securities company in China with businesses spanning securities, funds, futures, direct investments, equity funds, commodities. All respective businesses maintain a leading position in the market.

REVENUE

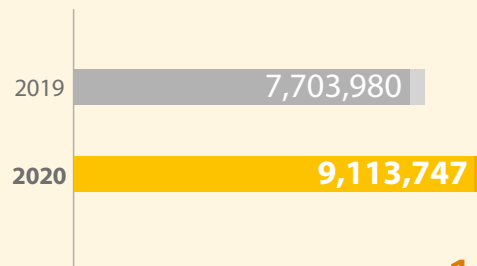
HK\$ million



+3%

TOTAL ASSETS

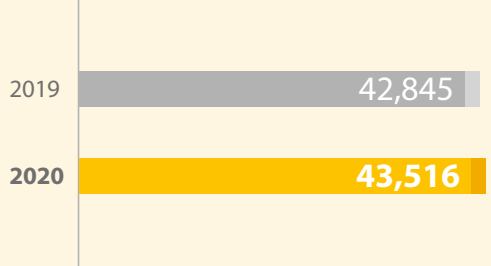
HK\$ million



+18%

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

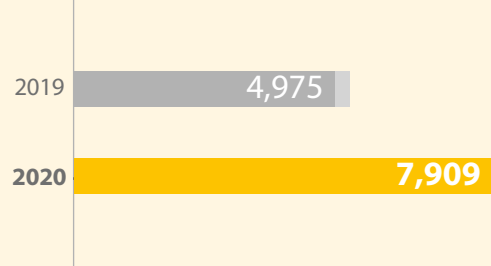
HK\$ million



+1.6%

CAPITAL EXPENDITURE

HK\$ million



+59%

Year in Review

In 2020, despite confronting challenges arising from the COVID-19 pandemic, the overall businesses performed well as profit attributable to shareholders increased by 1.6% year-on-year, reaching HKD43.5 billion. CITIC Bank actively pursued business transformation for different operations. Its annual net profit increased 2% to RMB49 billion as both net interest and non-interest income recorded satisfactory growth. Experiencing pressure including the COVID-19 pandemic and amplified regulations,

CITIC Trust maintained steady operations as it continued to reduce the scale of its business, and optimise its asset structure. Its net profit increased 7% to RMB3.9 billion as a result. CITIC-Prudential Life's net profit surged 40% to RMB2.5 billion, driven by the dual growth of premium income and investment income. Backed by optimistic capital market sentiment, the securities business performed well, with net profit of CITIC Securities increasing by 22%.



BANKING

CITIC Bank

is a leading national commercial bank with highly integrated capabilities and strong brand recognition in China. With nearly 60,000 staff and total assets exceeding RMB7 trillion, its core businesses include corporate banking, retail banking and financial markets services. In 2020, CITIC Bank was ranked 21st in the Top 500 World Banking Brands and 24th in the Top 1000 World Banks according to Tier 1 capital as published by the British financial magazine *The Banker*.



In response to the impact of the COVID-19 pandemic in 2020, multiple measures were implemented in terms of monetary, fiscal, and industrial policies to ensure that the overall Chinese banking sector remained stable, that risks were well managed and that the ability to serve the real economy continued to improve. Facing a wide range of challenges and pressure, CITIC Bank continued to promote its business transformation. Net profit increased by 2% to RMB49.0 billion and revenue reached RMB195.4 billion, a 4%

increase year-on-year. Accompanied by the growth of interest-earning assets, net interest income increased by 2% year-on-year. Non-interest income¹ increased by 10% year-on-year to RMB44.9 billion, of which fee income increased by 8% compared with the previous year, mainly driven by increased fee income generated from the wealth management business and income from the fund custody business. The proportion of non-interest income continued to increase from 21.8% to 23.0%.

RMB million	2020	2019	Change
Revenue	195,399	187,881	4%
Profit attributable to ordinary shareholders	48,980	48,015	2%
Total assets	7,511,161	6,750,433	11%
Return on equity (%)	10.08%	11.06%	-0.98 percentage point

¹ The income related to credit card consumption installments has been reclassified from fee income to interest income since 2020. The financial indicators have been restated during the comparison period with respect to interest income and non-interest income.

With its balanced strategy, CITIC Bank's total assets grew moderately by 11% in 2020. Total loans increased by 12%, which were mainly allocated in key areas including inclusive finance, manufacturing, and private enterprises. Total deposits recorded steady growth of 12% throughout the year. Net interest margin narrowed by 19 bps to 2.26% mainly due to the decline in overall market interest rates.

CITIC Bank continues to increase its efforts to resolve non-performing and problematic loans and its asset quality has become more solid. During the reporting period, the NPL ratio declined by 0.01 percentage point to 1.64%. To further strengthen the quality of its asset base and effectively mitigate risks, CITIC

Bank has increased its provisions and strengthened its efforts in disposal of non-performing assets while impairment allowances increased by 7% year-on-year to RMB83 billion. The provision coverage ratio at the end of the year reached 171.68%, a decline of 3.57 percentage points from the same period last year.

By the end of the year, the core tier-1 capital adequacy ratio increased by 5 bps to 8.74%, while the total capital ratio rose 57 bps to 13.01%. CITIC Bank will continue to strengthen its capital base, through the selective expansion of capital replenishment channels and by developing a capital-light business model to strengthen the organic growth of capital.

Business Highlights

RMB million	Revenue 2020	By percentage 2020	Revenue 2019	By percentage 2019
Corporate banking	89,473	45.8	93,790	49.9
Retail banking	79,644	40.8	71,284	37.9
Financial markets	22,713	11.6	19,476	10.4
Other	3,569	1.8	3,331	1.8

Corporate Banking

Our corporate banking sector recorded revenue of RMB89.5 billion, a surge of 50% year-on-year, accounting for 45.8% of total revenue. Corporate loans grew by 11% during the year. CITIC Bank continued to lower corporate financing costs to benefit more customers and allocated more credit resources to new-type infrastructure including transportation, water conservancy, and others, as well as to high-end manufacturing. To help corporate clients overcome challenges during the pandemic, emergency loans of nearly RMB200 billion were made to various corporates that were struggling to survive the pandemic. The bank's corporate deposits increased by 14%, maintaining its leading position among Chinese joint stock commercial banks. CITIC Bank adheres to the principle of being customer-centric and continued to strengthen relationships with core customers and foster customer acquisition. The number of corporate

clients reached 825,300 in total. Leveraging synergies across all of our businesses, CITIC Bank has maintained steady growth during the year.

- Investment Banking:** CITIC Bank actively serves the real economy, particularly in providing full support to manufacturing industries and the new economy to mitigate the impact of the COVID-19 pandemic. The bank underwrote 38 anti-pandemic related bonds worth RMB26.8 billion in Beijing, Tianjin, Zhejiang and other locations.
- International Business:** CITIC Bank introduced seven major measures and launched a green channel for the import and export of pandemic prevention resources to ensure smooth cross-border settlement during the pandemic. Our free trade (FT) zone business has formed a "three-point nationwide"

FT account² system in Shanghai, Guangzhou and Haikou. Assets of these FT accounts have increased 194% year-on-year.

- **Transaction Banking:** The bank continued to develop its transaction banking business to drive the transformation of corporate banking. During the year, CITIC Bank served a total of 713,600 transaction banking clients, an increase of 18% year-on-year. Transaction volumes increased by 37% to 132.8 million trades while turnover surged by 66%, reaching RMB107 trillion.
- **Custody Business:** Custody assets reached a new high of over RMB10 trillion. After CITIC Bank became the custodian of a national annuity as well as 25 provincial annuities, it further obtained annuity qualifications in Guangdong, Shandong and Zhejiang provinces. The assets of pension custody exceeded RMB200 billion, of which the scale of corporate annuity custody exceeded RMB100 billion for the first time, reaching RMB111.5 billion, achieving the leading market position among Chinese joint stock commercial banks.
- **Car Loans:** The bank first launched its car loan business in 2000 and has maintained the leading market position ever since. The total number of clients reached 5,051 in 2020, an increase of 901 clients over the last year. The total annual drawdown of loans was RMB378.3 billion, an increase of 26%. Overall asset quality remained solid.

Retail Banking

Revenue from retail banking was RMB79.6 billion in 2020, accounting for 40.8% of total revenue, with an increase of 2.9 percentage points. The total number of customer continued to increase while our customer acquisition model has shifted to “traditional customer acquisition + scenario acquisition”, leveraging CITIC synergies and digitalisation to enhance the efficiency of customer acquisition. During the year, the number of retail clients grew by 8% to 111 million including 969,500 mid- and high-end clients, an increase of 9%, and 51,100

private banking clients, an increase of 22%. All key retail banking businesses are progressing well and developed in an orderly manner:

- **Personal lending business:** To support the real economy and consumer consumption upgrading, CITIC Bank promoted the balanced development of its three main products including mortgage, personal business loan and unsecured loan. Total personal loans (excluding credit card) increased by 16% last year. The Bank continued to grant mortgage loans in accordance with the real estate regulations and control requirements of the government at all levels, with total mortgage loans increasing by 18% during the year. Personal business loan products continued to be optimised with diversified credit-extending and repayment methods being adopted to provide flexible financing solutions to small and micro enterprises. In terms of online unsecured loans, the Bank strives to build up its standardised “Xin Miao Dai” products and boost its brand recognition, providing customers with more convenient and efficient online loan services.
- **Credit Card Business:** The Bank strictly adheres to regulatory requirements and stringent risk management to develop its credit card business. Revenue grew 1.6% to RMB61.5 billion, with total turnover of RMB2,437.7 billion, a decrease of 5% compared with last year. The total credit card loan balance declined by 6% to RMB485.6 billion.
- **Going Abroad Financial Services:** CITIC Bank has built one-stop services to cover the full cycle customer journey, introducing functions such as air flight bookings, hotel reservations, overseas coupons, departure tax rebates, online ED-cards, etc., integrating both financial and non-financial business resources abroad. The total number of users has reached 7.63 million. The balance of personal foreign currency assets under management was US\$6.8 billion, of which the balance of personal foreign currency deposits was US\$6.5 billion, an increase of 15% over the end of the previous year.

² A free trade account is a domestic and foreign currency account based on FTU-Free Trade Accounting Unit according to the customers' needs.

Financial Markets

CITIC Bank's financial markets business continued to adhere closely to the capital-light principle and optimise its asset portfolio to drive quality development. In 2020, revenue generated from financial markets reached RMB22.7 billion, an increase of 17% year-on-year, and accounting for 11.6% of the total revenue. Non-interest income from financial markets increased by 13% to RMB13.6 billion.

CITIC Bank actively develops multi-dimensional cooperation with inter-bank customers in terms of bills, investment, capital and custody. Our online CITIC Interbank+ platform was further optimised to improve the customer experience. The bank retained its leading position in the interbank market-making business with transaction volume reaching US\$1.69 trillion, an increase of 0.6% compared to the previous year. The Bank continued to promote its NAV products under the wealth management business. As of the end of 2020, the total volume of non-risk-bearing wealth management products reached RMB1,078.9 billion. Revenue from the wealth management business reached RMB2.1 billion during the year.

Innovation and Fintech

CITIC Bank continued to accelerate its digital transformation by allocating more resources to push Fintech innovation and by expanding its Fintech talent pool. During the reporting period, the bank invested RMB6.9 billion in Fintech, a year-on-year increase of 24%.

CITIC Bank has empowered its business lines through Fintech and successfully launched the first independent distributed system, the Lingyun Project, among large and medium-sized domestic banks for the structuring of large-scale and complex engineering implementation, providing real-time big data services and analysis to customers. Riding on the AI-driven platform "CITIC Brain", it has launched 307 AI models to automatically provide real time services to over 10 million clients. For example, the AI recommendation function has helped the wealth management business achieve online sales

of over RMB230.0 billion. Its blockchain technology continued to outperform peers, and its blockchain platform is also the first to pass five credible assessments of the China Academy of Information and Communications Technology in one go. The blockchain-powered forfeiting trading platform was officially transferred to the People's Bank of China Clearing Centre to become a national industry platform applied in equity investment for strategic customers, with total AUM increased by RMB52 billion.

In line with CITIC Bank's commitment to develop and innovate, CITIC AiBank was officially launched in November 2017. A new share issuance accepted by Canada Pension Plan Investment Board (CPP Investments) was approved by the China Banking and Insurance Regulatory Commission in November 2020; its registered capital increased from RMB4 billion to RMB5.6 billion with CITIC Bank holding 65.7% of the shares.

At the end of 2020, the number of CITIC AiBank users was over 51 million, cumulative online loans exceeded RMB300 billion and total revenue reached RMB1.7 billion. CITIC AiBank continued to innovate new products, including a collaboration with Baidu to launch Baidu QuickPass Card, the first digital card for deposits and loans available in the domestic market. Its key financial indicators remained healthy and balance sheet was further optimised during the year. As of the end of 2020, total assets had reached RMB66.5 billion, an increase of 13%; total liabilities increased by 8% to RMB59.9 billion.



■ The launch of Baidu QuickPass Card in August 2020

TRUST

CITIC Trust

is a leading national non-bank financial institution under the supervision of the China Banking and Insurance Regulatory Commission. It focuses principally on the trust business, complemented by a proprietary business to better manage its balance sheet, and invests in subsidiaries to diversify its portfolio. CITIC Trust is the only trust company in China whose core indicators have been ranked among the top three in the industry for 13 consecutive years. As a leader in its field, CITIC Trust also has the highest rating in the sector and has been awarded “The Best China Trust Company” by The Asian Banker for three consecutive years through 2020.



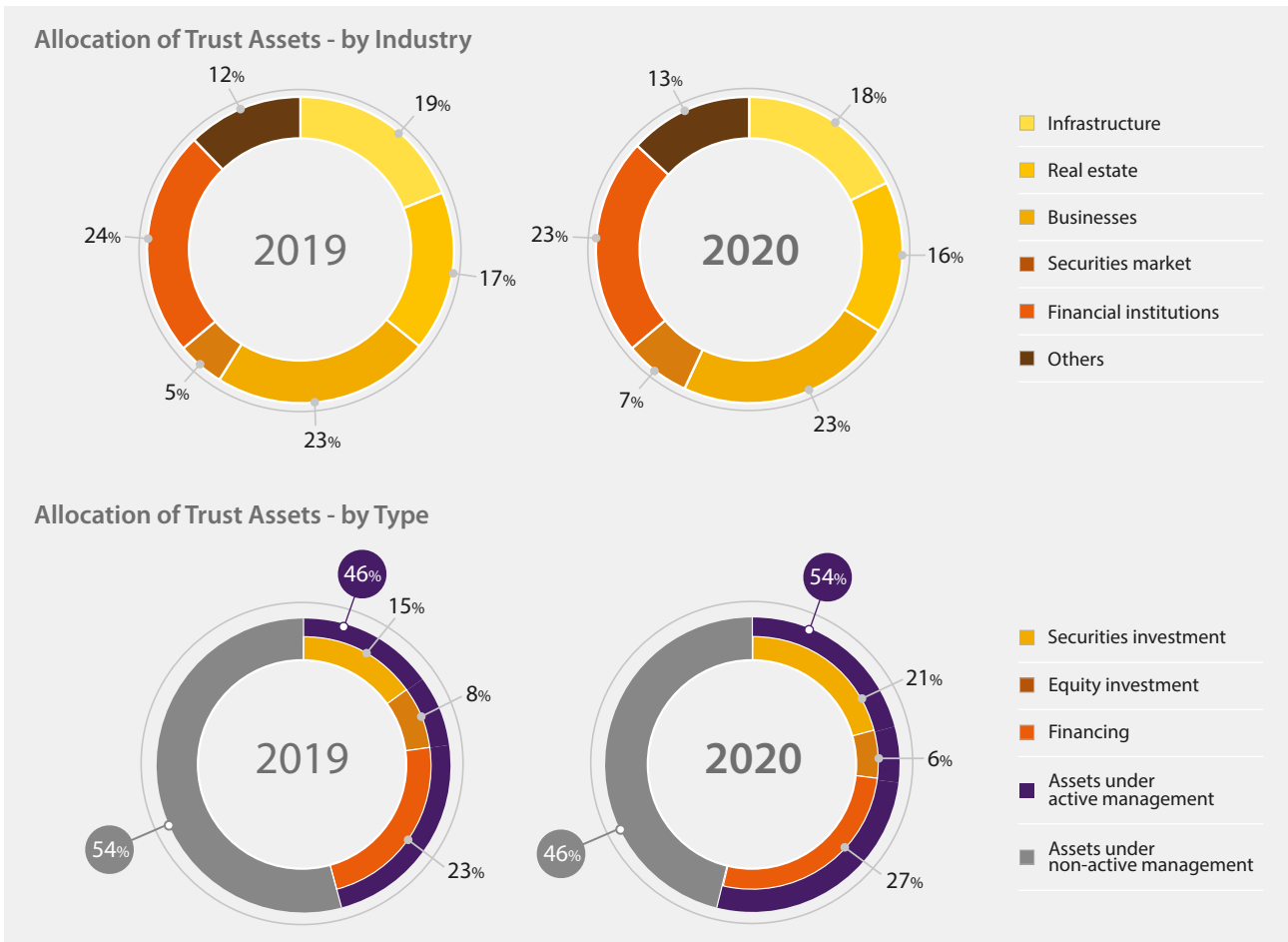
CITIC Trust proactively adopted changes in 2020 although the industry faced challenges under multiple factors including the COVID-19 pandemic, economic downturn and tightened regulations. In response to new regulatory requirements, CITIC Trust took initiatives to reduce trust assets under management and optimise its asset structure to maintain sustainable operations. The final balance of trust assets under management at the

end of the period was RMB1.2 trillion, resulting in total operating revenue of RMB8.7 billion. Revenue generated from trust fees and commissions reached RMB6.1 billion, and net profit achieved a record high of RMB3.86 billion. Benefiting from improved asset management capability, fee income and investment income recorded solid growth of 24% and 23% respectively during the period.

RMB million	2020	2019	Change
Revenue	8,746	7,183	22%
Profit attributable to shareholders	3,855	3,593	7%
Total proprietary assets	47,114	42,403	11%
Trust assets under management	1,224,659	1,574,156	-22%
Return on equity (%)	11.97%	12.82%	-0.85 percentage points

CITIC Trust's mission is "implement national strategies, serve the real economy, and make a better life". The company continued to improve its active asset management capability and optimise asset allocation. By the end of 2020, trust assets under management

were RMB1.2 trillion, of which the proportion of trust assets under active management increased from 46% to 54%. Trust profits attributable to beneficiaries reached RMB68.2 billion, maintaining the Top 1 industry ranking it has held for many years.



Key Business Highlights

Trust Business

• Financing Service

CITIC Trust offers a wide range of diversified and flexible financial solutions to clients, including corporates, government departments, financial institutions and other institutional investors. During the year, CITIC Trust continued to deepen the integration of industry and finance to support the real economy and invested approximately RMB600 billion in projects to fully capture opportunities that arose from the implementation of national strategies including Belt and Road, as well as the development of key regions including the Beijing-Tianjin-Hebei region and the Yangtze River Delta. It

mainly focuses on promoting the development of new infrastructure, urbanisation, strategic emerging industries, new consumption, and the "silver economy".

During the year, CITIC Trust and its partners jointly set up a science and technology innovation fund to provide financial empowerment for high-tech and industrial upgrades. It also collaborated with fintech companies including JD.com and Kingdee

to promote the transformation and upgrading of consumption. During the pandemic, it was the first company in the trust industry to provide financial aid and support to Wuhan. Leveraging its competitive advantages, CITIC Trust also proactively provided flexible and diverse financial services to support small and medium-sized enterprises to fight against the pandemic.

• **Wealth Management**

CITIC Trust provides diversified wealth management services for institutional clients and high net worth individuals, with a wide range of products across currency markets, fixed income, and equity investment. The wealth management services provide tailored products and services such as family trust and insurance trust. At present, CITIC Trust has ten wealth management centres located in Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Xiamen, Xi'an, Chengdu, and Nanjing, providing professional and comprehensive wealth management services to clients.

Our family trust business and insurance trust services maintained the leading position in the trust industry. CITIC Trust collaborated with 11 insurance companies and published the first industry standards for the insurance trust service in China, laying the foundation for the industry. It established the first offshore family trust in Hong Kong through its overseas platform CTI Capital Trust Limited, a pioneer in China's trust industry, and further improved the inheritance mapping of domestic and overseas family assets for customers. Clients under family trusts numbered over 3,000 with AUM over RMB49 billion, a year-on-year increase of 44%.

CITIC Trust continued to improve its investment capability and launched a series of TOF (Trust of Funds) products including Xinrui. These trust products structure both equity and fixed income funds as the underlying assets, and through quantitative analysis and screening of fund managers by historical performance, effectively hedge market risks and provide stable returns for clients. It also launched Xinyuan, an actively managed currency enhancement fund whose performance outperformed peers. In addition, CITIC Trust leveraged the advantages of CITIC Group's synergistic resources by cooperating with CITIC Securities and CITIC Construction to launch a series of trust products namely "Xin'an", "Yunyong" and

"Yunfeng", and it continues to promote various businesses including fixed income securities.

• **Trust Service**

To ensure the independence of trust assets, CITIC Trust provides key trust-related services including custodial account management, execution supervision, settlement/liquidation, equity allocation and contract custody, among others.

CITIC Trust has vigorously expanded its asset securitisation business, continued to explore new models and led industry innovation. CITIC Trust was among the first institutions to qualify as an underwriter of non-financial corporate debt financing instruments and as a manager of asset-backed securities as well as a trustee manager. Its asset securitisation business reached RMB87.4 billion at the end of 2020. It issued the first single-tier SPV structured commercial real estate mortgage-backed securities in China. CITIC Trust also became the only trust company that has successfully won bids for the trustees of occupational annuities in Guangdong and Zhejiang provinces, which was a breakthrough in the annuity business.

CITIC Trust continued to explore new charitable trust models, including co-trustee, DAF (Donor-Advised Fund) and investment-linked charity. It has completed seven DAF donations in China and launched the first charitable trust program in support of legal education as well as the first Charitable Lead Trust (CLT). As of the end of 2020, there were six charitable trusts under management with AUM of RMB549 million. It has driven over 900 customers to donate, benefiting over 350,000 beneficiaries. CITIC Trust also participated in charitable poverty alleviation to build up its good reputation. As 2020 was designated the final year of poverty alleviation in China, CITIC Trust donated a total of RMB2.34 million to projects in several poor counties of Hunan, Guizhou and Yunnan Provinces. And, in response to the COVID-19 pandemic, it also made three donations totalling RMB13.5 million to Wuhan and Huanggang in Hubei Province, and Chaoyang District in Beijing.

Proprietary Business

To support sustainable growth, the principle of proprietary business is to formulate a proper asset allocation strategy to balance return and risks under

compliance with net capital adequacy ratio and leverage ratio requirements. At the end of 2020, our total proprietary assets amounted to RMB47.1 billion, up 11% over the previous year. Investment income achieved solid growth of 23%.

Professional Subsidiary Business

CITIC Trust has established several subsidiaries, including overseas investment platform CTI Capital, private equity platform CITIC Juxin and consumer finance platform CITIC Consumer Finance, to provide comprehensive financial services integrating equity investment funds, mutual funds, currency brokers, overseas investment and consumer finance. As of the end of 2020, total assets managed by our subsidiaries exceeded RMB190 billion, which were mainly allocated to new technology, high-end manufacturing, cultural education, healthcare and other sectors.

CITIC Juxin, as a private equity platform, explored alternative investments in high-tech industries including commercial aerospace and the space industry. During the reporting period, CITIC Juxin's equity investments achieved remarkable results with a profit of RMB118 million. One of its investments, Macromach's Aerospace Engine Extremely Fine Manufacturing, was listed as a showcase project of the Chinese Academy of Sciences. Meanwhile, in September 2020, Beijing Tianlian Space Technology

Co., Ltd. jointly invested by CITIC Juxin, provided technical support for the separation of satellites in the first orbit of the Long March 11 carrier rocket's second sea launch.

CITIC Consumer Finance, a subsidiary of CITIC Trust, focuses on the RMB personal lending business. Its registered capital increased from RMB300 million in 2019 to RMB700 million in 2020. Product development, risk control, technology and compliance are progressing well. The total loan balance reached RMB5.9 billion at the end of 2020 and the full year profit reached RMB30.88 million.

As the first overseas platform of China Trust Company, CTI Capital has been operating in Hong Kong for seven years and obtained multiple licences including Type 1, 4, and 9 licences, trust licence and money lenders licence from Securities and Futures Commission (SFC) of Hong Kong. CTI Capital fully supports the development of Greater Bay Area with AUM reaching RMB8.7 billion at the end of 2020. CTI Capital Global Opportunities Fund achieved outstanding performance and received several awards of excellence. During the period, with the approval of the China Securities Regulatory Commission, CTI Capital qualified as a Qualified Foreign Investor (QFII/RQFII), becoming the first domestic trust company to receive this qualification.

Risk and Capital

CITIC Trust adheres to the concept of "leveraging risk management to serve business development and enhance value" to ensure risk prevention and safeguard the bottom line. CITIC Trust uses net capital management to strike a balance between capital expansion and business development. By the end of 2019, registered capital increased from RMB10

billion to RMB11.3 billion. During the reporting period, there were 845 trust projects completed with no defaults recorded and RMB1,047.1 billion of principal distributed. As of the end of 2020, the net capital adequacy ratio increased to 200% and the balance of net capital reached RMB22 billion, building a solid foundation for sustainable growth.

Indicator	Year End 2020 (RMB billion)	Year End 2019 (RMB billion)	YoY Change	Regulatory Requirement
Net capital	22.0	19.8	11%	≥RMB200 million
Total risk capital	11.0	11.4	-4%	N/A
Net capital adequacy ratio (%)	200%	173%	+17 percentage points	≥100%
Net capital/Net asset (%)	72%	67%	+5 percentage points	≥40%



INSURANCE

CITIC-Prudential Life

is a 50-50 joint venture between CITIC Limited and Prudential Corporation Holdings Limited, which offers life, health and accident insurance and reinsurance services. At the end of 2020, CITIC-Prudential Life operated a total of 22 subsidiaries in 99 cities across China. CITIC-Prudential Asset Management, the joint venture's asset management subsidiary, secured a business license in March 2020.



Affected by the pandemic, the insurance industry as a whole saw a decline in new business in 2020. Despite a complex and volatile environment, CITIC-Prudential Life maintained stable operations based on a diversified and differentiated channel development strategy and continued its high-quality development. In 2020, operating revenue was RMB28.8 billion, recording year-on-year growth of 16%. Net profit surged by 40% to RMB2.5 billion mainly driven by higher premium income and investment income while

ROE reached 24.5%. Annual premium income grew by 9% to RMB23.4 billion while total assets increased by 33% to RMB138.1 billion. Seizing the opportunity of the capital market volatility and strategic asset allocation, the investment return of non-ILP (non-investment link policies) increased 50% year-on-year. According to China Chengxin Credit Rating and China Lianhe Credit Rating, the latest ratings of CITIC-Prudential Life have been raised from AA+ to AAA in 2020, and the rating outlook is stable.

RMB million	2020	2019	Change
Operating revenue	28,772	24,885	16%
Net profit attributable to shareholders	2,509	1,794	40%
Total assets	138,094	104,105	33%
Return on equity (%)	24.5%	24.5%	flat

Risk Management

CITIC-Prudential Life maintained a solid solvency level during the reporting period with a solvency adequacy ratio of 249%. Since 2016, the company has been rated "Class A" by the Chinese Insurance Regulatory

Commission (CIRC) in every quarterly Integrated Risk Rating (IRR). It is also the only foreign-funded life insurance company that has been rated as Class A 19 consecutive times.

Products

CITIC-Prudential Life adheres to a customer-centric approach and has built a comprehensive product structure that includes clients' insurable interests, value-added services and customer experience. It continued its business focus on life and health insurance, complemented by a developing accident insurance business. In 2020, CITIC-Prudential Life's premium income from life insurance increased by 11% to RMB17.1 billion. Premium income from health insurance and accident insurance reached RMB6.2 billion, a year-on-year increase of 7%. In

2020, it continued to promote the development of its protection-oriented business, and upgraded major critical illness insurance and medical insurance products, adopting a responsible expansion strategy across various products in response to the COVID-19 pandemic. Operation of the long-term annuity insurance business remained stable during the reporting period, accompanied by the launch of high-quality annuity plans. CITIC-Prudential Life continued to steer the business back to its insurance origins and strives to enhance product competitiveness.

By product type (RMB million)	2020	2020 proportion	2019	YoY change
Life insurance	17,115	73%	15,488	11%
Health insurance and accident insurance	6,245	27%	5,856	7%
Total premium income	23,361	100%	21,344	9%

Distribution

CITIC-Prudential Life adheres to a diversified and differentiated distribution strategy. In 2020, new business of the overall industry declined due to the bottlenecks in distribution development and the impact of the pandemic. CITIC-Prudential Life adheres to a talent-leading strategy and continued to strengthen basic management to achieve its high-

end development transformation. The bancassurance channel consolidated competitive advantages and continued to implement the three-wheel strategy of "team + product + technology". CITIC-Prudential Life's premium income from bancassurance surged 31% to RMB10.9 billion.

By distribution channel (RMB million)	2020	2020 proportion	2019	YoY change
Agency	11,477	49%	11,832	-3%
Bancassurance	10,893	47%	8,301	31%
Others	990	4%	1,211	-18%
Total premium income	23,361	100%	21,344	9%

Note: Distribution channels are classified according to CBIRC. Others includes professional agency, other part-time agency, direct sales, online sales and broker; Group business is included mainly in Direct Sales.

Investment of Insurance Funds

In face of the complex environment during the pandemic and high market volatility in 2020, CITIC-Prudential Life strengthened its market risk management and enhanced its asset portfolio to raise the investment return. The total investment of insurance funds increased by 40% to RMB127.5 billion at the end of 2020. The investment return of non-ILP grew 50% to RMB5.3 billion. Riding on the advantage

of long-term insurance funds, CITIC-Prudential Life proactively supported the real economy in recovering from the pandemic and invested in various areas including infrastructure construction and the reform of state-owned enterprises through the issuance of local government debt, bond financing, and equity investments.



SECURITIES

CITIC Securities

is a leading securities company in China, covering investment banking, wealth management, asset management, financial markets and equity investment.

In 2020, CITIC Securities' business maintained a steady growth and recorded operating revenue of RMB71.87 billion, a year-on-year increase of 25.9% while net profit attributable to the shareholders reached RMB14.9 billion, a year-on-year increase of 21.9%.



RMB million	2020	2019	Change
Revenue	71,869	57,080	26%
Profit attributable to shareholders	14,902	12,229	22%
Total assets	1,052,962	791,722	33%
Return on equity (%)	8.43%	7.76%	+0.67 percentage points

Investment Banking

In the domestic equity financing business, and following the reform of the registration system, CITIC Securities expanded its IPO business on the Sci-Tech Innovation Board and the GEM Board, focusing on the development of private placement business, while actively exploring business opportunities in convertible bonds and pre-emptive shares. In 2020, CITIC Securities completed a total of 158 A-share lead underwriting transactions, with an aggregate value of RMB313.6 billion (including asset private placements), representing year-on-year growth of 12% and a market share of 18.9%, ranking first in the market.

With respect to overseas equity financing, CITIC Securities further strengthened its integrated domestic and foreign management, and continued to focus on new economic sectors including the Internet, consumption, medical and pharmaceutical industries. On a joint bookrunner basis, the company

has completed 54 overseas equity transactions, with a total underwriting amount of US\$5.25 billion, of which the volume of equity financing businesses in the Hong Kong market amounted to US\$4.13 billion, ranking second among Chinese securities companies.

The debt financing business continued to maintain a leading position in the industry, with a total underwriting amount of RMB1,298.9 billion, a year-on-year increase of 27.8% which accounted for 12.9% of the total market and ranked first in the industry. The company underwrote a total of 2,989 debentures, ranking first among its peers.

In overseas Chinese-funded US dollar bond business, CITIC Securities completed 93 transactions, with a total underwriting volume of US\$3.82 billion, ranking fourth among Chinese securities companies. The company also offered diversified services to clients,

including structured and leveraged financing and risk management solutions.

In its financial advisory business, CITIC Securities topped the industry in the restructuring of A-share material assets by undertaking RMB277.7 billion in deals, with a market share of 43.5%. It completed global merger and acquisition transactions involving Chinese enterprises totaling US\$159.4 billion, ranking second in the industry. The company continued to expand its overseas business and actively engaged in cross-border mergers and acquisitions.

By the end of the reporting period, CITIC Securities, as a nominated adviser and broker in the New OTC Market, supervised 25 listed enterprises on the new OTC Market of which 15 companies have entered the higher level Innovation Tier and the Select Tier; five companies have applied for listing on the new OTC Market, of which two have started trading on the higher Select Tier. CITIC Securities provided market making services to 51 listed companies, with 31 companies entered into the two higher tiers.

Wealth Management

During the reporting period, CITIC Securities further developed its wealth management business by enriching its product offerings and service system, strengthening its core asset allocation capabilities, and striving to build a team of high-caliber professionals.

In 2020, the total trading volume of stocks and funds amounted to RMB28.6 trillion, accounting for 10.9% of the trading volume of Hong Kong Stock Connect, while the total transaction volume of other financial products was RMB944.7 billion. As of the end of the reporting period, the number of clients exceeded 10.9 million and total assets under custody reached RMB8.5 trillion, including 27,000 high-net-worth clients each with assets over RMB6 million, accounting for a total of RMB1.3 trillion in assets.

Asset Management

CITIC Securities continued its strategy with a focus on expanding its active management business, developing equity products, and pursuing opportunities in the physical economy. As of the end of the reporting period, the asset management team continued to outperform its peers in key business segments, achieving an AUM of RMB1,366.4 billion and assets under active management of RMB1,052.6 billion. The company's private equity management business (excluding pension funds, public offering products and asset securitisation products) achieved a market share of 13.5%, ranking first in the industry.

CITIC Securities is the largest shareholder of China AMC (China Asset Management Company Limited). By the end of 2020, the AUM of China AMC reached RMB1,461.1 billion, of which mutual funds accounted for RMB804.6 billion, and institutional and overseas business accounted for RMB656.5 billion.

Financial Markets

CITIC Securities operates a comprehensive trading business with service offerings including equity derivatives, fixed-income, commodities and securities financing, in addition to proprietary trading. In the equity derivatives business, CITIC Securities' OTC derivative operations continued to expand its service offerings for both institutional and retail clients in the areas of risk management, global asset allocation and strategic investment. Equity derivatives trading covers core international markets, providing clients with global derivatives trading services. The market-making business continued to rank at the top of the market.

In terms of fixed-income business, CITIC Securities provides clients with a wide range of fixed-income products and services. The company also actively promotes the provision of investment advisory services to commercial banks and other clients. Again, sales of interest rate products topped the industry.

Equity Investment

CITIC Securities' alternative investment subsidiary, CITIC Securities Investment, continued to invest in companies in the fields of technology, advanced manufacturing, innovative services, healthcare, advanced materials and industrial products, and striving to enter to the earlier investment stage. In 2020, CITIC Securities Investment invested in more than 70 new projects (including follow-on investments on the STAR Market), with an investment amount of nearly RMB4 billion.

Goldstone Investment is a platform of CITIC Securities that raises and manages private equity funds. It has initiated the establishment of Goldstone Manufacturing Transformation and Upgrading Advanced Materials Fund and Sichuan Goldstone Kangjian Equity Investment Partnership Fund, with a scale of more than RMB50 billion. As a fund manager, Goldstone Investment supports the development of enterprises with core competitive advantages in advanced materials, pharmaceutical and medical and information technology sectors through equity investment. In 2020, Goldstone Investment invested approximately RMB5 billion in various sectors including healthcare, chips, advanced materials and manufacturing. As of the end of the reporting period, Goldstone Investment has managed 18 private equity funds.



ADVANCED INTELLIGENT MANUFACTURING



We strive to become a pioneer in the advanced intelligent manufacturing sector, aiming to achieve operational breakthroughs in critical technologies and reinforce our leading market position.

MAJOR SUBSIDIARIES

CITIC Dicastal

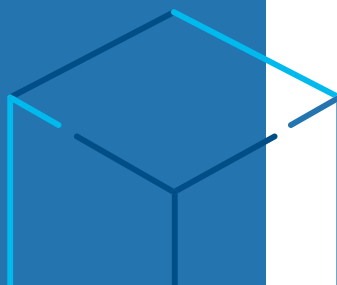
is the world's largest producer of aluminium automotive wheels.

CITIC Heavy Industries

is a leading manufacturer of heavy machinery and specialised robotics in China.

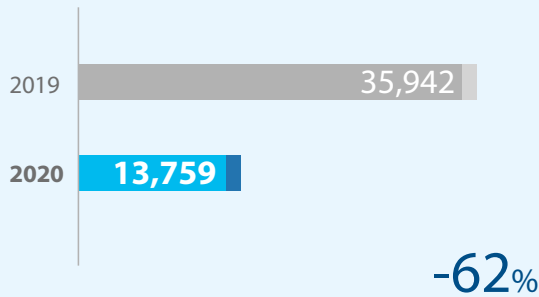
CITIC Holdings

is dedicated to smart manufacturing, industrial internet, building lighthouse factories and related venture investment partnerships.



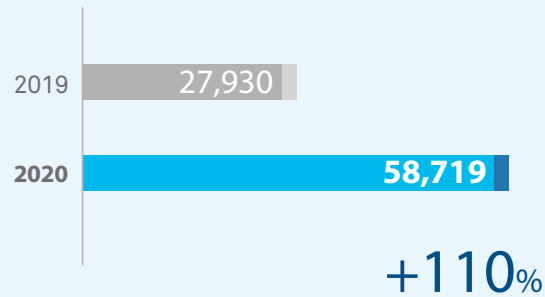
REVENUE

HK\$ million



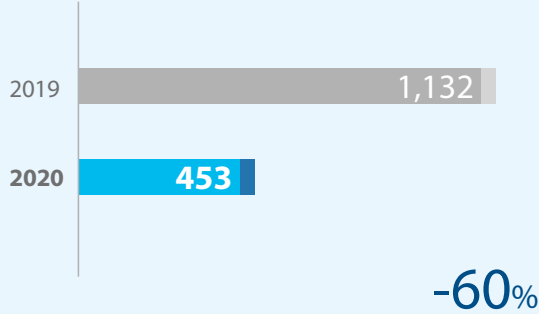
TOTAL ASSETS

HK\$ million



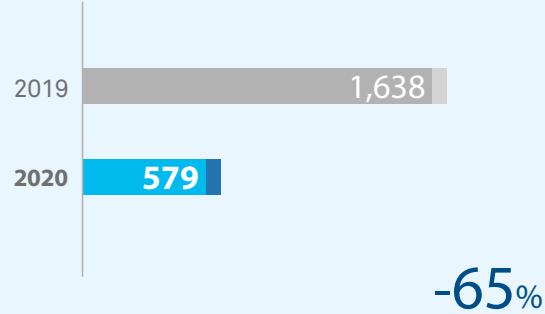
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million



CAPITAL EXPENDITURE

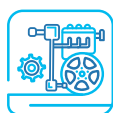
HK\$ million



Year in Review

Profit attributable to ordinary shareholders of the advanced intelligent manufacturing segment was HK\$453 million, a decrease of 60% year-on-year, primarily due to CITIC Limited's reduced shareholding in CITIC Dicastal and the loss recorded from Dicastal's KSM Castings in Germany. Total profit of CITIC Dicastal was RMB718 million, a decline of 25.8%. During the year, CITIC Dicastal accelerated its efforts to develop the domestic market to offset a decrease in international sales. Sales of aluminium

wheels and castings declined in the first half of 2020, but bounced back vigorously in the second half of the year, recording increases of 17% and 19% respectively, and resulting in a year-on-year gain in total sales volume. The net profit of CITIC Heavy Industries grew by 67% to RMB195 million, driven by the solid performance of its heavy machinery business and the contribution of its specialty robotics business.



LIGHTWEIGHT AUTOMOTIVE COMPONENTS

CITIC Dicastal

is the world's largest producer of automotive aluminium wheels. Its products include wheels and lightweight cast components for powertrains, chassis and body systems for the automotive industry. Total annual production capacity is 69 million wheels and 110,000 tonnes of castings. CITIC Dicastal has 26 major manufacturing facilities across China, the United States, Europe and Africa.

RMB million	2020	2019	Change
Revenue	26,103	26,575	-1.8%
Net profit attributable to shareholders	718	968	-25.8%
Total assets	28,870	26,043	10.9%
Return on equity (%)	8.75%	13.12%	-4.37 percentage points

In 2020, worldwide automobile production and sales have been greatly impacted by the COVID-19 pandemic and the global automobile industry declined. By contrast, the domestic automobile market recovered significantly in the second half of the year, mainly attributed to precise and effective pandemic control measures in China. In 2020, China's new vehicle sales decline narrowed to a 2% decrease overall, comprising a 6% decline in passenger vehicles offset by a 19% surge in commercial vehicle sales.

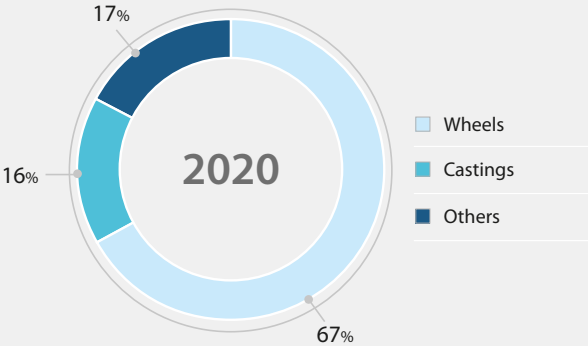
CITIC Dicastal actively adjusted its business strategy and expanded market share by enhancing product and service quality to meet changing customer needs and capture opportunities arising from the recovery of China's auto market. In 2020, CITIC Dicastal sold 55.7 million tonnes of wheels, reflecting 2% annual growth with a 17% surge in the second half of the year. 83,000 tonnes of casting products were sold, recording a 1.5% year-on-year growth with a surge of 19% in the second half of the year. Impacted by price declines of aluminium wheels and castings, revenue dropped 1.8% to RMB26.1 billion during the reporting period while net profit fell to RMB718 million, a year-on-year decrease of

25.8% mainly due to a loss at KSM Castings Group, a German aluminium castings subsidiary.

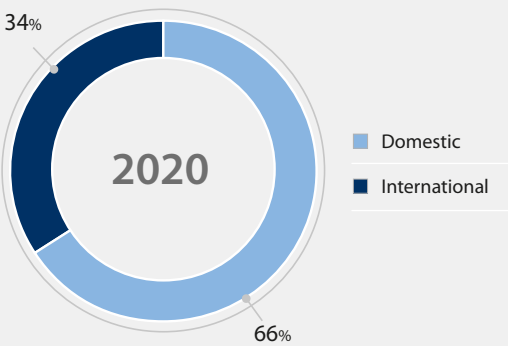
During the reporting period, the company implemented new projects in China and overseas and achieved significant results. The second phase of the Morocco project commenced production and by the end of December 2020 doubled production capacity of aluminium wheels from 3 million to 6 million units, which enabled CITIC Dicastal to better serve its international customers. Domestically, the company set up an aluminium wheel manufacturing base in Changsha with Phase One production capacity of 2 million units completed in 2019 and currently in full operation. Phase Two production capacity of 3 million units started construction in December 2020, and upon the completion of the Changsha base, the company will be poised to better serve OEM customers across southern and eastern China.

To enhance its competitiveness, CITIC Dicastal restructured its German aluminium casting subsidiary KSM in the second half of the year, laying a solid foundation for the growing demand of medium to high tonnage casting products fuelled by the growth of electric vehicles.

Sales by Product



Sales by Area Breakdown



Major Products



Comprehensive Financial Services

Advanced Intelligent Manufacturing

Advanced Materials

New Consumption

New-type Urbanisation

Customers

Major customers of CITIC Dicastal's aluminium wheels include 12 leading global automakers, among them Ford, General Motors (GM) and Chrysler, as well as major Chinese automakers including FAW, SAIC and Dongfeng. Major customers for lightweight aluminium cast components include Daimler, Volkswagen and parts manufacturers including TRW, ZF and Bosch. In 2020, the top 10 customers of aluminium wheels accounted for 37% of total product sales.

Research and Development of Lightweight Products

Focusing on the areas of lightweight technology, systemisation and intelligent and global ecological modernisation, CITIC Dicastal is dedicated to supplying lightweight solutions to global OEMs incorporating new and advanced materials to meet the rapidly changing demands of auto markets and the evolving new energy vehicle industry. The company commences over 50 R&D projects each year focusing on the development of the new generation of automotive lightweight components. In 2020, CITIC Dicastal made a major breakthrough in the R&D of aluminium alloy wheels. The innovative Deformable Wheel, designed by CITIC Dicastal, was awarded the iF Product Design Award, the most authoritative industry recognition, out of a total of 7,000 entries from 56 countries.

The magnesium alloy wheel is one of the most cutting-edge and challenging products and CITIC Dicastal is currently developing a magnesium alloy wheel for GM's Cadillac models. This is the first customised premium magnesium alloy product in mass production for an OEM customer. The Company was also awarded the 2020 Awards of Excellence for Process by the International Magnesium Association for its demonstration that a finished magnesium alloy wheel can be two kilograms lighter than a forged aluminum alloy wheel of the same size.



■ Design and Innovation Centre

Carbon fibre is another iconic material of CITIC Dicastal for lightweight components development. In 2020, the company further extended the material's application to truck transmission shaft components, leveraging the establishment of the company's initial production of carbon fibre wheels.

The company has also successfully developed a new generation of aluminium alloy applications and maintained high performance while limiting iron content in raw materials. The new products have been procured by Chinese OEMs including FAW and Inner Mongolia First Machinery Group, and the company has entered into negotiations with overseas OEMs.



INTELLIGENT HEAVY EQUIPMENT & SPECIALISED ROBOTICS

CITIC Heavy Industries

is one of the world's leading suppliers and service providers of heavy mining and cement equipment, and one of China's largest heavy machinery manufacturers.

The company's major business includes research and development and offering advanced industrial equipment products, services and solutions to customers. Products include heavy machinery, key fundamental and spare components, EPC, specialised robotics and intelligent equipment. CITIC Heavy Industries' main production facilities are located in Luoyang, Henan; Tangshan, Hebei; Zhangzhou, Fujian; Lianyungang, Jiangsu; Beijing and Vigo, Spain.

In 2020, new orders of CITIC Heavy Industries reached a record high of RMB10 billion, a 48% surge compared to 2019. Benefiting from the significant growth of new orders for heavy machinery and EPC, revenue for 2020 increased 21% to RMB6.3 billion. Profit attributable to shareholders surged 67% to RMB200 million, mainly due to the continuous

optimisation of management processes, improved efficiency and effective cost-control measures. The company maintained its leading position in robotics and intelligent equipment in the manufacturing sector, and new orders for the wind power equipment business exceeded RMB2 billion for the year.

RMB million	2020	2019	Change
Revenue	6,318	5,240	21%
Net profit attributable to shareholders	195	117	67%
Total assets	20,196	20,764	-2.7%
Return on equity (%)	2.7%	1.62%	+1.08 percentage points

Delivered Projects



China

- Supplied key components including anchoring parts and a water separation reheater and over 100 casting products for Hualong One, a Chinese Generation III PWR nuclear reactor with independent intellectual property rights
- Jointly developed China's first oversized diameter marine shield machine crossing Shantou Bay Tunnel
- Delivered four semi-autogenous grinding mills and four ball mills for Tibet Yulong Copper Industry's extension project, which is China's second largest copper mine located on the Tibetan plateau at an altitude of 4,660 metres



Serbia

- Delivered a slag vertical roller mill and hoisting system to Serbia Zijin Copper Doo Bor, China's largest investment project in Serbia, with respective production application in the VK copper mine and TIR smeltery, and achieved the milestone of launching China's first exported slag vertical roller mill in Europe

New Projects

CITIC Heavy Industries has developed rapidly in the offshore wind power sector with new orders reaching over RMB2 billion for the year, becoming a new growth driver of the company. Major projects include offshore wind power single pile foundations for China Power Investment Corporation, Jiangsu Longyuan Zhenhua Marine Engineering and the CCCC First Aviation Engineering Bureau catheterostat project.

In order to reduce production costs and to meet transportation needs, the company invested RMB100 million to set up a subsidiary, CITIC HIC Equipment Manufacturing (Zhangzhou) Co., Ltd, with an expected output value of RMB1 billion upon the start of Phase One operation. Leveraging its mature technology in shaft boring, tunnel boring, and shield tunneling machines, CITIC Heavy Industries developed a large diameter hydraulic pile-driving hammer and rock socketed pile drill for offshore wind power equipment in a bid to seize opportunities presented by China's intense demand for clean energy. In addition, the Xingbang Manufacturing Industry Fund invested RMB247 million focusing on new energy and advanced materials. The company also developed an intelligent mineral processing system while expediting the Internet of Things platform for the mining equipment industry.

Specialised Robotics

CITIC Heavy Industries' specialised robotics business is centred on its subsidiary Kaicheng Intelligence as the core platform on which to build a leading R&D and industrialisation base in China. It is an intelligent equipment manufacturer located in Tangshan, Hebei that integrates R&D, production, sales and service. According to the China Robotics Industry Development Report released by China's Ministry of Industry and Information Technology, CITIC Heavy Industries has been the first-tier representative of the specialised robotics industry for three consecutive years.

The company focuses on its core business of firefighting robots, accounting for over 70% share of

the domestic market. During the reporting period, the company successfully developed 5G applications of specialised robotics, disinfectant spraying robots for coronavirus prevention and second-generation bottom inspection robots for electrolytic aluminium plants. Its self-developed inspection robot for strip mining, equipped with 5G technology, has been applied by State Power Investment in Inner Mongolia to provide transport under extreme temperature ranges of minus 40-50 degrees.



■ Firefighting robots

The Chinese government is promoting the integrated development of intelligent technology and the mining industry, aiming to reduce mining manpower including the number of underground workers and replacing with robotics and automation through intelligent mining. Thus, orders for specialised mining robots developed by Kaicheng Intelligence have doubled in volume due to surging demand, becoming another growth engine for the company.

CITIC Heavy Industries has released its "5+N" strategy for specialised robotics development. The 5 core areas comprise emergency rescue, special operations, intelligent manufacturing plants, core manufacturing components and others, while the N represents other extended markets with huge potential including logistics, warehousing, medical care, healthcare and agriculture.



INDUSTRIAL INTERNET PLATFORM

CITIC Holdings

develops and invests in smart manufacturing, industrial internet, and Lighthouses, which are recognised as the most advanced production facilities in the world. Centred on digitalisation, it strives to integrate digital technology with key pragmatic applications.

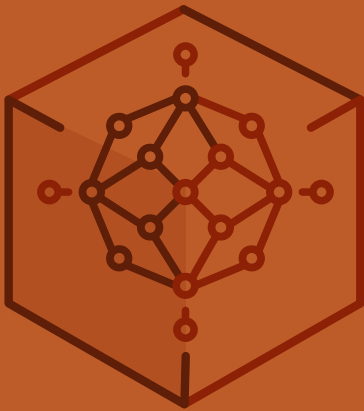
In the field of industrial internet, CITIC Holdings, together with CITIC Dicastal, China Resources Cement, and Foxconn Industrial, co-founded Shenzhen CRF Digital Technology (CRF) to enhance vertical value chains, such as auto components and new construction materials, with an internet-based intelligent industrial ecosystems. CRF solutions enable digital lean manufacturing and AI powered closed-loop control systems to advance the development of world-class lighthouse factories.

In terms of investment, CITIC New Future (Beijing) Investment Management, a private equity arm under CITIC Holdings, is mandated to nurture emerging businesses by financing innovative tech



■ CITIC Dicastal's global operation gateway powered by CRF

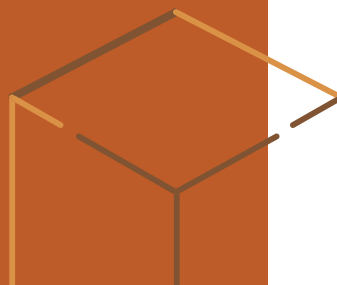
sectors, namely modern supply chains, intelligent manufacturing and smart vehicles. In 2020, Kunshan Xinjia Emerging Industry Equity Investment Fund was launched and invested in alternative operating system, database architecture and field-programmable gate array (FPGA) developments.



ADVANCED MATERIALS



Our advanced materials segment aims to ensure supply chain stability and to build competitive advantages through the development of complete vertical industrial value chains jointly with the businesses of the advanced intelligent manufacturing segment.



MAJOR SUBSIDIARIES

CITIC Pacific Special Steel

is China's largest producer of special steel.

CITIC Metal

invests in mining and mineral projects, such as copper and ferroniobium, and trades commodities.

CITIC Mining International

through its Australian subsidiary, CITIC Pacific Mining, has developed and operates the Sino Iron project, the largest magnetite operation in Australia.

CITIC Resources

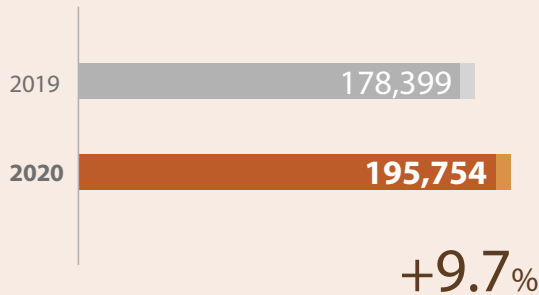
is listed on the Hong Kong Stock Exchange. Its principal business is the exploration, development and production of oil. It also invests in coal mining, the import and export of commodities, aluminium smelting, bauxite mining and alumina refining.

CITIC Pacific Energy Investment

invests in and manages power plants.

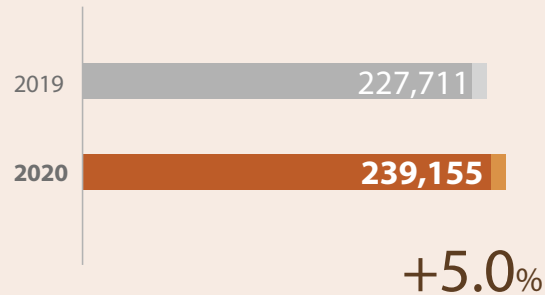
REVENUE

HK\$ million



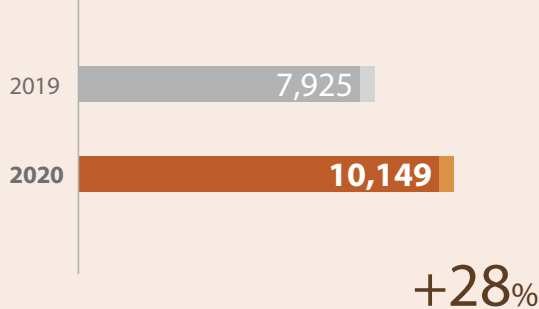
TOTAL ASSETS

HK\$ million



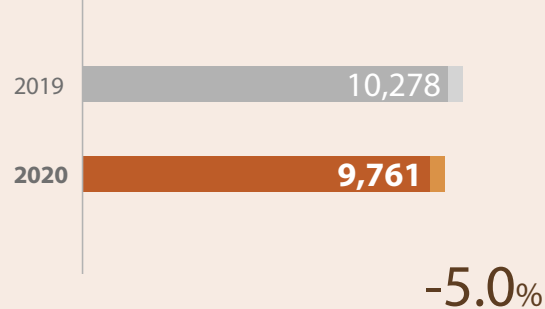
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million



CAPITAL EXPENDITURE

HK\$ million



Year in Review

This segment realised a net profit of HK\$10.1 billion, an increase of 28% year-on-year, attributable to strong commodity prices, particularly iron ore, and the outstanding performance of the company's special steel business. In 2020, CITIC Pacific Special Steel focused its efforts on cultivating domestic business to compensate for the decline in foreign trade. With the company's continuing efforts to improve its operating efficiency and control costs, sales volume of special steel products increased

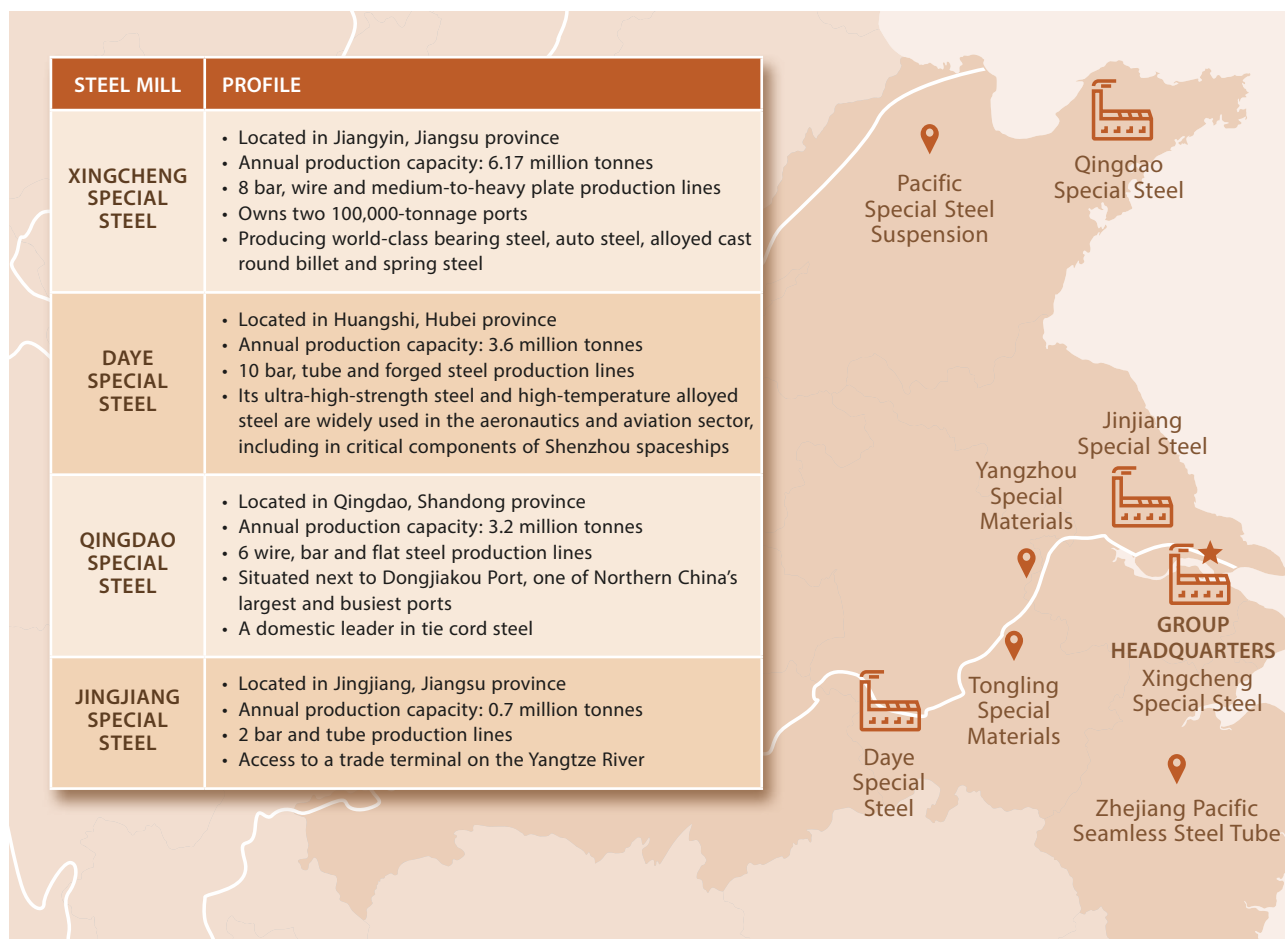
by 5.4% to approximately 14 million tonnes with total revenue of RMB74.7 billion and profit of RMB6 billion, an increase of 2.9% and 12% respectively. Net profit from the Sino Iron project grew substantially to HK\$3.4 billion, reflecting the strong price of iron ore as well as effective cost controls. Net profit of CITIC Metal increased by 80% to RMB1.7 billion. CITIC Resources, however, recorded a loss, mainly resulting from a decrease in the price of crude oil.



SPECIALTY NEW MATERIALS

CITIC Pacific Special Steel

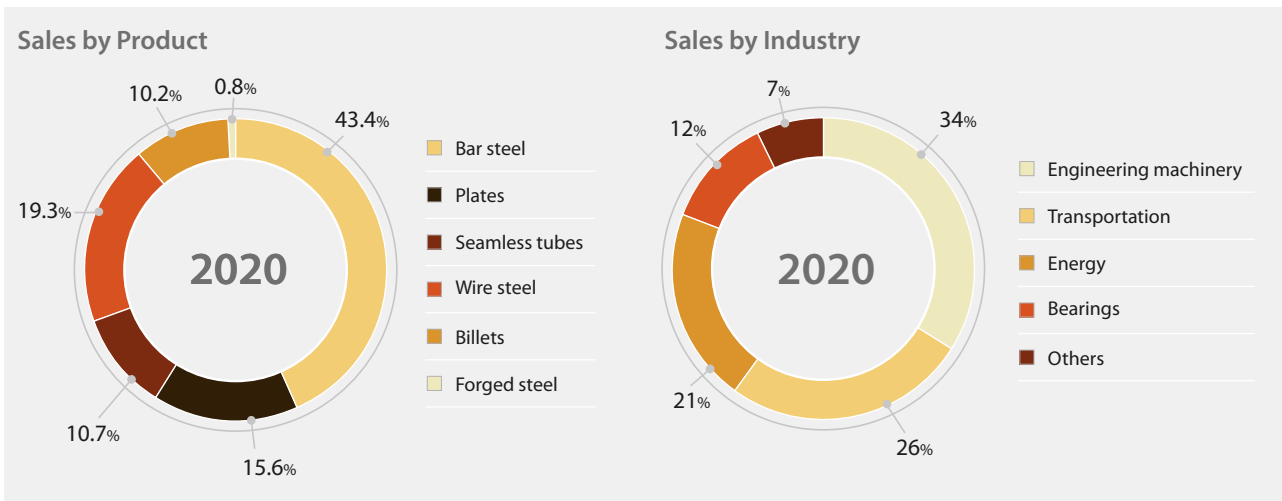
Is China's largest dedicated manufacturer of special steel, producing bars, plates, seamless steel tubes, forged steel, wires and casting billets for customers in the auto components, energy, machinery manufacturing, oil and petrochemicals, transport, shipbuilding and other industrial sectors. Its products are sold in China and more than 60 other markets, including the US, Japan, Europe and Southeast Asia.



With a total production capacity of over 14 million tonnes per annum, CITIC Pacific Special Steel currently operates four main plants—Xingcheng Special Steel, Daye Special Steel, Qingdao Special Steel and Jingjiang Special Steel. The company also has two raw material processing plants in Tongling and Yangzhou, as well as two industrial extension

plants—Pacific Special Steel Suspension in Ji'nan and Zhejiang Pacific Seamless Steel Tube in Shaoxing. In addition, the company successfully acquired 40% of the shares of Shanghai Electric Group Pipe Co., Ltd. and thereby obtained management rights of Tianjin Pipe Corporation in January 2021.

RMB million	2020	2019	Change
Revenue	74,728	72,620	2.9%
Profit attributable to ordinary shareholders	6,024	5,386	11.8%
Total assets	77,441	72,585	6.7%
Return on equity (%)	22.90%	24.18%	-1.28 percentage points



In 2020, as the COVID-19 pandemic continued to impact the global economy, China's steelmakers were challenged by shrinking steel demand overseas as well as surging raw material prices. Nevertheless, domestic demand for steel rebounded quickly due to a quick recovery in the construction and manufacturing industries after the COVID-19 lockdown eased.

In response to the pressure created by the pandemic, CITIC Pacific Special Steel adjusted its business strategy in accordance with market changes and actively explored sales opportunities in the domestic market to compensate for the decline in foreign trade. Sales increased for all four of its steel mills in 2020, during which the company sold 13.99 million tonnes of special steel products, an increase of 5.4% compared to 2019. Revenue grew by 2.9% to RMB74.7 billion and net profit attributable to ordinary shareholders improved 12% to RMB6 billion as a result of production and sales volume growth and effective cost reductions.



Special plates of Xingcheng Special Steel

Sales and Products

CITIC Pacific Special Steel adheres to the business strategy “domestic trade to supplement foreign trade, and midrange products to supplement high-end products”. In 2020, 13.99 million tonnes of steel products were sold, of which 1.36 million tons were export sales that accounted for 10% of total sales. Xingcheng Special Steel posted record sales volumes as premium crankshaft steel sales directly supplying BMW and Hyundai doubled; sales doubled for Daye Special Steel’s high-performance flat spring steel with a 1,550 MPa standard; steel for automobile standard parts produced by Qingdao Special Steel tripled, and Jingjiang Special Steel’s cylinder pipe continued to hold the largest market share in China.

More than half of CITIC Pacific Special Steel’s products are sold to the auto components, machinery manufacturing, and energy industries. CITIC’s bearing steel continued to top global production and sales volumes in 2020, a position that has been maintained for over 10 consecutive years. Meanwhile, in the domestic market, the company has leading market shares in steel products for high-end auto components, engineering machinery, wind power, marine mooring chain and high-end casting billets.

Within the year, the company successfully achieved cost reductions and efficiency enhancement through ongoing measures in five key areas: production, procurement, facility operation, logistics and period expenses.

R&D and Innovation

In 2020, 2.25 million tonnes of new products were developed and sold, representing 16% of the total sales volume and a 10% increase in these products as compared to 2019. The company obtained 213 patents during the year.

During the year, the company developed multiple high-grade, advanced and unique products, including ultra-high strength salt bath wire rods for bridge cables with record rating at 2,060 MPa, bearing steel for shield tunneling machines, and high-temperature-and-corrosion resistant alloy steel.

Its 2,000 MPa high strength wire rod for cable wire with independent R&D is being used in the world’s first cable-stayed bridge for both highway and railway in the Shanghai-Suzhou-Nantong Yangtze River Expressway Railway Bridge. Daye Special Steel also supplied steel used for key components for China’s Beidou Navigation Satellite system and was awarded “Prominent Supplier of Chinese Space Industry”.









■ Workstation of the testing lab at Qingdao Special Steel

New Projects

As an experienced special steel manufacturer, CITIC Pacific Special Steel continuously invests in the special steel industry. The company successfully acquired 40% of the shares of Shanghai Electric Group Pipe Co., Ltd., which primarily owns 51% of Tianjin Pipe Corporation. Thus, CITIC Pacific Special Steel owns 20.5% of Tianjin Pipe Corporation together with management rights obtained. Tianjin Pipe’s medium-thin wall seamless steel tube is complementary to existing products and will provide CITIC Pacific Special Steel a complete array of seamless steel tube products totaling annual capacity of 5 million tonnes.

Through this acquisition, the company will advance its integration of market resources, accelerate the expansion of its seamless steel plate strategy blueprint, and expand its influence and market penetration across the machining, petroleum extraction, automobile, and marine industries. The acquisition bodes well for CITIC Pacific Special Steel’s future development as it elevates the company’s brand influence in seamless steel products and enhances its industry competitiveness.

Major Products

Products	Production capacity ('000 tonnes)	Examples	Industries
Bars	 6,070	<ul style="list-style-type: none"> Bearing steel Gear steel Spring steel Alloy tube billet Oilfield steel 	<ul style="list-style-type: none"> Automobile Machinery Power Petroleum & petrochemical Railway
Special Plates	 2,180	<ul style="list-style-type: none"> High-rise building steel High strength plate High strength corrosion-resistant bridge plate Special wear plate Plastic mould plate 	<ul style="list-style-type: none"> Power Construction Shipbuilding Machinery Petroleum & petrochemical
Seamless Steel Tubes	 1,500	<ul style="list-style-type: none"> Petroleum pipe Engineering pipe Ultra high strength steel pipe 	<ul style="list-style-type: none"> Petroleum & petrochemical Machinery Automobile
Wires	 2,700	<ul style="list-style-type: none"> Alloy structural steel Bearing steel Spring steel Cutting wire steel Tire cord steel High strength cable steel 	<ul style="list-style-type: none"> Automobile Metal works Machinery Construction
Casting Billets	 1,430	<ul style="list-style-type: none"> Alloy structural steel Gear steel Bearing steel 	<ul style="list-style-type: none"> Power Petroleum & petrochemical Machinery
Special Forged Steel	 110	<ul style="list-style-type: none"> Tool and die steel Ultra high strength stainless steel High-temperature alloys 	<ul style="list-style-type: none"> Machinery Aerospace Automobile

Titanium Dioxide

CITIC Titanium, founded in 2002, is a new high-tech enterprise specialised in R&D, production and sale of high-grade chloride process TiO₂. CITIC Titanium has a capacity of 60,000 tonnes/year of chloride Titanium Dioxide. At the same time, it has mastered both fluidised chlorination and molten salt chlorination techniques. Its product quality is among the best

in the world. Since 2019, CITIC Titanium has begun building new production lines that have a capacity of 60,000 tonnes/year. Titanium dioxide, CITIC Titanium's major product, is widely used in industries closely related to the development of the national economy, including coatings, paints, paper, plastic, rubber, chemical fibres, ceramics and electronics.



SPECIALTY RAW MATERIALS

Ferroniobium

CITIC Metal indirectly holds a 5% interest in Brazilian miner CBMM, which is the world's largest manufacturer of ferroniobium products. CITIC Metal primarily supplies ferroniobium to medium and large steel mills as it is used to produce high strength and high-performance steels. In 2020, CITIC Metal's ferroniobium trading volume increased to about 34,100 tonnes, accounting for an approximate 80% share of the Chinese market.



■ CBMM mine pit

Magnetite Iron Ore

Located at Cape Preston in Western Australia's Pilbara region, CITIC's Sino Iron project is a pioneer of magnetite mining and processing operations in Australia. It is the country's biggest magnetite operation and is also the largest seaborne supplier of magnetite concentrate to China, by traded volume.

In 2020, Sino Iron shipped more than 20 million wet metric tonnes of concentrate to CITIC's special steel plants and other Chinese and Asian steel mills. Notwithstanding poor weather early in the year and the impact of COVID-19, a record 184 ships were loaded at Cape Preston during the calendar year.



■ Cape-size cargo ship deployed by Sino Iron for concentrate transport

Despite the ongoing solid performance of the six processing lines and associated mining and export infrastructure, continuity of operations remains at risk due to the inability to secure the necessary approvals and tenure. These matters require the urgent cooperation of all affected parties.

Copper

CITIC Metal owns a 15% equity stake in the Las Bambas Copper Mine Project in Peru, with the mineral resources of 14.39 million tonnes of copper, which has been under production since 2016 with the annual copper production around 400kt. In 2018 and 2019, CITIC Metal acquired a 26% stake in Ivanhoe Mines Limited (TSX:IVN), a world renowned mining company listed on the Toronto Stock Exchange, which owns the world-scale, undeveloped and high-grade mining asset Kamo-a-Kakula Copper Mine in the Democratic Republic of the Congo, with the mineral resources of 43.69 million tonnes of copper. During the year, the construction of Kamo-a-Kakula Copper Mine has progressed solidly and right on schedule with its first concentrates to be delivered in July 2021. CITIC Metal has attributable mineral resources of 6.65 million tonnes of copper.



■ Las Bambas copper mine

Crude Oil

In 2020, CITIC Resources' overall average daily oil production was 45,770 barrels, a 5.3% decrease compared to 2019.



■ Yuedong oilfield

Oilfields	Karazhanbas oilfield	Yuedong oilfield	Seram Block
CITIC Resource's interest	50%	90%	41%
Daily oil production in 2020 (100% basis)	36,550 Barrels	7,520 Barrels	1,700 Barrels
Change compared to 2019	-7.8%	+7.3%	+0.1%
Proven oil reserve estimates as of 31 December 2020 (100% basis)	167.5 million Barrels	30.3 million Barrels	3.3 million Barrels

During the year, Karazhanbas oilfield was affected by both the pandemic and the Kazakhstan government's production limit, resulting in a production decline of 7.5% compared to 2019. This oilfield recorded a large share of loss due to a decrease in oil prices and sales volume. Yuedong oilfield implemented a development plan and increased the drilling of new wells, which offset production declines caused by the natural decline of old wells, so actual production in 2020 increased by 7.6% compared to the prior year. However, the decline in oil prices during 2020 was greater in magnitude than the increase from production, which resulted in a reduced profit recorded in the segment result compared to 2019. During the year, Seram Block in Indonesia also drilled new wells; thus, production for 2020 was comparable

to the prior year. In 2020, this oilfield enjoyed higher sales volume because it sold some of its oil reserves from 2019 in early 2020. As it captured the right sales timing according to the oil price trends during the year, realised sales prices also rose. Its segment result also recorded an increased profit due to staff downsizing, which led to the increase in operating efficiency and reduction in labour costs in 2020.

Power Generation

CITIC Limited, through CITIC Pacific Energy Investment, invests in and manages multiple power stations in mainland China. New units of Inner Mongolian Shenglu Power Plant went into production in 2020, with an installed capacity of 2,000MW. At the same time, the company completed the sale of Fengtai Power Plant in Inner Mongolia, which has an installed capacity of 400MW. At present, the company has a total installed capacity of over 8,000MW for coal-fired power stations including Ligang Power Plant in Jiangsu Province, which is the largest power plant in China, with an installed capacity of 4,040MW. During the year, a total of 29.2 billion kWh of electricity was generated, comparable to 2019; 15.58 million GJ of heat was supplied, which was 22% less than that in 2019. Both figures were mainly derived from the Ligang Power Plant.



■ Sunburst's distributed photovoltaic power generation project

Trading

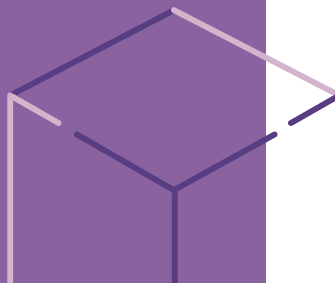
CITIC Limited's business in traded commodities is conducted mainly through CITIC Metal Co., Ltd and CITIC Resources Holdings Limited, involving materials such as iron ore, ferroniobium, copper, aluminium and steel. CITIC Metal's iron ore trading volume increased to more than 53 million tonnes in 2020, with both revenue and profit hitting a record high, consolidating its position as an iron ore industry leader in China.



NEW CONSUMPTION



Driven by the principle of putting customers first, our new consumption segment aims to embrace opportunities catalysed by an increase in domestic digital and lifestyle consumption, setting new trends in the consumer market.



MAJOR SUBSIDIARIES

CITIC Telecom

is a leading international integrated telecommunications and information and communications technologies services provider in Asia.

CITIC Press

is a major provider of integrated content and associated services in China.

Dah Chong Hong

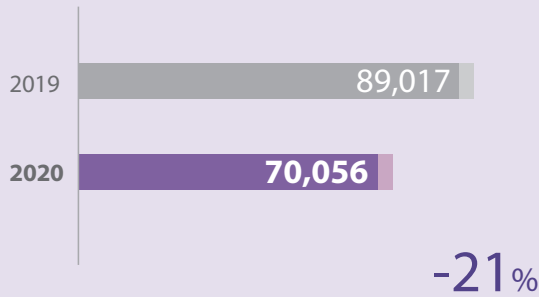
is an Asian motor and consumer products distributor.

CITIC Agriculture

focuses on the latest developments in agricultural science and technology.

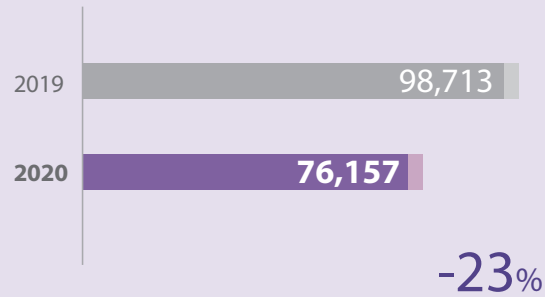
REVENUE

HK\$ million



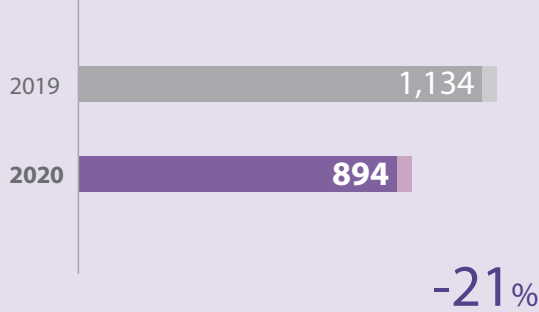
TOTAL ASSETS

HK\$ million



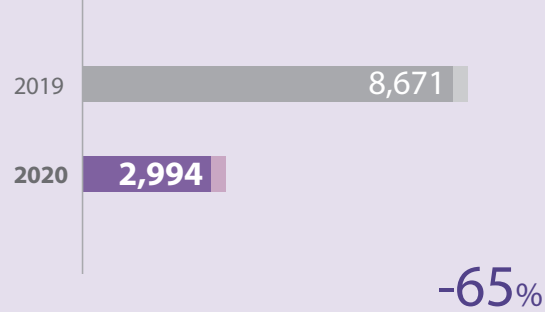
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million



CAPITAL EXPENDITURE

HK\$ million



Year in Review

Profit attributable to ordinary shareholders of the new consumption segment was HK\$894 million, a 21% decrease against 2019, mainly due to the reduction in profit contribution after the sale of 22% equity in McDonald's China and the impact on its business operations during the pandemic. CITIC Press responded quickly to the changing business landscape through the rapid expansion of online sales,

and its net profit rose by 12% to RMB282 million. CITIC Telecom International maintained steady performance and continued to generate stable cash flow. CITIC Agriculture's major investment projects, Longping Hi-Tech hybrid rice and LP Semences corn seeds, also recorded sales growth, delivering a turnaround profit.



INFORMATION SERVICES

CITIC Telecom International

(CITIC Telecom) is an integrated internet-based enterprise providing comprehensive telecommunications services. It is listed on The Stock Exchange of Hong Kong.

CITIC Telecom serves three major customer segments, namely operators, enterprises, and consumers. Its business scope covers five major categories, including mobile, internet, international telecommunications, and enterprise solutions, as well as fixed-line services across Greater China, Asia Pacific, Europe and North America. It also holds a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM), which is one of the leading integrated telecommunications services providers and the only provider that offers comprehensive telecommunications services in Macau. CITIC Telecom has branch organisations in 21 countries and regions around the world, with more than 2,500 employees. Its network nodes cover over 130 countries and regions, connecting more than 600 operators around the world, serving over 3,000 multinational enterprises and more than 40,000 local enterprises.

In 2020, the revenue of CITIC Telecom was HK\$8.9 billion of which the telecommunications business accounted for HK\$8.0 billion, up 7.9% year-on-year. Profit attributable to shareholders increased by 2.1% to HK\$1.02 billion.

During the year, CTM actively carried out 5G network construction projects, introduced 5G products, promoted smart city applications with its partners, and led its peers in making full preparations for the launch of 5G services. In June 2020, CTM completed full 5G outdoor coverage, which became a milestone in the construction and development of the 5G network and boosted the development of Macau as a smart city.

CTM has maintained its leading position in terms of market share of broadband services. During the

pandemic, corporate customers in various industries were keen to develop their online business, and the demand for content services by personal customers also increased. Therefore, market demand for high-speed optical fibre broadband services increased, driving business growth and broadband upgrades to enhance Internet access speed. CTM captured this opportunity and launched 10Gbps high-speed optical fibre broadband services in October 2020 to meet the higher service requirements of customers.

CITIC Telecom's data centre business maintained steady growth. Tenants were successfully moved in Phase IIIA of CITIC Telecom Tower Data Centre. Phase IIIB is under construction as scheduled and will be able to meet greater demand upon completion. In view of the increasing demand for cloud connectivity, the company enhanced its product functions by introducing more global cloud connectivity service capabilities.



■ Installation of 5G network in Macau

The global digital transformation is driving a growing demand for corporate messaging and CITIC Telecom is a regional leader in this sector. Over the years, CITIC Telecom has been pooling resources to upgrade its technology, enhance its business model and platform capabilities, releasing new services, and expanding its customer base, which delivered strong growth and brought considerable financial contributions to shareholders. It has also continued to upgrade DataMall, a global mobile trading platform to support application scenarios including 5G, eSIM and the Internet of Things, and has made new breakthroughs in the Internet of Vehicles market to provide traffic platforms and services for leading automobile manufacturers.

Going forward, CITIC Telecom will continue to build a 5G ecosystem equipped with high-quality 5G network services with its partners, and actively participate in the building of Digital Macau. CITIC Telecom strives to become a prime smart city operator and to complement the Macau SAR Government in connection with the working arrangements relating to the issuance of 5G licence and the concession assets.

Moreover, the company will complete the construction of CITIC Telecom Tower Phase IIIB data centre to grow the segment. In terms of enterprise business, CITIC Telecom will enhance its integrated management over VPN and internet access service, improve and optimise cloud computing and information security businesses, and increase its SD-WAN coverage, in order to facilitate digital transformations among enterprise clients by providing excellent products and services.

Additionally, CITIC Telecom will extend its Southeast Asia market coverage by rolling out one-stop ICT service in the region. CITIC Telecom will adopt a master strategy that combines in-house R&D with external collaboration to drive technological innovation. The company will strengthen coordination and increase investment, to expand technological and product innovations and to improve quality assurance for informatisation and network platform, aiming to provide global customers with superior ICT services.

AsiaSat

is a joint venture of CITIC and The Carlyle Group and is involved in the leasing and sales of satellite transponders, providing broadcasting, communications, and signal uploading and downloading services.

AsiaSat has five satellites in orbit and telecommunications port facilities to provide reliable satellite connections, data and media solutions in the broadcasting and telecommunications market. These solutions range from traditional services (i.e. content transmission to cable TV front-end system, telecommunications, Direct-to-Home (DTH), digital terrestrial television (DTT) platform; and temporary rental services) to innovative services (i.e. mixed IP-based OTT services, video livestream, equipment hosting services, and cutting-edge VSAT solutions for aviation, maritime and mobile backhaul services).

In 2020, community lockdown measures to combat COVID-19 kept individuals and families at home for a long period, which stimulated viewer ratings of traditional TV, and changed consumers' viewing habits, increasing expectations for TV content and visual resolution. AsiaSat seized this opportunity to provide high-quality and uninterrupted services to viewers by leveraging its leading TV broadcasting platform.

Satellite technology has the ability to multicast high-definition programme content, with vast geographical coverage and an increasing number of receiving users. While traditional streaming TV services need to reduce streaming definition in the case of network congestion, by contrast, satellites can cope with unexpected surges in service demand in a more flexible manner.



■ Tai Po earth station

AsiaSat currently delivers over 550 TV and radio channels originating from more than 30 countries and regions in over 30 languages. In the past year, the number of HDTV channels has increased across AsiaSat's powerful satellite TV platforms, including AsiaSat 5, AsiaSat 7, as well as AsiaSat 9 at 122°E, raising the share of HDTV services to 30% across the AsiaSat fleet.

In December 2020, AsiaSat announced its cooperation with the HERMES Live platform to provide broadcast-grade live streaming services to global customers, further expanding its media solutions offerings. AsiaSat will provide a complete solution that addresses customers' need for distributing content in a flexible and cost-effective way. HERMES Live facilitates the digital transformation of business and commerce through its one-stop live video streaming solution and live event service, which seamlessly broadcasts to global users' devices, and simulcasts to multiple social media platforms. This cooperation will expand AsiaSat's media services into new areas, to complement its core competencies in providing the best-in-class satellite capacity and transmission solutions, and to maintain AsiaSat's dynamic edge in the new normal.



LIFESTYLE CONSUMPTION

CITIC Press

is a major provider of integrated content and associated services in mainland China. Holding all publishing and distribution licences issued by the government, CITIC Press is principally engaged in book and digital book publication and bookstore retailing.

In 2020, CITIC Press recorded operating revenue of RMB1.89 billion, flat year-on-year. Net profit attributable to ordinary shareholders was RMB282 million, up by 12% against 2019; net profit attributable to ordinary shareholders after non-recurring gains and losses was RMB256 million, up by 31% year-on-year. Net cash flow from operating activities was RMB323 million, an increase of 3%; and the weighted average return on net assets was 15.74%.

During the year, CITIC Press recorded sales growth of 14% according to the retail value of books, ranking first among publishing agencies in terms of overall market share. The company continued to hold the largest market share in sales of social sciences books. Economics and business books increased in market share from 14.6% in 2019 to 16.89% in 2020. CITIC Press ranked first among lifestyle books and fifth in the education category. The company offers comprehensive coverage in mass publishing and has become a leading force in many categories.

In recent years, CITIC Press focused on the development of its children's books business. In 2020, it recorded a year-on-year increase of 31% in operating revenue, far exceeding the 1.96% growth rate of the national children's books market, and becoming a new growth engine for the company. CITIC Press' market share of children's books increased to 2.57% from 1.74% in 2019, rising six positions to fifth place and thus entering the first



■ CITIC Books Genesis branch, awarded one of Beijing's most beautiful bookstores in 2020

division of this sector. On the digital front, CITIC Press engaged in developing content in various forms aimed at different audiences.

Company sales were significantly impacted during the early phase of the COVID-19 pandemic. However, CITIC Press responded quickly and resumed normal operation of its online business in early February. The company was a first mover in capturing online market share.

In response to the severe impact of the pandemic to customer traffic in offline brick-and-mortar stores, the company implemented various measures to reduce costs for greater efficiency, enabling the bookstore business to achieve quarterly profits for the first time in the third quarter. Net profit attributable to shareholders in the second half of the year was RMB4.6 million and online sales increased by 28% year-on-year. CITIC Press also explored new modes of offline operation and launched three types of new shops in featured venues with a focus on commercial and leisure travel themes, all of which were well received by the market.

Dah Chong Hong

(DCH) is a wholly owned subsidiary of CITIC Limited with motor and consumer products distribution operations extending across 12 Asian economies. In its motor business, DCH represents more than 20 leading automotive brands as a dealer and distributor with a wide range of supporting services. DCH's consumer products business includes brand development, manufacturing, commodity trading, agency distribution, logistics and retail in the food and fast-moving consumer goods (FMCG), healthcare and electrical products industries.

In 2020, DCH was deeply affected by abrupt shifts in purchasing behavior and demand during the COVID-19 pandemic. Despite recording a loss for the first half of the year, DCH delivered a full-year profit of HK\$136 million, a decrease of 15% against 2019, as a result of rapid responses to changing market environments, favorable government policies and effective pandemic management in key geographies.

The motor business comprises 80% of total revenue and remains DCH's largest segment with operations in mainland China, Hong Kong and Macau, as well as Taiwan, Singapore and Myanmar.

In mainland China, DCH operates more than 100 4S shops for brands including Bentley, Mercedes-Benz, Lexus, Toyota and Honda. In early 2020, new vehicle sales fell sharply as a result of the COVID-19 pandemic and gradually strengthened towards the end of the year. Operationally, the motor business focused on defending profitability and market share while managing vehicle inventory to respond to changing market conditions. DCH also continued to optimise its brand and dealership portfolio, targeting increased exposure to premium brands and strategic geographical locations. Reflecting this strategy, DCH acquired its first 4S shops for BMW

and Volkswagen. Digitalising the vehicle purchase and ownership experience remains a priority with continued efforts to consolidate data from multiple consumer touchpoints for unparalleled levels of service. Recognising long-term growth potential, DCH has also actively expanded used car sales across its existing 4S shop network.

In Hong Kong, performance was impacted by declines in market demand, related to the pandemic as well as the expiry of the ex-gratia payout for the retirement of pre-Euro IV commercial vehicles. While carefully managing sales strategies, DCH focused on streamlining its brand portfolio and explored new opportunities in used cars with the launch of the Hong Kong Motor City. Located in the Kowloon Bay headquarters, the 120,000 square-foot shopping centre brings together DCH motor sales businesses and independent used car dealers to offer a unique omni-channel experience, supported by integrated digital services at www.motorcity.hk.



■ Hong Kong Motor City

Leveraging decades of motor expertise, DCH also operates independent service outlets, parts trading, motor leasing, financing, insurance, engineering projects, aviation support and the sales of luxury yachts. In 2020, DCH led the Hong Kong market in the number of contracted yachts and established DCH Boats in mainland China as the exclusive authorised distributor of Princess Yachts and Williams Jet Tenders and agent of Bali, Parker, Aquador, Flipper and Falcon.



■ DCH food mart in Tai Po, Hong Kong

DCH is a leading distributor of consumer products in Asia and represents over 1,000 domestic and international brands in the food and FMCG, healthcare and electrical products categories with operations in mainland China, Hong Kong, Macau, Taiwan, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines and Brunei.

The consumer products segment comprises 20% of DCH revenue. During the year, results were affected by the pandemic's severe impact on the retail, catering and tourism industries. Operationally, the consumer products business faced production shutdowns, supply chain disruptions and retail store closures.

In food and FMCG, DCH businesses include food manufacturing, brand development, commodity trading, agency distribution and retail. During the year, DCH's food retail business was benefited by an uplift in basic grocery sales, while wholesale distribution, particularly to restaurants, hotels and airlines, faced sharp declines. Sales were also impacted in lifestyle categories dependent on consumer footfall and tourism such as nutritional products, beauty products and confectionary. In response to these challenges, DCH focused on expanding retail channels and introducing new brands and products in the ready-to-eat, home cooking and healthy eating categories. DCH is also prioritising growth in digital channels, strengthening relationships with online sales platforms and progressing the development of dedicated e-commerce sites.

In healthcare, DCH Auriga offers comprehensive pharmaceutical distribution solutions to the world's leading life science companies, leveraging decades of experience managing sophisticated medical supply chains. It has operations in nine economies, distributing pharmaceuticals, vaccines, over-the-counter medicine, medical devices, personal care, nutrition and hospital consumables. In 2020, the business was impacted by reduced demand for both prescription and over-the-counter medicines, as well as periodic operational and manufacturing closures in Thailand and Malaysia. To offset these challenges, DCH Auriga actively sourced new opportunities in personal protective equipment and other COVID-19 related products and services, while increasing management focus and investing in new infrastructure to underpin regional growth across Southeast Asia. It has made steady gains in Hong Kong market share, leveraging state-of-the-art facilities, cold chain expertise and long-term relationships with leading principals, private clinics and public healthcare providers. In Hong Kong, DCH Auriga has been appointed as the exclusive logistics provider for the Sinovac and Fosun-BioNTech COVID-19 vaccines, contracted to provide sophisticated cold chain services, including delivery and warehousing.

The electrical products business delivered a steady result, despite the pandemic's impact on retail channels, through careful promotion, product strategies and inventory management. It will continue to increase exposure to e-commerce channels, enhancing its lifestyle portfolio and driving operational synergies.

With the majority of its operations in mainland China, DCH Logistics delivered increased profit and continued to focus on the development of operations to serve the Greater Bay Area. Strengthening the existing network, the new Hengqin Logistics facility officially opened in 2019, fully equipped to provide cold chain and value-added services to the region, particularly for catering customers in Macau.



AGRICULTURAL BREEDING

CITIC Agriculture

is committed to building a globally competitive agri-tech business with a focus on the latest developments in seeding science and technology. It has also engaged in biological seed development, in line with its “technology oriented, finance driven, management based” philosophy.

In 2020, CITIC Agriculture took serious measures in cost reduction and efficiency enhancement, management reform and digital transformation to comprehensively improve its investment and management capabilities, and achieved significant profit growth. CITIC Agriculture is the largest shareholder of Longping High-tech, a company listed on the Shenzhen Stock Exchange.

During the year, overseas sales of Longping High-tech and sales of core crops have increased. The company’s core competitiveness in scientific research and innovation has been further strengthened by the major breakthrough in third-generation hybrid rice breeding by Fellow Yuan Longping and by approval of the genetically modified organism (GMO) biosafety certificate for Ruifeng 125 as one of the first batch of China’s genetically modified corn varieties. Longping Agriculture Science, a subsidiary of Longping High-tech has introduced a China-Brazil integrated management and control model to refine production and operations, realise growth in both



■ LP Sementes corn breeding plantation

sales and profit, and further enhance its market position. During the year, CITIC Agriculture has assisted Beijing Capital Agribusiness to successfully introduce the GGP (great grandparent) breeding stock from the world’s top breeding stock company to effectively improve domestic breeding pigs. CITIC Agriculture has also assisted China Agriculture Vet to complete the construction of the largest P3 laboratory animal housing in China, which passed the examination of the Ministry of Agriculture and Rural Affairs.

In 2020, CITIC Agriculture and the Hunan Provincial Government jointly funded the establishment of the Yuelu Mountain Breeding Industry Innovation Center Company to promote breeding industry innovation and industrial transformation. Huazhi Biotechnology Co., Ltd, in which CITIC Agriculture has an interest, has built an integrated application capability of “biotechnology + data technology” and has developed into a key generic technology platform in the field of biological breeding.



NEW-TYPE URBANISATION



In the new-type urbanisation segment, we have positioned ourselves as the builders of smart cities. We will continue to implement China's regional development strategies, providing smart-city solutions that integrate engineering contracting, wastewater treatment and property development and operation.

MAJOR SUBSIDIARIES

CITIC Construction

is a leading international engineering contracting services provider.

CITIC Engineering

is a leading innovative technological design and construction firm in China.

CITIC Environment

is a specialised investment and operational platform for environmental protection.

CITIC Industrial Investment

is a capital operation platform and runs businesses including healthcare, logistics and infrastructure.

CITIC Offshore Helicopter

is a leading general aviation company in China.

CITIC Pacific Properties

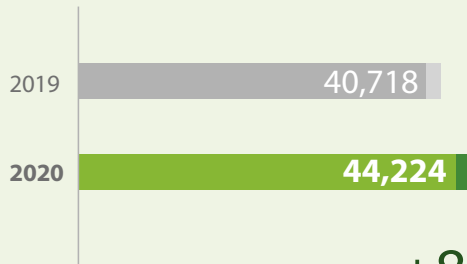
focuses on developing and investing in mixed-use and commercial properties, and mid- to high-end residential properties.

CITIC Urban Development & Operation

specialises in urban renewal and development operations.

REVENUE

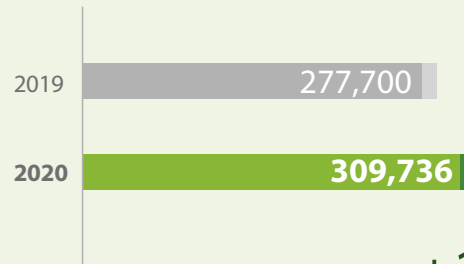
HK\$ million



+8.6%

TOTAL ASSETS

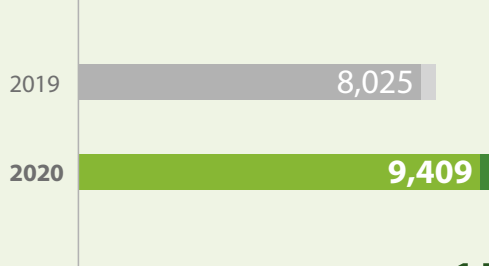
HK\$ million



+12%

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

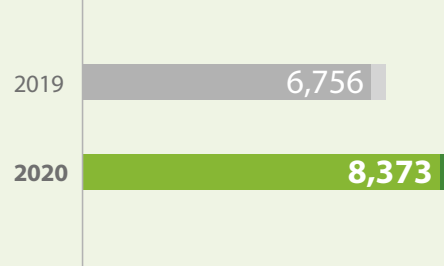
HK\$ million



+17%

CAPITAL EXPENDITURE

HK\$ million



+24%

Year in Review

In 2020, this segment achieved a net profit of HK\$9.4 billion, an increase of 17% against the previous year, when an impairment was made on the company's equity investment in China Overseas Land and Investment (COLI). Within the segment, the property development and operating subsidiaries realised a net profit of RMB6.6 billion, a significant increase of 50% year-on-year. In addition to the profit recorded from our 10% stake in COLI and stable rental income from investment properties in mainland China and Hong Kong, other major development projects also made a significant contribution, including the Lujiazui

Harbour City in Shanghai, the delivery of units at The Entrance, a residential project in Ma On Shan Hong Kong, as well as primary land development of the Guangzhou Shipyard and Ningbo FengHua projects. The total net profit of engineering and construction subsidiaries was RMB1.9 billion, a 10% decrease year-on-year. The company seized the opportunity to resume construction of projects in mainland China after the pandemic and delivered a 7% increase in profit in the second half of 2020. Other subsidiaries engaged in urban services jointly recorded a profit of RMB817 million, 50% less than the previous year.



CONSTRUCTION AND ENGINEERING

CITIC Construction

has developed a new growth platform to advance in both foreign and domestic markets, building on its strength in international engineering procurement and construction (EPC) projects. The company has operations in infrastructure, housing, municipal and industrial facilities, and has been expanding its EPC business into the agriculture, energy and resources sectors.

CITIC Engineering

is positioned itself to provide comprehensive services and digital solutions for projects in infrastructure, urban development and environmental protection. CITIC Engineering is based in Wuhan, with operations spanning China, and has two well-known design and research institutes: the Central and Southern China Municipal Engineering Design and Research Institute and CITIC General Institute of Architecture Design and Research.

Our construction and engineering businesses are dedicated to meeting the needs of clients with end-to-end services ranging from feasibility studies, planning, exploration, and financing, to the contracting of EPC projects.

Projects undertaken include the development of infrastructure, housing, municipal and industrial facilities as well as environmental protection initiatives in both China and international markets. For several consecutive years, both of our engineering contracting companies have been rated at the top of the industry, as determined by Engineering News-Record (ENR), a global construction industry authority. It ranked CITIC Construction in the Top 250 International Contractors and CITIC Engineering's Architecture Design and Research Institute among the Top 60 Chinese Design Firms.

During the reporting period, our construction and engineering business was severely impacted by the COVID-19 pandemic. CITIC Construction and CITIC Engineering responded proactively to the circumstances, and once work was allowed to resume, dedicated its efforts to make up for time lost. Both domestic and international businesses of exploration, design and EPC services contributed to the company's bottom line. Domestically, key projects include a national network security talents and innovation centre, and the Jiangxia clean water project, both in Wuhan, the Chongli Prince Ice Town in Zhangjiakou, and Ziyang industrial new town development. Internationally, major projects include the upgrading of two expressways in Kazakhstan, and two projects in Belarus: an agro-industrial complex and a fertiliser processing plant.

In 2020, CITIC construction and engineering businesses signed a total of RMB48.7 billion in new domestic and international contracts, mainly involving projects in housing, infrastructure, industrial facilities, urban development and water treatment. Driven by Public Private Partnerships (PPP) projects, the domestic team focused on developing business mainly in the Yangtze Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Island, and Chengdu Chongqing Economic Circle. New projects signed include a Chip Technology and Innovation Center in Jiangbei New District, Nanjing, Water Treatment and Pump Station in Linkong Economic Zone of Ziyang, International Agricultural Processing Park in Zhumadian, Henan Province, Yangze New Town in the city of Wuhan, and an Ecological Technology City in the High-Tech Industrial Development Zone of Neijiang, Sichuan Province. Internationally, the business continued to find opportunities in regional markets along the Belt and Road Corridor. New contracts included construction of a fertiliser plant and Agro-Industrial Complex III Phase development in Belarus.

In 2020, CITIC's construction and engineering business made new breakthroughs in the area of digital development. CITIC Engineering set up a new entity CITIC Digital Intelligence (Wuhan) Technology Co., Ltd. as its arm for digital transformation and

technological innovation. The aim is to build an online platform with a software ecosystem for the construction industry.

CITIC Engineering is based in Wuhan. When COVID-19 struck the city, the company demonstrated its strong capabilities and completed the design and construction work for Wuhan Huoshenshan Hospital

and a series of mobile emergency hospitals in a very short timeframe. CITIC Construction also received numerous industry recognitions within the reporting period for its record of delivering quality EPC projects to customers, among which the company picked up Customer Satisfaction AAA Credit Level recognition in the National Market Quality Competition.


Major Projects

Undertaken by CITIC Construction


POTASSIUM FERTILISER PLANT, BELARUS

General information:	The project is located in the Nezhinsky (eastern part) plot of Starobin potashum salt deposit in the country of Belarus. The designed annual production volume is 1.1-2 million tonnes of potassium chloride after mining and processing. When the project is completed, the production is expected to reach 2 million tonnes annually. The project is the largest in scale and financial investment in economic trade between China and Belarus.	
Contract signing date:	February 2020	
Contract value:	US\$855 million	
Contract period:	46 months	
Commencement of construction:	March 2020	
Progress as of the end of 2020:	<div style="width: 6%;"><div style="width: 6%;"></div></div> 6%	


AGRO-INDUSTRIAL COMPLEX PROJECT, PHASE I, II, BELARUS

General information:	Located in the Pukhovichi District of Minsk Oblast, Belarus, this agro-industrial complex processes wheat using modern biotechnology to produce essential amino acids and high-tech formula feed. The construction scope includes an amino acid factory, feed plant, silo construction, power plant and ancillary facilities, as well as a railway, highway, natural gas pipeline and electric transmission line.	
Contract signing date:	November 2016	
Contract value:	RMB4,290 million	
Contract period:	36 months	
Commencement of construction:	July 2018	
Progress as of the end of 2020:	<div style="width: 73%;"><div style="width: 73%;"></div></div> 73%	

TKU NATIONAL EXPRESSWAY UPGRADE, KAZAKHSTAN

General information:	Located in Kazakhstan, the TKU expressway stretches from Taldykorgan, the capital of Almaty oblast to Ust-Kamenogorsk, the capital of East Kazakhstan oblast. After the upgrade, the expressway will be 763.5km in length.	
Contract signing date:	May 2016	
Contract value:	US\$936 million	
Contract period:	54 months	
Commencement of construction:	November 2017	
Progress as of the end of 2020:	<div style="width: 33%;"><div style="width: 33%;"></div></div> 33%	


KB EXPRESSWAY UPGRADE, KAZAKHSTAN

General information:	The Karagandy to Balkhash road upgrade is 362.6km in length. After work is completed, the expressway will be qualified with first grade conditions, and have four lanes and a speed limit of 120km/hr.	
Contract signing date:	June 2018	
Contract value:	US\$669 million	
Contract period:	48 months	
Commencement of construction:	May 2019	
Progress as of the end of 2020:	<div style="width: 31%;"><div style="width: 31%;"></div></div> 31%	

CHIP TECHNOLOGY AND INNOVATION CENTER AT JIANGBEI NEW DISTRICT, NANJING, JIANGSU PROVINCE, CHINA

General information:	Jiangbei New District is an important centre for China's digital information industry. The construction of the chip centre is a key project of the innovation initiatives at the Yangtze Economic Belt. The project covers a total area of 555 acres, with two components, construction of buildings and civil infrastructure, which will be implemented in three stages. Building construction covers 164.6m ² which includes a science and technology centre and an apartment block. The construction of civil infrastructure includes seven roads, three bridges, required work on six rivers and 40m ² of green landscaping.	
Contract signing date:	October 2020	
Contract value:	RMB12.277 billion	
Contract period:	72 months	
Commencement of construction:	November 2020	
Progress as of the end of 2020:	Project commenced and is on schedule	

INDUSTRIAL NEW TOWN OF LINKONG ECONOMIC ZONE, PHASE I, SICHUAN PROVINCE, CHINA

General information:	Located in the city of Ziyang, Sichuan province, the initial five roads being constructed include Chengzi Avenue, Sanxian Road, Zonger Road, Zongsan Road and Zongsi Road. The completed project will have a total length of approximately 38.9km.		
Contract signing date:	July 2018		
Contract value:	RMB7.466 billion		
Contract period:	37 months		
Commencement of construction:	July 2018		
Progress as of the end of 2020:	<div style="width: 50%;"><div style="width: 50%;"></div></div>	50%	

LINQING HIGHWAY, PHASE II, YUNNAN PROVINCE, CHINA

General information:	The second phase of construction stretches from Linxiang District, Lincang City to Qingshui River. The highway will be 41.4km in length with four lanes and a speed limit of 80km/hr.		
Contract signing date:	June 2019		
Contract value:	RMB6.217 billion		
Contract period:	48 months		
Commencement of construction:	June 2019		
Progress as of the end of 2020:	<div style="width: 45%;"><div style="width: 45%;"></div></div>	45%	

CHUDA HIGHWAY EXPANSION PROJECT, YUNNAN PROVINCE, CHINA

General information:	The construction stretches 43.3km in length. Located in Yaoan County of Chuxiong State, Yunnan Province, the highway passes four towns—Qianchang, Dongchuan, Guantun and Dahekou. The project is constructed according to highway standards with six lanes and a speed limit of 100km/hour.		
Contract signing date:	December 2019		
Contract value:	RMB9.294 billion		
Contract period:	48 months		
Commencement of construction:	December 2019		
Progress as of the end of 2020:	<div style="width: 14%;"><div style="width: 14%;"></div></div>	14%	

Undertaken by CITIC Engineering



THE CLEAN WATER PROJECT IN JIANGXIA DISTRICT, WUHAN CITY, CHINA

General information:	This comprehensive project provides solutions for sewage collection and treatment, flood control and drainage, water supply, and the treatment of water from the lake and river, including environmental water management and water information management. CITIC Engineering's involvement in this PPP project includes investment and financing, planning, design, construction and operation. The entire project will be completed in four phases.		
Contract signing date:	October 2016		
Contract value:	RMB5,110 million (Phase I: RMB1,050 million; Phase II: RMB650 million, Phase III: RMB3,293 million)		
Contract period:	Phase I: 45 months; Phase II: 22 months; Phase III: 36 months		
Commencement of construction:	Phase I: September 2015; Phase II: December 2016; Phase III: August 2020		
Progress as of the end of 2020:	Phase I 	Phase II 	Phase III 

THE NATIONAL NETWORK SECURITY TALENTS AND INNOVATION BASE PROJECT, WUHAN CITY, CHINA

General information:	This project, located in the Economic Development Zone of Wuhan Airport, was undertaken in response to China's strategy to develop national cybersecurity. It comprises the construction of public buildings, infrastructure, an international talent community and infrastructure in the airport area.		
Contract signing date:	November 2018		
Contract value:	RMB8.62 billion		
Contract period:	36 months		
Commencement of construction:	July 2017		
Progress as of the end of 2020:	 among which the network security institute, training centre and already in service.		

GUSHU WATER TREATMENT PLANT, SHENZHEN CITY, CHINA

General information:	Located in Gushu District, Shenzhen City, this plant occupies 15.14 hectares of land and is designed to purify 320,000 tonnes of wastewater per day. As an important construction project in the Greater Bay Area, the Gushu water treatment plant is targeting to become a world-class energy saving water treatment project.		
Contract signing date:	December 2019		
Contract value:	RMB1.239 billion		
Contract period:	25 months		
Commencement of construction:	December 2019		
Progress as of the end of 2020:			



URBAN OPERATION

Environmental Services

CITIC Environment Investment Group (CITIC Environment) is CITIC Limited's specialised investment and operational platform for environmental protection. Its core business covers three major sectors, including water treatment, solid waste and hazardous waste disposal, and energy saving services.

CITIC Envirotech, the company's water treatment business, has been continuously expanding. By the end of 2020, its water treatment facilities handled an average daily capacity of more than 6 million tonnes. The membrane technology business continued to offer advanced membrane products through production arm Memstar Pte Ltd and its subsidiaries (Memstar), as one of the few world leading manufacturers and suppliers of full-spectrum membrane products including Microfiltration (MF), Ultrafiltration (UF), Nanofiltration (NF) and Reverse Osmosis (RO) membranes. Based on its comparative advantages in R&D, manufacturing and application of membranes, CITIC Envirotech focuses on the business of upgrading conventional water treatment plants and constructing underground wastewater treatment plants and other projects to further expand its market share. At present, nine underground sewage treatment plants have been built in Guangzhou, six of which use Memstar's membrane products. CITIC Envirotech has also progressed in several major projects during the year. In the Xiong'An New Area of Hebei province, our first ecological management EPC project has been completed ahead of schedule, contributing to the coordinated development of Beijing-Tianjin-Hebei region. In Shantou, Guangdong, CITIC Environment has provided an integrated solution for wastewater treatment, heating and water supply for Chaonan Printing and Dyeing Industrial Park, setting a benchmark for circular economy projects in the Greater Bay Area. In Kazakhstan, the KBM oilfield water treatment and recycling project has entered the equipment installation stage. In Liangshan, Sichuan, a project linking land use for urban and rural construction has significantly helped to alleviate poverty in the rural area of Liangshan, as well as in the rural areas of Xiaogan, Hubei

and Yunfu, Guangdong. Several township sewage treatment demonstration projects have been built to help boost the revitalisation of rural regions.



■ Chaonan textile dyeing and printing complex

CITIC Environment has expanded its footprint in the hazardous waste treatment industry and acquired over ten high-quality hazardous waste treatment projects in Xinjiang, Shandong, Guangdong, Hainan and Jiangsu provinces and other key regions by the end of 2020, with a total treatment capacity of approximately 1.5 million tonnes per year. Currently, half of these projects are in operation.

In terms of solid waste disposal, Sanfeng Environment, a CITIC Environment investment, was listed on the Main Board of the Shanghai Stock Exchange on 5 June 2020. By the end of 2020, the total market capitalisation of Sanfeng Environment ranked 6th among the 78 companies listed in the A-share market in the "Environmental Protection Engineering and Service" industry category. The company has advanced technology and equipment, and has invested in 49 BOT/PPP projects in total, ranking at the forefront of the industry. In 2020, Sanfeng Environment was awarded as one of the "Top 10 Chinese Enterprises in Solid Waste Treatment" for the fourth consecutive year, and ranked among the "Top 500 Global New Energy Enterprises in 2020".

In energy saving services, while consolidating its market presence in industrial intelligent furnace combustion control and energy saving projects, CITIC Environment also strived to explore opportunities in energy saving construction projects, aiming to create an advanced energy saving model comprising both industrial and construction tracks capabilities.

Infrastructure

CITIC Limited's infrastructure business includes the investment in and management of ports and port terminals as well as regional developments in China through CITIC Industrial Investment. CITIC Limited also has an interest in the Western Harbour Tunnel in Hong Kong.

The regional development business refers to the Xidian New Town Project in Ningbo, which involves reclamation engineering, land consolidation, urban infrastructure and supporting projects such as water engineering and green land development. The planned land area is approximately 6,480 mu with a gross floor area of approximately 4 million square metres. In 2020, CITIC completed the construction of the seawall sluice and sea reclamation framework of the project. Xidian Chuangzhi Gulf Star City has begun to take shape, with the first batch of land successfully listed for sale.

The port and terminal business mainly focuses on investment and the independent operation of liquefied petroleum terminals and storage facilities, as well as the operation of other types of berths, such as containers. At present, CITIC Industrial Investment has completed the network layout for its liquefied petroleum ports in the Yangtze River Delta and the Yangtze River Economic Belt, which have a combined handling capacity of about 46.15 million tonnes and a storage capacity of about 2.64 million cubic metres of liquefied petroleum. In the future, with a focus on liquefied petroleum and from its base in Ningbo, CITIC Industrial Investment will accelerate the construction of liquefied petroleum terminal and storage projects and expand into integrated logistics services so as to become an integrated logistics and warehousing service provider of liquid chemicals with distinctive advantages and influence in the domestic market.

Project	Ownership	Handling capacity/ storage capacity
Port storage		
PetroChina Fuel Oil Port	51%	12 million tonnes
Guanwai Liquefied Products Port	51%	1.8 million tonnes
Xinrun Petrochemical Storage and Transport	90%	6 million tonnes/600,000m ³
Xinyuan Port	51%	7.2 million tonnes
Hengyang Storage Project	49%	14.15 million tonnes/1.44 million m ³
Xinhai Oil Terminal	30%	600,000m ³
Gangfa Crude Oil Port	20%	5 million tonnes
CMHI Container Port	20%	2.4 million TEU
Tunnel		
The Western Harbour Tunnel, Hong Kong	35%	Franchise until 2023

Healthcare

CITIC continues to integrate medical and elderly care services to build a large healthcare platform. The healthcare business primarily includes medical services, elderly care and healthcare distribution.

We operate five hospitals in mainland China's Zhejiang and Jiangsu provinces. In 2018, our subsidiary CITIC Pacific acquired the Jiangyin Lingang Hospital located centrally in Harbour City in Jiangyin and invested to upgrade its facilities and services. The hospital is now a Grade 2 general hospital with 200 beds that provides comprehensive medical services, rehabilitation and preventative care. CITIC Pacific is also the holding company of Hongen Medical Group which manages four hospitals with a total of 1,000 beds, namely Hangzhou Chengdong Hospital, Shaoxing Chengdong Hospital, Shangyu Third Hospital and Cixi Chengdong Hospital.



■ Jiangyin Lingang Hospital outpatient clinic

Currently our elderly care business is strategically deployed in Shanghai, Hangzhou, and Jiangyin. We provide multiple services that combine home care and institutional care in various forms such as CCRC (Continuous Care Retirement Communities), urban comprehensive elderly care projects and chain elderly care centres. We will leverage synergies to integrate the healthcare and elderly care services.

As part of our healthcare distribution businesses, Haoan Health is a leading medical equipment provider and distributor in Zhejiang Province. It offers supply chain management services for high-value consumables and medical equipment used across a wide range of specialty healthcare services including neurosurgery, urology and gastroenterology.

General Aviation

As the leading company in the general aviation sector in China, CITIC Offshore Helicopter (COHC) has the qualification and capability to operate a full-service general aviation business. COHC is the first and only main-board listed company in the domestic general aviation industry, and also the only domestic company awarded the General Aviation Safety Four Stars Award. COHC provides a full range of services, including offshore flights, onshore industry and forestry-related flights, emergency rescue, maintenance, training, integrated city flight services, sky tours, drone operation and data collection.



■ An AW139 helicopter

Headquartered in Shenzhen, Guangdong, COHC owns four helicopter airports and five main operation bases. Its bases and helipads form a network covering all provinces, cities and autonomous regions, excluding Tibet, and overseas regions such as the North and South Poles and Myanmar. COHC has the largest civil helicopter fleet in Asia and currently operates 76 helicopters comprising 15 of the most advanced helicopter models in the world. COHC's offshore oil helicopter service has a leading position in the industry in terms of market share. It is the only general aviation company with a domestic port helicopter pilotage service, the only service provider of helicopters for China's national arctic scientific expeditions, and the sole helicopter medical services provider for the Beijing 2022 Winter Olympic Games and Paralympic Winter Games. COHC is also the only general aviation company that engages in offshore oil flights overseas.



PROPERTY DEVELOPMENT, OPERATION & MANAGEMENT

CITIC Pacific Properties

In 2020, we made progress on a number of development projects in mainland China. Significant profit has been realised from the sale of premium residential units in Lujiazui Harbour City, Shanghai, as well as from the implementation of primary land development of the site previously owned by Guangzhou Shipyard.

Our land reserve in mainland China grew steadily, to around 3.92 million square metres as of the end of December 2020, concentrated in city clusters along the economic belt from the downstream to midstream regions of the Yangtze River and the Bohai Economic Rim.

In Hong Kong, our residential project, "The Entrance," in Lok Wo Sha, Ma On Shan, sold 133 units as of the end of January 2021, accounting for 90% of the total 148 units. In December 2019, we won a government

public tender for a lot at Tai Hang Road, Jardine's Lookout, a traditional luxury residential area. We are currently dismantling the existing buildings on the site, which will eventually be developed into a high-end residential project with a gross floor area of about 11,970 square metres.

The Discovery Bay project is a 50-50 joint-venture development with HKR International. Currently for sale are Poggibonsi and IL PICCO consisting of 196 residential units and 21 garden houses respectively. As of the end of January 2021, 131 units and two houses were sold. In addition, Discovery Bay has a land bank of 124,000 square metres for development in the future.

Despite COVID-19's impact on the leasing market in 2020, we managed to maintain the annual average occupancy rate of our investment portfolio at approximately 94%.

CITIC Urban Development & Operation

In 2020, CITIC Urban Development & Operation continued joint development of an industrial complex with the government of Fenghua District, Ningbo. It is a renovation and upgrading of an existing industrial park in Ningbo. The project covers a site of 830,000 square metres, which will include an industrial park of 580,000 square metres and a residential and commercial area of 850,000 square metres in terms of gross floor area. The community can accommodate 30,000 people living and working in the development area. A transaction for the residential lot in the first phase of the project was completed in September 2020.

Construction of the industrial park has started, with a number of high-tech enterprises showing interest in moving their offices into the park.

Steady progress has also been made in our urban development project, CITIC Coastal City in Shantou. This project has a 6.7km long transbay tunnel, inclusive of a 3km underwater tunnel. It is the first mega-diameter tunnel in China excavated with the shield tunneling method, located in an 8-degree seismic zone and crossing the seabed with a complex geological structure. Excavation of the combined eastern and western tunnels leading to the New Town was completed during the year. The first batch of educational, cultural, sport, and public facilities have already been put into use, and the area has been made more habitable and functional, with improvements to the community's landscape.

Key Development Projects

I. Lujiazui Harbour City, Shanghai (50% owned)	
Site area:	249,400m ²
Gross floor area:	872,800m ²
Completed area:	872,800m ²
Use:	Office, retail, hotel and residential
<p>Lujiazui Harbour City is located on the south shore of the Huangpu River in central Shanghai. The project comprises eight high-end office buildings, a five-star hotel and serviced apartments, luxury residences, and recreational and commercial facilities.</p> <p>Seven out of the eight office buildings in this project have been delivered to China Construction Bank, Agricultural Bank of China, United Overseas Bank, China Industrial Bank, Shanghai HY Investments Company, ICBC, and China Life, respectively. One office building is held and operated by CITIC. The Mandarin Oriental Hotel and its serviced apartments located within this project are currently in operation. As of the end of 2020, all of the retail and office portions were put into operation, making this development a new landmark of art, culture and commerce in Shanghai.</p>	
	
II. T Center, Shanghai (100% owned)	
Site area:	60,335m ²
Gross floor area:	229,372m ²
Use:	Office and retail
<p>Located in the western part of Shanghai, this office and retail development will integrate high-rise office towers with commercial centres at street level and a shopping arcade in the subway station. Construction of the project is under way. The company increased its stake from 50% to 100% in January 2020.</p>	
	
III. Harbour City, Wuhan, Hubei province (85% owned)	
Site area:	229,040m ²
Gross floor area:	1,173,000m ²
Use:	Office, commercial apartment, retail, residential
<p>This project is located between the first and second ring roads of Wuhan in the Riverside Commercial Zone of the CBD, which has the highest growth potential in the city, with 600 metres of the project's east boundary facing the river with uninterrupted scenic views and convenient public transport. Construction is underway.</p>	
	

IV. Optics Valley Xintiandi, Wuhan, Hubei province		(50% owned)
Site area:	353,800m ²	
Gross floor area:	1,197,400m ²	
Completed area:	125,300m ²	
Use:	Office, residential, commercial apartment, retail	
<p>This mixed-use project is being developed under a 50:50 joint venture between the company and Shui On Group. It is located in the heart of the East Lake High-tech Development Zone in Wuhan. Construction is underway.</p>		

V. T Center, Nanjing, Jiangsu province		(100% owned)
Site area:	31,200m ²	
Gross floor area:	131,100m ²	
Use:	Office, commercial apartment, retail	
<p>This site will be developed into a medium-to high-end mixed-use development consisting of office towers, serviced apartments and retail shops. The project is located above a subway station in the highly sought after Gulou District of Nanjing. Situated in the heart of Nanjing's political, economic and cultural life, this area is the epicentre of the city. Construction is under way.</p>		

VI. CBD Project, Jinan, Shandong province		(50% owned)
Site area:	79,300m ²	
Gross floor area:	355,900m ²	
Use:	Office, residential, retail	
<p>This project, which includes a Grade A office tower, is jointly developed with a subsidiary of a local wholly state-owned enterprise in Jinan, capital of Shandong province. The project site is located in the heart of Jinan's economic centre close to the city's high-tech park and will be developed into a landmark of the city. Construction is underway.</p>		

VII. Phase I of Harbour City, Guangzhou, Guangdong province		(50% owned)
Site area:	44,800m ²	
Gross floor area:	220,000m ²	
Use:	Office, residential, retail	
<p>The project is located in the key area of the riverfront in Liwan District, Guangzhou, with a first-line view of the Pearl River. It will be developed into an urban complex consisting of residential, retail and office properties. After completion, the project will become a new landmark for cultural and recreational activities along the riverfront of Guangzhou and a new urban centre that introduces new businesses to the city. Construction is underway.</p>		

VIII. Taihu New City Project, Suzhou, Jiangsu province (100% owned)

Site area:	55,900m ²
Gross floor area:	234,800m ²
Use:	Office, residential, retail

The project is located at the core of Taihu New City, a CBD of Suzhou with a good view of Taihu Lake and convenient public transport. The project will be developed into a premium mixed-use project including residential, retail and office properties. Construction is under way.



Major Investment Properties

CITIC Tower, Beijing
(100% owned)



Approx. gross area: 437,000m²
Purpose: Office

Capital Mansion, Beijing
(100% owned)



Approx. gross area: 140,200m²
Purpose: Office

CITIC Square, Shanghai
(100% owned)



Approx. gross area: 132,300m²
Purpose: Office and retail

CITIC Building, Beijing
(100% owned)



Approx. gross area: 62,200m²
Purpose: Office

CITIC Tower, Hong Kong
(100% owned)



Approx. gross area: 52,000m²
Purpose: Office and retail

Financial Review

Highlights

In 2020, the Group achieved revenue of HK\$552,949 million, up by 4.5% year on year on a comparable basis^{note}, of which 41% came from the financial segment and 59% from the non-financial segments. After the COVID-19 pandemic was brought under control, the Group resumed business and production and in the second half of 2020 recorded an increased net profit attributable to ordinary shareholders of 45% year on year. This enabled the Group as a whole to achieve a profit growth rate of 5.1% year on year that reached HK\$56,628 million, of which 1.6% was in the financial segment and 15% in the non-financial segments.

The business performance of the Group's comprehensive financial services showed a year-on-year improvement in 2020. Net profit attributable to the shareholders of CITIC Bank increased by 2.0%; net profit attributable to ordinary shareholders of CITIC-Prudential Life increased by 40%, exceeding the industry average; and profit attributable to ordinary shareholders of CITIC Securities and CITIC Trust increased by 22% and 7.3% respectively, which maintained these businesses' top ranking in the industry.

In the non-financial segments, net profit attributable to ordinary shareholders increased by 15% year on year, with a year-on-year growth rate of 85% in the second half of the year. The performance of the advanced materials segment was robust, with net profit attributable to ordinary shareholders of CITIC Metal and CITIC Pacific Special Steel increasing by 80% and 12% respectively, both hitting record highs. For a second consecutive year, the Sino Iron Project achieved a sharp increase in profit year on year. In addition, the Group's domestic property development and engineering construction projects benefited from the improved policy environment after COVID-19, with a year-on-year improvement of nearly 21% in net profit attributable to ordinary shareholders. In addition, CITIC Heavy Industries' offshore wind power business continued to develop rapidly, while CITIC Press's overall market share in book publishing rose to the number one position in the country, with an increase in net profit attributable to ordinary shareholders for both businesses of 67% and 12% respectively.

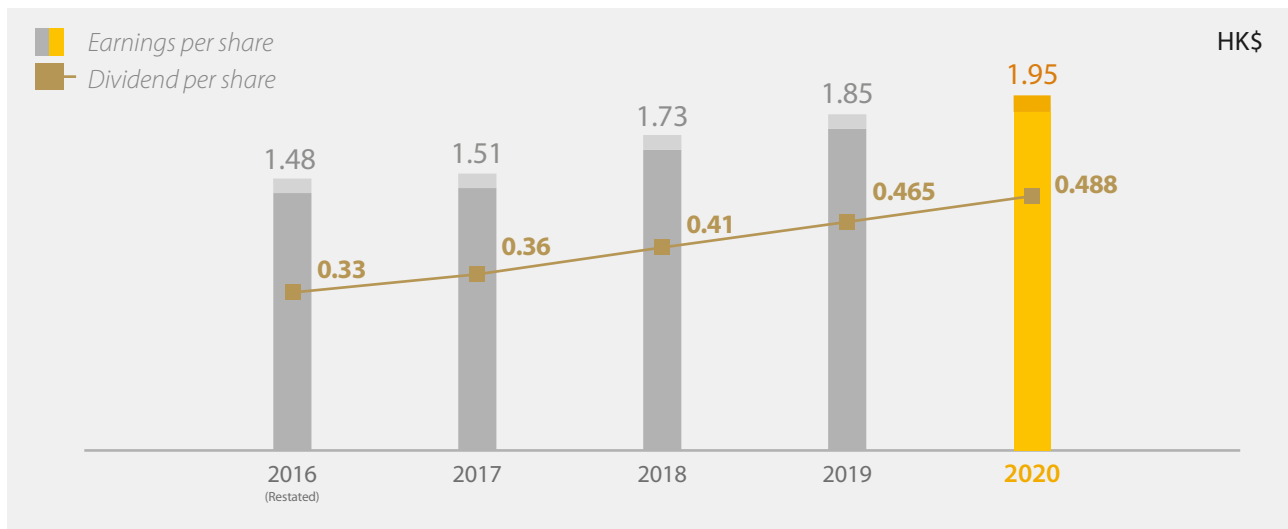
^{note}

The comparable basis refers to the assumption that CITIC Dicastal's financial statements were consolidated for the whole year of 2020, while McDonald's China's financial statements consolidated for the year of 2019 were consistent with the year of 2020.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK\$1.95 in 2020, an increase of 5.1% from HK\$1.85 in 2019. As at 31 December 2020, the number of ordinary shares outstanding was 29,090,262,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK\$0.388 per share to ordinary shareholders. Together with the interim dividend of HK\$0.1 per share paid in September 2020, the total ordinary dividend will be HK\$0.488 (2019: HK\$0.465 per share). This equates to an aggregate cash distribution of HK\$14,196 million.



Segment Results

Comprehensive Financial Services

HK\$ million	2020	2019	Increase/(Decrease)		Increase/(decrease) excluding the effect of currency translation (%)
			Amount	%	
Revenue from external customers	229,103	222,316	6,787	3.1%	4.4%
Net profit	65,437	63,533	1,904	3.0%	4.4%
Profit attributable to ordinary shareholders	43,516	42,845	671	1.6%	2.9%
Business assets	9,113,747	7,703,980	1,409,767	18%	11%

In 2020, this segment achieved revenue of HK\$229,103 million, with a net profit of HK\$65,437 million and net profit attributable to ordinary shareholders of HK\$43,516 million, up by 3.1%, 3.0% and 1.6% year on year respectively. These figures exclude the translation impact caused by RMB exchange rate depreciation, which rose 4.4%, 4.4% and 2.9% year on year respectively. All financial subsidiaries achieved results growth, among which insurance, securities and trust businesses were the major profit drivers.

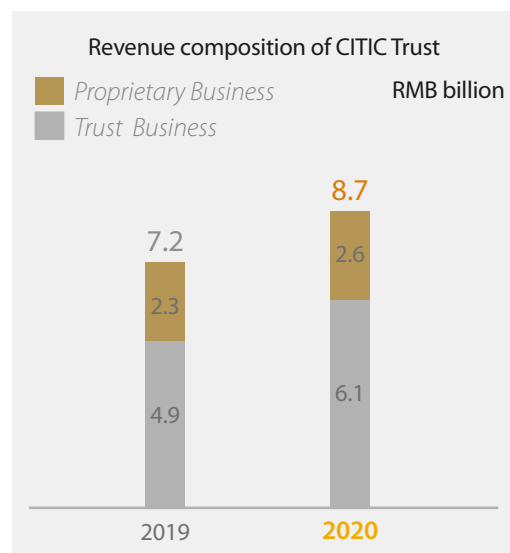
CITIC Bank achieved revenue of RMB195,399 million in 2020, with a profit before provisions of RMB140,846 million for the year, representing a year-on-year growth of 4.0% and 5.3% respectively. CITIC Bank continued to increase its loans to organisations in key industries, such as inclusive financing, manufacturing and the private sector. Its year-end deposit and loan size increased by 12% compared with the beginning of the year, contributing to a year-on-year increase of 11% in average interest-earning assets and a year-on-year increase of 2.4% in net interest income. The average net interest margin fell to 2.26% due to the downward impact of market interest rates. Non-interest income increased by 9.6% year on year, driven by an increase in fee and commission income from wealth management and fund custody services and income from bond investment. The proportion of non-interest income rose by 1.2 percentage points to 23.0%.

CITIC Bank achieved a net profit attributable to its shareholders of RMB48,980 million for the year, up by 2.0% year on year, but the Group's equity profit decreased by 1.5% year on year due to the issuance of up to RMB40,000 million in perpetual bonds. In order to strengthen asset quality and prevent risk, CITIC Bank steadily and orderly promoted the disposal of non-performing assets. The provision for credit impairment loss and other impairment losses increased by 7.4% year on year to RMB82,989 million, while the total disposal of non-performing loans increased by 13% to about RMB92,700 million and the recovery from written-off loans rose to approximately RMB10,000 million. The non-performing loan ratio at the end of the year decreased by 0.01 percentage point from the beginning of the year to 1.64%.

CITIC Trust achieved revenue of RMB8,746 million for the year, up 22% year-on-year, with net profit attributable to ordinary shareholders of RMB3,855 million, up 7.3% year-on-year; both hit new record highs and rankings at the forefront of the trust industry, according to core indicators, for 13 consecutive years. In 2020, the company continued to promote its transformation by accelerating innovation and optimising the business structure. As at the end of the year, the proportion of trust assets under active management had increased by 8 percentage points to 54% and the trust business generated revenue of RMB6,142 million, up 24% year-on-year, that put it in the top ranking of trust companies.

CITIC Securities^{note} achieved revenue of RMB71,869 million for the year, up 26% year-on-year. In 2020, net profit attributable to ordinary shareholders was RMB14,902 million, up 22% year-on-year. Benefiting from improvements in capital market sentiment, the company achieved stable growth in each business and remained an industry leader in investment banking, wealth management, financial market business and asset management.

CITIC-Prudential Life^{note} achieved premium income of RMB23,361 million for the year, up 9.4% year-on-year, while net profit attributable to ordinary shareholders was RMB2,509 million, up 40% year-on-year, both exceeding the average growth rates of the industry. This was due primarily to the company's adherence to its diversified and differentiated distribution strategy and synergy advantage. Premium income from bancassurance recorded a significant increase of 31%, accounting for 47% of overall premium income. The size and efficiency of assets under management has also been improving, with an increase of 40% in size to RMB127,524 million at the end of 2020 as compared with the beginning of the year. The investment return rate increased 1.31 percentage points year-on-year to 6.05%.



^{note} CITIC Securities and CITIC-Prudential Life are both associates and joint ventures of CITIC Limited, which holds 15.47% and 50% equity interests respectively, without consolidating their financial statements.

To capitalise on its competitive advantages and promote business collaboration, the Group set up a special committee in 2020. The role of this committee is to coordinate the Group's cornerstone financial businesses with external enterprises and enhance their competitiveness and ability to serve its non-financial businesses.

Collaboration among the Group's financial businesses has increased significantly. In 2020, the Group provided co-financing of RMB1,078.2 billion and achieved RMB45.1 billion in cross-sales (excluding monetary funds), up by 68% and 142% year on year respectively. By year end, the scale of asset custody, annuity cooperation and family trust had reached RMB845.8 billion, RMB67.6 billion and RMB37.2 billion respectively, an increase of 20%, 80% and 48% over the beginning of the year.

External cooperation was further strengthened in 2020 by focusing on regional development and the implementation of the Group's key customer strategy, as well as greater cooperation with major regions and leading enterprises. By the end of 2020, the Group had signed strategic cooperation agreements with 32 governments and 43 corporations from the banking, insurance, energy, manufacturing and other sectors.

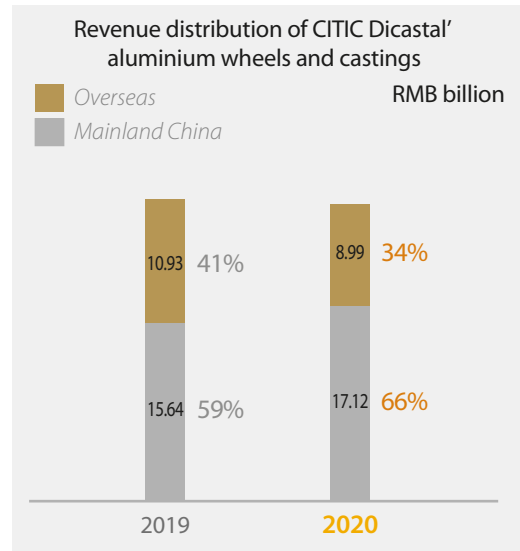
A number of key projects were implemented during the year that reflected the extent of the cooperation achieved between financial and non-financial businesses. For example, in 2020 the Group was involved in the largest mixed-owner reform project (XCMG) in the country, which will help to support the development of this company. Investment in Ivanhoe, together with the cooperative efforts of CITIC Metal, CITIC Heavy Industry, CITIC Construction and CITIC finance, enabled the Group to bring made-in-China equipment to Africa and solidify its position in the global mining industry.

Advanced Intelligent Manufacturing

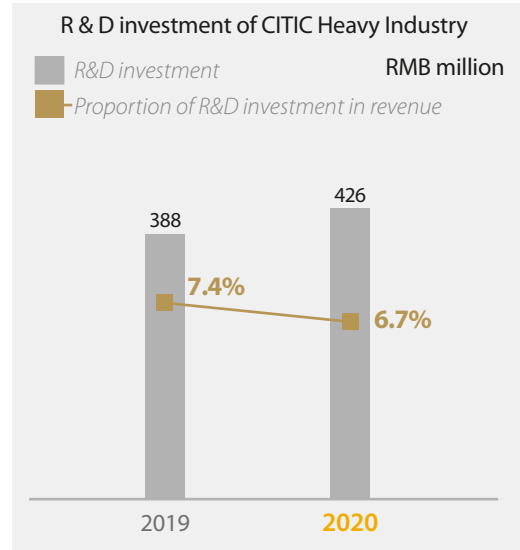
HK\$ million	2020	2019	Increase/(Decrease)		Comparable Basis	Increase/(decrease) excluding the effect of currency translation (%)
			Amount	%		
Revenue from external customers	13,759	35,942	(22,183)	(62%)	1.0%	(61%)
Net profit	623	1,197	(574)	(48%)	(17%)	(47%)
Profit attributable to ordinary shareholders	453	1,132	(679)	(60%)	(60%)	(59%)
Business assets	58,719	27,930	30,789	110%	N/A	98%

In 2020, it achieved revenue of HK\$13,759 million, up by 1.0% year on year on a comparable basis, as well as net profit of HK\$623 million and net profit attributable to ordinary shareholders of HK\$453 million, down by 17% and 60% respectively on a comparable basis, mainly due to reduced shareholding in CITIC Dicatal, as well as a loss recorded at the company's subsidiary KSM production facility in Germany.

CITIC Dicastal seized the opportunity of the post-COVID-19 recovery in China’s auto market and expanded its domestic market share. In the second half of the year, the year-on-year growth rate of sales of aluminium wheel and castings turned from negative to positive, reaching 17% and 19% respectively, and the cumulative sales for the year achieved growth, with aluminium wheel production and sales ranking first in the world for twelve consecutive years. However, due to the lower prices of domestic products than those in overseas markets, the company achieved revenue of RMB26,103 million, basically the same as that of the previous year. The net profit attributable to ordinary shareholders dropped by 26% to RMB718 million due to the loss caused by the suspension of production of its subsidiary KSM in Germany as a result of the COVID-19 in Europe.



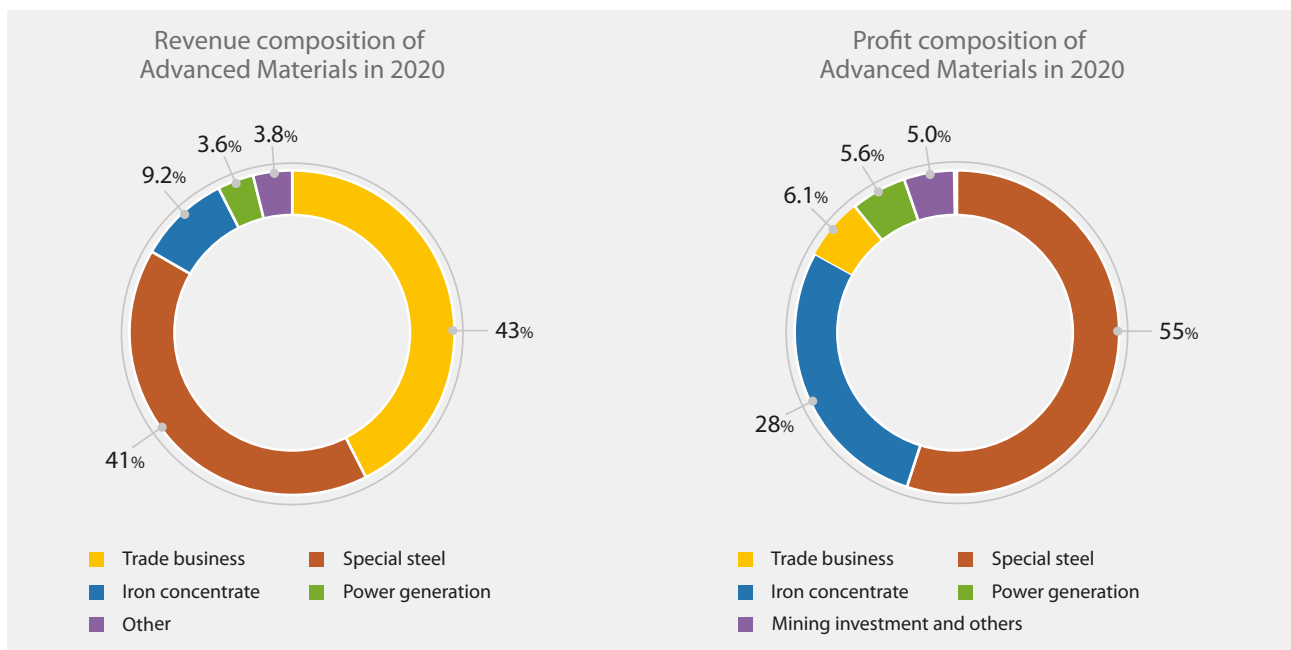
CITIC Heavy Industries’ heavy machinery business improved, driving revenue up by 21% to RMB6,318 million, and new orders in force exceeded RMB10,000 million, up by 48% year on year, reaching a record high. The increase in revenue boosted gross profit, and the net profit attributable to ordinary shareholders increased by 67% year on year to RMB195 million. The specialised robotics and intelligent equipments business remained an important part of the company’s profit, contributing RMB101 million. The company made great efforts to seek breakthroughs in the “bottleneck” fields such as high-end casting manufacturing and specialised robots and invested RMB426 million in research and development this year, accounting for 6.7% of its revenue.



Advanced Materials

HK\$ million	2020	2019	Increase/(Decrease)		
			Amount	%	Increase/(decrease) excluding the effect of currency translation (%)
Revenue from external customers	195,754	178,399	17,355	9.7%	9.7%
Net profit	11,463	9,619	1,844	19%	19%
Profit attributable to ordinary shareholders	10,149	7,925	2,224	28%	28%
Business assets	239,155	227,711	11,444	5.0%	5.0%

In 2020, this segment achieved revenue of HK\$195,754 million, net profit of HK\$11,463 million and net profit attributable to ordinary shareholders of HK\$10,149 million, up by 9.7%, 19% and 28% respectively year-on-year. These increases were mainly contributed by the Sino Iron Project, CITIC Metal and CITIC Pacific Special Steel.



CITIC Pacific Special Steel recorded revenue of RMB74,728 million, representing a year-on-year increase of 2.9%. Through linkages in production, sales and research, the company was able to record a 5.4% year-on-year increase in sales of special steel to reach nearly 14 million tons. This was made possible by developing new products, new customers and new fields as well as making timely adjustments to its product mix and taking advantage of opportunities under national policies encouraging new infrastructure. Advantages of scale, cost reductions and efficiency enhancements all helped the company achieve an increased net profit attributable to ordinary shareholders of 12% year on year to RMB6,024 million, with record highs achieved in all major operating and business indicators.

The **Sino Iron Project** recorded revenue of HK\$18,978 million and net profit attributable to ordinary shareholders of HK\$3,392 million for the year, driven by a strong iron ore price and continued improvements in operating efficiency and ongoing cost control efforts.

CITIC Metal recorded revenue of HK\$88,505 million with a net profit attributable to ordinary shareholders of HK\$1,731 million, representing a year-on-year growth of 21% and 80%, respectively. Niobium products continued to maintain their 80% domestic market share in 2020, during which trading volumes of iron ore exceeded 53 million tons and the profitability of the trading business increased by 34% year on year. Due to the impact of the COVID-19 pandemic, the equity profit of mining investments declined year on year. Nevertheless, the decrease in profit from the company's overseas mining investment was made up by realising the equity in domestic investment projects such as China Platinum.

Affected by the drop in prices of commodities such as crude oil, **CITIC Resources** recorded revenue of HK\$2,850 million, representing a drop of 17% year-on-year and marking a turn from profit to loss. By optimising production technology, reducing costs and enhancing efficiency, the company recorded a year-on-year decrease in oilfield cash costs and full costs of 25% and 11%, respectively, to achieve an operating profit of HK\$49 million in the crude oil business. In addition, the company disposed of its equity interest in CITIC Dameng during the year for a return of HK\$1,080 million in cash, effectively replenishing the company's liquidity. The interest-bearing debt ratio was the lowest in recent years.

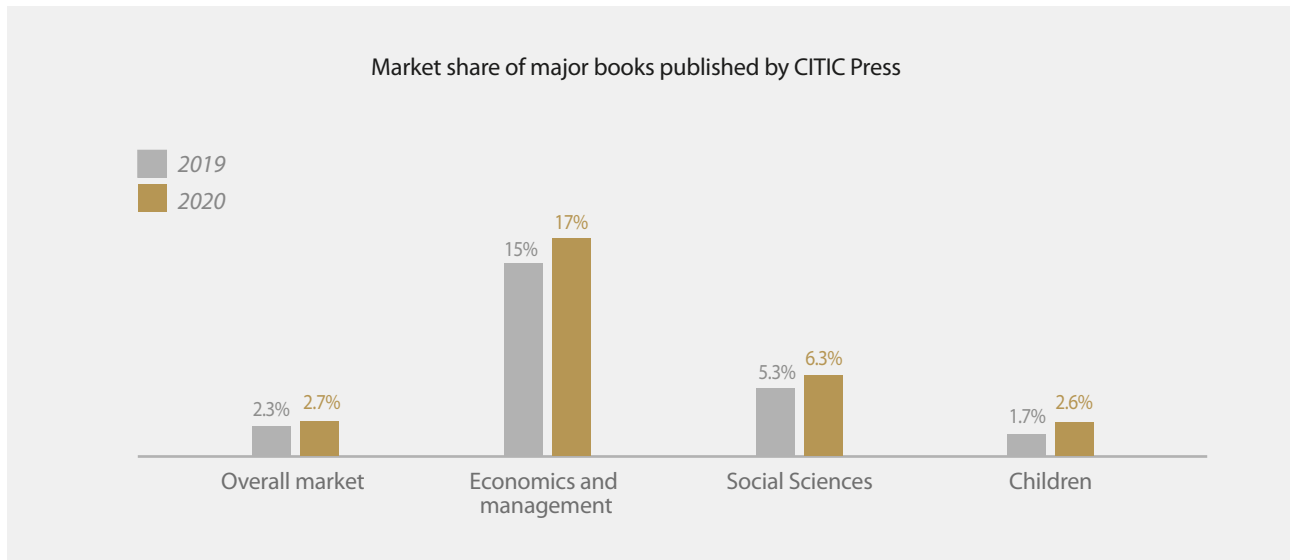
The Ligang Power Plant, in which **CITIC Pacific Energy** has an investment, grew by 2.5% year on year and continued to deliver satisfactory operating results. However, the net profit attributable to ordinary shareholders fell by 51% year on year to HK\$707 million due to lower coal sales of the Xin Julong coal mine in which the company also has an investment.

New Consumption

HK\$ million	2020	2019	Increase/(Decrease)		Comparable Basis	Increase/(decrease) excluding the effect of currency translation (%)
			Amount	%		
Revenue from external customers	70,056	89,017	(18,961)	(21%)	(4.4%)	(21%)
Net profit	1,278	2,451	(1,173)	(48%)	(41%)	(48%)
Profit attributable to ordinary shareholders	894	1,134	(240)	(21%)	(21%)	(21%)
Business assets	76,157	98,713	(22,556)	(23%)	N/A	(24%)

In 2020, this segment achieved revenue of HK\$70,056 million, with a net profit of HK\$1,278 million and net profit attributable to ordinary shareholders of HK\$894 million. This represented a year-on-year decline of 4.4%, 41% and 21% respectively on a comparable basis, mainly due to the impact of COVID-19 on the McDonald's business in China.

CITIC Press sustained positive growth with revenue of RMB1,892 million for the year and a rise in net profit attributable to ordinary shareholders of 12% year on year to RMB282 million. This was the result of the rapid migration to online sales, leading to increases in online revenue of 11% year on year, effectively compensating for the impact of COVID-19 on the offline business. CITIC Press ranked first in the overall book market in China, including books on economics, management and social science. Revenue from children’s books achieved a 31% year-on-year increase, making this a counter-trend in the overall decline of the book market.



Dah Chong Hong recorded revenue of HK\$49,361 million, which was basically the same as that of the previous year, and the automobile business accounted for 80% of this company’s revenue. Reliant on consumer purchases, the motor and consumer businesses of DCH were deeply affected by the COVID-19, particularly in the first half of 2020, but the market had gradually improved in the second half of the year. Net profit attributable to ordinary shareholders fell 15% year on year to RMB136 million, but the Group’s share of net profit from equity rose 49% year on year as a result of DCH became a wholly-owned subsidiary after privatization.

CITIC Telecom International achieved revenue of HK\$8,923 million and a net profit attributable to ordinary shareholders of HK\$1,023 million, which was basically the same as that of the previous year. The combined effect of growth in the international telecommunications and other businesses as well as a decline in mobile businesses continued to generate stable cash inflows for the company.

CITIC Agriculture’s main investment projects, Longping High-tech and Longping Brazil, recorded sales growth in hybrid rice and corn seeds, which drove overall performance and a turnaround to profitability. Net profit attributable to ordinary shareholders was RMB52 million, with Longping Brazil achieving profitability for the first time after the investment.

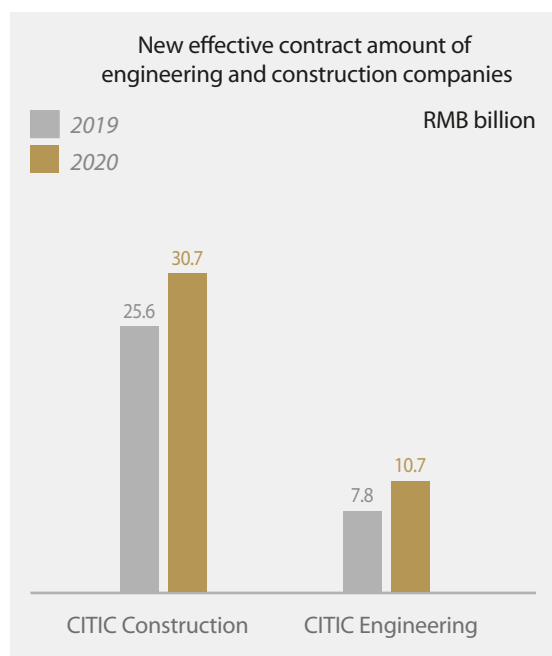
New-Type Urbanisation

HK\$ million	2020	2019	Increase/(Decrease)		Increase/ (decrease) excluding the effect of currency translation (%)
			Amount	%	
Revenue from external customers	44,224	40,718	3,506	8.6%	9.7%
Net profit	9,920	8,546	1,374	16%	17%
Profit attributable to ordinary shareholders	9,409	8,025	1,384	17%	18%
Business assets	309,736	277,700	32,036	12%	7.8%

In 2020, this segment realised revenue of HK\$44,224 million, a net profit of HK\$9,920 million and net profit attributable to ordinary shareholders of HK\$9,409 million, up by 8.6%, 16% and 17% year on year respectively. The year-on-year profit growth was mainly due to the improvement in domestic property development and engineering construction, as well as the write-down of the carrying cost of equity investment in COLI in the same period last year.

Property development, operation and management companies such as **CITIC Pacific Properties** and **CITIC Urban Development** registered total revenue of HK\$10,288 million and a net profit attributable to ordinary shareholders of HK\$6,649 million for the year, up by 73% and 50% year on year respectively. In addition to the share of net profit from COLI' equity and rental income from investment properties, profits were mainly derived from the sales of projects such as Lujiazui Harbour City, Shanghai and The Entrance at Ma On Shan, Hong Kong, as well as the settlement of primary land developments that included the Guangzhou Shipyard Project, Ningbo FengHua Project and Shantou Coast New Town.

Construction and engineering companies such as **CITIC Construction** and **CITIC Engineering** achieved total revenue of HK\$25,814 million, up by 10% and a net profit attributable to ordinary shareholders of HK\$1,891 million, down by 10% year on year. These companies benefited from resumption of work after COVID-19 had subsided and the acquisition of new domestic projects, with revenue and profit increasing by 17% and 7.4% year on year respectively in the second half of the year. New contracts in force for the year were valued at RMB41.4 billion, up by 24% year on year.



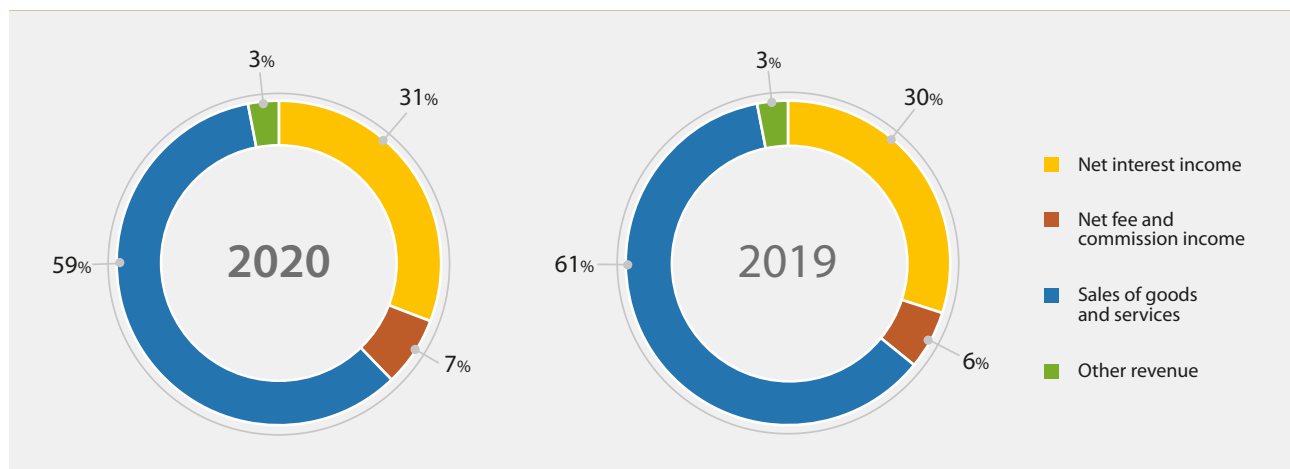
CITIC Industrial Investment, **CITIC Environment**, **CITIC Pacific Healthcare**, **CITIC COHC** and other urban operation companies achieved total revenue of HK\$9,345 million and a net profit attributable to ordinary shareholders of HK\$817 million for the year, down by 19% and 50% year on year respectively, mainly due to a weaker performance of healthcare businesses and others.

Group Financial Results

Revenue

By nature

HK\$ million	Year ended 31 December		Increase/(Decrease)	
	2020	2019	Amount	%
Net interest income	172,018	170,142	1,876	1.1%
Net fee and commission income	39,178	35,963	3,215	8.9%
Sales of goods and services	323,808	344,076	(20,268)	(5.9%)
– Sales of goods	268,964	293,731	(24,767)	(8.4%)
– Revenue from construction contracts	24,984	22,853	2,131	9.3%
– Revenue from other services	29,860	27,492	2,368	8.6%
Other revenue	17,945	16,316	1,629	10%



Note: The CITIC Bank reclassified the instalment income of credit card-based consumption from fee income to interest income as of 2020, and financial indicators related to net interest income and net fee and commission income during the comparable periods were restated.

Expected credit losses and other impairment losses

In 2020, expected credit losses and other impairment losses of HK\$100,576 million were recorded, an increase of 5.0% from the year before. CITIC Bank accounted for HK\$93,141 million of these losses, including HK\$77,761 million expected credited losses in its loans and advances to customers.

Net finance charges

In 2020, The finance costs of the Group amounted to HK\$11,150 million, a year-on-year decrease of HK\$1,553 million, or 12%, mainly due to the decrease in interest expenses from loans.

In 2020, the finance income of the Group amounted to HK\$1,266 million, a year-on-year decrease of HK\$998 million, or 44%, mainly due to the decrease in interest income from bank deposits.

Income tax

In 2020, income tax of the Group was HK\$16,790 million, a decrease of HK\$1,037 million as compared with last year, mainly due to the increase in tax-free income from CITIC bank and other subsidiaries.

Group Cash Flows

HK\$ million	CITIC Limited Year ended 31 December				CITIC Bank Year ended 31 December			
	2020	2019	Increase/ (Decrease)	%	2020	2019	Increase/ (Decrease)	%
Net cash generated from operating activities	193,225	160,082	33,143	21%	176,053	133,039	43,014	32%
Net cash used in investing activities	(256,167)	(296,511)	40,344	14%	(244,948)	(287,831)	42,883	15%
Including: Proceeds from disposal and redemption of financial investments	3,043,255	2,239,189	804,066	36%	2,885,470	2,207,127	678,343	31%
Payments for purchase of financial investments	(3,292,092)	(2,519,759)	(772,333)	(31%)	(3,123,840)	(2,491,588)	(632,252)	(25%)
Net cash generated from financing activities	36,018	84,080	(48,062)	(57%)	51,596	114,397	(62,801)	(55%)
Including: Proceeds from new bank and other loans and new debt instruments issued	1,052,516	788,417	264,099	33%	905,749	666,815	238,934	36%
Repayment of bank and other loans and debt instruments issued	(951,030)	(685,251)	(265,779)	(39%)	(808,299)	(553,670)	(254,629)	(46%)
Interest paid on bank and other loans and debt instruments issued	(36,566)	(37,043)	477	1.3%	(25,049)	(25,965)	916	3.5%
Dividends paid to ordinary shareholders	(11,200)	(12,799)	1,599	12%	(16,941)	(14,845)	(2,096)	(14%)
Dividends paid to non-controlling interests	(9,987)	(8,369)	(1,618)	(19%)	-	-	-	-
Net decrease in cash and cash equivalents	(26,924)	(52,349)	25,425	49%	(17,299)	(40,395)	23,096	57%
Cash and cash equivalents at 1 January	463,038	522,808	(59,770)	(11%)	382,291	429,136	(46,845)	(11%)
Effect of exchange rate changes	16,588	(7,421)	24,009	324%	14,702	(6,450)	21,152	328%
Cash and cash equivalents at 31 December	452,702	463,038	(10,336)	(2.2%)	379,694	382,291	(2,597)	(0.7%)

Capital Expenditure

<i>HK\$ million</i>	Year ended 31 December		Increase/(Decrease)	
	2020	2019	Amount	%
Comprehensive financial services	7,909	4,975	2,934	59%
Advanced intelligent manufacturing	579	1,638	(1,059)	(65%)
Advanced materials	9,761	10,278	(517)	(5.0%)
New consumption	2,994	8,671	(5,677)	(65%)
New-type urbanisation	8,373	6,756	1,617	24%
Total	29,616	32,318	(2,702)	(8.4%)

Capital Commitments

As at 31 December 2020, the contracted capital commitments of the Group amounted to approximately HK\$27,075 million. Details are disclosed in note 47(f) to the financial statements.

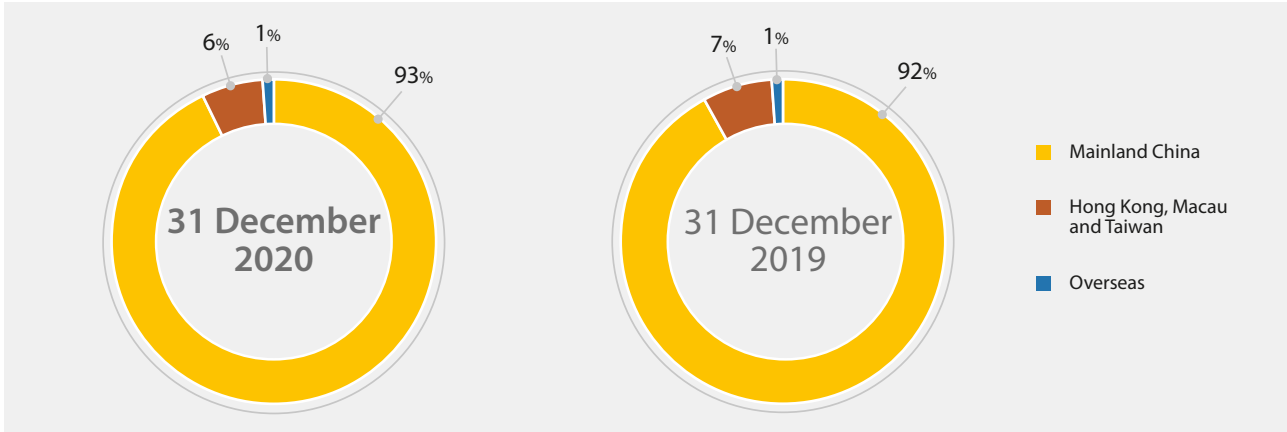
Group Financial Position

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Total assets	9,740,828	8,289,924	1,450,904	18%
Loans and advances to customers and other parties	5,206,155	4,366,639	839,516	19%
Investments in financial assets	2,553,067	2,153,729	399,338	19%
Cash and deposits	755,386	740,434	14,952	2.0%
Placement with banks and non-bank financial institutions	198,513	226,686	(28,173)	(12%)
Trade and other receivables	169,723	167,427	2,296	1.4%
Fixed assets	167,840	150,075	17,765	12%
Total liabilities	8,732,186	7,395,433	1,336,753	18%
Deposits from customers	5,427,694	4,541,841	885,853	20%
Deposits from banks and non-bank financial institutions	1,370,439	1,061,380	309,059	29%
Debt instruments issued	973,858	823,964	149,894	18%
Borrowing from central banks	266,611	268,256	(1,645)	(0.6%)
Bank and other loans	163,604	151,312	12,292	8.1%
Trade and other payables	160,943	148,908	12,035	8.1%
Total ordinary shareholders' funds	674,276	591,526	82,750	14%

Total assets

Total assets increased from HK\$8,289,924 million as at 31 December 2019 to HK\$9,740,828 million as at 31 December 2020, mainly attributable to an increase in loans and advances to customers and other parties as well as Investments in financial assets.

By geography



Loans and advances to customers and other parties

As at 31 December 2020, the loans and advances to customers and other parties of the Group was HK\$5,206,155 million, an increase of HK\$839,516 million or 19% compared to 31 December 2019. The proportion of loans and advances to customers and other parties to total assets was 53.45%, an increase of 0.78 percentage point compared to 31 December 2019.

<i>HK\$ million</i>	As at 31 December 2020	As at 31 December 2019	Increase/(Decrease)	
			Amount	%
Loans and advances to customers and other parties measured at amortised cost				
Corporate loans	2,595,572	2,201,477	394,095	18%
Discounted bills	7,947	7,995	(48)	(0.6%)
Personal loans	2,246,396	1,927,346	319,050	17%
Accrued interest	15,182	11,388	3,794	33%
Total loans and advances to customers and other parties measured at amortised cost	4,865,097	4,148,206	716,891	17%
Impairment allowances	(156,218)	(134,001)	(22,217)	(17%)
Carrying amount of loans and advances to customers and other parties measured at amortised cost	4,708,879	4,014,205	694,674	17%
Loans and advances to customers and other parties at fair value through other comprehensive income				
Personal loans	8,465	7,719	746	10%
Loans and advances to customers and other parties measured at fair value through other comprehensive income				
Corporate loans	3,203	1,029	2,174	211%
Discounted bills	485,608	343,686	141,922	41%
Carrying amount of loans and advances to customers and other parties measured at fair value through other comprehensive income	488,811	344,715	144,096	42%
Net loans and advances to customers and other parties	5,206,155	4,366,639	839,516	19%

Investments in financial assets

As at 31 December, the Investments in financial assets of the Group was HK\$2,553,067 million, an increase of HK\$399,338 million, increased 19% compared with 31 December 2019. The proportion of Investments in financial assets to total assets was 26.21%, an increase of 0.23% compared with 31 December 2019.

(a) Analysed by types

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Debt securities	1,713,503	1,384,079	329,424	24%
Investment management products managed by securities companies	128,035	212,055	(84,020)	(40%)
Investment funds	368,171	268,230	99,941	37%
Trust investment plans	235,803	190,837	44,966	24%
Certificates of deposit and certificates of interbank deposit	70,127	57,780	12,347	21%
Equity investment	26,185	25,178	1,007	4.0%
Wealth management products	6,532	4,157	2,375	57%
Investments in creditor's rights on assets	96	570	(474)	(83%)
Others	2,109	484	1,625	336%
Subtotal	2,550,561	2,143,370	407,191	19%
Accrued interest	19,968	19,029	939	4.9%
Less: allowance for impairment losses	(17,462)	(8,670)	(8,792)	(101%)
Total	2,553,067	2,153,729	399,338	19%

(b) Analysed by measurement attribution

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Financial assets at amortised cost	1,156,496	1,040,997	115,499	11%
Financial assets at FVPL	528,293	403,776	124,517	31%
Debt investments at FVOCI	860,255	701,936	158,319	23%
Equity investments at FVOCI	8,023	7,020	1,003	14%
Total	2,553,067	2,153,729	399,338	19%

Deposits from customers

As at 31 December 2020, deposits from customers of the financial institutions under the Group were HK\$5,427,694 million, an increase of HK\$885,853 million or 20% compared to 31 December 2019. The proportion of deposits from customers to total liabilities was 62.16%, an increase of 0.74 percentage point compared to 31 December 2019.

HK\$ million	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Corporate deposits				
Time deposits	1,991,042	1,653,630	337,412	20%
Demand deposits	2,258,627	1,862,591	396,036	21%
Subtotal	4,249,669	3,516,221	733,448	21%
Personal deposits				
Time deposits	726,173	672,759	53,414	7.9%
Demand deposits	388,658	307,582	81,076	26%
Subtotal	1,114,831	980,341	134,490	14%
Outward remittance and remittance payables	10,763	7,227	3,536	49%
Accrued interest	52,431	38,052	14,379	38%
Total	5,427,694	4,541,841	885,853	20%

Bank and other loans

HK\$ million	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Comprehensive financial services	2,382	3,927	(1,545)	(39%)
Advanced intelligent manufacturing	15,867	7,342	8,525	116%
Advanced materials	53,753	53,264	489	0.9%
New consumption	10,301	11,673	(1,372)	(12%)
New-type urbanisation	39,217	31,874	7,343	23%
Operation management	82,529	83,431	(902)	(1.1%)
Elimination	(40,878)	(40,833)	(45)	(0.1%)
Sub-total	163,171	150,678	12,493	8.3%
Accrued interest	433	634	(201)	(32%)
Total	163,604	151,312	12,292	8.1%

Debt instruments issued

<i>HK\$ million</i>	As at	As at	Increase/(Decrease)	
	31 December 2020	31 December 2019	Amount	%
Comprehensive financial services	872,734	725,589	147,145	20%
Advanced intelligent manufacturing	–	141	(141)	(100%)
Advanced materials	772	670	102	15%
New consumption	3,496	3,493	3	0.1%
New-type urbanisation	360	352	8	2.3%
Operation management	121,736	115,644	6,092	5.3%
Elimination	(30,567)	(27,860)	(2,707)	(9.7%)
Sub-total	968,531	818,029	150,502	18%
Accrued interest	5,327	5,935	(608)	(10%)
Total	973,858	823,964	149,894	18%

Total ordinary shareholders' funds

As at 31 December 2020, total ordinary shareholders' funds of the Group amounted to HK\$674,276 million, an increase of HK\$82,750 million as compared with 31 December 2019. This was mainly attributable to the growth in net profits.

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.

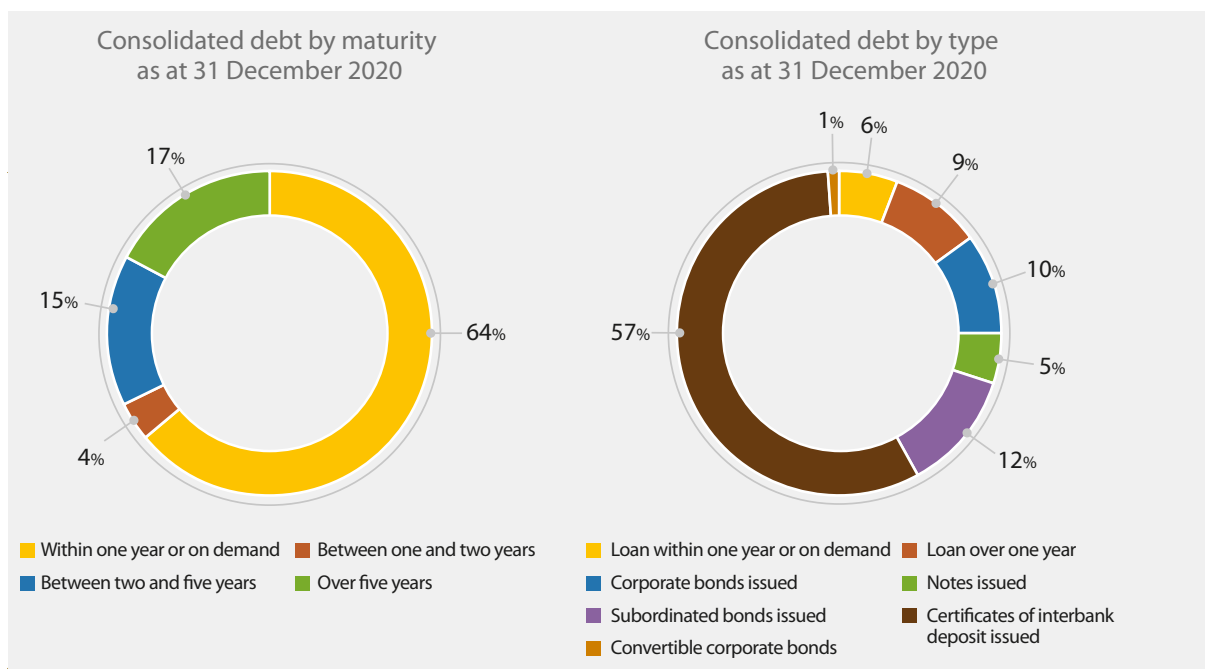
As at 31 December 2020, consolidated debt of CITIC Limited⁽¹⁾ was HK\$1,131,702 million, including loans of HK\$163,171 million and debt instruments issued⁽²⁾ of HK\$968,531 million. Debt of CITIC Bank⁽³⁾ accounted for HK\$837,209 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$12,890 million and available committed facilities of HK\$37,790 million.

The details of debt are as follows:

As at 31 December 2020	<i>HK\$ million</i>
Consolidated debt of CITIC Limited	1,131,702
Among which: Debt of CITIC Bank	837,209

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 interbank deposit issued and convertible corporate bonds 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 interbank deposit issued and convertible corporate bonds excluding interest accrued and convertible corporate bonds that have been subscribed by another subsidiary of the group.



The debt to equity ratio of CITIC Limited as at 31 December 2020 is as follows:

<i>HK\$ million</i>	Consolidated
Debt	1,131,702
Total equity ⁽⁴⁾	1,008,642
Debt to equity ratio	112%

Note:

(4) Total consolidated equity is based on the "total equity" in the Consolidated Balance Sheet.

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 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 48(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2020 are set out in Note 47 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary pledged as security for CITIC Limited's loan as at 31 December 2020 are set out in Note 42(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	Moody's
31 December 2020	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.

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

Details of currency risk management are set out in Note 48(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.

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 or forward contracts 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. 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, real estate, 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.

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 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, real estate operations, 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.

Five Year Statistics

Operating Results

<i>HK\$ million</i>	Year ended 31 December				
	2016 (Restated)	2017	2018	2019	2020
Revenue	381,662	450,536	533,285	566,497	552,949
Profit before taxation	70,791	82,783	93,969	96,015	97,718
Net Profit	62,696	65,096	75,025	78,188	80,928
Net profit attributable to ordinary shareholders	43,146	43,902	50,239	53,903	56,628
Basic earnings per share (HK\$)	1.48	1.51	1.73	1.85	1.95
Diluted earnings per share (HK\$)	1.48	1.51	1.73	1.85	1.95
Dividend per share (HK\$)	0.33	0.36	0.41	0.465	0.488
Return on net assets (%)	9.0%	8.6%	9.1%	9.4%	8.9%
Dividend payout ratio (%)	22%	24%	24%	25%	25%

Financial Condition

<i>HK\$ million</i>	As at 31 December 2016 (Restated)	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	7,239,489	7,520,739	7,660,713	8,289,924	9,740,828
Total liabilities	6,542,816	6,727,098	6,850,053	7,395,433	8,732,186
Total ordinary shareholders' funds and perpetual capital securities	491,002	550,951	558,545	591,526	674,276
Ordinary shareholders' funds per share (HK\$)	16.61	18.67	19.20	20.33	23.18
Credit ratings					
– Standard & Poor's	A-/Negative	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Stable
– Moody's	A3/Negative	A3/Negative	A3/Stable	A3/Stable	A3/Stable

Corporate Governance

Corporate Governance Practices

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. We attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect and are committed to comply with the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of CITIC Limited, with particular focus on our accountability to shareholders and stakeholders. This report describes how CITIC Limited has applied its corporate governance practices to its everyday activities.

CITIC Limited has applied the principles and complied throughout the year 2020 with all the code provisions of the corporate governance code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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.

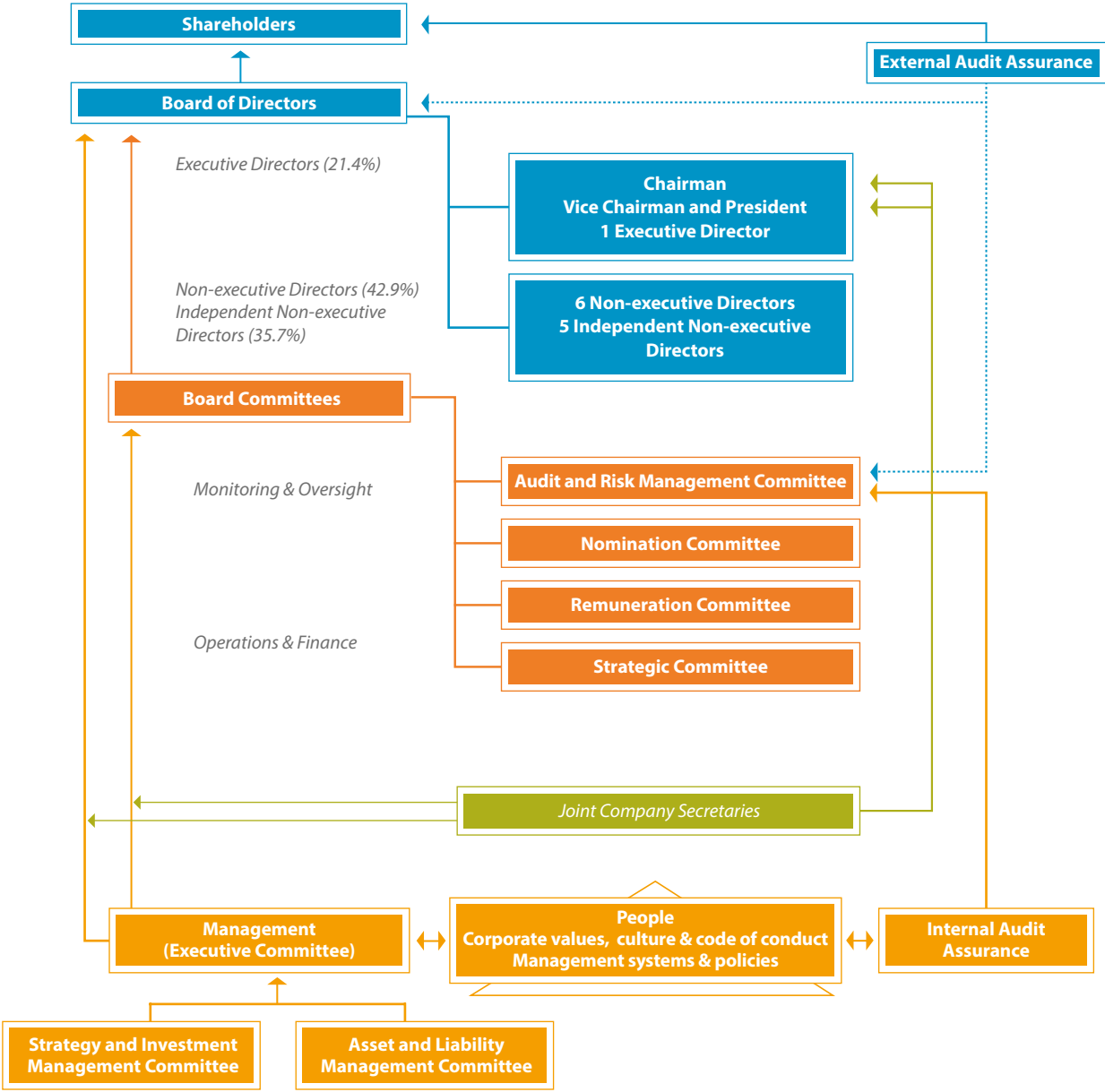
Preservation of Value and Strategy

CITIC Limited is one of China’s largest conglomerates and a constituent of the Hang Seng Index. CITIC Limited has built a remarkable portfolio of businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

CITIC Limited enjoys leading market positions in sectors well matched to China’s economy. With its rich history, diverse platform and pioneering spirit, CITIC Limited is uniquely positioned to capture opportunities in China and overseas.

Going forward, the Group will continue to take a strategic approach in developing our businesses, riding on our professional management team, strong capital base, diverse business interests and synergies with our assets. Our expectation is that CITIC Limited’s businesses will generate a return on capital invested above the cost of our capital and generate cash flow to the benefit of CITIC Limited and its shareholders. By pursuing this strategy, CITIC Limited expects to generate and preserve value for all its shareholders.

Corporate Governance Structure



Board of Directors

Overall accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of CITIC Limited. The board provides direction and approval in relation to matters concerning CITIC Limited's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive committee. In discharging their corporate accountability, directors of CITIC Limited are required to pursue excellence in the interests of the shareholders and fulfil their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year under review, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his/her responsibilities. The board is of the view that all directors have given sufficient time and attention to CITIC Limited's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in CITIC Limited and other public companies held by the directors. Mr Francis Siu Wai Keung, an independent non-executive director, has devoted sufficient time to the board notwithstanding that he currently holds directorships in four public companies (including CITIC Limited). He is the chairman of the audit and risk management committee and a member of a number of board committees which he attended and actively provided guidance and recommendations in each committee meeting. He also attended all board meetings, the annual general meeting in 2020 as well as the strategic committee and board retreat meeting. CITIC Limited considered that he has given sufficient time and attention to CITIC Limited's affairs as an independent non-executive director.

Board composition and changes

CITIC Limited announced the following changes in board composition.

On 30 March 2020, Mr Chang Zhenming resigned as chairman of the board and executive director, chairman of the nomination committee, chairman of the strategic committee and chairman of the executive committee of CITIC Limited. On the same day, Mr Zhu Hexin was appointed as chairman of the board and executive director, chairman of the nomination committee, chairman of the strategic committee and chairman of the executive committee of CITIC Limited.

On 25 August 2020, Mr Wang Jiong resigned as an executive director, vice chairman and president, a member of the nomination committee, a member of the strategic committee, vice chairman of the executive committee and chairman of the strategy and investment management committee of CITIC Limited; and Ms Yan Shuqin resigned as a non-executive director, a member of the nomination committee and a member of the strategic committee of CITIC Limited. On the same day, Mr Xi Guohua was appointed as an executive director, vice chairman and president, a member of the nomination committee, a member of the strategic committee, vice chairman of the executive committee and chairman of the strategy and investment management committee of CITIC Limited; and Ms Yu Yang was appointed as a non-executive director, a member of the nomination committee and a member of the strategic committee of CITIC Limited.

The appointment of the above directors were recommended by the nomination committee.

The board currently has 14 directors, comprising three executive directors, six non-executive directors and five independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise almost four-fifths of the board, of which independent non-executive directors satisfy the Listing Rules requirement of representing at least one-third of the board. CITIC Limited believes that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of CITIC Limited's business.

In relation to the six non-executive directors who are not independent (as considered by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), Mr Song Kangle, Mr Liu Zhuyu, Mr Peng Yanxiang and Ms Yu Yang are all non-executive directors of CITIC Group Corporation (the controlling shareholder of CITIC Limited) whilst Mr Liu Zhongyuan holds an executive position in the National Council for Social Security Fund (a shareholder of CITIC Limited) and Mr Yang Xiaoping is the senior vice chairman of CP Group.

CITIC Limited has received from each independent non-executive director a confirmation of his independence and considers that all independent non-executive directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Brief biographical particulars of the directors, together with information about the relationships amongst them, are set out on pages 115 to 118.

All directors, including the non-executive directors, have a specific term of appointment, which is not more than three years since his/her re-election by shareholders at the general meeting. Each director has entered into an appointment letter with CITIC Limited. Pursuant to Article 104(A) of CITIC Limited’s articles of association, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. One-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director and his/her re-election is subject to a vote of shareholders.

Pursuant to Article 95 of the articles of association of CITIC Limited, any director appointed by the board subsequent to the last annual general meeting either to fill a casual vacancy or as an additional director shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of CITIC Limited and shall then be eligible for re-election at such meeting. Thereafter, they shall be subject to retirement by rotation and re-election in accordance with CITIC Limited’s articles of association. Induction materials will be provided to the newly appointed directors upon their appointment.

Board responsibilities and delegation

The board collectively determines the overall strategies of CITIC Limited, monitors performance and the related risks and controls in pursuit of the strategic objectives of CITIC Limited. Day-to-day operation and management powers are delegated to the executive committee which reports to the board. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of CITIC Limited, including reports and recommendations on significant matters. All board members are provided with monthly management updates on the latest development of CITIC Limited’s businesses. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board is also responsible for CITIC Limited’s risk management and internal control systems and reviewing their effectiveness. The audit and risk management committee which acts on behalf of the board conducts a review of the effectiveness of the risk management and internal control systems annually and reports to the board on such review. Details are set out in the section below headed “Risk management and internal control”.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, changes to appointments such as directors, company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

CITIC Limited has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year under review of each board committee are set out on pages 92 to 102.

Board meetings and attendance

The board meets regularly to review the financial and operating performance of CITIC Limited and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2020. At the board meetings, the board reviewed significant matters including CITIC Limited's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and connected transactions. At each of the regular board meetings, the board received a written report from the president on CITIC Limited's major businesses, investments and projects, and corporate activities. A special board meeting was held in February 2020 to approve a connected transaction in relation to the subscription for new shares of CITIC Titanium Industry Co., Ltd (an indirect non wholly-owned subsidiary of CITIC Limited) by CITIC United Asia (Beijing) Management and Consultation Co., Ltd. (an indirect wholly-owned subsidiary of CITIC Limited) in which detailed information of the transaction was presented to the board and relevant directors abstained from voting as required under the Listing Rules. Details of the aforesaid transaction are set out in CITIC Limited's announcement dated 23 March 2020.

A schedule of board meeting dates is fixed for each year in advance. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept at the company secretariat office. Copies are provided to directors and the original minutes are available to all directors for inspection. During the year under review, in addition to the board meetings, the chairman also met with the independent non-executive directors without the presence of executive directors and non-executive directors.

The attendance record of each director at board meetings and general meeting in 2020 is set out below:

	Attendance	
	Board Meetings in 2020 (including a Special Board Meeting held in February 2020)	Annual General Meeting on 19 June 2020
Total Number of Meetings	5	1
Current Directors		
<i>Executive Directors</i>		
Mr Zhu Hexin (Chairman) ⁽¹⁾	4	✓
Mr Xi Guohua (Vice Chairman and President) ⁽²⁾	2	N/A
Ms Li Qingping	5	✓
<i>Non-executive Directors</i>		
Mr Song Kangle	5	✓
Mr Liu Zhuyu	5	✓
Mr Peng Yanxiang	5	✓
Ms Yu Yang ⁽³⁾	2	N/A
Mr Liu Zhongyuan	4	✓
Mr Yang Xiaoping	5	✓
<i>Independent Non-executive Directors</i>		
Mr Francis Siu Wai Keung	5	✓
Dr Xu Jinwu	5	✓
Mr Anthony Francis Neoh	5	✓
Mr Shohei Harada	4	✓
Mr Gregory Lynn Curl	5	✓
Resigned Directors		
<i>Executive Directors</i>		
Mr Chang Zhenming ⁽⁴⁾	1	N/A
Mr Wang Jiong ⁽⁵⁾	3	✓
<i>Non-executive Director</i>		
Ms Yan Shuqin ⁽⁶⁾	3	✓

Notes:

- (1) appointed with effect from 30 March 2020
- (2) appointed with effect from 25 August 2020
- (3) appointed with effect from 25 August 2020
- (4) resigned with effect from 30 March 2020
- (5) resigned with effect from 25 August 2020
- (6) resigned with effect from 25 August 2020

Chairman and the president

Mr Zhu Hexin serves as the chairman of CITIC Limited. Mr Xi Guohua is the president of CITIC Limited. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for CITIC Limited. The president is responsible for the day-to-day management of CITIC Limited and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Directors' continuous professional development programme

CITIC Limited has a continuous professional development programme ("CPD Programme") for directors with an aim to improve their general understanding of CITIC Limited's businesses, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. Directors may also choose to attend external courses, conferences and luncheons organised by various local organisations.

In addition, each newly appointed director is provided with a package comprising comprehensive induction materials such as the duties and responsibilities of directors under the Listing Rules and the Companies Ordinance, guidelines for directors issued by the Companies Registry of Hong Kong, legal and other regulatory requirements and the governance policies of CITIC Limited to ensure that he/she has a proper understanding of his/her responsibilities under the relevant laws, rules and regulations. During the year under review and up to the date of this report, three directors were appointed. CITIC Limited has arranged for briefings given by external legal counsel to the new directors.

Under the CPD Programme of CITIC Limited for the year 2020, directors were provided with the monthly business updates and other reading materials concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. Further, CITIC Limited has forwarded e-training courses launched by the Hong Kong Stock Exchange to the directors to help them to develop and refresh their knowledge and skills so as to ensure that their contribution to the board remains informed and relevant. Directors also attended the strategic committee and board retreat meeting held in November 2020 to discuss the corporate strategy and business development of CITIC Limited.

According to the record of the directors' participation in CITIC Limited's CPD Programme kept at the company secretariat office, a summary of training received by the directors for the period from 1 January 2020 to 31 December 2020 is as follows:

	Reading Materials/ Regulatory Updates/ Monthly Management Updates	Strategic Committee and Board Retreat Meeting
Current Directors		
<i>Executive Directors</i>		
Mr Zhu Hexin ⁽¹⁾	✓	✓
Mr Xi Guohua ⁽²⁾	✓	✓
Ms Li Qingping	✓	✓
<i>Non-executive Directors</i>		
Mr Song Kangle	✓	✓
Mr Liu Zhuyu	✓	✓
Mr Peng Yanxiang	✓	✓
Ms Yu Yang ⁽³⁾	✓	✓
Mr Liu Zhongyuan	✓	
Mr Yang Xiaoping	✓	✓
<i>Independent Non-executive Directors</i>		
Mr Francis Siu Wai Keung	✓	✓
Dr Xu Jinwu	✓	✓
Mr Anthony Francis Neoh	✓	✓
Mr Shohei Harada	✓	
Mr Gregory Lynn Curl	✓	
Resigned Directors		
<i>Executive Directors</i>		
Mr Chang Zhenming ⁽⁴⁾	✓	N/A
Mr Wang Jiong ⁽⁵⁾	✓	N/A
<i>Non-executive Director</i>		
Ms Yan Shuqin ⁽⁶⁾	✓	N/A

Notes:

- (1) appointed with effect from 30 March 2020; induction materials and briefing by external legal counsel were provided in respect of his appointment
- (2) appointed with effect from 25 August 2020; induction materials and briefing by external legal counsel were provided in respect of his appointment
- (3) appointed with effect from 25 August 2020; induction materials and briefing by external legal counsel were provided in respect of her appointment
- (4) resigned with effect from 30 March 2020
- (5) resigned with effect from 25 August 2020
- (6) resigned with effect from 25 August 2020

Board Committees

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective roles, responsibilities and activities of each board committee are set out below:

Audit and risk management committee

The 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 currently consists of two non-executive directors and three independent non-executive directors. The chairman of the committee is Mr Francis Siu Wai Keung, an independent non-executive director. Mr Siu has the relevant professional qualification and expertise in financial reporting matters. The audit and risk management committee holds four regular meetings each year (at least two of which are with CITIC Limited's external auditor). At the invitation of the audit and risk management committee, other directors, senior management and other relevant persons, as well as experts or consultants with relevant experience or expertise may also attend the meetings. The audit and risk management committee members also meet in separate private sessions with the external and internal auditors without the presence of executive directors and management at least once a year.

Duties of the audit and risk management committee

The authority, role and responsibilities of the audit and risk management committee are set out in written terms of reference. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Any amendments to the terms of reference are submitted to the board for approval. The terms of reference are available on CITIC Limited's website (https://www.citic.com/en/investor_relation/corporate_governance/AC_ToR_Eng.pdf) and the Hong Kong Stock Exchange's website.

Under its terms of reference, the audit and risk management committee shall

- review and monitor the integrity of CITIC Limited's financial information and provide oversight of the financial reporting system;
- monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of CITIC Limited's external auditor, as well as its independence;
- oversee CITIC Limited's internal audit, risk management and internal control systems, including the resources for CITIC Limited's internal audit, risk management, accounting and financial reporting functions, staff qualifications and experience, as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters ("whistle-blowing");

- undertake corporate governance functions delegated from the board, including
 - (a) reviewing CITIC Limited's policies and practices on corporate governance and making recommendations to the board as well as CITIC Limited's compliance with the CG Code and disclosure in the corporate governance report;
 - (b) reviewing and monitoring
 - (i) the training and continuous professional development of directors and senior management;
 - (ii) CITIC Limited's policies and practices on compliance with legal and regulatory requirements;
 - (iii) the code of conduct and compliance manual (if any) applicable to employees and directors; and
 - (iv) CITIC Limited's whistle-blowing policy and system.
- undertake other authorities delegated by the board.

Committee composition and meeting attendance

The composition of the audit and risk management committee during the year under review as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (Chairman)	4/4
Dr Xu Jinwu	4/4
Mr Anthony Francis Neoh	4/4
Non-executive Directors	
Mr Yang Xiaoping	4/4
Mr Peng Yanxiang	4/4
Other Attendees	
Representatives of Audit and Compliance Department	4/4
Representatives of Financial Control Department	4/4
Representatives of Office of the Board of Directors	4/4
External Auditor	4/4

The joint company secretary, Mr Ricky Choy Wing Kay acts as the secretary to the committee. The committee is supported by a working group which consists of representatives from Audit and Compliance Department, Financial Control Department, Office of the Board of Directors and other departments of CITIC Limited. The working group provides services to the committee to ensure that sufficient resources are made available for the committee to perform its duties. An agenda and committee papers are sent to the committee members at least three days prior to each regular meeting. The draft and final version of minutes are circulated to all committee members for their comments and records within a reasonable time after the meeting. Full minutes of the meetings are kept by the joint company secretary.

The chairman of the committee summarises the activities of the committee and issues arising and reports to the board after each audit and risk management committee meeting.

Work done in 2020

The audit and risk management committee performed the followings in 2020:

Financial reporting	Reviewed the 2019 annual financial statements, annual report and results announcement
	Reviewed the 2020 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2019 annual report and 2020 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed report provided by the external auditor on their statutory audit of the 2019 annual financial statements and their independent review of the 2020 half-year financial statements
	Discussed financial reporting and control matters set out in the report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of CITIC Limited's 2020 half-year financial statements and their statutory audit of the 2020 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of CITIC Limited
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the risk management and internal control of the Group, including adequacy of the staff resources, qualifications and experience of CITIC Limited's internal audit, risk management, accounting and financial reporting functions
	Approved annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters
	Noted any significant changes in financial or other risks faced by CITIC Limited and reviewed management's response to them

Corporate governance and code requirements	Reviewed reports submitted by the management on CITIC Limited's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work
	Reviewed the training and continuous professional development of directors
	Reviewed CITIC Limited's compliance with the CG Code and disclosure in the corporate governance report

At the meeting held on 26 March 2021, the audit and risk management committee reviewed and approved CITIC Limited's annual financial statements and annual report for the year ended 31 December 2020, and considered reports from the external and internal auditors. The audit and risk management committee recommended to the board for approval of the 2020 annual report.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. The terms of reference are available on CITIC Limited's website (https://www.citic.com/en/investor_relation/corporate_governance/NC_ToR_Eng.pdf) and the Hong Kong Stock Exchange's website.

The nomination committee reports directly to the board and its principal duties are:

- to review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- to identify and nominate qualified candidates to become board members and/or to fill casual vacancies for the approval of the board;
- to assess the independence of independent non-executive directors;
- to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors; and
- to review the board diversity policy and the director nomination policy, and make recommendation on any required changes to the board.

Director Nomination Policy

The nomination committee is authorised by the board to determine the policy for the nomination of directors. The Director Nomination Policy which was adopted in 2018 sets out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship which shall take into consideration the principle of diversity. A summary of the Director Nomination Policy including the objectives and the selection procedures is set out below:

- The policy is for both nomination of directors and recommendation for re-election of retiring directors.
- The nomination committee shall identify individuals from a number of sources including, without limitation, through referrals and recommendations by the management of CITIC Limited, Human Resources Department and external independent professionals.

- In the identification and evaluation process, the nomination committee shall have regard to the selection criteria which include but not limited to
 - (i) qualifications, skills, expertise, independence which contribute to the effective carrying out of the board responsibilities;
 - (ii) commitment in respect of sufficient time and relevant interest devoted to the business and affairs of CITIC Limited; and
 - (iii) board diversity including but not limited to skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service.
- The potential candidates are requested to provide the nomination committee with biographical details.
- The nomination committee shall review the qualification, experience, skills, expertise and the factors of the above selection criteria for the nomination of directors, and shall take into account the factors and requirements as set out in the Listing Rules in the case of nominating or recommending for re-election of independent non-executive directors.
- After the assessment and evaluation, if the nomination committee considers the potential candidate is suitable to be nominated as a director, it will make recommendation for the board's consideration and approval.
- The board shall approve the nomination and appoint the proposed qualified candidate as director if it agrees with the nomination committee's recommendation.
- The ultimate responsibility for selection and appointment of directors rests with the entire board.

The nomination committee shall monitor the implementation of the policy and conduct a review on an annual basis.

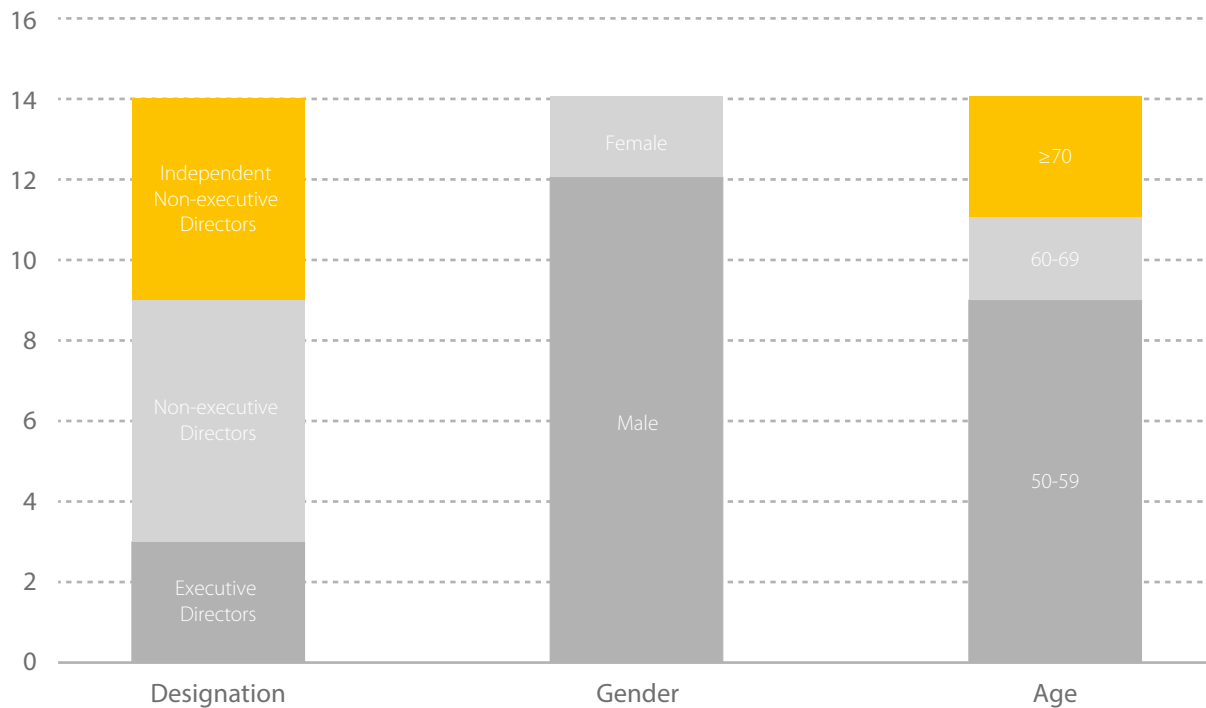
Board Diversity Policy

CITIC Limited recognises and embraces the benefits of diversity in board members. CITIC Limited sees diversity as a whole concept and believes that diversity in all aspects, including experience and expertise, provides CITIC Limited with a high level of corporate governance and penetrating insights into CITIC Limited's businesses and industry.

The Board Diversity Policy which was adopted in 2013 sets out the approach to achieve diversity in the board, which includes and makes good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective functioning of the board as a whole. CITIC Limited believes that diversity can strengthen the performance of the board, promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendation to the board for approval. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The following chart shows the diversity profile of the current board members:

Number of Directors



The board is comprised of experienced senior management from varied backgrounds, accounting and banking professionals. Nationalities of the directors are diverse, spanning Chinese, Japanese and American. Such composition serves to enrich the perspective and deliberations of the board.

The nomination committee currently comprises two executive directors, one non-executive director and four independent non-executive directors, and is chaired by the chairman of the board. The committee meets at least annually and at such other times as it shall require. The joint company secretary, Mr Ricky Choy Wing Kay acts as the secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at CITIC Limited's expense if necessary.

During the year under review, one nomination committee meeting was held and three sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the nomination committee meeting and the draft minutes were circulated to all committee members within a reasonable time after the meeting.

Committee composition and meeting attendance

The composition of the nomination committee during the year under review as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of Appointment/ Resignation
Executive Directors		
Mr Zhu Hexin (Chairman)	1/1	Appointed on 30 March 2020
Mr Xi Guohua	1/1	Appointed on 25 August 2020
Mr Chang Zhenming (Chairman)	N/A	Resigned on 30 March 2020
Mr Wang Jiong	N/A	Resigned on 25 August 2020
Non-executive Directors		
Ms Yu Yang	1/1	Appointed on 25 August 2020
Ms Yan Shuqin	N/A	Resigned on 25 August 2020
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Anthony Francis Neoh	1/1	
Mr Gregory Lynn Curl	1/1	

Work done in 2020

The nomination committee completed the following work in 2020:

- recommended the appointment of two executive directors and one non-executive director to the board for approval;
- made recommendations to the board on re-election of the directors retiring at the annual general meeting of CITIC Limited held on 19 June 2020;
- reviewed the structure, size, composition and diversity of the board;
- reviewed the board diversity policy and discussed the measurable objectives; and
- reviewed the director nomination policy.

In March 2021, one set of written resolutions was passed by all the committee members to recommend to the board the retiring directors for re-election at the forthcoming annual general meeting to be held in 2021.

Remuneration committee

The principal role of the remuneration committee is to determine 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 remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives, salaries paid by comparable companies, regulations promulgated by national regulatory authorities on the remuneration of directors and senior management, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors and a non-executive director. The chairman of the committee is Mr Anthony Francis Neoh, an independent non-executive director. The committee meets at least once a year. A joint company secretary serves as the secretary of the committee. The terms of reference are available on CITIC Limited's website (https://www.citic.com/en/investor_relation/corporate_governance/RC_ToR_Eng.pdf) and the Hong Kong Stock Exchange's website.

During the year under review, one remuneration committee meeting was held and two sets of written resolutions were passed by all the committee members. A joint company secretary prepared full minutes of the remuneration committee meeting and the draft minutes were circulated to all committee members within a reasonable time after the meeting.

Committee composition and meeting attendance

The composition of the remuneration committee during the year under review as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr Anthony Francis Neoh (Chairman)	1/1
Mr Francis Siu Wai Keung	1/1
Dr Xu Jinwu	1/1
Non-executive Director	
Mr Liu Zhuyu	1/1

Work done in 2020

The remuneration committee completed the following work in 2020:

- reviewed and approved the proposal for 2020 annual salary for executives in charge (including executive directors and senior management) of CITIC Limited;
- reviewed and approved the proposals for monthly salary of two new executive directors and one new executive committee member; and
- reviewed and approved the 2019 remuneration for executives in charge (including executive directors and senior management) of CITIC Limited.

Details of CITIC Limited's remuneration policies are set out in the Environmental, Social and Governance Report on page 136 and directors' remuneration and retirement benefits are disclosed on pages 237 to 240.

The remuneration paid to the directors, by name, for the year ended 31 December 2020 is set out in Note 13 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2020 is set out below:

Remuneration of senior management other than directors for the full year 2020

Total Remuneration Bands	Number of Executives
Below HK\$500,000	4
HK\$500,001 – HK\$1,000,000	3
	7

Note:

Although the discretionary bonuses have yet to be confirmed by the relevant regulatory authority, it is expected that the unsealed remuneration will have no material impact on the consolidated financial statements of CITIC Limited for 2020.

Strategic committee

A strategic committee has been established to accommodate the strategic development of CITIC Limited and enhance its core competitiveness, make and implement the development plan of CITIC Limited, improve the investment-related decision making procedures and procure well-advised and efficient decision making.

The strategic committee shall be accountable to and report to the board and its powers and functions are:

- considering the major strategic directions of CITIC Limited and making proposals to the board;
- considering the mid-to-long term development plan and 5-year development plan of CITIC Limited and making proposals to the board;
- considering the impact of the macro economic conditions on the development of various business sectors of CITIC Limited and making proposals to the board; and
- other matters in connection with strategy planning pursuant to authorisation of 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), 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 Shohei Harada. Mr Li Rucheng (being a former non-executive director of CITIC Limited) serves as a consultant to the committee. During the year under review, one strategic committee meeting was held. The Strategic Development Department prepared full minutes of the strategic committee meeting and the draft minutes were circulated to all the committee members within a reasonable time after the meeting. A joint company secretary is responsible for keeping all the minutes of the meetings.

Management Committees

Executive committee

The 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), Mr Ren Shengjun (serving 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 appointed on 23 December 2020), Mr Xu Zuo (being vice president of CITIC Limited) and Mr Fang Heying (being vice president of CITIC Limited appointed on 23 December 2020).

Strategy and Investment Management Committee

CITIC Limited has established the strategy and investment management committee 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), responsible persons of the strategic development department, financial control department, legal and compliance functions and treasury department.

Asset and Liability Management Committee

CITIC Limited has established the asset and liability management committee (the "ALCO") 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 following issues of CITIC Limited
 - asset and liability structure
 - counterparties
 - currencies
 - interest rates
 - commodities
 - commitments and contingent liabilities
- 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 legal and compliance functions.

Accountability and Audit

Financial reporting

The board recognises the importance of the integrity of its financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs, its results and cash flows in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Limited's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purposes are prudent and reasonable.

New or revised accounting standards became effective during the year under review, and those most significant and relevant to the Group are disclosed in Note 2 to the consolidated financial statements on page 178.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2020 are set out in the Independent Auditor's Report on pages 364 to 374.

External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. PricewaterhouseCoopers ("PwC") was engaged as CITIC Limited's external auditor since 1989 and retired at the close of annual general meeting held on 16 May 2013. KPMG was engaged in place of PwC as CITIC Limited's external auditor and subsequently retired at the close of the annual general meeting held on 2 June 2015 ("2015 AGM"). Since then, PwC has been appointed as CITIC Limited's external auditor in place of KPMG with effect from the close of the 2015 AGM as its largest listed subsidiary, China CITIC Bank Corporation Limited, was required to change its external auditor. For 2020, PwC's fees were approximately as follows:

Statutory audit fee: HK\$94 million (2019: HK\$107 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK\$23 million (2019: HK\$34 million).

Other audit firms provided statutory audit services at a fee of approximately HK\$65 million (2019: HK\$72 million) as well as other services for fees of HK\$43 million (2019: HK\$33 million).

Risk management and internal control

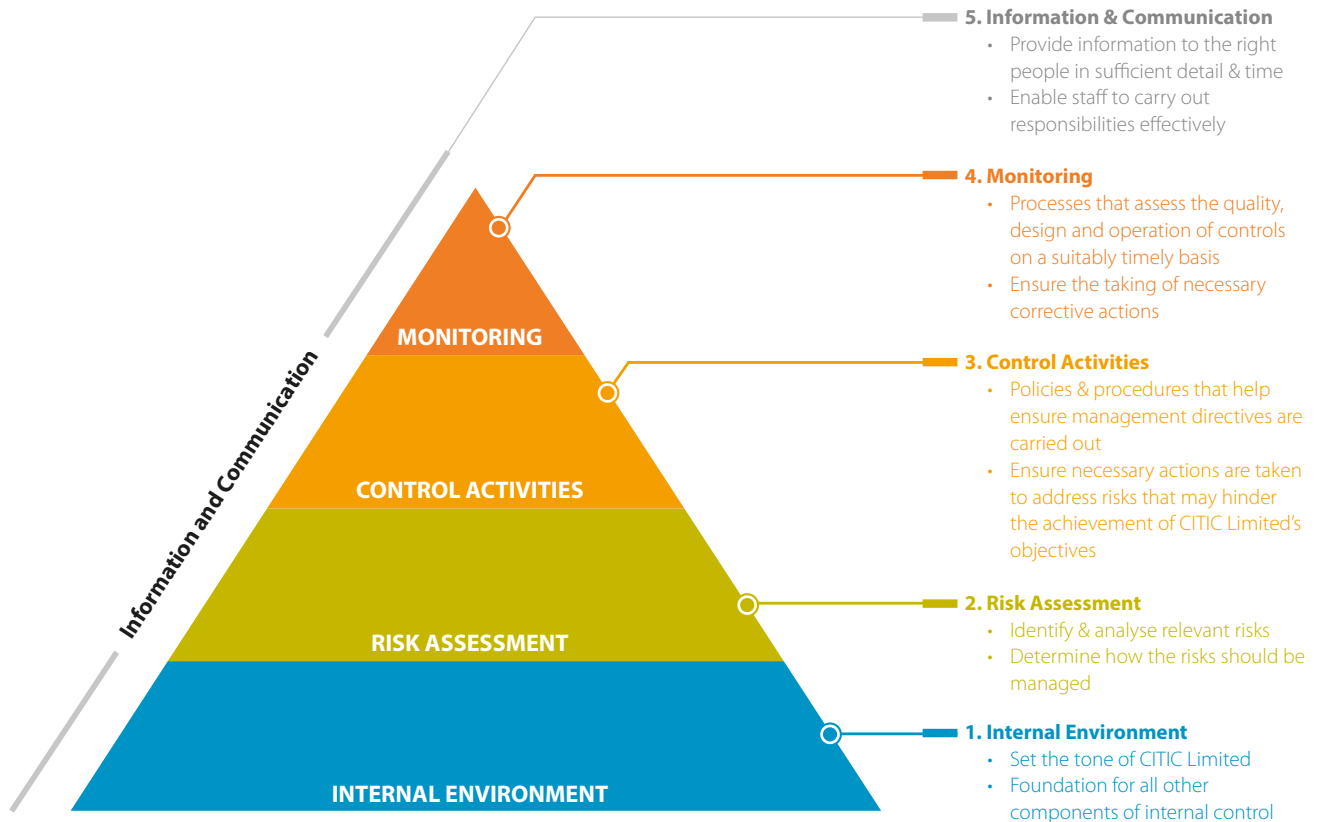
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by business units and functions.

Overview of risk management and internal control

The risk management and internal control system of CITIC Limited is established along the core concepts of risk management and internal control released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the Basic Standard for Enterprise Internal Control, as well as relevant guidelines and governmental policies.

The framework of risk management and internal control adopted by CITIC Limited is illustrated below:



The risk management and internal control system of CITIC Limited comprises “Four Levels” and “Three Lines of Defence” based on the corporate governance structure. The “Four Levels” are the (i) board of directors, (ii) management and several committees, (iii) risk management functions of CITIC Limited, and (iv) member companies. The “Three Lines of Defence” are the (i) first line of defence comprised by business units of each level of CITIC Limited, (ii) second line of defence comprised by the risk management functions of each level of CITIC Limited, and (iii) third line of defence comprised by the internal audit departments or functions of each level of CITIC Limited.

The board has overall responsibility for maintaining a sound and effective risk management and internal control system. The audit and risk management committee acts on behalf of the board in providing oversight of the Group's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews the Group's policies and practices on corporate governance.

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. Based on the annual budget, ALCO reviews CITIC Limited's financing plan and instruments, oversees fund management and cash flow positions, and manages risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities. It is also responsible for formulating hedging policy and approving the use of new risk management tools.

Relevant departments of CITIC Limited are responsible for communicating and implementing the decisions, monitoring the adherence of the management policies and preparing relevant reports. All units have the responsibility for identifying, effectively managing and reporting risks on a timely basis, in accordance with the overall risk framework under the management policies and within the scope of authorisation.

CITIC Limited is committed to constantly improving its risk management and internal control framework at all levels; strengthening the risk assessment and monitoring of major projects and key businesses; staying fully informed of the operations, financial condition and major business progress of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise; reporting on a timely basis any weaknesses and potential risks; supervising and implementing management and control measures; and improving the completeness and effectiveness of its risk management and internal control practices across the Group.

Key control policies and measures

The Group's risk management and internal control are primarily the collective responsibilities of management and the employee. For consistent compliance by every person in the Group, the following key control policies and measures have been implemented:

Key control policies and measures	
Internal environment	<ul style="list-style-type: none"> The Group has corporate governance policy, human resources policy and code of conduct for its business operation and governance, as well as periodic reviews and refresher training sessions on important ethical practices. A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice. An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.
Risk assessment	<ul style="list-style-type: none"> The executive committee of CITIC Limited constantly monitors the business, operational and other risks of the business units. The risk management function identifies and assesses the systematic risks that CITIC Limited is facing through regular risk assessments. It also controls the risks of subsidiaries through regular risk management reporting and risk assessment as well as the monitoring of major projects and businesses. Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately. In addition to the risk management function, relevant functions of CITIC Limited will also identify and assess financial and other risks in terms of investment review, strategic planning, financial management and compliance with laws. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management section of this annual report.
Control activities	<ul style="list-style-type: none"> Major control systems and processes include budgetary and cost controls, relevant reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.
Monitoring	<ul style="list-style-type: none"> Constant monitoring of compliance and review of risk management and internal control are conducted under the supervision of the audit and risk management committee. (Please refer to the section "Monitoring of risk management and internal control effectiveness"). The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements. The internal audit function reports directly to the audit and risk management committee, and is responsible for examination of risk management and internal control.

Key control policies and measures

Information and communication

- Implementation, maintenance and constant development of business and management information systems support CITIC Limited's businesses and operations, including finance, information disclosure and collaborative supervision.
- Corporate information is disseminated in a timely manner through the intranet, collaborative office system and corporate email system of CITIC Limited.
- A corporate website and shareholders communication policy ensure that shareholders receive complete and clear information about CITIC Limited and are encouraged to participate in general meetings of CITIC Limited.

Monitoring of risk management and internal control effectiveness

During the year under review, the audit and risk management committee assessed the effectiveness of the risk management and internal control systems on behalf of the board. The reviews covered material controls, including financial, operational and compliance controls, the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and related budgets.

The main risk management and internal control reviews during the year were as follows:

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Internal audit	<ul style="list-style-type: none"> • Reviewed the internal audit report. • Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan. 	<ul style="list-style-type: none"> • Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Compliance assessment	<ul style="list-style-type: none"> Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, listing rules, provisions under industry regulation, internal policies and rules; reported on an annual basis any matters subject to criminal convictions, administrative punishments, investigation by competent authorities and other punitive measures as a result of non-compliance; rectified non-compliance and ongoing supervision to ensure completion of such rectification. 	<ul style="list-style-type: none"> No major non-compliance cases were noted during the year.
Review of risk management and internal control system	<ul style="list-style-type: none"> Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year. Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management. Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions. Ensured that the supporting documents of the self-assessments on risk management and internal control by the management were reviewed by the internal audit function or risk management function. Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation. 	<ul style="list-style-type: none"> No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement. Management issued a positive confirmation.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of the internal audit, risk management, accounting and financial functions	<ul style="list-style-type: none"> Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget. 	<ul style="list-style-type: none"> Resources in the internal audit, risk management, accounting and finance functions were adequate. On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory. Training activities and budgets were given constant attention and remained satisfactory during the year.

The board and the management will establish sufficient and effective supervision, management and controls through the risk management and internal control framework of CITIC Limited, which will ensure compliance with the Listing Rules and other legal or regulatory requirements of the jurisdictions in which the Group operates, in order to constantly improve the risk management and internal control system.

Internal Audit

CITIC Limited regards internal audit as an important part of the supervisory function of the board and the audit and risk management committee. The primary objective of internal audit, which is set out in the internal audit charter, is to provide independent and objective internal assurance and consulting services, evaluate and improve the effectiveness of risk management and internal control processes for the Company so as to add value and improve the Company's operations and accomplish its objectives.

Authority

Under the internal audit charter of CITIC Limited, the internal audit department can obtain and access all records, personnel and physical properties relevant to internal audit. The head of the internal audit department has unrestricted access to the board and senior management.

Responsibility

The responsibilities of the internal audit are set out in the internal audit charter, which stipulates that (a) examination and assessment are conducted in respect of risk management and internal control to evaluate whether risks related to the following are effectively controlled: achievement of strategic objectives, reliability and integrity of financial and operational information, efficiency and effectiveness of operations, safeguarding of assets, and compliance with the laws, regulations and policies of the Company; (b) track and examine corrective actions in respect of audit findings; (c) special audits are conducted when required by the board and senior management.

Internal audit staffing and tasks completed in 2020

At 31 December 2020, CITIC Limited had approximately 550 internal audit staff members in the internal audit departments of the head office and major subsidiaries, providing audit services to various business units and functions of the Company.

During the year, the internal audit department prepared an annual internal audit plan in accordance with risk-based principles. Pursuant to the approved annual plan, detailed audit planning for each audit was devised, followed by field audits and discussions with management. Audit reports addressed to the management were prepared by the internal audit department after completion of the audits. Work reports were also tabled for review at each meeting of the audit and risk management committee, which included audit findings and follow-up results, work progress and staffing of internal audit. The internal audit department issued audit reports on various business segments and subsidiaries of the Company.

Other tasks performed by the internal audit department during the year included the following:

- Implementation of internal audit assessment to evaluate the audit work of major subsidiaries in terms of management, quality, performance, communication and coordination, in order to facilitate the effective execution of internal audit.
- Continuous training and development programme, including online training, sharing sessions and seminars, for internal audit staff to enhance their audit skills and knowledge.

Business Ethics

Code of Conduct

At CITIC, we are committed to upholding “The CITIC Spirit 中信風格” which is the cornerstone of our corporate culture, and also the fundamental code of the Company for guiding the business practice and conduct of our people:

Compliance	遵紀守法
Integrity	作風正派
Earnest	實事求是
Innovation	開拓創新
Modesty	謙虛謹慎
Cooperation	團結互助
Diligence	勤勉奮發
Effectiveness	雷厲風行

We stick to core values and corporate culture & spirits with the characteristics of “CITIC SPIRIT”, think highly of employees’ integrity, morality and professional integrity. The company’s Code of Conducts requires employees to strictly obey the laws, regulations and disciplines in their operational activities. It is a code that the employees must abide by and a standard for assessing professional conducts of employees. In 2020, we organised trainings in terms of professional integrity, anti-fraud and anti-corruption based on the types of industries and levels of posts. Various publicizing platforms including the internal network, official accounts of Wechat and APP were utilised to educate and guide employees to establish and maintain their excellent conducts and behaviors. The heads of every branches were required to conduct education, supervision and assessment regarding employees’ conducts. The company developed the system of regular self-criticism to detect the risks to honesty and justice, to investigate and punish all sorts of illegal behaviors, to analyze and evaluate the effective implementation of this system, to propose advices for further improvement and correction, and to stably improve the levels of internal control management.

Whistle-blowing policy

Employees are encouraged to propose complaints against the possible misconducts. The dedicated organisation has been established with many channels including e-mails, phone call and fax and the dedicated personal have been put into charge. All reports with regard to misconducts received by the company shall be seriously treated with appropriate measures for internal investigations. The informer-protection mechanism has been established and implemented to keep the confidentiality of informers' identity and issues having been reported. The range of information needing told to the relevant parties shall be strictly restricted in the investigative process.

Inside information/price sensitive information disclosure policy

CITIC Limited has adopted an inside information/price sensitive information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information/price sensitive information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information/price sensitive information until proper dissemination of the inside information/price sensitive information via the electronic publication system operated by the Hong Kong Stock Exchange.

Good employment practices

In Hong Kong, CITIC Limited has followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and relevant employees' securities transactions

CITIC Limited has adopted the model code for securities transactions by directors of listed issuers ("Model Code") contained in Appendix 10 to the Listing Rules. All directors and senior management confirmed that they have complied with the required standard set out in the Model Code throughout 2020. As at 31 December 2020, none of the directors of CITIC Limited had interests in the securities of CITIC Limited as referred to in the Report of the Directors on page 132.

In addition to the requirements set out in CITIC Limited's code of conduct, the joint company secretaries regularly write to executive management and other relevant employees who are privy to unpublished inside information/price sensitive information, as reminders of their responsibility to comply with the provisions of the Model Code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

Joint Company Secretaries

Mr Wang Kang and Mr Ricky Choy Wing Kay are the joint company secretaries of CITIC Limited. All directors have access to the advice and services of the joint company secretaries on board procedures and corporate governance matters as and when required. The joint company secretaries report to the chairman and/or the vice chairman/president of CITIC Limited. During the year under review, Mr Wang and Mr Choy took no less than 15 hours of relevant professional training respectively.

Constitutional Documents

There were no changes in the articles of association of CITIC Limited during the year under review. The latest version of the articles of association is available on the websites of the Hong Kong Stock Exchange and CITIC Limited.

Communication with Shareholders

CITIC Limited considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as to ensure the board of directors is accountable. Major means of communication with shareholders of CITIC Limited are as follows:

Information disclosure at corporate website

CITIC Limited endeavours to disclose all material information about the Group to all interested parties as widely and in as timely a manner as possible. CITIC Limited maintains a corporate website at <https://www.citic.com/en/>, where important information about CITIC Limited's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders.

When announcements are made through the Hong Kong Stock Exchange, the same information will be made available on CITIC Limited's website.

During the year under review, CITIC Limited has issued announcements in respect of connected transactions and overseas regulatory announcements, which can be viewed on CITIC Limited's website (https://www.citic.com/en/investor_relation/announcements_circulars/).

General meetings with shareholders

CITIC Limited's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantial separate issue at the general meetings.

Dividend policy

In compliance with the requirement for a policy on payment of dividends under the code provision of the CG Code, CITIC Limited has adopted a dividend policy in 2018 to enhance its transparency and to facilitate shareholders and investors to make their investment decisions.

CITIC Limited attaches importance to providing reasonable returns for investors. The dividend policy of CITIC Limited maintains continuity and stability and takes into consideration the long-term interests of CITIC Limited, overall interests of all shareholders and the sustainable development of CITIC Limited. CITIC Limited expects to pay dividends twice each financial year and cash dividend distribution is preferred. The payment of dividend is also subject to any restrictions under Hong Kong legislation and CITIC Limited's articles of association. According to the articles of association, CITIC Limited in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the board of directors. No dividend shall be payable except out of the profits of CITIC Limited.

Voting by poll

Resolutions put to vote at the general meetings of CITIC Limited (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Hong Kong Stock Exchange and CITIC Limited respectively on the same day as the poll.

Investor relations

CITIC Limited aims to generate sustainable shareholder value. We recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that our objectives and shareholder objectives should be aligned for long-term value creation and hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

CITIC Limited acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we respond promptly to questions received from the media and individual shareholders. We endeavour to share financial and non-financial information that is relevant and material, and clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Hong Kong Stock Exchange, the same information will be made available on CITIC Limited's website.

Shareholders' rights

Set out below is a summary of certain rights of the shareholders of CITIC Limited as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) of CITIC Limited representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of CITIC Limited are entitled to send a request to CITIC Limited to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM. The request must be authenticated by the shareholder(s) making it and deposited at the registered office of CITIC Limited at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or sent to CITIC Limited in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholder(s) concerned.

Pursuant to Section 567 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the directors of CITIC Limited must within 21 days after the date on which the written requisition is received by CITIC Limited proceed to duly convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given. If the directors do not do so, the shareholder(s) who requested for the EGM, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM pursuant to Section 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of CITIC Limited.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of CITIC Limited in writing through the joint company secretaries whose contact details are as follows:

The Joint Company Secretaries
CITIC Limited
32nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central, Hong Kong
Email: contact@citic.com
Tel No.: +852 2820 2184
Fax No.: +852 2918 4838

The joint company secretaries will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of CITIC Limited, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for including a resolution at the annual general meeting of CITIC Limited ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at the AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at the AGM.
- (ii) CITIC Limited shall not be bound by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of CITIC Limited entitled to receive notice of the AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of CITIC Limited at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the joint company secretaries in hard copy form or is sent to CITIC Limited in electronic form not later than (i) 6 weeks before the AGM to which the requisition relates; or (ii) if later, the time at which notice is given of the AGM.

Pursuant to Article 108 of CITIC Limited's articles of association, no person, other than a retiring director, shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless notice in writing by a shareholder of his intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to CITIC Limited in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

Board of Directors

(The information of this section is updated as of 19 April 2021)

ZHU Hexin *(Executive Director and Chairman)*

Age 53: an executive director and chairman of the board, chairman of the nomination committee, strategic committee and executive committee since 2020. Mr Zhu is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for the Company. Mr Zhu is currently chairman of CITIC Group Corporation and CITIC Corporation Limited. Mr Zhu was vice president of Bank of Communications, executive director and vice president of Bank of China, vice governor of Sichuan Province, vice president of the People's Bank of China. He has over 20 years' extensive knowledge and experience in the financial industry. He graduated from Shanghai University of Finance and Economics with a degree of Bachelor in engineering, majored in economic information management system. He is a senior economist.

XI Guohua *(Executive Director, Vice Chairman and President)*

Age 57: an executive director, vice chairman and president, a member of the nomination committee, a member of the strategic committee, vice chairman of the executive committee and chairman of the strategy and investment management committee of the Company with effect from 25 August 2020. Mr Xi is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited, a member of the National Committee of CPPCC (Chinese People's Political Consultative Conference). He formerly served as director of CRRC Zhuzhou Institute Co., Ltd., vice president of China Northern Locomotive & Rolling Stock Industry (Group) Corporation, executive director and CEO of China CNR Corporation Limited, executive director, vice chairman and CEO of CRRC Corporation Limited, vice chairman and president of CRRC Group Co., Ltd., chairman of Xinxing Cathay International Group Co., Ltd., director and president of China FAW Group Corporation Limited. Mr Xi has engaged in industry for more than 35 years and has accumulated a lot of practical experience. Mr Xi graduated from the Electrical Engineering Department of Shanghai Institute of Railway, majoring in electric drive for locomotives. He obtained a Master's degree in management and a Doctor's degree in engineering. He is a professorate senior engineer.

LI Qingping *(Executive Director)*

Age 58: an executive director of the Company since 2015. Ms Li is the vice president of the Company and a member of the executive committee. She is currently executive director and vice president of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited. She was formerly chairperson and executive director, president of China CITIC Bank Corporation Limited, general manager of the International Department of Agricultural Bank of China, general manager of Guangxi Branch, and director of the Retail Business Department. Ms Li is a senior economist with over 30 years' experience in the banking industry, with particular emphasis on international business and retail business. She graduated from Nankai University in International Finance Programme with a Master's degree in Economics.

SONG Kangle *(Non-executive Director)*

Age 57: a non-executive director of the Company since 2016. Mr Song is a member of the strategic committee. He worked with several posts in Ministry of Finance ("MOF") as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as Department of Human Resource Development, Department of External Financing, Department of External Affairs, Department of Enterprise and Department of Asset Management. He graduated from School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a Bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a Postgraduate degree holder.

LIU Zhuayu *(Non-executive Director)*

Age 59: a non-executive director of the Company since 2017. Mr Liu is a member of the remuneration committee. He worked with several posts in MOF as senior staff member, principal staff member, deputy director and director at Department of Industry, Transportation and Finance, director at Economic Trade Department of MOF, deputy inspector at Beijing Supervision & Inspection Office, deputy director at State Equity & Corporate Finance Department and director general at Network Information Center, director general of Department of Treasury and Treasury Payment Center of MOF. Mr Liu graduated from Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law). He is a senior accountant and also a Certified Public Accountant.

PENG Yanxiang *(Non-executive Director)*

Age 58: a non-executive director of the Company since 2018. Mr Peng is a member of the audit and risk management committee. Mr Peng is currently non-executive director of CITIC Group Corporation. He worked with several posts in the MOF as assistant engineer, engineer, deputy director, senior engineer, director of Computing Center, deputy chief engineer (director level), deputy director general, director general of Network Information Center. He graduated from Beijing Institute of Technology. He is a senior engineer. He worked and studied at TKC Corp. in Japan from February 1987 to February 1988 and acquired bookkeeping qualification.

YU Yang *(Non-executive Director)*

Age 56: a non-executive director, a member of the nomination committee and the strategic committee of the Company with effect from 25 August 2020. Ms Yu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. She worked with several posts in the MOF as assistant engineer of Computing Center, engineer of Xingcai Company, deputy general manager and general manager of Zhongcaixin company, deputy director of Comprehensive Department, director of office, director of secretariat of Network Information Center Office, and chief engineer of Network Information Center (deputy director general level). Ms Yu graduated from Shandong University in computer science with a Bachelor's degree in engineering. She is a senior engineer.

LIU Zhongyuan *(Non-executive Director)*

Age 51: a non-executive director of the Company since 2014. Mr Liu is currently director-general of Equity & Fixed-Income Investment Department of the National Council for Social Security Fund. He was formerly an officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for Social Security Fund; director-general of the Overseas Investment Department of the National Council for Social Security Fund. Mr Liu has a Doctorate degree in economics from the Department of Economics at Renmin University of China.

YANG Xiaoping *(Non-executive Director)*

Age 57: a non-executive director of the Company since 2015. Mr Yang is a member of the audit and risk management committee and the strategic committee. He is currently the senior vice chairman of CP Group, the vice chairman and CEO of CPG China, executive director and the vice chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, a non-executive director of Ping An Insurance (Group) Company of China Ltd. and Honma Golf. Mr Yang has been appointed as the co-chairman of the board of China Minsheng Investment (Group) Corp. Ltd. with effect from 3 June 2020 and an independent director of Jingdong Digits Technology Holding Co., Ltd. with effect from 22 June 2020. Mr Yang is also a member of the 12th National Committee of Chinese People's Political Consultative Conference, vice president of China Rural Research Institute of Tsinghua University, vice president of Global Co-Development Research Institute of Tsinghua University and president of Beijing Association of Foreign Investment Enterprises. Mr Yang graduated from the School of Economics and Management of Tsinghua University with Doctoral degree and has both studying and working experiences in Japan.

Francis SIU Wai Keung (*Independent Non-executive Director*)

Age 66: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of the audit and risk management committee and a member of the remuneration committee and the nomination committee. He is an independent non-executive director of China Communications Services Corporation Limited, China International Capital Corporation Limited and Beijing Gao Hua Securities Company Limited. He is also the chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd.. He has been appointed as a non-executive director of the Financial Reporting Council for a two-year term from 1 October 2019 to 30 September 2021. Mr Siu retired as an independent non-executive director of GuocoLand Limited with effect from 23 October 2020. Mr Siu joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China.

XU Jinwu (*Dr.-Ing.*) (*Independent Non-executive Director*)

Age 71: an independent non-executive director of the Company since 2012. Dr Xu is a member of the audit and risk management committee, the remuneration committee and the nomination committee. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

Anthony Francis NEOH (*Independent Non-executive Director*)

Age 74: an independent non-executive director of the Company since 2014. Mr Neoh is the chairman of the remuneration committee, and a member of the audit and risk management committee, the nomination committee and the strategic committee. He has until October 2016, been a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). He also previously served as chief advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was formerly elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of Hong Kong and in 2016, he was also awarded the Degree of Doctor of Social Science, *honoris causa*, by Lingnan University. Mr Neoh is currently an independent non-executive director of Industrial and Commercial Bank of China Limited. He is also the chairman of the Independent Police Complaints Council with a term of one year from 1 June 2020 to 31 May 2021. He was formerly a non-executive director of Global Digital Creations Holdings Limited. He also previously served as an independent non-executive director of Link Asset Management Limited (manager of Link Real Estate Investment Trust), China Shenhua Energy Company Limited, Bank of China Limited, China Life Insurance Company Limited and New China Life Insurance Company Ltd..

Shohei HARADA (*Independent Non-executive Director*)

Age 63: an independent non-executive director of the Company and a member of the strategic committee since 2018. Mr Harada is currently an executive partner at Sengokuyama Audit Firm (formerly known as Sengokuyama Partners Accounting Office). He also serves on the Audit & Supervisory Board for The Nation Federation of Agricultural Cooperative Association (ZEN-NOH). He is also an Audit & Supervisory Board Member of Kasumigaseki Capital Co., Ltd. (listed on the Tokyo Stock Exchange). Mr Harada joined Tetsuzo Ota & Co. (later became Ernst & Young ShinNihon, LLC) in October 1984, where he performed audit engagements of major banks and real estate companies. From July 1993 to August 1997, he was seconded to the Ernst & Young London office. Mr Harada became a partner of Ernst & Young ShinNihon, LLC in May 1999 and a senior partner in May 2004. From September 2012 to February 2016, he was an executive partner of Ernst & Young ShinNihon, LLC and has served as the Advisory Japan Leader and Real Estate Sector Japan Leader. He retired from Ernst & Young ShinNihon, LLC in June 2017. He set up Sengokuyama Audit Firm in July 2018 and started his new career. He is a licensed Certified Public Accountant in Japan. As an accounting professional, Mr Harada has extensive experience in real estate securitization, fund business, and advisory. Mr Harada graduated from Chuo University with a Bachelor degree in Commerce in March 1980.

Gregory Lynn CURL (*Independent Non-executive Director*)

Age 72: an independent non-executive director and a member of the nomination committee of the Company since 2019. Mr Curl joined Temasek International as president on 1 September 2010, following his retirement from Bank of America (“BAC”) in March 2010. He brings with him a banking career of over 30 years. During his time with BAC, Mr Curl served in a number of senior executive capacities including vice chairman of corporate development, and last held the position of chief risk officer. He is also a director of Post Holdings, Inc. (listed on the New York Stock Exchange), Rivulis Irrigation Ltd (Israeli company) and Rivulis Pte Ltd (Singapore private company). Mr Curl was appointed as an independent non-executive director of the Company in May 2011 and was re-designated as a non-executive director in August 2014 by reason of a shareholding interest held by Temasek group in a subsidiary of CITIC Pacific Limited (further details of which are set out in the Company’s announcement dated 25 August 2014). Such shareholding interest has since been disposed. Mr Curl held such position until September 2014. He was also a director of the University of Virginia’s Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr Curl received a Bachelor degree in Political Science from Southwest Missouri State University and a Master degree in Government from the University of Virginia. He was named a Woodrow Wilson Fellow in 1970 and was a Philip Dupont Scholar and a McIntire Fellow at the University of Virginia.

Senior Management

(The information of this section is updated as of 19 April 2021)

REN Shengjun

Age 57: vice chairman of the executive committee of the Company with effect from 18 June 2020. Mr Ren formerly served as a member of the business committee, general manager of the planning and financial management department (director level), president of Shanghai Branch and president of Shenzhen Branch of The Export-Import Bank of China. He also served as executive director, vice president of China Taiping Insurance Group Ltd., China Taiping Insurance Group (HK) Company Limited and China Taiping Insurance Holdings Company Limited. He is chairman of the supervisory board of CITIC Group Corporation and CITIC Corporation Limited. He graduated from Central University of Finance and Economics with a master degree in management. He is a senior accountant.

CUI Jun

Age 56: a member of the executive committee of the Company since 2018. Mr Cui currently serves as leader of Discipline Inspection and Supervision Group of CITIC Group Corporation for The Central Commission for Discipline Inspection of the CPC and The National Supervisory Commission. He formerly served as presiding judge of the second economic tribunal, presiding judge of the second civil tribunal, vice president of High People's Court of Heilongjiang Province, chief of Supervision Department of Heilongjiang Province, executive deputy secretary of CPC Party Discipline Inspection Commission and deputy director general of Supervision Commission of Heilongjiang Province, and the secretary of the CPC Party Discipline Inspection Commission of CITIC Group Corporation. He graduated from Jilin University in jurisprudence with a Master's degree and Doctorate in law.

LIU Zhengjun

Age 55: vice president of the Company and a member of the executive committee since 2018. He has been appointed as chairman of CITIC Asset Operation Corporation Ltd. since April 2019, chairman of CITIC Asset Management Corporation Ltd. since September 2019, chairman of CITIC Trust Corporation Ltd since 21 December 2020. Mr Liu formerly served as a non-executive director and chairman of the board of Asia Satellite Telecommunications Holdings Limited, a non-executive director of CITIC Telecom International Holdings Limited, staff member, deputy director, director of Jinan Regional Office of National Audit Office of the People's Republic of China ("CNAO"), director general of Department of Public Finance Audit of CNAO, director general of Changchun Regional Office of CNAO, director general of Department of Non-profit Government Agencies Audit of CNAO, director general of Law Department of CNAO. He graduated from Nankai University in finance with a Master's degree and Doctorate in economics.

WANG Guoquan

Age 48: vice president of the Company and a member of the executive committee with effect from 23 December 2020. He has been appointed as a non-executive director of CITIC Telecom International Holdings Limited since 4 March 2021, and chairman and a non-executive director of the board of Asia Satellite Telecommunications Holdings Limited since 11 March 2021. Mr Wang previously served as the deputy general manager of China Telecom Hebei Branch; since 2012, he has successively served as the general manager of Hebei Branch of China Telecom and the general manager of marketing department of China Telecom Group Co., Ltd.; from December 2018, he served as the deputy general manager of China Telecom Group Co., Ltd. and from August 2019, he served as an executive director of China Telecom Corporation Limited. Mr Wang graduated from Renmin University of China with an Executive Master of Business Administration.

XU Zuo

Age 55: vice president of the Company and a member of the executive committee since 2019. Mr Xu started his career in Bohai aluminium Co., Ltd in 1987. He participated in the establishment of Dicastal Wheel Manufacturing Co., Ltd. in 1988, and has successively held the posts of senior manager, assistant to president, vice president, president and vice chairman. Currently he is vice president of CITIC Group Corporation, chairman of CITIC Dicastal Co., Ltd.; chairman of supervisory and advisory board meeting of the KSM Castings Group GmbH in Germany. Mr Xu has over 30 years' working experience in automotive parts manufacturing, over 20 years' experience in the international market development, overseas acquisitions and restructuring. He graduated from Renmin University of China, with an Executive Master of Business Administration. He is a professor and also a senior economist.

FANG Heying

Age: 54: vice president of the Company and a member of the executive committee with effect from 23 December 2020. Mr Fang previously worked in Zhejiang bank school and Shanghai Pudong Development Bank; from December 1996, he successively served as vice president of Hangzhou Branch, president of Suzhou Branch, director of financial market business of head office of China CITIC Bank, etc.; in November 2014, he served as vice president of China CITIC Bank, and served as chief financial officer since January 2017; he is an executive director of China CITIC Bank as from September 2018; and president of China CITIC Bank as from March 2019. Mr Fang graduated from Peking University with an Executive Master of Business Administration. He is a senior economist.

Report of the Directors

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2020.

Principal Activities

CITIC Limited is one of China's largest conglomerates and its subsidiaries are engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation both in China and overseas.

Subsidiary Companies

The name of the principal subsidiaries, their place of incorporation, principal activities and shares issued are set out in note 59 to the consolidated financial statements.

Business Review

A fair review, discussion and analysis of the Group's business as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the material factors underlying its results and financial position are set out in the sections headed "Chairman's Letter to Shareholders", "Our Businesses" and "Financial Review" on pages 4 to 76 of this annual report. An account of the principal risks and uncertainties facing the Group is provided in the "Risk Management" section on pages 77 to 82 of this annual report. Particulars of important events affecting CITIC Limited that have occurred since the end of the financial year 2020 (if any) and the likely future development in CITIC Limited's business can also be found in this annual report. The above discussions form an integral part of the Report of the Directors.

In addition, an account of CITIC Limited's performance by reference to environmental and social-related policies is provided in the "Environmental, Social and Governance Report" on pages 136 to 167 of this annual report.

Dividends

On 28 August 2020, the directors declared an interim dividend of HK\$0.10 per share (2019: HK\$0.18 per share) for the year ended 31 December 2020 which was paid on 3 November 2020. At the board meeting held on 30 March 2021, the directors recommended a final dividend ("2020 Final Dividend") of HK\$0.388 per share (2019: HK\$0.285 per share) in respect of the year ended 31 December 2020. Subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Limited to be held on 9 June 2021 (the "2021 AGM"), the proposed final dividend will be paid on Tuesday, 3 August 2021 to shareholders on CITIC Limited's register of members at the close of business on Friday, 18 June 2021. This represents a total distribution for the year of HK\$14,196 million.

The proposed 2020 Final Dividend will be payable in cash to each shareholder in HK Dollars ("HKD") 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 2020 Final Dividend in RMB at the average benchmark exchange rate of HKD to RMB as published by the People's Bank of China during the five business days ending on 9 June 2021 (inclusive), being the date of the 2021 AGM. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders in late June 2021 as soon as practicable after the record date of 18 June 2021 to determine shareholders' entitlement to the proposed 2020 Final Dividend, and return it to CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 12 July 2021.

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 Tuesday, 3 August 2021 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 by 4:30 p.m. on Monday, 12 July 2021, such shareholder will automatically receive the 2020 Final Dividend in HKD. All dividend payments in HKD will be made in the usual way on Tuesday, 3 August 2021.

If shareholders wish to receive the 2020 Final Dividend in HKD 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 proposed dividend payment.

Donations

Donations made by CITIC Limited and its subsidiary companies during the year are set out in the "Environmental, Social and Governance Report" of this annual report.

Share Capital and Reserves

Movements in the share capital and reserves of CITIC Limited and the Group during the year are set out in note 45 to the consolidated financial statements.

Fixed Assets

Movements in fixed assets during the year are set out in note 31 to the consolidated financial statements.

Major Customers and Suppliers

During the year, both the aggregate percentage of purchases from the Group's five largest suppliers and the aggregate percentage of sales to the Group's five largest customers were less than 30% of the total purchases and sales of the Group respectively.

Borrowings and Debt Instruments Issued

Particulars of borrowings and debt instruments issued of CITIC Limited and its subsidiary companies as at 31 December 2020 are set out in notes 42 and 43 to the consolidated financial statements.

Equity-linked Agreements

Save as disclosed below in the section headed "Share Option Plan Adopted by CITIC Limited", no equity-linked agreements that will or may result in CITIC Limited issuing shares or that require CITIC Limited to enter into any agreements that will or may result in CITIC Limited issuing shares were entered into by CITIC Limited during the year or subsisted at the end of the year.

Directors

The directors of CITIC Limited during the year and up to the date of this report are:

Executive Directors

Mr Zhu Hexin (<i>Chairman</i>)	(<i>appointed on 30 March 2020</i>)
Mr Chang Zhenming (<i>Chairman</i>)	(<i>resigned on 30 March 2020</i>)
Mr Xi Guohua (<i>Vice Chairman and President</i>)	(<i>appointed on 25 August 2020</i>)
Mr Wang Jiong (<i>Vice Chairman and President</i>)	(<i>resigned on 25 August 2020</i>)
Ms Li Qingping	

Non-executive Directors

Mr Song Kangle	
Ms Yan Shuqin	(<i>resigned on 25 August 2020</i>)
Mr Liu Zhuyu	
Mr Peng Yanxiang	
Ms Yu Yang	(<i>appointed on 25 August 2020</i>)
Mr Liu Zhongyuan	
Mr Yang Xiaoping	

Independent Non-executive Directors

Mr Francis Siu Wai Keung
Dr Xu Jinwu
Mr Anthony Francis Neoh
Mr Shohei Harada
Mr Gregory Lynn Curl

Mr Chang Zhenming, Mr Wang Jiong and Ms Yan Shuqin have confirmed that they have no disagreement with the board and nothing relating to their resignations that need to be brought to the attention of the shareholders of CITIC Limited.

Mr Zhu Hexin (the chairman of the board) who was appointed by the board as director of CITIC Limited on 30 March 2020 was re-elected as director at the annual general meeting held on 19 June 2020. Pursuant to Article 95 of the articles of association of CITIC Limited, Mr Xi Guohua and Ms Yu Yang who were appointed by the board as directors of CITIC Limited on 25 August 2020 shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of CITIC Limited and, being eligible, offer themselves for re-election. In addition, pursuant to Article 104(A) of CITIC Limited's articles of association, Mr Song Kangle, Mr Liu Zhuyu, Mr Peng Yanxiang, Mr Liu Zhongyuan and Dr Xu Jinwu shall retire by rotation at the 2021 AGM and, all being eligible, have offered themselves for re-election at the 2021 AGM.

The biographical details of directors and senior management as at the date of this report are set out in the "Board of Directors" and "Senior Management" sections on pages 115 to 120 of this annual report.

Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of CITIC Limited during the year and up to the date of this report is available on CITIC Limited's website at www.citic.com.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the sections headed "Connected Transactions" and "Non-Exempt Continuing Connected Transactions" below and "Material related parties" in note 49 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to CITIC Limited's business to which CITIC Limited's subsidiaries, fellow subsidiaries or its holding company was a party or were parties and in which a director of CITIC Limited or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of CITIC Limited were entered into during the year or existed at the end of the year.

Permitted Indemnity

Pursuant to CITIC Limited's articles of association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every director or other officers of CITIC Limited shall be entitled to be indemnified out of the assets of CITIC Limited against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. CITIC Limited has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers to protect them against potential costs and liabilities arising from claims brought against them.

Related Party Transactions

CITIC Limited and its subsidiaries entered into certain transactions in the ordinary course of business and on normal commercial terms which were “Material related parties”, the details of which are set out in note 49 to the consolidated financial statements of CITIC Limited. Some of these transactions also constituted “Connected Transactions” and/or “Continuing Connected Transactions” under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions of CITIC Limited during the year under review, particulars of which were previously disclosed by way of announcements and are required under the Listing Rules to be disclosed in this annual report.

1. On 23 March 2020, CITIC United Asia (Beijing) Management and Consultation Co., Ltd. (“CITIC United”, an indirect wholly-owned subsidiary of CITIC Limited) entered into a capital injection agreement with CITIC Titanium Industry Co., Ltd (“CITIC Titanium”, an indirect non-wholly-owned subsidiary of CITIC Limited in which CITIC Star Thrive Investments Limited (“CITIC Star Thrive”) held 76.37% equity interests) upon completion of the public solicitation made by CITIC Titanium at Dalian Property Rights Exchange. Pursuant to the capital injection agreement, CITIC United agreed to subscribe for 84,000,000 new shares issued by CITIC Titanium at a consideration of RMB286,020,000, i.e. RMB3.405 per share of CITIC Titanium (the “Capital Injection”). In addition, CITIC Titanium also entered into agreements with each of the seven independent third-party investors pursuant to which CITIC Titanium would be issuing 84,000,000 new shares to the independent third-party investors.

CITIC Star Thrive is a 60% indirectly-owned subsidiary of CITIC Limited. CITIC Group Corporation (“CITIC Group”) is the controlling shareholder of CITIC Limited and indirectly owns a further 40% equity interests in CITIC Star Thrive other than through its interest in CITIC Limited. CITIC Titanium is therefore a connected subsidiary of CITIC Limited. Accordingly, the Capital Injection constitutes a connected transaction of CITIC Limited under the Listing Rules.

Upon completion of the aforesaid issue of new shares, the equity interests in CITIC Titanium controlled by CITIC Limited via its subsidiaries become 67.65%, and CITIC Titanium remains an indirect non-wholly-owned subsidiary of CITIC Limited.

2. On 2 April 2020, Joint Stock Company ŽĐAS, a.s. (“ZDAS”, a wholly-owned subsidiary of CITIC Group) entered into an engineering, procurement and construction contract (“EPC Contract”) with Public Joint Stock Company Magnitogorsk Iron and Steel Works pursuant to which ZDAS agreed to act as the general contractor for the implementation of the thermal power plant construction project (the “Thermal Power Plant Complex Project”) in Russia. In order to better perform the EPC Contract, on 23 November 2020, CITIC Construction Co., Ltd. (“CITIC Construction”, a wholly-owned subsidiary of CITIC Limited), entered into a cooperation agreement with ZDAS, pursuant to which CITIC Construction agreed to supply and provide, and ZDAS agreed to purchase, products including electrical equipment, electrical materials and water system, and on-site services in relation to such supplied products at a consideration of EUR31,291,000 (approximately HK\$288 million), for the implementation of part of the Thermal Power Plant Complex Project.

CITIC Group is the controlling shareholder of CITIC Limited. ZDAS is therefore an associate of CITIC Group and a connected person of CITIC Limited. Accordingly, the transactions contemplated under the cooperation agreement constitute a connected transaction of CITIC Limited under the Listing Rules.

Non-Exempt Continuing Connected Transactions

During the year under review, the Group engaged in the following non-exempt continuing connected transactions with CITIC Group and/or its associates (the “Connected Persons”), particulars of which were previously disclosed in the announcements of CITIC Limited and are required under the Listing Rules to be disclosed in this annual report and the consolidated financial statements of CITIC Limited.

1. Financial Assistance Framework Agreement — financial assistance provided by the Group to the Connected Persons in the form of entrusted loans or commercial loans

The Financial Assistance Framework Agreement dated 30 November 2016 ended on 31 December 2019. Considering the business development needs of the Group and CITIC Group, CITIC Limited entered into a new financial assistance framework agreement (“New Financial Assistance FA”) with CITIC Group on 20 November 2019 under which the Group would continue to provide financial assistance to the Connected Persons in the form of entrusted loans, commercial loans and financing guarantee services. Details of the above were set out in CITIC Limited’s announcement dated 20 November 2019.

New Financial Assistance FA

Period: commencing from 1 January 2020 and ending on 31 December 2022

Maximum Daily Balance:	<i>for year ended 31/12/2020</i>	<i>for year ending 31/12/2021</i>	<i>for year ending 31/12/2022</i>
	RMB10,000,000,000	RMB11,000,000,000	RMB12,000,000,000

The maximum daily balance of the financial assistance under New Financial Assistance FA for the year ended 31 December 2020 was approximately RMB1,636,050,000.

2. Asset Transfer Framework Agreement

The original Asset Transfer Framework Agreement (the “Original Asset Transfer FA”) dated 8 December 2014 made between China CITIC Bank Corporation Limited (“CITIC Bank”, a non-wholly owned subsidiary of CITIC Limited) and CITIC Group in relation to the transfer of loan and other related assets between CITIC Bank and the Connected Persons which constituted continuing connected transactions of CITIC Limited, ended on 31 December 2017. A new asset transfer framework agreement (the “New Asset Transfer FA”) was entered into on 24 August 2017 between CITIC Bank and CITIC Group for renewal of the Original Asset Transfer FA, details of which were set out in CITIC Limited’s announcements dated 23 November 2017 and 6 December 2017.

New Asset Transfer FA

Annual Cap:	<i>for year ended 31/12/2020</i>
	RMB13,000,000,000

There were no transactions under the New Asset Transfer FA for the year ended 31 December 2020.

3. Aluminium Alloy Hub Procurement Framework Agreement (“Aluminium Alloy Hub Procurement FA”) — procurement of aluminium alloy hubs by the Group from the Connected Persons

The Aluminium Alloy Hub Procurement FA was entered into on 28 March 2018 between CITIC Limited and CITIC Group, details of which were set out in CITIC Limited’s announcement dated 28 March 2018.

Period: commencing from 28 March 2018 and ended on 31 December 2020

Annual Cap: *for year ended 31/12/2020*
 RMB430,000,000

The transaction amount under the Aluminium Alloy Hub Procurement FA for the year ended 31 December 2020 was approximately RMB54,270,671.46^(Note).

4. Raw Materials, Equipment and Accessories Sales Framework Agreement (“Raw Materials, Equipment and Accessories Sales FA”) — sales of raw materials, equipment and accessories by the Group to the Connected Persons

The Raw Materials, Equipment and Accessories Sales FA was entered into on 28 March 2018 between CITIC Limited and CITIC Group, details of which were set out in CITIC Limited’s announcement dated 28 March 2018.

Period: commencing from 28 March 2018 and ended on 31 December 2020

Annual Caps: *for year ended 31/12/2020*
 – Raw Materials RMB550,000,000
 – Equipment and Accessories RMB38,000,000
 Total Annual Caps: RMB588,000,000

The transaction amounts under the Raw Materials, Equipment and Accessories Sales FA for the year ended 31 December 2020 were approximately RMB11,955,334.78^(Note) for the sales of raw materials and approximately RMB1,416,982.76^(Note) for the sales of equipment and accessories.

Note: In November 2020, the Ministry of Finance has issued the “Notice regrading State-owned Financial Institutions Focusing on Main Businesses, Compressing Levels and Other Related Matter” (Caijin [2020] No. 111). Taking into account relevant regulatory requirements, the financial results of CITIC Dicastal Co., Ltd. are consolidated into the financial statements of the Group as from 1 November 2020.

The independent non-executive directors of CITIC Limited have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2020 (collectively the “Transactions”) and confirmed that:

- a. the Transactions have been entered into in the ordinary and usual course of business of the Group;
- b. the Transactions have been entered into on normal commercial terms or better; and
- c. the Transactions were entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Limited as a whole.

CITIC Limited's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 126 to 127 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Limited to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Share Option Plan Adopted by CITIC Limited

CITIC Pacific Share Incentive Plan 2011

The CITIC Pacific Share Incentive Plan 2000 adopted by CITIC Limited on 31 May 2000 for a term of ten years expired on 30 May 2010. CITIC Limited adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The major terms of the Plan 2011 are as follows:

1. The purpose of the Plan 2011 is to promote the interests of CITIC Limited and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Group.
2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Limited as the board may in its discretion select.
3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 30 March 2021, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.
4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of CITIC Limited in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of CITIC Limited's shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Limited in general meeting.
5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.
6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. The subscription price determined by the board will be at least the higher of (i) the nominal value of CITIC Limited's shares; (ii) the closing price of CITIC Limited's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Limited's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.
8. The life of the Plan 2011 is ten years and shall be valid and effective until 11 May 2021.

No share options were granted under the Plan 2011 during the year ended 31 December 2020.

Share Option Plan Adopted by Subsidiaries of CITIC Limited

CITIC Telecom International Holdings Limited (“CITIC Telecom”)

CITIC Telecom adopted a share option plan (the “CITIC Telecom Share Option Plan”) on 17 May 2007, which was valid and effective till 16 May 2017. The major terms of the CITIC Telecom Share Option Plan are as follows:

1. The purpose of the CITIC Telecom Share Option Plan is to attract and retain the best quality personnel for the development of CITIC Telecom’s businesses; to provide additional incentives to CITIC Telecom Directors, Officers and Employees (as defined here below); and to promote the long term financial success of CITIC Telecom by aligning the interests of grantees to shareholders of CITIC Telecom.
2. The grantees of the CITIC Telecom Share Option Plan are any person employed by CITIC Telecom or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries (collectively the “CITIC Telecom Directors, Officers and Employees”) as the board of CITIC Telecom may, in its absolute discretion, select.
3. The total number of shares of CITIC Telecom (the “CITIC Telecom Shares”) issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC Telecom Shares in issue. Where any further grant of options to a grantee would result in the CITIC Telecom Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the CITIC Telecom Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Telecom in general meeting.
4. The exercise period of any option granted under the CITIC Telecom Share Option Plan must not be more than ten years commencing on the date of grant.
5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
6. The subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom’s shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing price of CITIC Telecom’s shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant.

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 the 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 under the CITIC Telecom Share Option Plan, shall not exceed 333,505,276 CITIC Telecom Shares, being 10% of the number of the 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 year ended 31 December 2020 are as follows:

Date of grant	Number of share options	Exercise period	Exercise price
			per share HK\$
24.03.2015	43,756,250	24.03.2016 – 23.03.2021	2.612
24.03.2015	43,756,250	24.03.2017 – 23.03.2022	2.612
24.03.2017	45,339,500	24.03.2018 – 23.03.2023	2.45
24.03.2017	45,339,500	24.03.2019 – 23.03.2024	2.45

The grantees were CITIC Telecom Directors, Officers and Employees. None of these options were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

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.

As at 1 January 2020, options for 64,883,817 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2020, options for 5,377,000 CITIC Telecom Shares were exercised, options for 1,180,500 CITIC Telecom Shares have lapsed. No share options were granted nor cancelled in 2020. As at 31 December 2020, options for 58,326,317 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

A summary of the movements of the share options during the year ended 31 December 2020 is as follows:

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

Date of grant	Exercise period	Number of share options			Balance as at 31.12.2020
		Balance as at 01.01.2020	Exercised during the year ended 31.12.2020 ^(Note 1)	Lapsed during the year ended 31.12.2020 ^(Note 2)	
24.03.2015	24.03.2016 – 23.03.2021	12,133,067	1,833,500	282,500	10,017,067
24.03.2015	24.03.2017 – 23.03.2022	17,163,250	1,246,000	293,000	15,624,250
24.03.2017	24.03.2018 – 23.03.2023	15,854,500	1,867,000	194,000	13,793,500
24.03.2017	24.03.2019 – 23.03.2024	19,733,000	430,500	411,000	18,891,500

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.78.
2. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2020.

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 been 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”).

Pursuant to the New Scheme, CITIC Resources may grant options to eligible persons to subscribe for shares of CITIC Resources subject to the terms and conditions stipulated therein. A summary of some of the principal terms of the New Scheme is as follows:

- (a) To allow CITIC Resources (i) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the CITIC Resources group attain its strategic objectives by offering share options to enhance general remuneration packages; (ii) to align the interests of the directors and employees of the CITIC Resources group with the performance of CITIC Resources and the value of the shares; and (iii) to align the commercial interests of business associates, customers and suppliers of the CITIC Resources group with the interests and success of the CITIC Resources group.
- (b) The eligible persons include employees and directors of CITIC Resources and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the CITIC Resources group.
- (c) The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of CITIC Resources shall not exceed 10% of the total number of shares of CITIC Resources in issue as at the date of adoption of the New Scheme.
- (d) The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of CITIC Resources in issue at the date of grant.
- (e) The period during which an option may be exercised is determined by the board of directors of CITIC Resources at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.
- (f) The minimum period for which an option must be held before it can be exercised is one year.
- (g) The exercise price payable in respect of each share of CITIC Resources shall be not less than the greater of (i) the closing price of the shares of CITIC Resources on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the shares of CITIC Resources on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of CITIC Resources.
- (h) The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share options were granted under the New Scheme during the year ended 31 December 2020.

Directors' Interests in Securities

As at 31 December 2020, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules.

Arrangement to Acquire Shares or Debentures

Save for the share option plans as disclosed above, at no time during the year was CITIC Limited, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors of CITIC Limited (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, CITIC Limited or any other body corporate.

Interests of Substantial Shareholders

As at 31 December 2020, 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, 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)

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.

Shareholding Statistics

Based on the share register records of CITIC Limited, set out below is a shareholding statistics chart of the registered shareholders of CITIC Limited as at 31 December 2020:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	3,952	56.168
1,001 to 10,000	2,384	33.883
10,001 to 100,000	642	9.125
100,001 to 1,000,000	51	0.725
1,000,001 to 100,000,000	1	0.014
100,000,001 to 500,000,000	1	0.014
500,000,001 to 2,000,000,000	1	0.014
2,000,000,001 above	4	0.057
Total:	7,036	100

As at 31 December 2020, the total number of ordinary shares in issue of CITIC Limited was 29,090,262,630 and based on the share register records of CITIC Limited, HKSCC Nominees Limited held 9,818,240,949 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.75% of the total number of ordinary shares in issue of CITIC Limited.

Purchase, Sale or Redemption of Listed Securities

On 10 April 2020, CITIC Limited fully redeemed the US\$500 million 6.375% notes under the Medium Term Note Programme upon maturity. These notes were issued on 10 April 2013 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 year ended 31 December 2020.

Sufficiency of Public Float

The Hong Kong Stock Exchange has granted a waiver (the “Waiver”) to CITIC Limited from strict compliance with the minimum public float of 25% upon completion of the acquisition of CITIC Corporation Limited (the “Acquisition”) on 25 August 2014. Pursuant to the Waiver, CITIC Limited has complied with the public float requirement which is at the higher of such a percentage (being 21.87%) of shares held by the public immediately after completion of the Acquisition. Based on the information that is publicly available to CITIC Limited and within the knowledge of the directors as at the date of this annual report, CITIC Limited has maintained the prescribed public float under the Waiver.

Auditor

The Group’s consolidated financial statements for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants and registered PIE Auditor, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs PricewaterhouseCoopers as auditor of CITIC Limited is to be proposed at the 2021 AGM.

By Order of the Board,
Zhu Hexin
Chairman
Hong Kong, 30 March 2021

Environmental, Social and Governance Report

In a year of extraordinary challenges that included the sudden onset of COVID-19, we at CITIC Limited succeeded in achieving our business goals while fulfilling our corporate social responsibilities. Our ESG initiatives in 2020 included combating the pandemic, alleviating poverty, protecting the environment and participating in charitable and public welfare activities. We were able to create greater impact through these activities by using our strengths as a leading conglomerate in China.

Overcoming the Challenges of the Pandemic



■ Huoshenshan Hospital, Wuhan

Huoshenshan Hospital — for COVID-19 patients in Wuhan. As a result of the dedication and hard work of the CITIC Engineering staff, the design for this hospital was completed in just 60 hours. In addition, the company donated more than RMB100 million to fight the pandemic and more than 4,000 e-books. We also provided financing for more than RMB800 billion in medical supplies, food and other assistance as part of our rapid response to the pandemic.

A race against time with CITIC speed

On the evening of 23 January 2020, the CITIC General Institute of Architectural Design and Research was commissioned to provide the design for an emergency medical facility — Huoshenshan Hospital. The working team that was formed completed the site grading plan in five hours and the schematic design drawings in 24 hours. All construction drawings were delivered in only 60 hours, a remarkable achievement at such a critical time.

In another outstanding effort, Kaicheng Intelligence of CITIC Heavy Industries successfully developed and produced China's first rotating disinfection robot in less than 10 days. Three of these robots were then donated to the city of Wuhan.

Immediately after the outbreak of the novel coronavirus during the 2020 Spring Festival, we set up the Leading Group Pandemic Prevention and Control Work group comprising the company's leaders. This group was instrumental in helping our subsidiaries set up special pandemic prevention measures and a control taskforce for building a command and coordination system leveraging our diversified businesses. We also pledged our full support for the national effort to combat COVID-19.

In early 2020 CITIC Engineering accepted the task of designing an emergency specialty field hospital —



■ One of the disinfection robots developed by Kaicheng Intelligence

China CITIC Bank also opened a green business channel to provide urgently-needed support to organisations involved in containing the pandemic. For one company that wanted to build a mask production line, the Chengdu branch of CITIC Bank approved an RMB2.6 million loan at a preferential interest rate only 6 hours after receiving the phone call. Another company that wished to import 10 million masks received a loan from the Shenzhen branch of CITIC Bank, which completed the RMB3 million cross-border settlement procedures within two hours. Similar stories happened at almost every branch.

CITIC COHC, meanwhile, tested blood samples taken from nearly 5,000 passengers and crew on the cruise ship Costa Serena docked in Tianjin. Within a 24-hour period, COHC was able to determine there were zero infections on board the ship, thereby preventing a further outbreak.



■ A helicopter and pilot from CITIC COHC carried out the maritime rescue mission for the Costa Serena cruise ship



■ Daye Special Steel prioritised the production of materials related to anti-pandemic projects.

Daye Special Steel, a subsidiary of CITIC Pacific Special Steel, responded quickly to a request by a client that produces CT machines. By prioritising this order, Daye Special Steel completed the production of a large number of high-quality special steel materials for the main bearings of these medical devices.

We also provided emergency equipment and supplies to Morocco and other countries around the world and, in only three days, completed the procurement of materials, commodity inspections, transportation and customs clearance procedures. For the Moroccan government, we donated 20,000 viral nucleic acid test kits and other testing equipment.

Vital assistance during the pandemic with CITIC strength

From medical supply manufacturers to restaurant businesses affected by the pandemic, from car dealers with tight cash flows to factories that had suspended production, CITIC's strong financial support was critical for survival in this challenging period. At China CITIC Bank, 11 policies were introduced to provide financial support for corporations' efforts to prevent and control the pandemic, 7 policies for stabilising foreign trade and 15 policies for credit to the manufacturing sector. CITIC Securities and the National Interbank Funding Center joined together to provide liquidity for the market. While CITIC Securities and CITIC Construction Investment Securities offered financing to companies engaged in the production of protective gear as well as the development of medical equipment and vaccines.

In this new environment, CITIC Bank, CITIC Securities, China Securities and CITIC-Prudential developed online businesses and investment advisory services for the safety and convenience of customers. CITIC Engineering and other subsidiaries in China overcame the impact of the pandemic and were able to resume normal operations quickly, while the business of other subsidiaries such as CITIC Pacific Special Steel and CITIC Envirotech were able to continue without interruption.

Overseas, our subsidiaries also maintained uninterrupted operations or resumed production soon after the worst of the pandemic had passed. These included CITIC Resources, which has a major presence in the Karazhanbas oil field in Kazakhstan, CITIC Dicastal in North America and Morocco, and CITIC Construction with major projects in Belarus, Angola and Iraq. CITIC Agriculture was able to increase sales in Brazil, while CITIC Sino Iron continued marketing its iron ore mining and refined iron powder products, with minimal interruption.



■ CITIC Urban Development and Operations opened the Shantou Bay Tunnel after successfully completing the entire project.



■ CITIC Construction started erecting the steel structure of the combustion engine room at Misan Power Plant in Iraq

As the medical and health infrastructure of some districts and counties in China is still relatively undeveloped, we donated RMB800,000 from our special funds towards the purchase of supplies and equipment for containing the pandemic.

Relief for people in need with CITIC breadth

In 2020, CITIC Bank loaned more than RMB800,000 at favourable repayment terms to people in Hubei Province, including frontline medical staff, whose livelihoods were threatened by the pandemic. Other financial assistance included temporary waivers of compound interest charges, interest fees, and credit defaults on personal loans and credit cards. The Bank also waived all handling fees for loans and other financial transactions for designated hospitals and charitable organisations.



■ Food donations by CITIC Agriculture in Hubei.



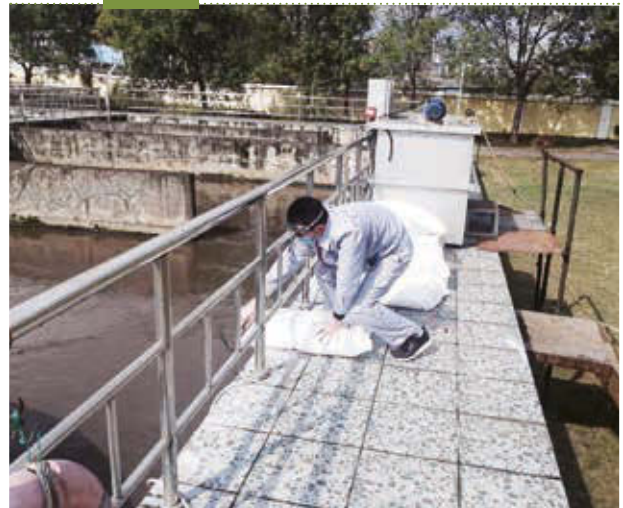
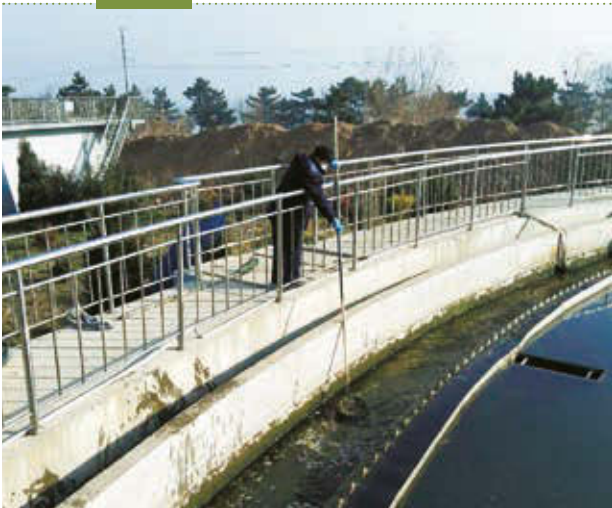
■ CITIC Telecom International operates 24 hours a day.

CITIC-Prudential set up a special relief fund for COVID-19, opened a green channel for claims settlement, and donated RMB337 million in accidental injury insurance coverage to community workers in Beijing.

In Hubei, Longping High-tech donated 480,000 cattles of rice to people in need. It also launched a nationwide digital campaign to help food processing companies and farmers find sales channels for their products.

CITIC Telecom International maintained 24-hour operations, while its subsidiary, China Enterprise Communications provided secure remote network access services free of charge to help certain companies resume production. CTM worked around the clock to keep up network quality despite a 30% increase in network usage.

CITIC Envirotech, including the 47 water operating companies of eight water subsidiaries in Hubei, operated without interruption to ensure continued service throughout the pandemic.



■ CITIC Envirotech continued to provide uninterrupted services.

CITIC Press offered more than 3,000 e-books and 600 audiobooks free of charge to medical workers nationwide and donated 200 books to Dahuashan Fangcang hospital in Jiangxia District, Wuhan.



■ CITIC Press offers free audiobooks

McDonald's China provided more than 60,000 free meals to frontline medical workers in Hubei, Beijing, Shanghai and Guangdong. The nearly 3,000 restaurants of this nationwide fast food chain also provided delivery meal service for 1,500 hospitals.

In addition, our subsidiaries donated tens of thousands of medical supplies, such as infrared thermometers, masks,

gloves and sanitisers, to local hospitals, neighbourhood committees, cleaners and underprivileged families. Our overseas projects joined forces to instruct cooperatives, local governments and embassies on strategies to combat COVID-19.

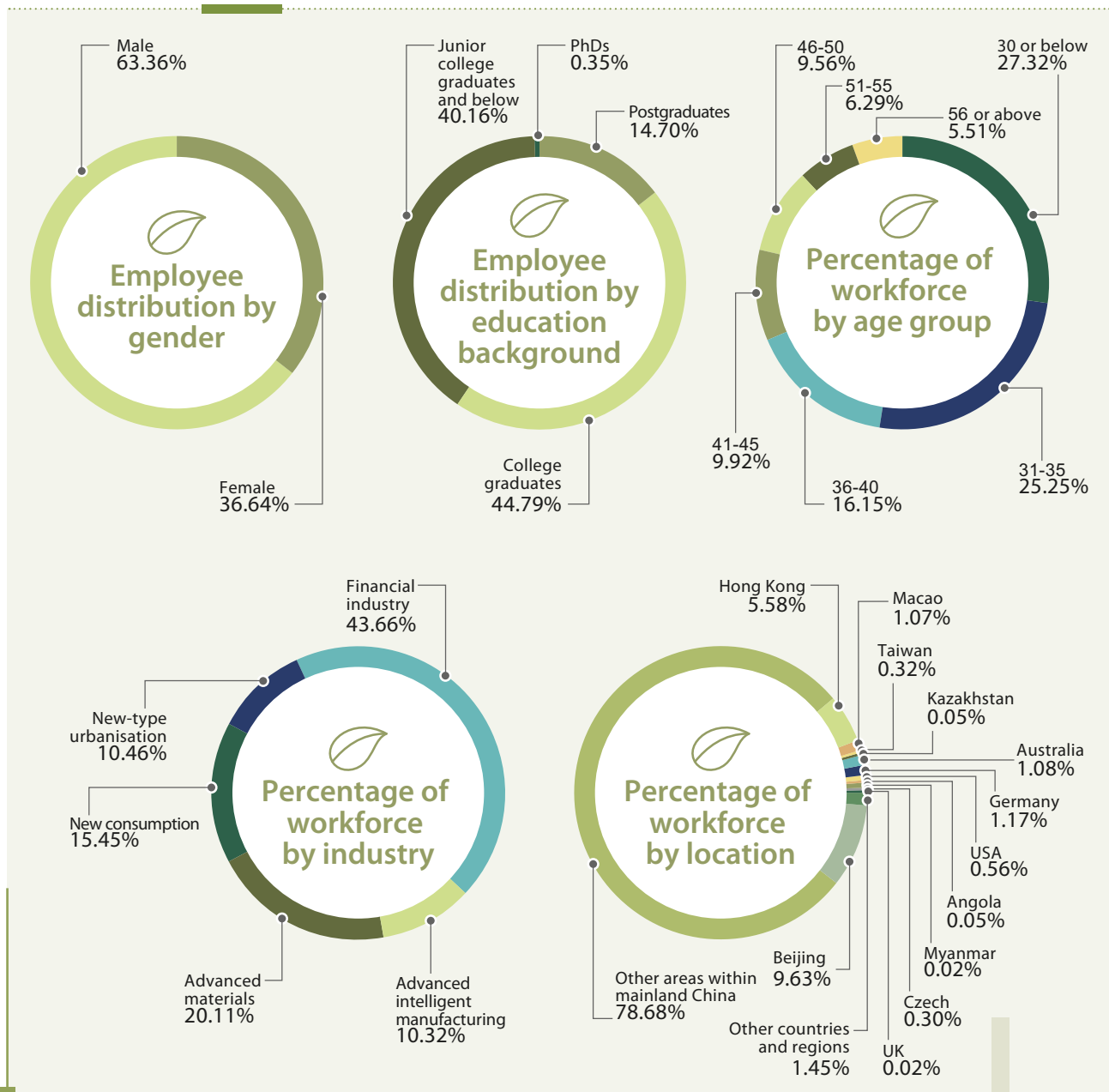


Staff Responsibility: Developing and Retaining Staff

Providing a platform for employees to excel their talents has always been one of the corporate missions at CITIC. We not only care about what our employees should do, but also what we can do for them. We have a multi-pronged approach that helps employees and the Company grow together.

A diversified staff mix

As of the end of 2020, CITIC Limited had a total of 135,304 full-time employees, of which 36.64% were women and 52.56% were employees under the age of 35.



Staff incentives

Remuneration Policy

CITIC and its subsidiaries have established a competitive remuneration management system, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism places equal emphasis on market competitiveness and fairness, with salaries correlated with performance to reward top talent. Staff morale and cohesion is thus enhanced as is the sustainable development of the Company. We will continue to enhance our incentive and management approach, provide medium- to long-term incentive plans, and investigate the feasibility of introducing an employee stock ownership plan as well as a “sharing interest but taking collective responsibility” incentive programme between CITIC and our employees.

Staff Benefits

In 2020 we continued to improve our staff benefits schemes, including insurance and our 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 social insurance for our mainland staff according to the requirements of local governments. Most of our mainland subsidiaries offered a corporate annuity (supplemental pension insurance) scheme and supplemental medical insurance for the more than 138,000 staff they employ (including retirees).

Staff development through training



CITIC's talent development strategy

During the year, we reviewed our 13th Five-Year talent development plan and strengthened our talent development programmes for our key professionals and technical teams. We also supported our technology-focused subsidiaries in their efforts to improve innovation and their incentive schemes for scientific and technological talent.



Upgrade of professional qualifications

During the year, we reviewed accredited professional titles for our staff, with 55 employees receiving senior professional titles and 84 employees receiving deputy senior professional titles. In addition, 36 senior and middle-level professional titles for 351 employees were evaluated by external parties.



Support for professional staff

In 2020, we recommended that two staff members receive special government allowances. Three members of the Doctoral Service Team completed their workplace attachment, and two new members of the Doctoral Service Team were recommended for work in remote areas.



Training during COVID-19

During the pandemic, we promoted online learning and offered 27 courses through live webcasts. More than 100,000 course sessions were recorded over the year for an average of 90 learning hours per employee.

Young employees received training through a mix of offline and online training modes. They also participated in a new model training course at the CITIC Building, where some of our senior executives attended the opening ceremony.



■ CITIC Management School's The Story Behind Huoshenshan public lecture

Care for our staff

Care for all staff

We fully comply with all relevant laws, regulations and policies related to the signing, altering, cancelling and termination of labour contracts. To build harmonious and stable relationships with our employees, we ensure our recruitment and career development practices are fair and reasonable. Career opportunities are based on individual merit and qualifications, without regard to race, gender, religion, ethnicity, nationality or physical disability. Child or forced labour is strictly prohibited.

Care for younger staff

For younger staff who may face challenges finding housing, we have built apartment blocks in Beijing and other cities. More than 600 young staff reside in these apartments in Beijing.

Care for retired staff

In 2020, we distributed more than 20,000 masks, over 5,000 pairs of protective gloves, and about 2,000 boxes of medicine to our retirees, who are more likely to be severely affected by the novel coronavirus. We also continued to arrange annual medical check-ups for retirees and kept their health records up-to-date for their reference. Our retirees are also entitled to an ex gratia medical payment the first time they contract a major illness. About RMB1.92 million was provided in pension subsidies, medical expenses and holiday expenses for retirees during the year.

Enhancing safety for our staff

We fully comply with all laws and regulations related to occupational health and continuously improve our safety management system, while ensuring safety measures are implemented throughout the company. All staff members are required to take ownership of occupational health and safety in their own areas.

At CITIC Sino Iron, the security department sends monthly safety management reports to business segments identifying areas for improvement and look for hidden hazards so they can be eliminated in advance. Australia has also developed a mental health programme in partnership with BSS, a consulting agency, to help employees deal with stress, depression, anxiety and suicidal tendencies.


CITIC Pacific Special Steel during the year continued to enforce its safety requirements and held safety activities such as the Hundred of Safety Days in Summer programme. It also conducted safety risk identification exercises to ensure risks are kept under control and began providing a science-based diagnostic method for occupational diseases. Additionally, the company set up an occupational health records system for employees during the year.

In 2020, CITIC Resources Karazhanbas Oilfield signed a medical service contract with the Sofie Med Group in order to provide staff with more up-to-date medical care.



Case Studies

CITIC Heye Investment: Healthier buildings for healthy staff

 To provide a healthy, environmentally friendly work environment for staff, CITIC Tower (Beijing) is designed according to the WELL certification standard developed by the U.S. Green Building Council and the International WELL Building Institute™.

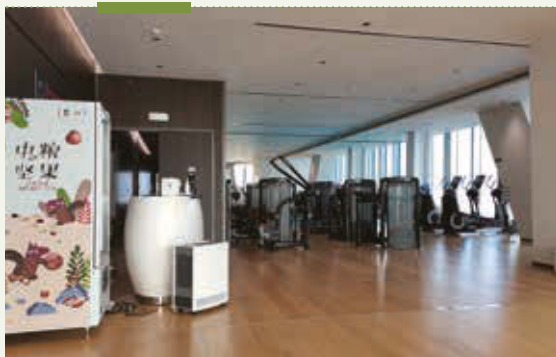
Improve air and water quality

In 2020, the company upgraded the existing air conditioning system and installed high efficiency filters to remove formaldehyde, reduce PM2.5, PM10, decompose TVOC and other harmful gases, and ensure safe and top-class work environment.

Care for staff

We provide lighting that meets international standards, as well as ergonomic tables and chairs, and a well-equipped fitness space for a healthy lifestyle.

Other facilities include employee lounges, women-only rooms, breastfeeding rooms and medical treatment facilities staffed by resident doctors.



■ The fitness room at the CITIC Tower (Beijing).



■ The Mother Hut at the CITIC Tower (Beijing).

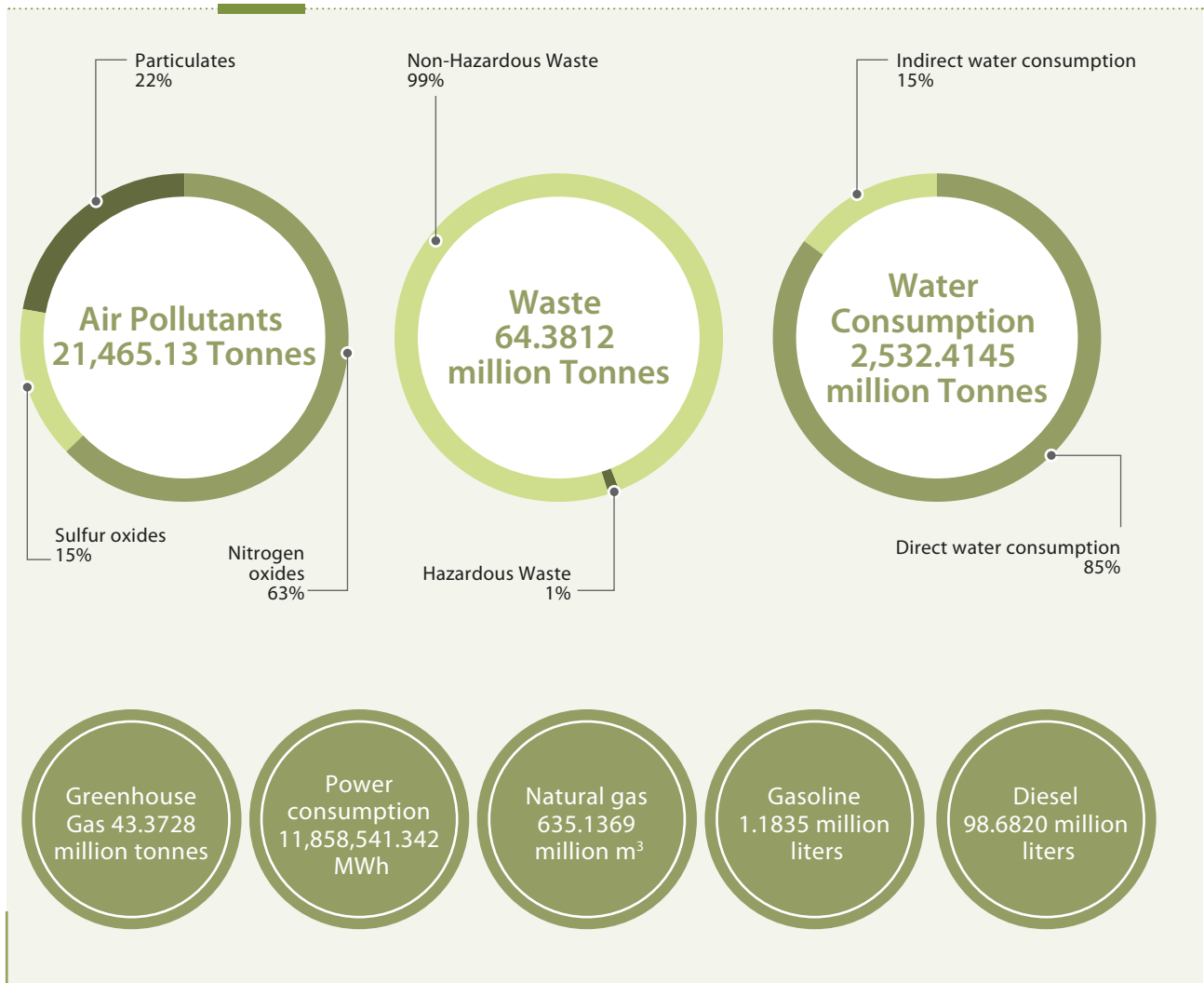


Environmental Responsibility: Creating a beautiful China

We believe that we can develop the economy while also protecting the environment. For CITIC, environmental protection is not only about how we fulfil our corporate social responsibilities but the way we pursue sustainable development. In 2020, we continued to follow best practices in green management and also encouraged our financial subsidiaries to increase their investments in green finance and explore new green financial derivatives

trading products and services. By upgrading their technology and production processes, our industrial subsidiaries have been able to optimise their operations and improve energy efficiency. This is in accordance with the 14th Five-Year Plan of the national government, which sets out the peak period for China's carbon emissions while also promoting high-quality economic development and environmental quality.

Performance



Environmental Business Platform



Water Management

- CITIC Environmental Technology invests, constructs and operates water projects and develops advanced membrane materials. The company has more than 80 water treatment projects nationwide, with a daily wastewater treatment capacity of more than 6 million tonnes.
- In addition to carrying out upgrading and modification works, it optimises energy consumption and sludge generation in the water treatment process for all its treatment plants.



Energy Saving

- CITIC Energy Conservation Technology has invested in retrofit projects using intelligent combustion control systems for Daye Special Steel and Xingcheng Special Steel. A total of 68.07 million cubic metres in gas consumption was saved through these two projects.



Solid Waste Management

- Chongqing Sanfeng Environment is currently investing in 45 domestic waste incineration power generation BOT projects. In 2020, the facility was put into operation with a capacity of about 8 million tonnes of domestic waste. A total 2.5 billion kWh of electricity has been generated by this company through domestic waste incineration.

Green management

CITIC fully complies with all environmental laws and regulations in the countries and regions where we operate. We are also continually improving our environmental management system and have established a long-term green development mechanism for enhancing our environmental performance. In addition, we provide green finance for the development of low-carbon environmental industries and raise awareness of the importance of environmental protection among our stakeholders.

Improvements to our environmental management system

In Australia, controlling greenhouse gas emissions below government-imposed benchmarks is our key environmental compliance target. In 2020, CITIC Sino Iron submitted an application to the government to adjust its project's annual greenhouse gas emissions baseline in accordance with the country's recently revised environmental regulations, which will improve its climate change risk management in 2021. The Company also continued to monitor work on coastal stability, coral health, desalination plant outfalls, wildlife and waste disposal. The results showed that the project did not cause any significant impact on the environment.

At the CITIC Resources Yuedong East Oilfield project, the classification and storage of domestic waste and oil-based hazardous waste on the company's offshore production platforms is strictly regulated. The company also strives to reduce the quantity of oil-based hazardous waste it generates through marking, tagging and tracking the bins on each platform during daily production.

Green Finance

CITIC Bank requires that the growth rate of loans in its Green Credit Statistical System must be higher than the growth rate of general bank-wide loans. Loans will not be granted to customers who do not meet the requirements under this green loan system. As of the end of 2020, the balance of green credit loans was RMB65.148 billion, an increase of 3.51%.

CITIC Securities

CITIC Securities supports projects related to green industries and assisted financial and non-financial enterprises with their green equity financing projects. Through green equity financing, environmental technology and alternative energy enterprises have accumulatively acquired RMB22.951 billion for green industries with approval from regulators and in line with relevant regulations.

CITIC Trust

CITIC Trust, in collaboration with Zhejiang Anji State Control Group, launched the CITIC Trust-Xingyue No. 22 Zhejiang Huzhou Anji County State Control Collective Fund Trust Scheme in 2020. The aim of this scheme is to assist the Anji County Government and local companies while also protecting the environment. By promoting the production of high-end equipment, information technology and other industrial projects, the company is making a strong contribution to the economy of Anji County.

Promoting environmental protection

CITIC Environmental Technology, a subsidiary of CITIC Environment, has been organising environmental science and technology activities on World Environment Day for many years. In 2020, a total of 33 subsidiaries of CITIC Environmental Technology organised activities designed to promote environmental protection.



- CITIC Environmental Technology (Guangzhou) Company explains the wastewater purification process principles at its new Wastewater Treatment Plant via a webcast.



- CITIC Environmental Watershed Management (Jiangsu) Company encouraged children to depict their homes in paint.



- Liaoyang Xinhuan Water Company participated in the National Green Ride which advocates a green and healthy lifestyle.



- Employees perform a "check-up" of the water quality of rivers in their hometowns in an effort to increase awareness of environmental protection.

Green management

Green management principles are integrated into the production processes and operations of our companies. This means enforcing strict pollution prevention and control measures and developing environmental protection technology that helps reduce emissions, pollution and waste. They also guide us in making more efficient use of the energy and resources we consume on our journey towards a low-carbon future.

Reducing waste emissions


We attach great importance to balanced development through our advocacy of clean production, the circular economy, energy conservation and emissions reduction. Our technology and management systems, which are part of our green development model, have helped us continuously reduce waste gas emissions, wastewater and solid waste.

	Initiatives	Achievements
CITIC Resources	To reduce the amount of oil sludge produced at the terminal station, CITIC Resources Yuedong Oilfield reduced the amount of water purifying agent from 200 kg per day to 100 kg without compromising sewage water quality standards.	Based on a chemical sludge coefficient of 5.0, oil sludge generated is reduced by 0.5 tonnes per day and about 183 tonnes per annum.
CITIC Pacific Special Steel	Xingcheng Special Steel completed 360m ² of sintering and 400m ² of sintering when undertaking desulfurization and denitrification.	Current emissions of pollutants: particulates ≤ 10mg/m ³ , SO ₂ ≤ 35mg/m ³ , NO _x ≤ 50mg/m ³ .
	Qingdao Special Steel carried out coke oven flue gas desulfurization and denitrification projects, and upgraded its coke ovens to be smoke free.	Improved smoke and dust spills in coke ovens and reduced sulphur dioxide and nitrogen oxide emissions.
	Daye Special Steel installed a new 265 m ² sintering head denitrification system and 220 m ² sintering desulfurization and denitrification system, and also completed its gas boiler desulfurization and denitrification renovation projects.	All emissions were in compliance with relevant national standards, with groundwater and soil pollution under control.



Case Studies

Proprietary technology removes nitrogen from sludge at Xinji wastewater treatment plant

 The CITIC Envirotech Xinji Wastewater Treatment Plant collects and treats domestic and industrial wastewater discharged from Xinji City. With a design capacity of 100,000 tonnes per day, the plant uses CITIC Envirotech's world leading MBR membrane process treatment technology to meet the national Grade A standard for effluents.

As water coming into the plant did not meet the carbon source requirement for denitrification (a process that removes bacteria from sludge), an additional carbon source had to be found. CITIC Envirotech, together with its technical partner, used the waste in the wastewater plant to produce the carbon required for denitrification. This not only reduced the production of biological sludge in the wastewater but also the demand for additional carbon for denitrification.

Since the implementation of the Sludge to Carbon project in September 2020, the sludge concentration in the surrounding biochemical ponds decreased from about 13,000mg/L to about 9,500mg/L by the end of 2020, resulting in a significant reduction in water cost per tonne from RMB0.358 to 0.265 compared from 9-12 month of 2019, with a total saving of RMB738,100.



■ Xinji waste water treatment plant of CITIC Envirotech

Saving energy and resources

We are committed to reducing the amount of resources and energy we consume by strengthening our energy management system, upgrading our production equipment, optimising production capacity and introducing innovative new production technologies.

	Initiatives	Achievements
CITIC Mining International	In keeping with the Western Australian Government’s Making a Difference by Recycling Containers initiative, we launched the Beverage Container Recycling Activity at the mining site. Plastic water bottles, aluminium cans, glass beer bottles, milk cartons and other beverage containers were all recycled.	By recycling waste, we are able to reduce energy consumption and use natural resources more efficiently, while also driving the development of a new recycling industry at the project site.
CITIC Resources	The six 23-tonne boilers at the Karazhanbas field incorporate a new energy-saving feature, with a heat exchanger installed at the flue gas outlet. Raw water is heated to 200 degrees Celsius at the boiler inlet with flue gas, which is then reduced to 80 degrees Celsius after heat exchange.	Waste heat recycling reduces our environmental impact and natural gas consumption.
CITIC Pacific Special Steel	Daye Special Steel reduces overall electricity consumption through measures such as adjusting the electricity consumption structure and optimising the ratio of peak and valley electricity consumption. Properly managed energy at every stage reduces dispersion and energy outsourcing.	Compared with 2019, the overall electricity consumption per tonne of material decreased by 29.14kW.h/t, and the blast furnace gas dispersion rate decreased by 38.1%.
	Jingjiang Special Steel adopts new ternary flow technology to retrofit the pump for energy saving.	Through frequency control, it reduced 20% energy, saving 120,000kW.h per month.



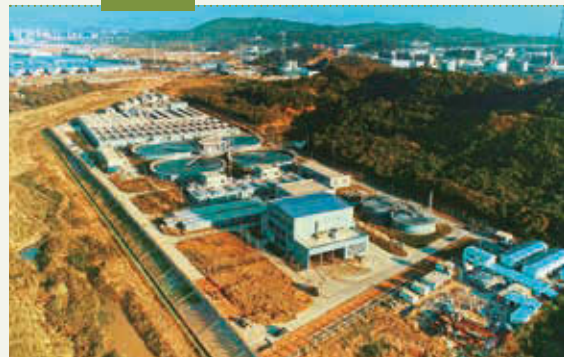
Case Studies

CITIC Engineering: Clear water for the Yangtze River

In 2016, General Secretary Xi Jinping said that restoring the Yangtze River's ecological environment should be the country's top priority. To meet this objective, Wuhan subsequently launched two programmes — the Five Protection Actions and Four Waters.

One of the major undertakings in these programmes is the Clear Water into River project, for which CITIC Engineering is building a sewage collection/treatment/discharge system.

In the first phase of this system, sewage discharged into the Yangtze River is treated to ensure sewage tailwaters are not discharged into lakes. For the second phase (a flood prevention and drainage project), the goal is to solve the problem of frequent flooding in Jiangxia district. Both phases were completed and approved in 2019.



The first phase of Clear Water into River project



Jiangxia waste water treatment plant

Using Building Information Modelling and intelligent water management services, the capacity of the Jiangxia wastewater treatment plant has now reached a daily capacity of 150,000 tonnes per day. In addition, the flood control and drainage project has withstood flash floods and torrential rains for two consecutive years.

The third phase of the project, which will improve the water management system, was officially launched in 2020. Once completed, this project will significantly improve the local urban water ecology.

Promoting a green office

Our staff are encouraged to maintain a green office by storing all documents (except confidential documents), briefing notes, and information electronically in the system. We have also centralised our management of printing paper, ink cartridges and other office supplies. What's more, employees of CITIC and our subsidiaries are reminded to conserve water and electricity via posters in common office areas.

Green building design

CITIC Heye, our integrated urban investment and development group, ensured that CITIC Tower (Beijing) would be a building that meets international green standards from the initial design stage. Since the building's completion, CITIC Heye has introduced further measures to reduce energy consumption and emissions and optimised its operational strategies to ensure better environmental performance.

Green Management — Z · BEMS energy management system

- In collaboration with Azbil, a leading Japanese energy management company, CITIC Heye developed an integrated Building Energy Management System (Z.BEMS) for CITIC Tower (Beijing). Unlike a traditional domestic energy management system, Z.BEMS focuses on diagnosing faults, evaluating and analysing energy consumption, and verifying energy savings using up to 15,000 visual charts. Abnormal energy consumption can thus be detected on this platform and problems resolved in advance. This not only extends the life of the equipment but also prevents major losses due to equipment failure.
- The system has built-in energy consumption analysis and evaluation, in which the energy consumption management data of more than 100 buildings in Japan have been stored. Other systems and processes have also been incorporated to further improve energy efficiency. With the Z.BEMS energy management system, CITIC Tower (Beijing) saved more than RMB1.5 million in operation costs in 2020.



■ The management interface of Z · BEMS

Green Technology

- CITIC Tower makes use of a free cooling system, which uses exterior cooling sources for air conditioning. In winter when outdoor temperatures are low, the cooling units and supporting equipment can be turned off so that chilled water can be used to supply cooling directly to the air conditioning system, significantly reducing energy consumption.
- The solar photovoltaic system on the roof of CITIC Tower comprises 640 CIGS photovoltaic modules, covering an area of 890m², with a total capacity of 92.8kW. In 2020, a total of 35,941kWh of power was generated through this system.
- CITIC Tower (Beijing) has installed an energy feedback system in 100 elevators that recovers part of the total elevator energy consumption for direct use by other equipment. This has reduced energy consumption in the elevator system by around 30%.

Green Certification — LEED-CS Gold

- LEED is a green building assessment system established by the U.S. Green Building Council, covering building water conservation, energy use, materials and resources, as well as indoor environmental quality. It is recognised as the most comprehensive building assessment standard in the international community. On 22 July 2020, CITIC Tower (Beijing) was officially certified with a LEED-CS Gold rating.










Responsibility to Customers: Innovative services and quality products

As a diversified conglomerate with both financial and industrial businesses, we follow customer-centric principles with a view to exceeding customers' expectations. We also explore innovative ways to serve our global customers better through the products and services we offer.



Awards and Recognitions

	CITIC Trust won the 2020 Outstanding Brand Image Award at the 2nd China Finance Summit.
	CITIC Heavy Industries was awarded the honorary title of 2018-2019 China Aerospace Supplier for Outstanding Contribution.
	CITIC Dicastal won the German iF Industrial Design Award for its Deformable Wheel, the first international design award secured by the company; CITIC Dicastals' Forge and Flow-Form Magnesium Road Wheel Program also received an Award of Excellence Process Category 2020 by the International Magnesium Association (IMA).
	CITIC Construction was awarded the AAA enterprise credit grade in national market quality for customer satisfaction benchmark by the China Association for Quality.
	CITIC Tower (Beijing) received the Beijing Great Wall Cup Gold Award for Quality Construction (Completion) 2019-2020.
	CITIC Press's <i>This is China and Bo Shining's Lectures on General Medical Knowledge</i> were named 2019 China Good Books.
	CITIC COHC received the 2019 Tianjin Advanced Unit of Maritime Search and Rescue award.

Providing excellent products and service

We offer a wide range of products and services in an increasingly complex market environment. To meet customers' expectations, we listen to their opinions and suggestions so we can make additional improvements.

Signature Projects

- In recent years, CITIC Construction has successfully completed a series of major structures that have become local signature projects and significantly enhanced CITIC's brand reputation. In 2020, despite challenges such as limited staff numbers, communication barriers and the COVID-19 pandemic, CITIC Construction successfully completed a number of major projects. These included the two-year project quality assurance project for our wind and solar energy project in Kazakhstan. In Phuket, Thailand, the company built a premium hotel condominium that set a new standard for projects of this type. Another project, the second phase of the K.K. military barracks in Angola, was successfully handed over and commended by the local government as "a model of military barracks construction".



The handover ceremony of the second phase of the K. K. military barracks in Angola



■ Quality assurance services were successfully completed for a two-year wind-solar project in Kazakhstan



■ The Phuket Residency Project in Thailand

A more responsive complaint mechanism

- CITIC Securities has established a new complaint channel for customers, in which departments and individual staff take responsibility for handling complaints. Integrated Customer Service Center offers online transaction service, securities trading consulting and customer revisiting services. Leveraged on our strong information resources and R&D, its optimized market-leading voice service, online customer service platform and innovated its business modes and built a top online security transaction center continues to lead the industry.

Improving our customer service

- CITIC-Prudential continued to provide high quality customer service in 2020, with a 99% call-in operator connection rate and a 98% inbound service satisfaction rate. The company has also developed an intelligent customer service to meet the needs of young customers. This automated technology service covers three service levels: network, return visits and counter service throughout the life cycle of its policies.
- CITIC Press introduced an online intelligent service in 2020, which has greatly improved service efficiency and customer satisfaction. The DSR service index of the T-MALL e-commerce stores served by the customer service team is now 30% higher than that of the same industry.

Our focus on innovation

We are guided by science and technology innovation and continue to increase our investment in these areas. This has enabled us to build a strong competitive advantage for our future development and create greater value for society.

On 19 July 2020, CITIC Heavy Industries successfully launched its world-leading T3.20 cantilever roadheader, a new generation of cantilever hard rock excavators designed and developed specifically for hard rock conditions in tunnelling projects. It is thought that the T3.20 will significantly contribute to the development of the domestic tunnelling equipment market.



■ China's first T3.20 cantilever roadheader

CITIC Dicastal has maintained its leadership in the research and development of wheel technology, with the introduction of a noise-reducing wheel for new energy vehicles. For this innovation, the Company received a green industrial design award by the Ministry of Industry and Information Technology.

CITIC Titanium, a subsidiary of CITIC Metal, partnered with the National Engineering Research Center for New Polymer Forming Equipment of the South China University of Technology to set up an R&D centre for applied technology. At CITIC Phoenix Harbor, the company took part in the development of an industrial internet project that was commended by the Ministry of Industry and Information Technology.

CITIC Engineering continued to promote BIM projects during the year using its own intellectual property, and one of its major projects passed the mid-term inspection by the Ministry of Industry and Information Technology.



Case Studies

Recognition for CITIC Pacific Special Steel's advanced technology

As the market leader and dominant player in China's special steel market, CITIC Pacific Special Steel has long been a leader special steel technology. In line with its commitment to advanced technology, the company launches 10% of the new products it develops and eliminates 10% of its low value-added products every year.

On 23 June 2020, the Long March 3B launch vehicle successfully put the Beidou-3 satellite into orbit. For this historic mission, Daye Special Steel (a subsidiary of CITIC Pacific Special Steel) completed all the launch tasks of the Beidou Navigation Project. For this BeiDou satellite, the launch vehicle required extremely high quality special-purpose metal compounds. Daye's researchers also had to improve the adaptability and reliability of the vehicle. With the completion of the Beidou Navigation Satellite, China's Beidou-3 has now been fully deployed, confirming Daye Special Steel's ability to undertake major national research projects.

On 1 July 2020, the Shanghai-Suzhou-Nantong Yangtze River Public-Rail Bridge — China's first dual-purpose bridge with a main span of over 1,000



The production line of CITIC Pacific Special Steel's 2000 MPa grade cable wire coils

metres —officially opened. As larger spans require higher strength cables, the engineers specified that all the steel used in the cable would be from CITIC Pacific Special Steel's 2000 MPa grade cable wire coils. This was the first time in the world that cable wire coils of this grade were used in such a large bridge.

For the future, CITIC Special Steel will continue to focus on original R&D to improve its steel products and strengthen China's position as a leading manufacturing economy.

Safeguarding the legal rights of our customers

We are not only committed to providing quality products and services but also operating in a fully transparent manner so that our customers can make informed purchasing decisions.

Protecting customer information



In 2020 CITIC Securities completed an audit of the annual ISO27001 information security management system. A number of key tasks were also carried out with respect to the company's handling of sensitive information. These included launching a data desensitisation platform for environments that make use of production data. The platform not only ensures data security but also improves the efficiency of data desensitisation.

In addition, CITIC Securities established a new terminal safety management mechanism with extra protection and a sensitive information flow monitoring tool that operates in real time.

Safeguarding customers' right to information



As a responsible seller, CITIC Securities complies fully with the Code of Conduct on Appropriateness when selling products or providing services to investors. In 2020, CITIC Securities released its risk rating standards for its products and services in accordance with the "Guidelines for the Implementation of Appropriateness Management for Securities Operators (for Trial Implementation)", in order to disclose risks and protect the rights and interests of investors. In 2021, CITIC Securities will continue to conduct self-inspections of its branches and organise on-site training for branch compliance officers in areas such as management requirements for new businesses and strengthen the professionalism of practitioners.

Promoting industry knowledge



In 2020, CITIC Securities' investor education branch — Jingxin Academy — held more than 7,600 visits, organised 18 community activities and produced 653 original investor education materials. The Academy received an Excellent assessment by the China Securities Regulatory Commission, while the investor education activities carried out by the branches of CITIC Securities won 20 provincial awards and earned a Best Organization Award for Investor Education and Protection Theme Activities in 2019 by the Shanghai Stock Exchange. Other recognitions included an Excellent Organization Award by the Shanghai Stock Exchange and a first prize during an investor education product competition by the Shenzhen Stock Exchange.



Case Studies

Trust Culture China Tour

 The Trust Culture China Tour organised by CITIC Trust was the industry's first large-scale thematic programme promoting trust culture when it began ten years ago. Through this programme, which has reinforced the company's reputation as a leader in investor education, members of the public have a channel for learning about trusts and the trust industry.

To kick off the annual Trust Culture China Tour in 2020, CITIC Trust held an event in Guangzhou on 7 January 2020. At this event Dr Zhou Ping, General Manager of CITIC Trust Financial Laboratory and a member of the China Reform and Development Foundation, made a presentation on the trust industry

with analyses of professional theories, industry observations and an outlook of the current economic situation. CITIC Trust's in-house experts also reviewed the company's history, development and focus on responsibility over the past decade. In addition, they provided a trust investment kit to help clients understand industry trends and choose investment products that match their risk preferences.

Around 28 of these events were held throughout the year, for a total of 4,856 participants. In the years ahead, CITIC Trust will continue to strengthen its trust culture while providing investor education activities for the benefit of the company, the industry and clients.



Industrial Responsibility:

Building better partnerships for a positive industrial environment

In accordance with our principle of open and mutual cooperation, we aim to build platforms and promote close relations with government and business. We also support fair competition and contribute to advanced technology while working to prevent corruption and create a positive industrial environment.



Awards and Recognitions



CITIC Bank was named a National Copyright Demonstration Unit by the National Copyright Bureau; several branches were evaluated as A-class banks in foreign exchange management, compliance and prudent operation of a foreign exchange business.



CITIC Trust was honoured as the only Integrated Trust Company of the Year at the 2020 Caijing Sustainable Development Summit and Evergreen Award Ceremony hosted by *Caijing* magazine.



CITIC Titanium, a subsidiary of CITIC Metals Group, won the Second Class Award of the State Technological Invention Award for Enhanced and Scale-up Technology of Fluidisation Process of Viscous Powder — a project conducted in partnership with the Chinese Academy of Sciences.



CITIC Heavy Industry won the 2019 Henan Provincial Science and Technology Progress Award for three projects, one of which was the Intelligent Key Technology of Large Mineral Grinding System and its Application project. It was also selected as one of the top ten high-end equipment manufacturers in Henan Province for its 1200t/d active lime equipment. The RXR-MC200BD firefighting and reconnaissance robot developed by CITIC Heavy Industry Kaicheng Intelligent Company won the gold medal in the China Excellent Industrial Design Award competition.



The Key Technology and Application of Large-Size aluminium Alloy Wheel Forming project by CITIC Dicastal won the Second Class Award at the State Science and Technology Progress Award competition.



CITIC Pacific Special Steel participated in a project — Development and application of key technology of green and efficient electroslag remelting for high quality special steel — that won the First Class Award of State Science and Technology Progress Award.



CITIC Construction was ranked 62nd on the international ENR250 list in 2020 and 13th overall among Chinese companies on the list.



CITIC COHC received the Four Star Award for General Aviation Safety by the Civil Aviation Administration of China (CAAC); it was the only aviation company to receive this award.

Working partnerships for mutual benefit

We recognise the importance of building relationships with the government, as this not only helps with our own development but also contributes to the local economy and society. In addition, we engage with external think tanks to support industry-university-research collaborations.

In 2020, our executives went to Yunnan, Fujian, Zhejiang, Hubei, Sichuan and other provinces and municipalities to sign strategic cooperation agreements with local governments. They also met with government officials and industry partners such as China Life, Bank of Communications and Alibaba. More than 80 online and offline meetings and talks were held to seek cooperation opportunities in various fields such as financial services, high-end manufacturing, agriculture, medical care and pensions.

We also continued to increase cooperation with external think tanks, as well as leading domestic and foreign consulting institutions, universities and research institutes, for cooperative projects in education, scientific research and development, as well as those that connect industries.

During the year, CITIC Bank held the Local Emphasis, Global Vision – CITIC Bank Cross-border E-Commerce Summit Forum. This event was attended by more than 180 participants, including financial regulators and representatives of local cross-border e-commerce associations and businesses. At the forum, CITIC Bank announced the industry's first bank-led global collection and settlement platform for cross-border e-commerce — the CITIC Bank Remittance service platform. Through this platform, SMEs can enjoy one-stop cross-border receipt services for more efficient capital use and reduced operating costs.

On 27 April, CITIC Heavy Industry held a seminar on industrial computerized tomography. More than 20 businesses, universities, research institutes and industry leaders were invited to attend the meeting and participate in both online and offline exchanges. The participants discussed how to promote the development of an industrial CT industry that will address China's core manufacturing challenges and technical problems.

Support for industrial development

During the year, we continued to standardise our supply chain management. We also participated in industry gatherings in order to share our management, brand, and technology approach to managing supply chains. We also maintained our commitment to fight piracy, protect intellectual property and encourage innovation.

Strengthening our supply chain management

In the process of working with our suppliers, we and our subsidiaries embed the principles of social responsibility into our corporate bidding and procurement policies, contract terms and assessment indicators. Our aim is to build a fairer and more responsible industry ecosystem.

Responsible sourcing



CITIC Heavy Industries has 3,899 qualified suppliers, including 3,666 domestic suppliers (94.02%); 1,132 suppliers in Henan Province (29.03%); and 811 suppliers in Luoyang City (20.8%).

Supply chain management



Western Australia introduced the Road Safety Chain of Responsibility in 2015, which makes clear that accidents are the responsibility not only of drivers and vehicle operators but also any other party whose acts or omissions contributed to these accidents. Every month, about 250 giant trucks transport about 4,000 tonnes of goods to the project site. To ensure the road safety chain of responsibility is legal and compliant, the project has strengthened the road transport safety management of goods and personnel entering the project site, and introduced the Cargo Preparation and Packaging Specifications to ensure that suppliers package and transport goods in a safe and compliant manner.

Promoting industry advancement

We share our experience to help solve industry-wide issues and develop industry standards. We also work to protect intellectual property rights and create a fair and equal industry environment.

Strengthening relationships with local businesses



CITIC Mining International participated in the Australian Government's Entrepreneurship Programme in 2019. In accordance with the spirit of the programme guidelines, the company launched the CITIC Australia Supplier Development Pilot Programme in 2020 in the Pilbara region. A total of eight SMEs participated in this programme to discuss issues of engineering design, construction architecture and manufacturing. Over a 12-month period, these companies received one-on-one independent business advice by consultants, who advised them on the best way to manage their businesses. By partnering with CITIC, the companies were able to enhance their capabilities and gain opportunities to partner with different companies, which will further contribute to the economic growth of the local community.

Advancing business and technology



One of the aims of the CITIC Agriculture Yuelu Mountain Seed Industry Innovation Centre is to protect independent intellectual property rights in China's seed industry. To that end, the company focuses on upstream seed companies with high scientific and technological content and strategic value in order to build a strong innovation platform. In addition to countering restrictions on biological breeding, this will help to ensure a national food supply, robust seed industry, better food quality and ecological safety.

As one of the first 16 pilot units to gain ISO41001 facility management certification in China, CITIC Heye was invited to speak about its application of this standard in high rise projects. This took place at the first China Facility Management Industry Summit Development Forum and the annual meeting of the National Facility Management Standardisation Technical Committee hosted by the National Facility Management Standardisation Technical Committee. CITIC Heye will continue to improve its facility management capabilities in order to build a leading facility management project in China and contribute to the development of a national standard.

Combating piracy and patent infringements



CITIC Press, which is part of the Beijing Edition 15 Anti-Piracy Alliance, participates in anti-piracy actions organised by the cultural law enforcement departments of provinces and cities across China. These actions include searching sales platforms for pirated goods and patent infringements. Claims are also made against stores with a large number of pirated copies or reported to law enforcement for investigation. In 2020, CITIC Press identified more than 50,000 piracy-related cases and completed nearly 100 validation reports.

Anti-corruption

As anti-corruption is a top priority in our internal risk management and control, CITIC and its subsidiaries continued to strengthen its efforts to combat corruption in 2020. We also increased training for our disciplinary inspectors and undertook a number of measures to maintain the company's brand image of integrity, including

centralising our on-site risk inspections and conducting company-wide training to prevent and resolve major risks. Accordingly, our subsidiaries have achieved significant results in the areas of institution building and anti-money laundering.

Creating a working environment of integrity

- CITIC Securities has implemented a variety of measures to combat bribery and corruption, including the establishment of a sound internal control system that focuses on prevention and accountability. In 2020, its Integrity in Practice Regulations was revised to define management objectives and embed integrity into all aspects of its daily operations and business activities. Articles on regulatory developments were also published in channels such as the company intranet, e-journals and WeChat.
- Since 2014, CITIC Trust has held an Integrity Culture Month event each year with activities such as essay writing, book recommendations and contests, all of which are designed to embed integrity into the company's daily business.

Strengthening compliance at CITIC Securities

- CITIC Securities is fully committed to strengthening its controls against money laundering and ensuring compliance with regulations. In 2020, the company refined its compliance management with regard to information segregation, anti-money laundering (AML) and abnormal transactions together with CITIC Securities South China. In the process of upgrading our abnormal transaction monitoring system, we have built a customer money laundering risk assessment system, reviewed the central control room migration plan and developed migration plans and other initiatives to prevent various risks arising from information segregation, employee practices, conflicts of interest, money laundering and unusual transactions.

Anti-money laundering at CITIC Bank

- CITIC Bank optimised its anti-money laundering risk management system by introducing a dual review mechanism covering business and technology. These involved enhancing or reforming system functions and carrying out additional AML audits of new products, businesses and business channels. More than 350 AML audits were conducted during the year, and over 1,400 AML audit opinions recorded. The company also improved the quality of its reports on suspicious transactions. As of the end of 2020, a total of 254 suspicious transaction reports were handed over to the local People's Bank, of which 115 were handed over by the People's Bank to other regulatory authorities and 18 were filed.
- At CITIC Securities, self-assessments of money laundering risks continued during the year. These included assessments of inherent risks and the effectiveness of the company's money laundering risk control measures. As a result, CITIC Securities is able to evaluate its money laundering risks objectively and fulfil its anti-money laundering obligations. The company also reviewed, upgraded, and optimised its systems for monitoring suspicious AML cases.



Community Responsibility: Contributing to a thriving community

In the many countries and regions where we operate, we are committed to aligning our community investments with national policies. To support the development of the communities where we operate, we and our subsidiaries donated a total of around RMB151 million.



Awards and Recognitions

	CITIC's volunteer team received the Bronze Award for Outstanding Volunteer Team by the Chinese Enterprise Association
	CITIC Trust received the Outstanding Social Responsibility Award from <i>Leading China</i> , a financial website; Jiang Ping Law Education Charitable Trust was selected as one of the Outstanding CSR Practices in China at the China CSR Summit.
	CITIC Pacific was named a Caring Company by the Hong Kong Council of Social Service and received the Public Welfare Excellence Award by the Hong Kong Community Chest.
	CITIC Telecom International was awarded the Hong Kong Outstanding Corporate Citizenship Logo in the Enterprise category.

Our contributions towards poverty alleviation

The year 2020 was a decisive one in China's campaign to alleviate poverty. As a state-owned enterprise, we believe it is our responsibility to play a major role in poverty alleviation. Our focus with this campaign is to ensure that everyone has sufficient food and clothing, as well as the opportunity to receive an education, basic medical care and decent housing. To date, we have invested a total of RMB129.677 million and have obtained an additional RMB11.852 million for implementing poverty-alleviation projects in four districts and counties.

Support for education

In response to the shortage of classrooms in the poverty-stricken districts and counties we have targeted, we invested a total of RMB9.91 million to build new schools, renovate school buildings and provide CITIC scholarships. Nearly 4,000 students benefitted from these donations. The CITIC Group also launched the Qianjiang Tongde Orphanage Care Project and assisted the Shaba Township Mutual



■ A new sportsground built for Nansha Primary School in Yuanyang County

Aid Senior Centre. What's more, CITIC Press donated 10,000 books to 41 primary and secondary schools in Pingbian County, 1,400 books to Shaba Central School in Qianjiang District and 600 books to 22 local kindergartens in Xainza Town, Tibet.

Support for local industry

We support the development of certain industries in the poverty-stricken areas and counties we have targeted so that people have a stable source of income. Instead of providing direct financial support to businesses, we provide the skills and knowledge needed to sustain them.

A total of RMB9.01 was invested in Yuanyang County, Pingbian County and Qianjiang District during the year for the implementation of nine industrial poverty alleviation projects. These included funds for agricultural drones, mulberry sericulture workshops and red rice production lines. Eleven businesses and cooperatives received support, providing income for two impoverished villages and bringing 1,108 people out of poverty.

In addition, we invested a total of RMB1.7 million for the construction of a photovoltaic power station in Muliang Village, Qianjiang District, which is expected to generate 240,000 kWh of electricity per year and provide annual income of nearly RMB200,000. A total of 382 impoverished households in the village benefitted from this programme.

Support for infrastructure & healthcare

In 2020, we invested RMB15.03 million in six projects in poverty-stricken areas and counties. This investment addressed the most serious problems faced by people in these areas, such as a lack of access to drinking water and essential infrastructure.

In Yuanyang County, we invested RMB5 million during the year to construct a 26 km road in Dawuzhai, Ga Niang Township, which connected 2,408 farmers in five villages and contributed to the development of over 5,000 acres of land. A

total of RMB8.6 million has been invested since the commencement of this project.

In Pingbian County Heping Village, we invested RMB5.5 million to build 9.5 km of industrial roads, benefiting 800 farmers in 13 villages. The project has allowed large-scale planting of special economic crops on more than 1,600 acres of land along the route.

In both Yuanyang and Pingbian counties, we invested a total of RMB43.35 million for construction projects in 16 impoverished villages from 2019 to 2020, benefiting 15,000 people. By building roads, sewage treatment systems and public toilets as well as installing solar street lamps and other facilities, villages that used to “trapped” in the mountains have become beautiful, liveable places with new job opportunities.

Support for local economies

During the year, we encouraged the employees of our subsidiaries, labour unions and canteens to purchase agricultural products from our designated poverty alleviation districts and counties. We also helped to increase sales of these agricultural products through e-commerce platforms and live streaming. A live broadcast of a programme to help farmers during the pandemic was also organised, which attracted just over one million viewers and achieved sales of nearly RMB1.2 million. In 2020, we purchased a total of RMB35,177,000 worth of agricultural products and helped to sell RMB2,129,000 in agricultural products from impoverished counties. Thirty-five of our subsidiaries signed procurement contracts with our targeted poverty alleviation districts and counties, thereby establishing long-term sales relationships with them for their products.



■ The new 26 km road in Dawuzhai, Ga Niang Township, Yuanyang County



■ Relocation Project of Zhongba High Mountain Ecological Zone in Qianjiang District, Chongqing

Giving back to the community

We continued to support education, sports and public health activities by donating funds to help the disadvantaged and construct community infrastructure.

Community Care Programme

Under the CITIC Pacific Community Care Programme, we encouraged employees to care for the community. Employees from domestic subsidiaries and CITIC Sino Iron employees from Australia were invited to participate in the “Run Our City” marathon event for the first time. The activity attracted employees from different departments of different business units to support the community, which has helped to strengthen staff unity and making new business connections.

In October, CITIC Pacific organised its headquarters and subsidiaries in Hong Kong to participate in a Community Chest programme that promotes the spirit of “small good deeds create great love” and provides assistance to people in need.

On World Sight Day, CITIC Metal encouraged its employees to support ORBIS Hong Kong’s efforts to share ophthalmic knowledge, technology and resources so that the 253 million people living with eye diseases around the world could have the chance to see again.

As a responsible corporate citizen, CITIC Telecom International took part in volunteer activities during the pandemic to give back to society. During Mid-Autumn Festival Caring Day, staff distributed masks, alcoholic hand rubs, and food to disadvantaged groups in Hong Kong. In Macau, our branch organised a video Home Fitness Activity, donated supplies to the Coloane Martarina Home for the Elderly, and supported the Macao Water Run.



■ Hong Kong Orbis Fundraising Event

Overseas community contributions

CITIC Mining International has sponsored Clontarf College every year since its establishment in 2000, with the objective of cultivating self-reliance among Aboriginal and Islander youths. The aim of the college is to increase their employment prospects by improving their education, social integration and life skills.



■ Clontarf College students visit CITIC Australia Mining's office in Perth

During the year, CITIC Resources KBM in Kazakhstan donated 1,100 waste oil pipes and 700 waste pumping rods to villages and towns around the oilfield so they could build fences for a sports field and cemetery, livestock drinking ponds and agricultural irrigation pipes.

To promote local economic development, a budget of KZT70 million was allocated to support local government departments and socially disadvantaged groups. These funds were used to build public facilities, organise children's activities, publish books, and build Chinese medicine centres. KZT14 million was also used to build venues for children's activities.

CITIC Construction participated in local disaster relief and donations during the year by funding the development of local medical, sports and education initiatives, and providing free consultation and services to local people. In Angola, the company assisted a new city government to carry out urban maintenance and security work after completing the KK Phase I Housing Project. During the pandemic, the RED Social Housing Project responded to a request by the local government to supply domestic water for the community. The company also provided training in the urban management system that will be needed after completion of the project, including the municipal power system, water supply system and sewage treatment plants.

Volunteer activities

In 2020, CITIC volunteers provided service in more than 30 cities and regions, including Beijing, Wuhan, Chongqing, Fuzhou and Hong Kong. With the help of thousands of these caring volunteers, we were able to help fight Covid-19, to relieve poverty, to donate to education and to support green efforts.

Volunteering activities by CITIC Hong Kong and Macau Employees Association

Through the CITIC Hong Kong and Macau Employees Association, the CITIC Volunteer Team organised a series of activities such as caring for the elderly living alone and low-income people in the community. They also gave away protective medical gear during the COVID-19 pandemic and increased awareness of environmental protection. These and other continuing activities reflect CITIC's commitment to integrate with and contribute to the Hong Kong community.



■ CITIC Hong Kong and Macau Employees Association deliver protective supplies during the COVID-19 pandemic.



■ CITIC volunteers offer service to build a better urban environment.



■ CITIC volunteers take care of trees.



■ CITIC volunteers visit GuangAi school in Beijing.



■ CITIC volunteers participate in Covid19-fighting campaign.



■ CITIC volunteers donate to Huangsha primary school for 10 years in a row.



■ CITIC volunteers donate books to public libraries.



■ CITIC volunteers care for stay-at-home children in mountainous areas in China.

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this Annual Report are historical in nature. Past performance is no guarantee of the future results of CITIC Limited. This Annual 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 Annual Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

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Consolidated Income Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
Interest income		336,985	330,267
Interest expenses		(164,967)	(160,125)
Net interest income	5(a)	172,018	170,142
Fee and commission income		44,814	42,770
Fee and commission expenses		(5,636)	(6,807)
Net fee and commission income	5(b)	39,178	35,963
Sales of goods and services	5(c)	323,808	344,076
Other revenue	5(d)	17,945	16,316
		341,753	360,392
Total revenue		552,949	566,497
Cost of sales and services	6,11	(276,305)	(283,148)
Other net income	7	6,363	9,944
Expected credit losses	8	(96,927)	(88,722)
Impairment losses	9	(3,649)	(7,024)
Other operating expenses	11	(88,647)	(103,894)
Net valuation loss on investment properties		(675)	(756)
Share of profits of associates, net of tax		10,533	8,083
Share of profits of joint ventures, net of tax		3,960	5,474
Profit before net finance charges and taxation		107,602	106,454
Finance income		1,266	2,264
Finance costs		(11,150)	(12,703)
Net finance charges	10	(9,884)	(10,439)
Profit before taxation	11	97,718	96,015
Income tax	12	(16,790)	(17,827)
Profit for the year		80,928	78,188
Attributable to:			
– Ordinary shareholders of the Company		56,628	53,903
– Non-controlling interests		24,300	24,285
Profit for the year		80,928	78,188
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic and diluted earnings per share (HK\$)	16	1.95	1.85

The notes on pages 178 to 363 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
Profit for the year		80,928	78,188
Other comprehensive gain/(loss) for the year	17		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		(5,839)	1,948
Loss allowance changes on financial assets at fair value through other comprehensive income		943	780
Cash flow hedge: net movement in the hedging reserve		(618)	(588)
Share of other comprehensive income of associates and joint ventures		448	85
Exchange differences on translation of financial statements and others		59,738	(19,027)
Items that will not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		57	1,117
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		(44)	(436)
Other comprehensive gain/(loss) for the year		54,685	(16,121)
Total comprehensive income for the year		135,613	62,067
Attributable to:			
-Ordinary shareholders of the Company		94,249	43,656
-Non-controlling interests		41,364	18,411
Total comprehensive income for the year		135,613	62,067

The notes on pages 178 to 363 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 HK\$ million	2019 HK\$ million
Assets			
Cash and deposits	19	755,386	740,434
Placements with banks and non-bank financial institutions	20	198,513	226,686
Derivative financial instruments	21	47,804	19,580
Trade and other receivables	22	169,723	167,427
Contract assets	23	13,619	11,504
Inventories	24	80,370	54,735
Financial assets held under resale agreements	25	143,029	11,117
Loans and advances to customers and other parties	26	5,206,155	4,366,639
Investments in financial assets	27		
– Financial assets at amortised cost		1,156,496	1,040,997
– Financial assets at fair value through profit or loss		528,293	403,776
– Debt investments at fair value through other comprehensive income		860,255	701,936
– Equity investments at fair value through other comprehensive income		8,023	7,020
Assets classified as held for sale	36	–	28,819
Interests in associates	29	131,040	123,345
Interests in joint ventures	30	50,287	40,963
Fixed assets	31	167,840	150,075
Investment properties	31	38,455	37,555
Right-of-use assets	32	37,915	36,494
Intangible assets	33	15,877	11,977
Goodwill	34	21,133	21,203
Deferred tax assets	35	74,164	58,729
Other assets		36,451	28,913
Total assets		9,740,828	8,289,924

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 HK\$ million	2019 HK\$ million
Liabilities			
Borrowing from central banks		266,611	268,256
Deposits from banks and non-bank financial institutions	37	1,370,439	1,061,380
Placements from banks and non-bank financial institutions	38	74,308	107,400
Financial liabilities at fair value through profit or loss		12,423	1,436
Derivative financial instruments	21	49,808	20,763
Trade and other payables	39	160,943	148,908
Contract liabilities	23	28,092	21,380
Financial assets sold under repurchase agreements	40	94,774	127,766
Deposits from customers	41	5,427,694	4,541,841
Employee benefits payables		36,176	33,357
Income tax payable	35	13,448	13,989
Bank and other loans	42	163,604	151,312
Debt instruments issued	43	973,858	823,964
Lease liabilities	32	18,267	17,435
Liabilities directly associated with assets classified as held for sale	36	–	20,674
Provisions	44	15,172	11,155
Deferred tax liabilities	35	11,444	9,963
Other liabilities		15,125	14,454
Total liabilities		8,732,186	7,395,433
Equity	45		
Share capital		381,710	381,710
Reserves		292,566	209,816
Total ordinary shareholders' funds		674,276	591,526
Non-controlling interests		334,366	302,965
Total equity		1,008,642	894,491
Total liabilities and equity		9,740,828	8,289,924

Approved and authorised for issue by the board of directors on 30 March 2021.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 178 to 363 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Note	Share capital	Capital reserve	Hedging reserve	Investment related reserves	General reserve	Retained earnings	Exchange reserve	Total	Non-controlling interests	Total equity
	HK\$ million (Note 45(a))	HK\$ million (Note 45(c)(i))	HK\$ million (Note 45(c)(ii))	HK\$ million (Note 45(c)(iii))	HK\$ million (Note 45(c)(iv))	HK\$ million	HK\$ million (Note 45(c)(v))	HK\$ million	HK\$ million	HK\$ million
Balance at 1 January 2020	381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491
Profit for the year	-	-	-	-	-	56,628	-	56,628	24,300	80,928
Other comprehensive (loss)/income for the year	17	-	-	(523)	(2,762)	-	40,906	37,621	17,064	54,685
Total comprehensive (loss)/income for the year	-	-	(523)	(2,762)	-	56,628	40,906	94,249	41,364	135,613
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	742	742
Transfer of profits to general reserve	-	-	-	-	7,069	(7,069)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	(11,200)	-	(11,200)	-	(11,200)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(9,987)	(9,987)
Redemption of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	(1,295)	(1,295)
Acquisition of subsidiaries	54	-	-	-	-	-	-	-	6,148	6,148
Disposal of subsidiaries	51(b)	-	-	-	-	-	-	-	(4,787)	(4,787)
Transactions with non-controlling interests	52	-	(506)	-	-	-	-	(506)	(808)	(1,314)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	(27)	-	27	-	-	-	-
Others	-	207	-	-	-	-	-	207	24	231
Other changes in equity	-	(299)	-	(27)	7,069	(18,242)	-	(11,499)	(9,963)	(21,462)
Balance at 31 December 2020	381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Note	Share	Capital	Hedging	Investment	General	Retained	Exchange	Total	Non-	Total equity
	capital	reserve	reserve	related	reserve	earnings	reserve		controlling	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million	million	million	million	million	million
	(Note 45(a))	(Note 45(c)(ii))	(Note 45(c)(iii))	(Note 45(c)(iii))	(Note 45(c)(iv))		(Note 45(c)(v))			
Balance at 31 December 2018	381,710	(62,239)	2,253	905	45,354	221,409	(30,847)	558,545	252,115	810,660
Changes in accounting policies	-	-	-	-	-	(162)	-	(162)	(282)	(444)
Balance at 1 January 2019	381,710	(62,239)	2,253	905	45,354	221,247	(30,847)	558,383	251,833	810,216
Profit for the year	-	-	-	-	-	53,903	-	53,903	24,285	78,188
Other comprehensive (loss)/income for the year	17	-	-	(530)	2,888	-	(12,605)	(10,247)	(5,874)	(16,121)
Total comprehensive (loss)/income for the year	-	-	(530)	2,888	-	53,903	(12,605)	43,656	18,411	62,067
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	679	679
Issue of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	46,701	46,701
Transfer of profits to general reserve	-	-	-	-	5,791	(5,791)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	(12,799)	-	(12,799)	-	(12,799)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(8,154)	(8,154)
Redemption of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	(2,076)	(2,076)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	73	73
Disposal of subsidiaries	51(b)	-	-	-	108	(108)	-	-	(128)	(128)
Transactions with non-controlling interests	-	2,202	-	-	-	-	-	2,202	(4,680)	(2,478)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	645	-	(645)	-	-	-	-
Others	-	84	-	-	-	-	-	84	306	390
Other changes in equity	-	2,286	-	753	5,791	(19,343)	-	(10,513)	32,721	22,208
Balance at 31 December 2019	381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491

The notes on pages 178 to 363 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
Cash flows from operating activities			
Profit before taxation		97,718	96,015
Adjustments for:			
– Depreciation and amortisation	11(b)	19,772	21,806
– Expected credit losses	8	96,927	88,722
– Impairment losses	9	3,649	7,024
– Net valuation loss on investment properties		675	756
– Net valuation loss/(gain) on investments		580	(831)
– Share of profits of associates and joint ventures, net of tax		(14,493)	(13,557)
– Interest expenses on debts instruments issued	5(a)	23,457	24,574
– Finance income	10	(1,266)	(2,264)
– Finance costs	10	11,150	12,703
– Net gain on investments in financial assets		(13,417)	(10,475)
– Net gain on disposal of subsidiaries, associates and joint ventures		(4,718)	(3,751)
		220,034	220,722
Changes in working capital			
Decrease/(increase) in deposits with central banks and non-bank financial institutions		36,047	(32,147)
Increase in placements with banks and non-bank financial institutions		(5,729)	(20,380)
Decrease/(increase) in trade and other receivables		3,144	(56,899)
Increase in contract assets		(2,115)	(436)
(Increase)/decrease in inventories		(25,610)	7,333
(Increase)/decrease in financial assets held under resale agreements		(123,933)	1,523
Increase in loans and advances to customers and other parties		(623,187)	(510,536)
(Increase)/decrease in investments in financial assets held for trading purposes		(15,652)	24,368
Increase in other assets		(6,690)	(27,372)
Increase in deposits from banks and non-bank financial institutions		226,884	198,096
Decrease in placements from banks and non-bank financial institutions		(37,006)	(19,791)
Increase/(decrease) in financial liabilities at fair value through profit or loss		8,526	(276)
Increase/(decrease) in trade and other payables		1,386	(18,933)
Increase in contract liabilities		6,712	2,959
Decrease in financial assets sold under repurchase agreements		(38,892)	(7,928)
Increase in deposits from customers		573,890	471,209
Decrease in borrowing from central banks		(15,498)	(51,726)
Increase in other liabilities		30,429	1,047
Increase in employee benefits payables		2,819	1,419
Increase in provisions		4,017	1,442
Cash generated from operating activities		219,576	183,694
Income tax paid		(26,351)	(23,612)
Net cash generated from operating activities		193,225	160,082

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		3,043,255	2,239,189
Proceeds from disposal of fixed assets, intangible assets and other assets		1,032	1,689
Proceeds from disposal of associates and joint ventures		2,157	1,348
Net cash received from disposal of subsidiaries	51(b)	6,446	1,082
Dividends received from equity investments, associates and joint ventures		5,317	6,613
Payments for purchase of financial investments		(3,292,092)	(2,519,759)
Payments for additions of fixed assets, intangible assets and other assets		(20,885)	(19,626)
Net cash received from/(payment) for acquisition of subsidiaries		2,897	(981)
Net cash payment for acquisition of associates and joint ventures		(4,294)	(6,066)
Net cash used in investing activities		(256,167)	(296,511)
Cash flows from financing activities			
Capital injection received from non-controlling interests		672	679
Transaction with non-controlling interests	52	(942)	494
Proceeds from new bank and other loans	51(c)	121,798	127,134
Repayment of bank and other loans and debt instruments issued	51(c)	(951,030)	(685,251)
Proceeds from new debt instruments issued	51(c)	930,718	661,283
Issue of other equity instruments by subsidiaries	51(d)	–	46,701
Principal and interest elements of lease payment	51(c)	(6,150)	(6,673)
Interest paid on bank and other loans and debt instruments issued	51(c)	(36,566)	(37,043)
Dividends paid to non-controlling interests		(9,987)	(8,369)
Dividends paid to ordinary shareholders of the Company	15	(11,200)	(12,799)
Redemption of other equity instruments by subsidiaries	51(d)	(1,295)	(2,076)
Net cash generated from financing activities		36,018	84,080
Net decrease in cash and cash equivalents		(26,924)	(52,349)
Cash and cash equivalents at 1 January		463,038	522,808
Effect of exchange changes		16,588	(7,421)
Cash and cash equivalents at 31 December	51(a)	452,702	463,038

The notes on pages 178 to 363 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 address of its registered office is 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central Hong Kong.

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, new-type urbanisation.

The parent and the ultimate holding company of the Company is CITIC Group Corporation (“CITIC Group”). As at 31 December 2020, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2019: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Definition of Material – Amendments to HKAS 1 and HKAS 8

The HKICPA has made amendments to HKAS 1 Presentation of Financial Statements and HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

(ii) Definition of a Business – Amendments to HKFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

(iii) Interest Rate Benchmark Reform – Amendments to HKFRS 7, HKFRS 9 and HKAS 39

The amendments made to HKFRS 7 Financial Instruments: Disclosures, HKFRS 9 Financial Instruments ("HKFRS 9") and HKAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

(iv) Revised Conceptual Framework for Financial Reporting

The HKICPA has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars (“HK\$”). The functional currencies of subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK\$ for the preparation of the consolidated financial statements (see Note 2 (h)). The financial statements of the Group are presented in HK\$ and, unless otherwise stated, expressed in million of HK\$.

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see Note 2 (l));
- financial assets and liabilities at fair value through profit or loss (see Note 2 (i));
- financial assets at fair value through other comprehensive income (see Note 2 (i)); and
- fair value hedged items (see Note 2 (j)(i)).

(d) Use of estimates and judgement

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in Note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets or liabilities transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised in profit or loss for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree are transferred to profit or loss in the period in which the acquisition occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries which includes structured entities controlled by the Group.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Group has power, only substantive rights are considered including the substantive rights held by the Group and other parties.

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the ordinary shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 2 (i).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

(iii) Consolidated financial statements (Continued)

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

If there is a difference between the accounting entity of the Group and the accounting entity of the company or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (capital reserve) in the consolidated balance sheet.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2 (i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2 (f)).

(iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2 (s)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(f) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. The Group uses the equity method on the basis of an adjustment to the financial statements of associate or joint venture in accordance with the Group's accounting policies, unless an associate or joint venture does not apply HKFRS 9 temporarily by applying the temporary exemption of HKFRS 9 until annual periods beginning 1 January 2021. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2 (s)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see Note 2 (i)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 2 (s)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(g) Goodwill

Goodwill represents the excess of the consideration transferred, including the amount of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition, over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Impairment losses on goodwill can not be reversed in the future.

(h) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK\$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK\$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK\$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK\$ at the foreign exchange rates at the transaction dates or the rates approximate to. The resulting exchange differences are presented as "Reserves" (exchange reserve) in the consolidated balance sheet within the shareholder's equity. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(i) Financial instruments

Financial instruments refer to a contract that forms one party's financial asset and another party's liabilities or equities. Financial assets and financial liabilities are recognised when the Group becomes a party of the financial instrument contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets

(1) Classification and Measurement

The Group classifies its financial assets into the following categories based on their business model and the contractual cash flow characteristics:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”);
- Financial assets at fair value through profit or loss (“FVPL”).

At initial recognition, the Group measures a financial asset at its fair value. For financial assets that are at FVPL, the transaction costs are expensed in profit or loss; for financial assets with other categories, the transaction costs are recognised in the initial carrying amounts. For trade and other receivables arising from rendering goods or services with no significant financing component, the Group measures their initial carrying amount as the cash flows that the Group is entitled and expected to receive.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, and are measured at the following three categories:

- Amortised cost:

The business model the Group manages these financial assets is to collect the contractual cash flows where those cash flows’ characteristics are consistent with those of the basic loans arrangement, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount (“SPPI”), and that are not designated at FVPL. Interest income from these financial assets is recognised using the effective interest rate method.

- FVOCI:

The business model the Group manages these financial assets is to collect contractual cash flows and to sell the assets, and those cash flows’ characteristics are consistent with those of the basic loans arrangements, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount (“SPPI”), and that are not designated at FVPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income on the instrument’s amortised cost which are recognised in profit or loss.

- FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are at FVPL. The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Group subsequently measures all equity investments at FVPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is made, fair value gains and losses are recognised in other comprehensive income ("OCI") and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, are recognised in profit or loss when the Group's right to receive payments is established.

(2) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets at amortised cost, debt instrument at FVOCI, lease receivables and contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised. For financial assets with low credit risks as at the balance date, the Group recognises 12-month ECL based on the assumption that the credit risks have not significantly increased after initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment (Continued)

For financial assets in stage 1 and stage 2, interest income is calculated based on the gross carrying amount of the asset, that is, without deduction for credit allowance, and the effective interest rates. For financial assets in stage 3, interest income is calculated on the net carry amount, that is, net of credit allowances, and the effective interest rates.

The Group recognises the provision and reversal of ECL in profit or loss. For debt instrument at FVOCI, the Group makes relevant adjustments to other comprehensive income at the same time as recognizing ECL in profit and loss.

For account and bills receivables and contract assets whether there is significant financing component or not, the Group recognises life-time ECL.

(3) Derecognition

The Group derecognises a financial asset if one of the following conditions is met:

- The contractual rights to receive the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;
- The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

For the Group's equity instruments not held for trading purposes and designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(3) Derecognition (Continued)

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the securitisation of financial assets qualifies for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets does not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets partially qualifies for de-recognition, where the Group has not retained control, it derecognises these financial assets. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement and recognises an associated liability.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(4) Modification of investment in financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognises a modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities

The financial liabilities are classified into those measured at amortised cost and those at fair value through profit or loss at initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group's major financial liabilities are those measured at amortised cost which are measured initially at fair value less transaction costs and are measured subsequently using the effective interest method.

Financial liabilities or a portion thereof, are derecognised when their current obligation are fully or partially expired. The difference between the carrying amount of the derecognised portion and the consideration is recognised in profit or loss.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(v) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(j) Hedging

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items as well as risk management goals and strategies of various hedging transactions. When a hedge no longer meets the criteria for hedge accounting or the Group's risk management goals, the Group terminates the use of hedge accounting prospectively. Situations for the Group to terminate the use of hedge accounting include hedging instrument expires, or is sold, terminated and settled.

(i) Fair value hedge

A fair value hedge refers to a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item. Such changes in fair value are attributable to a particular risk and could affect profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedge of the exposure to changes in the fair value of equity instruments designated at fair value through other comprehensive income not held for trading.

For a fair value hedge, the gain or loss on the hedging instrument is recognised in profit or loss (or OCI, if hedging an equity instrument at FVTOCI) and the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in profit or loss. However, if the hedged item is an equity instrument at FVTOCI, those amounts remain in OCI.

(ii) Cash flow hedge

A cash flow hedge refers to a hedge of the exposure to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income as cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability. In other cases the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period(s) as the hedged cash flows affect profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(j) Hedging (Continued)

(ii) Cash flow hedge (Continued)

If the cash flow hedge reserve recognised in other comprehensive income is a loss, and all or part of the loss is not expected to be reversed in the future. The portion that is not expected to be reversed will be transferred from other comprehensive income and recognised in profit or loss.

When an entity discontinues the use of hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until the period that the hedged item has the impact in profit or loss; otherwise, that amount is immediately reclassified to profit or loss.

(iii) Hedge of a net investment in a foreign operation

A hedge of net investment in a foreign operation refers to hedge of the foreign exchange exposure arising from net investment in a foreign operation. The "net investment in a foreign operation" refers to an enterprise's equity proportion in the net assets in a foreign operation.

Hedge of a net investment in a foreign operation is accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; and the ineffective portion is recognised in profit or loss. The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge is reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

(iv) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group continuously evaluate whether the hedging relationship is effective from the hedge date and after.

The hedge relationship meets hedging effectiveness requirements if the hedging meets the following conditions:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is equal to the ratio between the actual number of hedged items and the actual number of hedging instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(k) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(l) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Subsequent expenditures related to investment properties are recognised in the cost of investment properties provided it is probable that the economic benefits will flow to the Group and the costs can be measured reliably; otherwise subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties transfer to property, plant and equipment or intangible assets at the commencement of owner-occupation. The carrying amount of property, plant and equipment and intangible assets are based on the fair value of investment properties on the day of conversion. The difference between the fair value and the previous carrying amount is recognised in profit or loss for the current period. When owner-occupied properties transfer to investment properties that will be carried at fair value, if the fair value at the date of conversion is less than the previous carrying amount, the difference is recognised in profit or loss for the current period; If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(m) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2 (s)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs capitalised (see Note 2 (aa)).

Construction-in-progress represents property, plant and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is made on construction-in-progress until it is ready for its intended use. Deprecation policies are set out below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

- Plant and buildings	5 – 70 years
- Machinery and equipment	3 – 33 years
- Office and other equipment, vehicles and vessels and others	2 – 33 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(p) Inventories

(i) Advanced intelligent manufacturing, advanced materials

Inventories of the advanced intelligent manufacturing and advanced materials segments are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in first-out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion (including systematically allocated production overhead) and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised in profit or loss in the period in which the reversal occurs.

(ii) New-type urbanisation

Inventories in respect of property development activities under the New-type urbanisation segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development

The cost of properties under development, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2 (aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(q) Leases

Leases are recognised as a ROU asset and a corresponding liability by the lessee at the commencement date.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(q) Leases (Continued)

(i) Lease liabilities (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and the ROU asset is adjusted accordingly.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. As lessor, the Group recognises finance leases as finance lease receivables, which are measured at amortised cost. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(r) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are measured at the lower of cost and net realizable value, the amount of any write-down of inventories to net realizable value shall be recognised as an expense in the period the write-down occurs.

(s) Impairment of non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- ROU assets;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset’s recoverable amount is estimated.

In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(s) Impairment of non-financial assets (Continued)

Calculation of recoverable amount

The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversible.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(t) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, housing provident funds, labour union fee and staff and workers' education fee, which are all calculated based on the regulated benchmark and ratio.

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in the PRC are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subject to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(t) Employee benefits (Continued)

(iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 with Note 3 (b); and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15").

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are measured at the higher of the amount initially recognised, less accumulated amount of income recognised in accordance with the Group's principles of revenue recognition where appropriate, and the amount that would be determined in accordance with Note 2 (u)(iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (Continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of a good, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that good. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provisions for loss allowance of the receivable and the contract asset using ECL model; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognizing revenue. The incremental cost incurred by the Group to obtain contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss when incurred. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognizing revenue. The Group recognises the excess of the carrying amounts of contract costs over the expected remaining consideration less any costs not yet recognised as an impairment loss. As at the balance sheet date, the Group presents the costs to fulfill and of obtaining a contract, in the net amount after deducting relevant asset impairment provisions, as inventories.

The Group recognises revenue for each of its activities in the income statement in accordance with below policies:

(i) Interest income

Interest income is recognised according to HKFRS 9, refer to Note 2 (i) financial instruments for details.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and interests paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(iii) Sales of goods

Revenue from the sale of goods is recognised when the goods are transferred to and accepted by a customer.

When volume discounts are provided to customers, the Group, based on historical experiences, estimates the volume discounts using the expected value method, and recognises revenue net of the estimated volume discounts.

When the customer has a right to return the product within a given period, the Group recognises provisions for returns using the expected value method based on historical experience, as a deduction of the revenue. The Group recognises provisions for the expected refunds to customers; meanwhile, other assets are recognised according to the carry amount of the goods expected to be returned, deducting the expected cost for taking the related goods back.

The Group offers warranties for specific products. If the duration and terms of the warranties are offered in accordance with the requirements of laws and regulations and the Group does not provide any additional services or warranties, such warranties are not recognised as separate performance obligation.

(iv) Services rendered to customers

Revenue for construction services of the Group is recognised over the period of the contract by reference to the progress towards completion. Progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the progress towards completion to reflect the changes in obligation performed.

Revenue for other services provided by the Group is recognised based on the pattern of performance obligation of specific services, either over the period in which the services are rendered or at the point of service completion. For revenue recognised over the period by reference to the progress towards completion, progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the estimate of the progress towards completion to reflect the changes in obligation performed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(w) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies *(Continued)*

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(z) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Business segments are identified based on the Group's internal management requirements as well as following aspects. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

- the nature of products and services;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

During the year ended 31 December 2020, the Group has made strategic adjustment to the Group's business segment based on the 14th Five-Year Plan. The segment reporting for 2019 has been restated accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Significant accounting policies (Continued)

(aa) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(bb) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement comprising the total of:(1) the post-tax profit or loss of the discontinued operation and;(2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and the way related business management personnel receive payments.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(b) Measurement of ECL

Measurement of ECL for financial assets at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 48 (a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48 (a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realizable value. The Group estimates the net realizable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group's profit or loss during the year.

(d) Impairment of non-financial assets

As described in Note 2 (s), assets such as fixed assets, intangible assets, ROU assets and interests in associates and joint ventures are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The cost of ROU assets is charged as depreciation expense generally over the shorter of the asset's useful life and the lease term on a straight-line basis.

Management periodically reviews changes in technology and industry conditions, asset retirement activity, residual values to determine adjustments to estimated remaining useful lives and depreciation rates. In determining the lease term of ROU assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

(h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the “pass through” of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group’s assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(j) Control and consolidation

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;
- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and
- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

The Group holds less than 50% shares and voting rights in certain subsidiaries. When assessing whether it has substantive control over these investees, the Group has taken certain factors into account including the size of the Group's shareholding relative to other shareholders, dispersion of the voting rights of the other shareholders, the Group's relationship with other investors, any history of any other shareholders collaborating to exercise their votes collectively or to out vote the Group; the group's relationship with the key management personnel of the investees, whether the Group has the right to appoint or approve the majority of the board seats and other key management personnel of the investees, whether the Group controls certain assets such as licences or trademarks that are critical to the operations of the investees, whether the Group and other shareholders' rights over the investees are substantive, and any other contractual arrangements. The Group considers factors that are applicable to a specific individual investee on an ongoing basis when determining whether it has substantive rights over the investees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(k) 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 Group's Sino Iron project in Western Australia ("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 the financial statement, MCC has not claimed any additional costs from Sino Iron Pty Ltd ("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 delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

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 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes

Each of 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, provide Sino Iron and Korean Steel the right to develop and operate the Sino Iron Project and to take and process one billion tonnes each of magnetite ore for that purpose.

Option Agreement Dispute

The Company is a party to an option agreement (“Option Agreement”) with Mineralogy and Mr. Clive Palmer pursuant to which the Company has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. The remaining options have now lapsed. Following the exercise of the first option, Mineralogy and Mr. Palmer alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company and its affected subsidiaries, Sino Iron and Korean Steel (together referred to as the “CITIC Parties”), commenced a legal proceeding in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made declarations by consent, including that the Company had not repudiated the Option Agreement in the manner asserted by Mineralogy and Mr. Palmer.

Notwithstanding the making of these declarations, Mineralogy and Mr. Palmer have not taken the actions necessary to permit completion of the transaction resulting from the Company’s exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia in relation to the Option Agreement (“Proceeding CIV 1514/2016”) to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. On 26 February 2018, Justice K Martin granted leave for Cape Preston Resource Holdings Pty Ltd to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose.

Mineralogy and Mr. Palmer had previously made allegations of breach, repudiation, frustration and termination of the Option Agreement in their respective defences. However, shortly before the trial, on 22 September 2020, Mineralogy and Mr. Palmer abandoned those pleas, and said that they were willing to complete the first option, but on the basis that the further company had to be Balmoral Iron Pty Ltd (“Balmoral Iron”).

On 29 November 2020, the Company accepted the nomination of Balmoral Iron on the basis of certain representations and subject to certain conditions concerning guarantees, indemnities and warranties which had been proffered by Mineralogy and Mr. Palmer in the preceding weeks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Option Agreement Dispute (Continued)

In their latest statement of claim filed on 1 December 2020, the CITIC Parties and Cape Preston Resource Holdings Pty Ltd seek, among other things:

- (a) a declaration that the Option Agreement remains in full force and effect;
- (b) specific performance by Mineralogy and Mr. Palmer of the Option Agreement; and
- (c) an order that Mineralogy and Mr. Palmer complete the first option by taking the steps required under the Option Agreement, including by entering into certain transaction documents in the form submitted to the court by the CITIC Parties.

The trial took place on 7 to 9 and 15 December 2020. As the issues in dispute had narrowed, the principal remaining issue for determination at trial was the form of the takeover agreement and the project Agreements to be entered into by the further company to complete the exercise of the first option.

Justice K Martin has reserved his decision.

FCD Indemnity Disputes

Mineralogy and Mr. Palmer have commenced and threatened to commence 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, the final day of the trial in Proceeding CIV 1808/2013, 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 AUD1,806,438,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

FCD Indemnity Disputes (Continued)

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

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.

On 14 February 2020, Mineralogy and Mr. Palmer provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. Mineralogy and Mr. Palmer provided further discovery on 23 July 2020.

On 24 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.

On 3 March 2021, Mineralogy and Mr. Palmer filed an application for leave to amend their statement of claim to introduce an allegation that the CITIC Parties’ purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy and Mr. Palmer’s view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties reject those allegations and intend to defend the application. The application is listed for a hearing or a directions hearing on 15 April 2021.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(I) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

FCD Indemnity Disputes (Continued)

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

On 16 February 2018, Mineralogy commenced another 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, it is claimed that Mineralogy did not, and was unable to, provide the funds to Palmer Petroleum.

Mineralogy alleges that as a result, Palmer Petroleum was wound up in insolvency. The statement of claim 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 have pleaded a number of defences including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 February 2020, Mineralogy provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. The CITIC Parties are waiting for Mineralogy to provide a list of further discovery in the prescribed form, which was due on 24 July 2020.

On 24 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

FCD Indemnity Disputes (Continued)

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

On 3 March 2021, Mineralogy filed an application for leave to amend its statement of claim to introduce an allegation that the CITIC Parties’ purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy’s view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties reject those allegations and intend to defend the application. The application is listed for a hearing or a directions hearing on 15 April 2021.

No trial date has been set for this proceeding.

Mine Continuation Proposals/Tenure 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 (“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 bring 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 so. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Mine Continuation Proposals/Tenure Dispute (Continued)

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments allege breaches of various project agreements, and that Mineralogy and Mr. Palmer have allocated parts of certain tenements to other projects. On 23 March 2020, the CITIC Parties filed their reply.

On 24 April 2020, the CITIC Parties filed an application to strike out aspects of Mineralogy’s further amended defence which related to purported breaches of the CITIC Parties’ obligations in relation to (1) the standard of work in connection with the design and construction of the Sino Iron Project, (2) the Option Agreement, (3) the FCD, and (4) the site remediation fund (“Site Remediation Fund”). On 18 May 2020, Justice K Martin heard the CITIC Parties’ application. On 1 September 2020, Justice K Martin struck out the pleas relating to the standard of work (without leave to replead) and the pleas relating to the Option Agreement and the FCD (with leave to replead). Justice K Martin said he would revisit the Site Remediation Fund pleas following the determination of the trial in the Site Remediation Fund proceeding (see below).

On 17 September 2020, Mineralogy filed its latest further amended pleading which removed the pleas relating to the standard of work, the Option Agreement and the FCD.

On 14 December 2020, Mineralogy provided discovery. Mr. Palmer has, to date, failed to do so, without explanation. The CITIC Parties have provided three tranches of documents by way of discovery and expect to complete their discovery obligations (subject to the obligation to give on-going discovery) before the next directions hearing.

On 5 January 2021, Mineralogy and Mr. Palmer filed an application to permanently stay the proceeding, alleging that the proceeding has been brought for an illegitimate or collateral purpose (namely, to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties) and is an abuse of process.

On 26 February 2021, the CITIC Parties filed an application to summarily dismiss or strike out Mineralogy and Mr. Palmer’s permanent stay application. The CITIC Parties’ application is listed for hearing on 15 April 2021.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Minimum Production Royalty Disputes

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by:

- (a) an act, matter or thing outside their control;
- (b) Mineralogy doing, or failing to do an act (under the MRSLAs or otherwise); or
- (c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate (“Minimum Production Royalty”). The Minimum Production Royalty has been the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd (“SIH”) in the Supreme Court of Western Australia (“Proceeding CIV 3129/2018”), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer pleaded that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3 (a) of the MRSLAs), and accordingly became liable to pay the Minimum Production Royalty by 21 April 2013. In the event that Mineralogy and Mr. Palmer were unsuccessful against Sino Iron and Korean Steel, Mineralogy and Mr. Palmer also pursued a separate claim against the company pursuant to the guarantee and indemnity in the FCD. Mineralogy sought relief, including:

- (a) orders that each of Sino Iron and Korean Steel pay Mineralogy AUD6,865,985 plus US\$87,104,633, plus default interest;
- (b) an order that the Company pay Mineralogy AUD13,731,970 plus US\$174,209,266, plus interest (pursuant to the guarantee under the FCD);
- (c) orders for specific performance of the MRSLAs and the FCD; and
- (d) a declaration that Sino Iron and Korean Steel have acted in breach of their obligation of good faith.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Minimum Production Royalty Disputes (Continued)

If the Court were to find in favour of Mineralogy, Mineralogy could recover the judgment sum from either Sino Iron and Korean Steel, on the one hand, or from the company, on the other. However, it could not recover the same loss from multiple parties.

In the event that Mineralogy was estopped or precluded from seeking the above relief in Proceeding CIV 3129/2018, Mr. Palmer also sought payment by the company of US\$187,941,236 pursuant to the guarantee and indemnity in the FCD.

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim, on grounds including that it was an abuse of process. That application was heard on 25 September 2019. Justice K Martin delivered his reasons for decision on 13 February 2020, finding in favour of the CITIC Parties. His Honour found that Proceeding CIV 3129/2018 was an abuse of process of the court by Mineralogy and Mr. Palmer and on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

On 4 March 2020, Mineralogy and Mr. Palmer filed notices of appeal against the decision by Justice K Martin to permanently stay Proceeding CIV 3129/2018. The appeals are Proceedings CACV 27/2020 and CACV 29/2020 respectively. Mineralogy and Mr. Palmer argue, among other things, that it was not open for Justice K Martin to find that the commencement of Proceeding CIV 3129/2018 was an abuse of process.

The appeals were heard by the Supreme Court of Western Australia Court of Appeal on 22 and 23 March 2021. The Court reserved its decision in each appeal.

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”.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Site Remediation Fund Dispute (Continued)

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 are 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.

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 CITIC Parties filed a defence and counterclaim in Proceeding CIV 2840/2018 seeking, among other things, orders appointing a trustee in place of Mineralogy and a declaration that the annual charge to be made by Sino Iron and Korean Steel in the operating year commencing on 1 July 2018 is AUD6,000,000 or such other amount determined by the Court.

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 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.

In its application to adjourn the hearing of the appeals against Justice K Martin’s decision to permanently stay the Minimum Production Royalty proceeding (Proceedings CACV 27/2020 and CACV 29/2020), Mineralogy and Mr. Palmer indicated that Mineralogy intends to appeal the decision of Justice K Martin in Proceeding CIV 2840/2018. No appeal has been commenced at this time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2020 is 16.5% (2019: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2020 is 25% (2019: 25%).

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

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, 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) and 5 (d)). For non-financial services segment, revenue mainly comprises income from 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 year ended 31 December 2020

5 Revenue (Continued)

(a) Net interest income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Interest income arising from(note):		
Deposits with central banks, banks and non-bank financial institutions	9,877	9,143
Placements with banks and non-bank financial institutions	5,524	7,167
Financial assets held under resale agreements	921	947
Investments in financial assets		
– Financial assets at amortised cost	42,873	44,084
– Debt investments at FVOCI	23,675	23,365
Loans and advances to customers and other parties	254,076	245,543
Others	39	18
	336,985	330,267
Interest expenses arising from:		
Borrowing from central banks	(6,506)	(9,244)
Deposits from banks and non-bank financial institutions	(26,982)	(28,290)
Placements from banks and non-bank financial institutions	(2,963)	(4,046)
Financial assets sold under repurchase agreements	(2,558)	(1,959)
Deposits from customers	(101,809)	(91,071)
Debt instruments issued	(23,457)	(24,574)
Lease liabilities	(542)	(625)
Others	(150)	(316)
	(164,967)	(160,125)
Net interest income	172,018	170,142

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$577 million for the year ended 31 December 2020 (2019: HK\$411 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5 Revenue (Continued)

(b) Net fee and commission income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Guarantee and advisory fees	5,409	5,571
Bank card fees (note)	16,515	17,228
Settlement and clearing fees	1,315	1,501
Agency fees and commission	8,479	8,380
Trustee commission and fees	12,832	9,856
Others	264	234
	44,814	42,770
Fee and commission expenses	(5,636)	(6,807)
Net fee and commission income	39,178	35,963

Note:

According to the requirement of "Notice on strictly implementing accounting standards and effectively strengthening 2020 annual reports work" issued by the Ministry of Finance, State-owned Assets Supervision and Administration Commission of the State Council, China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission, the Group recognised credit card installment income, which originally accounted in fee and commission income, as interest income and restated the comparatives.

(c) Sales of goods and services

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales of goods	268,964	293,731
Services rendered to customers		
– Revenue from construction contracts	24,984	22,853
– Revenue from other services	29,860	27,492
	323,808	344,076

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5 Revenue (Continued)

(d) Other revenue

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Net trading gain (note (i))	3,726	5,967
Net gain on investments in financial assets under financial services segment	14,082	10,222
Others	137	127
	17,945	16,316

(i) Net trading gain

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	1,792	3,148
– foreign currencies	2,350	2,532
– derivatives	(416)	287
	3,726	5,967

6 Costs of sales and services

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Costs of goods sold	235,319	244,888
Costs of services rendered		
– Costs of construction contracts	22,528	20,341
– Costs of other services	18,458	17,919
	276,305	283,148

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

7 Other net income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	4,718	3,751
Net (loss)/gain on investments in financial assets under non-financial services segment	(816)	2,100
Net foreign exchange (loss)/gain	(864)	116
Others	3,325	3,977
	6,363	9,944

8 Expected credit losses

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	10	(19)
– financial assets held under resale agreements	10	48
– account and bills receivables and other receivables	2,749	1,444
– loans and advances to customers and other parties	79,477	78,951
– investments in financial assets		
• financial assets at amortised cost	8,486	4,060
• debt investments at FVOCI	1,186	772
– impairment provision of credit commitments and guarantees provided	1,280	1,261
– others	3,729	2,205
	96,927	88,722

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9 Impairment losses

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Impairment losses charged on/(reversed from):		
– inventories	18	1,720
– interests in associates	1,470	4,285
– interests in joint ventures	224	75
– fixed assets (note)	445	26
– intangible assets (note)	62	22
– prepayments	1	(1)
– goodwill	647	202
– others	782	695
	3,649	7,024

Note:

Iron Ore Project

The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operations in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Project have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is to be compared with its recoverable amount when indication of impairment exit. Impairment is recognised when the carrying amount of the project exceeds its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9 Impairment losses (Continued)

Note (Continued):

An impairment assessment was undertaken on the Sino Iron Project by the Group as at 30 June 2019, with an update assessment on 31 December 2019 and no impairment was changed during the year ended 31 December 2019.

As at 31 December 2020, management performed an impairment indication assessment with the consideration of forecast iron ore prices, risk free interest rates, the production profile of the Sino Iron Project and exchange rate between Australian dollar and US dollar. According to the assessment, no impairment indication was identified and thus, no impairment test was undertaken for the Sino Iron Project as at 31 December 2020.

When an impairment test is undertaken, the fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);
- Inputs other than quoted prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the CGU that are not based on observable market data (unobservable inputs) (level 3 inputs).

The CGU's fair value hierarchy is Level 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10 Net finance charges

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Finance costs		
– Interest on bank and other loans	5,076	6,207
– Interest on debt instruments issued	5,946	5,786
– Interest and finance charges paid/payable for lease liabilities	392	684
	11,414	12,677
Less: interest expense capitalised (note)	(567)	(349)
	10,847	12,328
Other finance charges	303	375
	11,150	12,703
Finance income	(1,266)	(2,264)
	9,884	10,439

Note:

Capitalisation rates applied to funds borrowed are 1.60% – 5.18% per annum for the year ended 31 December 2020 (2019: capitalisation rate of 2.60% – 5.65%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11 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

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Salaries and bonuses	41,998	49,316
Contributions to defined contribution retirement schemes	4,152	5,248
Others	10,243	9,491
	56,393	64,055

(b) Other items

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Amortisation	2,125	2,387
Depreciation	17,647	19,419
Lease charges	924	1,680
Tax and surcharges	2,799	2,673
Property management fees	1,108	1,372
Non-operating expenses	700	1,075
Professional fees (other than auditors' remuneration)	1,057	1,356
Auditors' remuneration		
– Audit services	159	179
– Non-audit services	66	67
	26,585	30,208

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Current tax – Mainland China		
Provision for enterprise income tax	24,986	24,116
Land appreciation tax	113	118
	25,099	24,234
Current tax – Hong Kong		
Provision for Hong Kong profits tax	641	1,625
Current tax – Overseas		
Provision for the year	183	191
	25,923	26,050
Deferred tax		
Origination and reversal of temporary differences	(9,133)	(8,223)
	16,790	17,827

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Profit before taxation	97,718	96,015
Less: Share of profits of		
– associates	(10,533)	(8,083)
– joint ventures	(3,960)	(5,474)
	83,225	82,458
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	13,732	13,606
Effect of different tax rates in other jurisdictions	7,667	7,059
Tax effect of unused tax losses not recognised	1,207	900
Tax effect of non-deductible expenses	6,100	4,188
Tax effect of non-taxable income (note)	(11,766)	(8,086)
Others	(150)	160
Actual tax expense	16,790	17,827

Note:

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

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13 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2020 are set out as follows:

Name of Current Directors	For the year ended 31 December 2020									Total HK\$ million
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK\$ million	Salary HK\$ million	Discretionary bonuses HK\$ million	Housing allowance HK\$ million	Estimated money value of other benefits HK\$ million	Social securities in China mainland HK\$ million	Employer's contribution to a retirement benefit scheme HK\$ million	Remunerations of accepting office as committee member HK\$ million		
Executive Directors:										
Zhu Hexin ^{i,ii}	-	0.27	0.20	-	-	0.06	0.06	-	-	0.59
Xi Guohua ^{i,ii}	-	0.18	0.13	-	-	0.04	0.03	-	-	0.38
Li Qingping ⁱ	-	0.40	0.30	-	0.04	0.08	0.10	-	-	0.92
Non-executive Directors:										
Song Kangle	-	-	-	-	-	-	-	-	-	-
Liu Zhuyu	-	-	-	-	-	-	-	-	-	-
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-
Yu Yang ⁱ	-	-	-	-	-	-	-	-	-	-
Liu Zhongyuan	-	-	-	-	-	-	-	-	-	-
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	-	-	-	-	-	-	0.28	-	0.66
Xu Jinwu	0.38	-	-	-	-	-	-	0.25	-	0.63
Anthony Francis Neoh	0.38	-	-	-	-	-	-	0.25	-	0.63
Shohei Harada	0.38	-	-	-	-	-	-	-	-	0.38
Gregory Lynn Curl	0.38	-	-	-	-	-	-	0.05	-	0.43
Name of Former Directors										
Chang Zhenming ^{i,ii}	-	0.10	0.08	-	0.01	0.08	0.10	-	-	0.37
Wang Jiong ^{i,ii}	-	0.26	0.20	-	0.03	0.04	0.08	-	-	0.61
Yan Shuqin ⁱ	-	-	-	-	-	-	-	-	-	-
	2.28	1.21	0.91	-	0.08	0.30	0.37	0.98	-	6.13

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2020 in respect of Mr. Zhu Hexin, Mr. Chang Zhenming, Mr. Xi Guohua, Mr. Wang Jiong and Ms. Li Qingping have not been finalised in accordance with the regulations of the relevant local authorities.
- (ii) Changes in directors during the year ended 31 December 2020:
 - (1) On 25 August 2020, Mr. Xi Guohua was appointed as Executive Director, Vice Chairman and President of the Company, and Mr. Wang Jiong resigned as Executive Director, Vice Chairman and President of the Company.
 - (2) On 25 August 2020, Ms. Yu Yang was appointed as Non-executive Director of the Company, and Ms. Yan Shuqin resigned as Non-executive Director of the Company.
 - (3) On 30 March 2020, Mr. Zhu Hexin was appointed as Chairman of the Board and Executive Director of the Company, and Mr. Chang Zhenming resigned as Chairman of the Board and Executive Director of the Company.

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For the year ended 31 December 2020

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2019 are set out as follows:

Name of Current Directors	For the year ended 31 December 2019								Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertaking	Total
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK\$ million	Salary HK\$ million	Discretionary bonuses HK\$ million	Housing allowance HK\$ million	Estimated money value of other benefits HK\$ million	Social securities in China mainland HK\$ million	Employer's contribution to a retirement benefit scheme HK\$ million	Remunerations of accepting office as committee member HK\$ million	Emoluments paid or receivable in respect of the Company or its subsidiary undertaking HK\$ million	HK\$ million
Executive Directors:										
Chang Zhenming ⁱ	-	0.40	0.45	-	0.03	0.15	0.08	-	-	1.11
Wang Jiong ⁱ	-	0.40	0.45	-	0.03	0.14	0.08	-	-	1.10
Li Qingping ⁱ	-	0.36	0.40	-	0.03	0.15	0.08	-	-	1.02
Non-executive Directors:										
Song Kangle	-	-	-	-	-	-	-	-	-	-
Yan Shuqin	-	-	-	-	-	-	-	-	-	-
Liu Zhuyu	-	-	-	-	-	-	-	-	-	-
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-
Liu Zhongyuan	-	-	-	-	-	-	-	-	-	-
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	-	-	-	-	-	-	0.35	-	0.73
Xu Jinwu	0.38	-	-	-	-	-	-	0.25	-	0.63
Anthony Francis Neoh	0.38	-	-	-	-	-	-	0.25	-	0.63
Shohei Harada	0.38	-	-	-	-	-	-	-	-	0.38
Gregory Lynn Curl ⁱⁱ	0.29	-	-	-	-	-	-	0.04	-	0.33
Name of Former Directors										
Wu Youguang [†]	0.03	-	-	-	-	-	-	-	-	0.03
Pu Jian ⁱⁱ	-	0.09	0.10	-	0.01	0.04	0.02	-	-	0.26
Lee Boo Jin ⁱⁱ	0.09	-	-	-	-	-	-	0.01	-	0.10
Paul Chow Man Yiu ⁱⁱ	0.16	-	-	-	-	-	-	0.02	-	0.18
	2.47	1.25	1.40	-	0.10	0.48	0.26	1.07	-	7.03

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2019 in respect of Mr. Chang Zhenming, Mr. Wang Jiong and Ms. Li Qingping were finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK\$0.219 million for Mr. Chang Zhenming, HK\$0.219 million for Mr. Wang Jiong, HK\$0.197 million for Ms. Li Qingping and HK\$0.084 million for Pu Jian.
- (ii) Changes in directors during the year ended 31 December 2019:
 - (1) In June 2019, Mr. Paul Chow Man Yiu retired as Independent Non-executive Director of the Company.
 - (2) In March 2019, Mr Gregory Lynn Curl was appointed as Independent Non-executive Director of the Company, and Ms. Lee Boo Jin resigned as Independent Non-executive Director of the Company.
 - (3) In February 2019, Mr. Pu Jian resigned as Executive Director of the Company.
 - (4) Mr. Wu Youguang was appointed as Non-executive Director of the Company in March 2018 and subsequently resigned in January 2019.

(b) Other benefits and interests

For the year ended 31 December 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: None). No consideration was provided to or receivable by third parties for making available directors' services (2019: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2020 (2019: None).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14 Individuals with highest emoluments

For the year ended 31 December 2020, none of the five highest paid individuals are directors (2019: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these five individuals (2019: five) are as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Salaries and other emoluments	13.80	13.65
Discretionary bonuses	71.06	65.33
Retirement scheme contributions	0.14	0.48
	85.00	79.46

The emoluments of the 5 individuals (2019: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2020 Number of individuals	2019 Number of individuals
HK\$11,500,001 to HK\$12,000,000	1	–
HK\$13,000,001 to HK\$13,500,000	1	1
HK\$14,000,001 to HK\$14,500,000	–	1
HK\$14,500,001 to HK\$15,000,000	1	1
HK\$16,000,001 to HK\$16,500,000	–	1
HK\$18,000,001 to HK\$18,500,000	1	–
HK\$21,000,001 to HK\$21,500,000	–	1
HK\$27,000,001 to HK\$27,500,000	1	–
	5	5

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For the year ended 31 December 2020

15 Dividends

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
2019 Final dividend paid: HK\$0.285 (2018 Final: HK\$0.26) per share	8,291	7,563
2020 Interim dividend paid: HK\$0.10 (2019 Interim: HK\$0.18) per share	2,909	5,236
2020 Final dividend proposed: HK\$0.388 (2019 Final: HK\$0.285) per share	11,287	8,291

16 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\$56,628 million for the year ended 31 December 2020 (2019: HK\$53,903 million) calculated as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Profit attributable to ordinary shareholders of the Company	56,628	53,903
Weighted average number of ordinary shares (in million)	29,090	29,090

Diluted earnings per share for the year ended 31 December 2020 and 2019 are same with basic earnings per share. As at 31 December 2020, 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 31 December 2020 (31 December 2019: Nil).

The basic earnings per share and diluted earnings per share for the year ended 31 December 2020 are HK\$1.95 (2019: HK\$1.85).

Notes to the Consolidated Financial Statements

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17 Other comprehensive gain/(loss)

Components of other comprehensive gain/(loss)

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gains on financial assets at FVOCI	(4,576)	5,031
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(3,281)	(2,487)
Tax effect	2,018	(596)
	(5,839)	1,948
Allowance change for impairment losses on debt investments at FVOCI	1,245	1,055
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	–	–
Tax effect	(302)	(275)
	943	780
Loss arising from cash flow hedge	(785)	(665)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	69	21
Tax effect	98	56
	(618)	(588)
Share of other comprehensive income of associates and joint ventures	448	85
Exchange differences on translation of financial statements and others	59,738	(19,027)
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	57	1,485
Less: Tax effect	–	(368)
	57	1,117
Fair value loss on investments in equity instruments designated at FVOCI	(44)	(690)
Less: Tax effect	–	254
	(44)	(436)
	54,685	(16,121)

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For the year ended 31 December 2020

18 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. During the year ended 31 December 2020, the Group has made strategic adjustment based on the 14th Five-Year Plan. The Segment reporting for 2019 has been restated accordingly. 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 year”. 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

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18 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 the years ended 31 December 2020 and 2019 is set out below:

	For the year ended 31 December 2020							Total HK\$ million
	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	
Revenue from external customers	229,103	13,759	195,754	70,056	44,224	53	-	552,949
Inter-segment revenue	(14)	222	345	91	1,246	163	(2,053)	-
Reportable segment revenue	229,089	13,981	196,099	70,147	45,470	216	(2,053)	552,949
Disaggregation of revenue:								
- Net interest income (Note 5 (a))	171,965	-	-	-	-	114	(61)	172,018
- Net fee and commission income (Note 5 (b))	39,201	-	-	-	-	1	(24)	39,178
- Sales of goods (Note 5 (c))	-	13,364	192,735	55,896	7,531	-	(562)	268,964
- Services rendered to customers- construction contracts (Note 5 (c))	-	520	-	-	25,233	-	(769)	24,984
- Services rendered to customers- others (Note 5 (c))	-	97	3,364	14,251	12,706	14	(572)	29,860
- Other revenue (Note 5 (d))	17,923	-	-	-	-	87	(65)	17,945
Share of profits/(losses) of associates, net of tax	4,233	307	1,466	121	4,424	(18)	-	10,533
Share of profits/(losses) of joint ventures, net of tax	1,234	(1)	(265)	87	2,837	68	-	3,960
Finance income (Note 10)	-	157	249	89	1,021	853	(1,103)	1,266
Finance costs (Note 10)	-	(300)	(2,067)	(1,053)	(1,372)	(7,797)	1,439	(11,150)
Depreciation and amortisation (Note 11 (b))	(7,193)	(583)	(6,615)	(3,860)	(1,448)	(73)	-	(19,772)
Expected credit losses (Note 8)	(94,167)	(103)	16	(277)	(1,812)	(584)	-	(96,927)
Impairment losses (Note 9)	(575)	(136)	(1,073)	(313)	(1,552)	-	-	(3,649)
Profit/(loss) before taxation	76,087	588	14,421	1,770	11,711	(6,880)	21	97,718
Income tax (Note 12)	(10,650)	35	(2,958)	(492)	(1,791)	(920)	(14)	(16,790)
Profit/(loss) for the year	65,437	623	11,463	1,278	9,920	(7,800)	7	80,928
Attributable to:								
- Ordinary shareholders of the Company	43,516	453	10,149	894	9,409	(7,800)	7	56,628
- Non-controlling interests	21,921	170	1,314	384	511	-	-	24,300

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18 Segment reporting (Continued)

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

	As at 31 December 2020							
	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	9,113,747	58,719	239,155	76,157	309,736	161,818	(218,504)	9,740,828
Including:								
Interests in associates (Note 29)	47,156	1,050	22,361	10,151	48,360	1,962	-	131,040
Interests in joint ventures (Note 30)	14,878	7	7,144	1,875	24,742	1,641	-	50,287
Reportable segment liabilities	8,353,514	39,574	250,098	38,529	138,696	236,525	(324,750)	8,732,186
Including:								
Bank and other loans (Note 42) (note)	2,382	15,867	53,753	10,301	39,217	82,529	(40,878)	163,171
Debt instruments issued (Note 43) (note)	872,734	-	772	3,496	360	121,736	(30,567)	968,531

Note:

The amount is the principal excluding interest accrued.

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18 Segment reporting (Continued)

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

	For the year ended 31 December 2019 (Restated)							
	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	222,316	35,942	178,399	89,017	40,718	105	-	566,497
Inter-segment revenue	212	306	48	95	148	24	(833)	-
Reportable segment revenue	222,528	36,248	178,447	89,112	40,866	129	(833)	566,497
Disaggregation of revenue:								
- Net interest income (Note 5 (a))	170,223	-	-	-	-	111	(192)	170,142
- Net fee and commission income (Note 5 (b))	35,985	-	-	-	-	7	(29)	35,963
- Sales of goods (Note 5 (c))	-	34,158	175,903	74,019	9,750	-	(99)	293,731
- Services rendered to customers- construction contracts (Note 5 (c))	-	1,002	-	-	21,875	-	(24)	22,853
- Services rendered to customers- others (Note 5 (c))	-	1,088	2,544	15,093	9,241	-	(474)	27,492
- Other revenue (Note 5 (d))	16,320	-	-	-	-	11	(15)	16,316
Share of profits/(losses) of associates, net of tax	3,249	63	744	3	4,295	(271)	-	8,083
Share of profits of joint ventures, net of tax	1,194	-	1,555	295	2,303	127	-	5,474
Finance income (Note 10)	-	264	287	71	1,427	1,499	(1,284)	2,264
Finance costs (Note 10)	-	(509)	(2,610)	(1,668)	(1,425)	(8,139)	1,648	(12,703)
Depreciation and amortisation (Note 11 (b))	(6,972)	(1,315)	(6,296)	(5,932)	(1,238)	(53)	-	(21,806)
Expected credit losses (Note 8)	(88,009)	(58)	(22)	(92)	(578)	37	-	(88,722)
Impairment losses (Note 9)	(1,735)	(79)	(45)	(371)	(4,200)	(594)	-	(7,024)
Profit/(loss) before taxation	73,683	1,360	12,035	3,465	10,514	(5,045)	3	96,015
Income tax (Note 12)	(10,150)	(163)	(2,416)	(1,014)	(1,968)	(2,101)	(15)	(17,827)
Profit/(loss) for the year	63,533	1,197	9,619	2,451	8,546	(7,146)	(12)	78,188
Attributable to:								
- Ordinary shareholders of the Company	42,845	1,132	7,925	1,134	8,025	(7,146)	(12)	53,903
- Non-controlling interests	20,688	65	1,694	1,317	521	-	-	24,285

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18 Segment reporting (Continued)

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

	As at 31 December 2019 (Restated)							
	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	7,703,980	27,930	227,711	98,713	277,700	162,748	(208,858)	8,289,924
Including:								
Interests in associates (Note 29)	42,267	4,787	22,024	8,700	43,807	1,760	-	123,345
Interests in joint ventures (Note 30)	9,871	-	6,490	1,825	21,121	1,656	-	40,963
Reportable segment liabilities	7,027,882	14,932	233,401	69,029	129,800	228,377	(307,988)	7,395,433
Including:								
Bank and other loans (Note 42) (note)	3,927	7,342	53,264	11,673	31,874	83,431	(40,833)	150,678
Debt instruments issued (Note 43) (note)	725,589	141	670	3,493	352	115,644	(27,860)	818,029

Note:

The amount is the principal excluding interest accrued.

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18 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 For the year ended 31 December		Reportable segment assets As at 31 December	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Mainland China	464,968	454,970	9,078,635	7,643,658
Hong Kong, Macau and Taiwan	46,430	46,494	543,279	538,872
Overseas	41,551	65,033	118,914	107,394
	552,949	566,497	9,740,828	8,289,924

19 Cash and deposits

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Cash	7,108	7,144
Bank deposits	57,468	50,916
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	439,860	397,724
– Surplus deposit reserve funds (note (iii))	67,975	108,958
– Fiscal deposits (note (iv))	1,246	2,109
– Foreign exchange reserves (note (v))	3,802	3,438
Deposits with banks and non-bank financial institutions	177,241	169,119
	754,700	739,408
Accrued interest	841	1,185
	755,541	740,593
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 46)	(155)	(159)
	755,386	740,434

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19 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 31 December 2020, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 9% (31 December 2019: 9.5%) of eligible RMB deposits for domestic branches of CITIC Bank and at 9% (31 December 2019: 9.5%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2019: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 31 December 2020.

As at 31 December 2020, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 6% (31 December 2019: 7.5%).

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 31 December 2020, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 6% (31 December 2019: 6%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2020, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2019: 5%) 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.
- (v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.
- (vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK\$7,687 million (31 December 2019: HK\$2,635 million) included in cash and deposits as at 31 December 2020 were restricted in use, mainly including guaranteed pledged bank deposits and guaranteed deposits.

Notes to the Consolidated Financial Statements

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20 Placements with banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	94,601	93,860
Non-bank financial institutions	102,414	131,555
	197,015	225,415
Accrued interest	1,614	1,361
	198,629	226,776
Less: allowance for impairment losses (Note 46)	(116)	(90)
	198,513	226,686
Analysed by remaining maturity:		
– Within 1 month	99,818	139,968
– Between 1 month and 1 year	89,830	69,316
– Over 1 year	7,367	16,131
	197,015	225,415
Accrued interest	1,614	1,361
	198,629	226,776
Less: allowance for impairment losses (Note 46)	(116)	(90)
	198,513	226,686

21 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.

Notes to the Consolidated Financial Statements

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21 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.

	As at 31 December					
	Nominal amount HK\$ million	2020		Nominal amount HK\$ million	2019	
		Assets HK\$ million	Liabilities HK\$ million		Assets HK\$ million	Liabilities HK\$ million
Hedging instruments						
Fair value hedge (Note 2 (j)(i)):						
– Interest rate derivatives	–	–	–	3,227	16	18
– Currency derivatives	464	–	10	807	–	71
Cash flow hedge (Note 2 (j)(ii)):						
– Interest rate derivatives	13,182	–	2,068	13,382	4	1,666
– Currency derivatives	1,059	–	16	231	–	5
– Other derivatives	1,302	72	51	1,406	356	29
Non-hedging instruments						
– Interest rate derivatives	3,633,451	11,163	10,856	3,218,877	5,792	5,760
– Currency derivatives	2,351,464	36,175	36,313	1,691,109	13,175	12,345
– Precious metals derivatives	22,866	362	99	14,194	237	817
– Other derivatives	11,274	32	395	9,928	–	52
	6,035,062	47,804	49,808	4,953,161	19,580	20,763

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21 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 3 months	2,321,724	1,962,082
Between 3 months and 1 year	2,457,596	1,958,516
Between 1 year and 5 years	1,220,322	1,011,931
Over 5 years	35,420	20,632
	6,035,062	4,953,161

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) 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 31 December 2020, the credit risk weighted amount for counterparty was HK\$27,546 million (31 December 2019: HK\$16,333 million).

22 Trade and other receivables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Account and bills receivables (note (a))	58,587	51,393
Advanced payments and settlement accounts (note (b))	20,772	39,290
Prepayments, deposits and other receivables (note (c))	100,051	83,207
	179,410	173,890
Less: allowance for impairment losses (Note 46)	(9,687)	(6,463)
	169,723	167,427

As at 31 December 2020, 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\$5,385 million (31 December 2019: HK\$7,382 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

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22 Trade and other receivables (Continued)

(a) Account and bills receivables

(i) Account and bills receivables at amortised cost by overdue analysis

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account and bills receivables. As at the balance sheet date, the analysis of account and bills receivables at amortised cost of the Group based on the days overdue is as follows:

	As at 31 December 2020		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	2%	27,174	(611)
Up to 3 months overdue	2%	1,548	(33)
3 months to 1 year overdue	4%	2,431	(106)
Over 1 year overdue	47%	10,274	(4,808)
		41,427	(5,558)

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	1%	24,253	(281)
Up to 3 months overdue	11%	2,305	(249)
3 months to 1 year overdue	6%	815	(51)
Over 1 year overdue	30%	9,605	(2,899)
		36,978	(3,480)

Note:

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

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22 Trade and other receivables (Continued)

(a) Account and bills receivables (Continued)

(ii) Account and bills receivables at amortised cost by ageing analysis

As at 31 December 2020 and 2019, the ageing analysis of account and bills receivables at amortised cost of the Group based on invoice date is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 1 year	29,618	26,884
Over 1 year	11,809	10,094
	41,427	36,978
Less: allowance for impairment losses (Note 46)	(5,558)	(3,480)
	35,869	33,498

(iii) As at 31 December 2020, the carrying amount of bills receivables at FVOCI was HK\$17,160 million (31 December 2019: HK\$14,415 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2020 and 2019 are disclosed in Note 46.

(b) Advanced payments and settlement accounts

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Advanced payments and settlement accounts	20,772	39,290
Less: allowance for impairment losses (Note 46)	(377)	(307)
	20,395	38,983

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Prepayments, deposits and other receivables	100,051	83,207
Less: allowance for impairment losses (Note 46)	(3,752)	(2,676)
	96,299	80,531

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23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contract assets	13,636	11,511
Less: Allowance for impairment losses (note(a))	(17)	(7)
Total contract assets	13,619	11,504
Advances from contracts with customers	28,092	21,380
Total contract liabilities	28,092	21,380

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Expected credit loss rate (note)	0.12%	0.06%
Gross carrying amount	13,636	11,511
Loss allowance provision	(17)	(7)

Note:

The ECL rate here is the average rate of loss allowance provision divided by gross carrying amount.

(b) Revenue recognised during the year that related to carried-forward contract liabilities

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Revenue from contracts with customers	15,106	7,480

(c) Revenue to be recognised in relating to unsatisfied performance obligations

As at 31 December 2020, transaction price allocated to unsatisfied contracts of the Group amounted at HK\$110,068 million (2019: HK\$76,132 million), of which HK\$41,218 million is expected to be recognised as revenue in the next year (2019: HK\$28,491 million) and the remaining HK\$68,850 million is expected to be recognised after more than one year (2019: HK\$47,641 million).

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24 Inventories

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Raw materials	8,567	6,384
Work-in-progress	8,116	5,898
Finished goods	20,370	16,340
Properties:		
– Properties under development	29,414	14,818
– Properties held-for-sale	5,717	5,166
– Others	4,747	3,371
Others	3,439	2,758
	80,370	54,735

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying amount of inventories sold	235,319	244,888
Write-down of inventories (Note 46)	628	2,323
Reversal of write-down of inventories (Note 46)	(610)	(603)
	235,337	246,608

As at 31 December 2020, the Group's inventories included an amount of HK\$34,322 million expected to be recovered after more than one year (31 December 2019: HK\$18,546 million).

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25 Financial assets held under resale agreements

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Analysed by counterparties:		
– Banks	72,173	11,164
– Non-bank financial institutions	70,904	5
	143,077	11,169
Accrued interest	18	1
	143,095	11,170
Less: allowance for impairment losses (Note 46)	(66)	(53)
	143,029	11,117

Analysed by types of collateral:

As at 31 December 2020, the collateral of the Group's financial assets held under resale agreements are securities and notes (31 December 2019: all securities).

Analysed by remaining maturity:

As at 31 December 2020, the Group's financial assets held under resale agreements will expire within one month (31 December 2019: within one month).

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26 Loans and advances to customers and other parties

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,543,662	2,153,473
– Discounted bills	7,947	7,995
– Finance lease receivables	51,910	48,004
	2,603,519	2,209,472
Personal loans:		
– Residential mortgages	1,088,732	867,018
– Credit cards	576,969	574,535
– Personal consumption	243,052	232,268
– Business loans	337,643	253,525
	2,246,396	1,927,346
	4,849,915	4,136,818
Accrued interest	15,182	11,388
	4,865,097	4,148,206
Less: allowance for impairment losses (Note 46)	(156,218)	(134,001)
Carrying amount of loans and advances to customers and other parties at amortised cost	4,708,879	4,014,205
Loans and advances to customers and other parties at FVPL		
Personal loans	8,465	7,719
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	3,203	1,029
– Discounted bills	485,608	343,686
Carrying amount of loans and advances to customers and other parties at FVOCI	488,811	344,715
Total carrying amount of loans and advances	5,206,155	4,366,639
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 46)	(653)	(521)

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26 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses

	As at 31 December 2020				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	4,627,830	127,027	95,058	4,849,915	1.78%
Accrued interest	13,169	1,799	214	15,182	
Less: allowance for impairment losses	(51,887)	(39,607)	(64,724)	(156,218)	
Carrying amount of loans and advances at amortised cost	4,589,112	89,219	30,548	4,708,879	
Carrying amount of loans and advances at FVOCI	488,704	97	10	488,811	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,077,816	89,316	30,558	5,197,690	
Allowance for impairment losses of loans and advances at FVOCI	(640)	(5)	(8)	(653)	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26 Loans and advances to customers and other parties (Continued)

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

As at 31 December 2019

	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	3,948,280	110,636	77,902	4,136,818	1.73%
Accrued interest	10,513	863	12	11,388	
Less: allowance for impairment losses	(43,509)	(30,234)	(60,258)	(134,001)	
Carrying amount of loans and advances at amortised cost	3,915,284	81,265	17,656	4,014,205	
Carrying amount of loans and advances at FVOCI	344,630	53	32	344,715	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	4,259,914	81,318	17,688	4,358,920	
Allowance for impairment losses of loans and advances at FVOCI	(505)	-	(16)	(521)	

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Secured portion	61,482	46,686
Unsecured portion	33,800	31,260
Total loans and advances that are credit-impaired	95,282	77,946
Allowance for impairment losses	(64,732)	(60,274)

As at 31 December 2020, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$62,425 million (31 December 2019: HK\$48,141 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26 Loans and advances to customers and other parties (Continued)

(c) Overdue loans by overdue period

	As at 31 December 2020				
	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	19,616	10,984	538	535	31,673
Guaranteed loans	4,460	9,152	3,224	362	17,198
Secured loans					
– Loans secured by collateral	11,021	20,206	14,390	1,196	46,813
– Pledged loans	10,691	788	2,143	346	13,968
	45,788	41,130	20,295	2,439	109,652

	As at 31 December 2019				
	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	19,179	11,734	1,682	160	32,755
Guaranteed loans	11,558	7,089	4,679	256	23,582
Secured loans					
– Loans secured by collateral	27,873	12,429	12,067	2,498	54,867
– Pledged loans	2,723	2,082	1,438	113	6,356
	61,333	33,334	19,866	3,027	117,560

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Financial assets at amortised cost		
Debt securities	838,502	645,126
Investment management products managed by securities companies	83,946	208,896
Trust investment plans	231,843	183,442
Certificates of deposit and certificates of interbank deposit	5,606	111
Wealth management products	–	33
Investments in creditor's rights on assets	96	570
Others	1,803	409
	1,161,796	1,038,587
Accrued interest	12,162	11,080
	1,173,958	1,049,667
Less: allowance for impairment losses (Note 46)	(17,462)	(8,670)
	1,156,496	1,040,997
Financial assets at FVPL		
Debt securities	68,495	50,399
Investment management products managed by securities companies	3,338	3,159
Trust investment plans	3,960	7,395
Certificates of deposit and certificates of interbank deposit	59,329	52,236
Wealth management products	6,532	4,124
Investment funds	367,787	267,812
Equity investment	18,546	18,576
Others	306	75
	528,293	403,776
Debt investments at FVOCI (note (i))		
Debt securities	806,506	688,554
Certificates of deposit and certificates of interbank deposit	5,192	5,433
Investment management products managed by securities companies	40,751	–
	852,449	693,987
Accrued interest	7,806	7,949
	860,255	701,936
Allowance for impairment losses on debt investments at FVOCI	(3,148)	(1,820)
Equity investments at FVOCI (note (i))		
Equity investment	7,639	6,602
Investment funds	384	418
	8,023	7,020
	2,553,067	2,153,729

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

- (i) Financial assets measured at FVOCI.

	As at 31 December 2020		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	9,034	851,767	860,801
Accumulative fair value change in OCI	(1,011)	682	(329)
Accrued interest	–	7,806	7,806
Carrying amount	8,023	860,255	868,278
Allowance for impairment losses (Note 46)	N/A	(3,148)	(3,148)

	As at 31 December 2019		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	7,931	685,475	693,406
Accumulative fair value change in OCI	(911)	8,512	7,601
Accrued interest	–	7,949	7,949
Carrying amount	7,020	701,936	708,956
Allowance for impairment losses (Note 46)	N/A	(1,820)	(1,820)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Issued by:		
– Government	998,531	753,257
– Policy banks	140,995	110,331
– Banks and non-bank financial institutions	1,228,437	1,100,440
– Corporates	162,058	170,267
– Public entities	3,078	405
	2,533,099	2,134,700
Accrued interest	19,968	19,029
	2,553,067	2,153,729
– Listed in Hong Kong	59,687	55,218
– Listed outside Hong Kong	2,010,976	1,586,899
– Unlisted	462,436	492,583
	2,533,099	2,134,700
Accrued interest	19,968	19,029
	2,553,067	2,153,729

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 Investments in financial assets (Continued)

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

	As at 31 December 2020			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	1,122,763	5,158	33,875	1,161,796
Accrued interest	11,925	237	–	12,162
Less: allowance for impairment losses	(4,416)	(653)	(12,393)	(17,462)
Carrying amount of investments in financial assets at amortised cost	1,130,272	4,742	21,482	1,156,496
Gross carrying amount of debt investments in financial assets at FVOCI	851,754	155	540	852,449
Accrued interest	7,766	1	39	7,806
Carrying amount of debt investments in financial assets at FVOCI	859,520	156	579	860,255
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,989,792	4,898	22,061	2,016,751
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,784)	(2)	(1,362)	(3,148)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 Investments in financial assets (Continued)

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

	As at 31 December 2019			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	1,015,265	12,709	10,613	1,038,587
Accrued interest	10,995	85	–	11,080
Less: allowance for impairment losses	(4,212)	(515)	(3,943)	(8,670)
Carrying amount of investments in financial assets at amortised cost	1,022,048	12,279	6,670	1,040,997
Gross carrying amount of debt investments in financial assets at FVOCI	693,626	138	223	693,987
Accrued interest	7,949	–	–	7,949
Carrying amount of debt investments in financial assets at FVOCI	701,575	138	223	701,936
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,723,623	12,417	6,893	1,742,933
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,486)	(3)	(331)	(1,820)

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28 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 59.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited (“CITIC Heavy Industries”), CITIC Telecom International Holdings Limited (“CITIC Telecom International”) and CITIC Resources Holdings Limited (“CITIC Resources”), which are listed subsidiaries of the Group and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

Listed in:	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	41.89%	41.81%	40.50%	40.50%
Total assets	8,924,435	7,535,815	24,015	23,220	18,334	18,376	12,275	12,668
Mainly including:								
Cash and deposits	675,539	652,454	2,950	4,103	1,519	1,313	2,356	1,635
Placements with banks and non-bank financial institutions	200,062	228,345	-	-	-	-	-	-
Derivative financial assets	47,602	19,109	-	-	-	-	72	356
Financial assets held under resale agreements	132,016	11,112	-	-	-	-	-	-
Loans and advances to customers and other parties	5,180,595	4,345,489	-	-	-	-	-	-
Investments in financial assets	2,486,493	2,091,581	811	918	-	-	-	-
Fixed assets	40,240	24,975	5,889	5,629	2,705	2,435	3,482	3,004
ROU assets	12,633	12,769	117	32	706	695	94	102

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

28 Subsidiaries (Continued)

	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Total liabilities	(8,259,024)	(6,941,336)	(14,923)	(14,862)	(8,525)	(8,950)	(6,508)	(6,475)
Mainly including:								
Borrowing from central banks	(266,611)	(268,256)	-	-	-	-	-	-
Deposits from banks and non-bank financial institutions	(1,382,588)	(1,061,781)	-	-	-	-	-	-
Placements from banks and non-bank financial institutions	(68,623)	(103,306)	-	-	-	-	-	-
Trade and other payables	-	-	(2,789)	(2,734)	(817)	(946)	(114)	(137)
Derivative financial liabilities	(47,299)	(18,795)	-	-	-	-	(14)	(7)
Financial assets sold under repurchase agreements	(89,434)	(124,849)	-	-	-	-	-	-
Deposits from customers	(5,432,591)	(4,547,163)	-	-	-	-	-	-
Bank and other loans	-	-	(6,380)	(7,352)	(2,303)	(2,716)	(4,815)	(5,053)
Lease liabilities	(12,480)	(12,164)	(82)	(35)	(531)	(506)	(86)	(91)
Net assets	665,411	594,479	9,092	8,358	9,809	9,426	5,767	6,193
Equity attributable to								
- Ordinary shareholders of subsidiaries	557,985	493,828	8,698	7,996	9,752	9,377	5,807	6,253
- Non-controlling interests in subsidiaries	107,426	100,651	394	362	57	49	(40)	(60)
Carrying amount of non-controlling interests	297,308	268,701	3,241	2,979	4,142	3,970	2,312	2,471

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

28 Subsidiaries (Continued)

	CITIC Bank		For the year ended 31 December				CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	CITIC Heavy Industries		CITIC Telecom International		2020 HK\$ million	2019 HK\$ million
			2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million		
Revenue	219,303	213,693	7,091	5,960	8,923	9,014	2,850	3,426
Profit/(loss) for the year	55,592	55,724	225	156	1,039	1,020	(361)	631
Total comprehensive income for the year	47,552	58,229	225	184	1,113	1,045	(422)	414
Profit attributable to non-controlling interests	21,886	20,700	77	66	444	437	(144)	274
Dividends paid to non-controlling interests	8,281	6,411	23	10	317	299	-	111
Net cash generated from operating activities	176,053	133,039	679	535	2,543	2,417	115	655
Net cash (used in)/generated from investing activities	(244,948)	(287,832)	(313)	(235)	(773)	(466)	930	694
Net cash generated from/(used in) financing activities	51,596	114,397	(1,861)	(496)	(1,581)	(1,683)	(363)	(1,659)

29 Interests in associates

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying value	137,012	130,080
Less: allowance for impairment losses (Note 46)	(5,972)	(6,735)
	131,040	123,345

Notes:

The particulars of the principal associates are set out in Note 59.

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29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	1,006,741	852,720	1,251,084	883,836	29,279	28,057
Total liabilities	(588,503)	(499,218)	(1,030,226)	(699,137)	(1,273)	(638)
Net assets	418,238	353,502	220,858	184,699	28,006	27,419
Equity attributable to:						
– Associates' shareholders	401,363	343,245	215,902	180,430	28,084	28,081
– Non-controlling interests in associates	16,875	10,257	4,956	4,269	(78)	(662)
	418,238	353,502	220,858	184,699	28,006	27,419

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below (Continued):

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue	208,518	187,901	80,662	64,922	-	-
Profit for the year	50,762	42,464	17,415	14,386	(145)	152
Other comprehensive (loss)/ income for the year	(409)	(3,670)	(750)	995	(132)	(37)
Total comprehensive income/(loss) for the year	50,353	38,794	16,665	15,381	(277)	115
Dividends received from associates	1,118	1,041	1,122	796	-	-
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	401,363	343,245	215,902	180,430	28,084	28,081
Group's effective interest	10.00%	10.00%	15.47%	16.50%	26.09%	26.31%
Group's share of net assets of associates	40,136	34,325	33,400	29,771	7,327	7,388
Goodwill and others	1,417	1,417	1,256	1,291	(180)	(169)
Impairment of interests in associates	(3,962)	(2,606)	-	-	-	-
Carrying amounts in the consolidated balance sheet	37,591	33,136	34,656	31,062	7,147	7,219
Quoted fair value	18,469	33,252	69,853	56,478	13,120	7,984

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	51,646	51,928
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	3,420	1,736
Other comprehensive loss for the year	(165)	(98)
Total comprehensive income for the year	3,255	1,638

Notes to the Consolidated Financial Statements

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30 Interests in joint ventures

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying value	51,963	42,450
Less: allowance for impairment losses (Note 46)	(1,676)	(1,487)
	50,287	40,963

The particulars of the principal joint ventures are set out in Note 59.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Gross amount of the joint ventures						
Total assets	164,077	116,227	17,651	18,501	24,335	14,317
Total liabilities	(149,415)	(105,977)	(6,634)	(10,091)	(17,131)	(9,100)
Net assets	14,662	10,250	11,017	8,410	7,204	5,217
Equity attributable to:						
– Joint ventures' shareholders	14,034	9,680	11,017	8,410	7,204	5,217
– Non-controlling interests in joint ventures	628	570	–	–	–	–
	14,662	10,250	11,017	8,410	7,204	5,217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30 Interests in joint ventures (Continued)

Summarised financial information of the material joint ventures are disclosed below (Continued):

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue	32,292	28,304	6,369	4,765	89	116
Profit for the year	2,841	2,070	2,054	3,230	1,564	132
Other comprehensive income for the year	1,343	970	-	-	-	-
Total comprehensive income for the year	4,184	3,040	2,054	3,230	1,564	132
Dividends received from joint ventures	317	-	-	-	-	499
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	14,034	9,680	11,017	8,410	7,204	5,217
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	7,017	4,840	5,509	4,205	3,602	2,609
Goodwill and others	1,336	1,255	66	49	279	255
Carrying amount in the consolidated balance sheet	8,353	6,095	5,575	4,254	3,881	2,864

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	32,478	27,750
Aggregate amount of the Group's share of those joint ventures		
Profit for the year	770	2,703
Other comprehensive loss for the year	(31)	(49)
Total comprehensive income for the year	739	2,654

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31 Fixed assets

	Property, plant and equipment							Investment properties HK\$ million
	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Construction in progress HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Total HK\$ million	
Cost or valuation:								
At 1 January 2020	79,137	155,695	13,714	17,233	13,062	7,032	285,873	37,555
Exchange adjustments	4,508	5,294	809	1,457	427	354	12,849	1,546
Business combination (Note 54)	3,413	6,452	524	316	81	656	11,442	-
Disposal of subsidiaries	(20)	(13)	(1)	(2)	(8)	(4)	(48)	-
Additions	932	2,945	10,852	2,609	610	294	18,242	1,076
Disposals	(1,526)	(2,283)	-	(1,323)	(568)	(2,127)	(7,827)	(594)
Transfers	1,651	1,298	(6,712)	119	15	3,617	(12)	(453)
Change in fair value of investment properties	-	-	-	-	-	-	-	(675)
At 31 December 2020	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2020	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	-
Exchange adjustments	(783)	(3,447)	(26)	(750)	(222)	(139)	(5,367)	-
Business combination (Note 54)	(656)	(1,712)	-	(176)	(52)	(252)	(2,848)	-
Disposal of subsidiaries	7	11	-	1	5	4	28	-
Charge for the year	(2,414)	(5,590)	-	(1,714)	(489)	(666)	(10,873)	-
Disposals	205	669	-	1,075	350	325	2,624	-
Impairment losses (Note 46)	(117)	(68)	(24)	-	(19)	(217)	(445)	-
At 31 December 2020	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	-
Net book value:								
At 31 December 2020	61,133	69,671	18,211	6,974	6,493	5,358	167,840	38,455
Represented by:								
Cost	88,095	169,388	19,186	20,409	13,619	9,822	320,519	-
Valuation	-	-	-	-	-	-	-	38,455
	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455

Notes to the Consolidated Financial Statements

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31 Fixed assets (Continued)

	Property, plant and equipment									Investment properties HK\$ million
	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Construction in progress HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million	
Cost or valuation:										
At 31 December 2018	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	32,579
Changes in accounting policies	(3,916)	(126)	-	-	(510)	(180)	(4,732)	(19,637)	(24,369)	-
At 1 January 2019	77,991	168,715	19,402	16,807	12,691	15,622	311,228	-	311,228	32,579
Exchange adjustments	(1,488)	(1,758)	(294)	(346)	(138)	(279)	(4,303)	-	(4,303)	(513)
Disposal of subsidiaries	(3,064)	(8,007)	(566)	(296)	(75)	(587)	(12,595)	-	(12,595)	-
Transfers into assets classified as held for sale (Note 36)	(2,313)	(7,011)	(591)	(331)	(1)	(8,854)	(19,101)	-	(19,101)	-
Additions	1,504	2,959	11,269	2,272	936	1,102	20,042	-	20,042	149
Disposals	(1,490)	(2,234)	-	(993)	(497)	(600)	(5,814)	-	(5,814)	(543)
Transfers	7,997	3,031	(15,506)	120	146	628	(3,584)	-	(3,584)	5,166
Change in fair value of investment properties	-	-	-	-	-	-	-	-	-	717
At 31 December 2019	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	37,555
Accumulated depreciation, amortisation and impairment losses:										
At 31 December 2018	(23,324)	(92,917)	(1,189)	(11,723)	(6,482)	(7,731)	(143,366)	(2,584)	(145,950)	-
Changes in accounting policies	635	123	-	-	86	63	907	2,584	3,491	-
At 1 January 2019	(22,689)	(92,794)	(1,189)	(11,723)	(6,396)	(7,668)	(142,459)	-	(142,459)	-
Exchange adjustments	432	865	56	321	64	130	1,868	-	1,868	-
Disposal of subsidiaries	774	2,978	-	165	47	229	4,193	-	4,193	-
Transfers into assets classified as held for sale (Note 36)	363	4,120	-	198	1	4,757	9,439	-	9,439	-
Charge for the year	(2,366)	(6,635)	-	(1,679)	(645)	(1,326)	(12,651)	-	(12,651)	-
Disposals	570	1,596	208	847	232	385	3,838	-	3,838	-
Impairment losses (Note 46)	(288)	290	-	-	(2)	(26)	(26)	-	(26)	-
At 31 December 2019	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	-	(135,798)	-
Net book value:										
At 31 December 2019	55,933	66,115	12,789	5,362	6,363	3,513	150,075	-	150,075	37,555
Represented by:										
Cost	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	-
Valuation	-	-	-	-	-	-	-	-	-	37,555
	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	37,555

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31 Fixed assets (Continued)

As at 31 December 2020, the Group was in the process of applying the ownership certificates in respect of certain premises of HK\$1,573 million (31 December 2019: HK\$14,372 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2020 and 2019 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2020
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	Centaline Surveyors Limited
	Zhong Ming(Beijing) Assets Appraisal International Co.,Ltd.
	Prudential Surveyors (Hong Kong) Limited
	YINXIN Appraisal Co., Ltd.
	Knight Frank Petty Limited
	China Lianhe Credit Rating Co.,Ltd
	China United Assets Appraisal Group
	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
	Overseas
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

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31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Property valuation (Continued)

Properties located in	Valuers in 2019
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd. Centaline Surveyors Limited Zhong Ming(Beijing) Assets Appraisal International Co.,Ltd. Prudential Surveyors (Hong Kong) Limited YINXIN Appraisal Co., Ltd. Knight Frank Petty Limited Beijing Dexiang Assets Appraisal Co., Ltd.
Overseas	Network Real Estate Appraisal Co., Ltd. Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

	Level 3	
	For the year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	23,756	18,067
Exchange adjustments	1,505	(509)
Additions	738	125
Disposals	(364)	(195)
Transfers	(448)	5,236
Change in fair value of investment properties	(126)	1,032
At 31 December	25,061	23,756
Investment properties – Hong Kong		
At 1 January	13,331	14,068
Exchange adjustments	1	(2)
Additions	338	23
Disposals	(230)	(348)
Transfers	(5)	(70)
Change in fair value of investment properties	(548)	(340)
At 31 December	12,887	13,331
Investment properties – Overseas		
At 1 January	468	444
Exchange adjustments	40	(2)
Additions	–	1
Change in fair value of investment properties	(1)	25
At 31 December	507	468

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31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2020, there were no Level 1 and Level 2 fair value hierarchy (2019: Nil) and no transfers into or out of Level 3 (2019: Nil).

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

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32 ROU assets and lease liabilities

(a) ROU assets

	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million
At 1 January 2020	16,272	13	99	327	909	17,620	18,874	36,494
Exchange adjustments	921	2	4	19	47	993	422	1,415
Additions	5,145	71	11	167	224	5,618	1,335	6,953
Reductions	(1,007)	(3)	-	(106)	(22)	(1,138)	(732)	(1,870)
Business combination (Note 54)	154	-	4	16	-	174	508	682
Disposal of subsidiaries	(4)	-	-	-	-	(4)	-	(4)
Depreciation charge	(4,681)	(24)	(46)	(191)	(201)	(5,143)	(550)	(5,693)
Modifications to lease agreements	(73)	-	-	-	11	(62)	-	(62)
At 31 December 2020	16,727	59	72	232	968	18,058	19,857	37,915

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32 ROU assets and lease liabilities (Continued)

(a) ROU assets (Continued)

	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million
At 31 December 2018	-	-	-	-	-	-	-	-
Changes in accounting policies	27,280	13	151	524	698	28,666	20,292	48,958
At 1 January 2019	27,280	13	151	524	698	28,666	20,292	48,958
Exchange adjustments	(432)	-	(2)	(46)	(16)	(496)	(265)	(761)
Additions	6,109	12	8	6	358	6,493	1,573	8,066
Reductions	(282)	(1)	(5)	-	(1)	(289)	(104)	(393)
Transfers	-	-	-	-	-	-	(1,636)	(1,636)
Disposal of subsidiaries	(142)	-	(4)	(17)	-	(163)	(337)	(500)
Transfers into assets classified as held for sale (Note 36)	(9,926)	-	-	-	-	(9,926)	(96)	(10,022)
Depreciation charge	(6,335)	(11)	(49)	(140)	(130)	(6,665)	(553)	(7,218)
At 31 December 2019	16,272	13	99	327	909	17,620	18,874	36,494

- (i) The expense relating to short-term leases (included in cost of goods sold and other operating expenses) and the expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses) for the year ended 31 December 2020 were HK\$786 million (2019: HK\$1,071 million).
- (ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK\$138 million (2019: HK\$609 million).
- (iii) The total cash outflow for leases for the year ended 31 December 2020 was HK\$7,074 million (2019: HK\$8,353 million).

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For the year ended 31 December 2020

32 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

	As at 31 December 2020	
	2020 HK\$ million	2019 HK\$ million
- Within 1 year	5,234	4,668
- Over 1 year	13,033	12,767
	18,267	17,435

As at 31 December 2020, the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December 2020	
	2020 HK\$ million	2019 HK\$ million
- Within 1 year	5,402	4,835
- Between 1 and 5 year	11,168	11,420
- Over 5 year	3,836	3,545
	20,406	19,800

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33 Intangible assets

	For the year ended 31 December		
	Mining assets HK\$ million	Others HK\$ million	Total HK\$ million
Cost:			
At 1 January 2020	19,282	15,789	35,071
Exchange adjustments	3	894	897
Additions	903	3,617	4,520
Business combination (Note 54)	–	601	601
Disposals of subsidiaries	–	(7)	(7)
Disposals	(2)	(637)	(639)
At 31 December 2020	20,186	20,257	40,443
Accumulated amortisation and impairment losses:			
At 1 January 2020	(17,033)	(6,061)	(23,094)
Exchange adjustments	(1)	(266)	(267)
Charge for the year	(80)	(1,336)	(1,416)
Business combination (Note 54)	–	(119)	(119)
Disposals of subsidiaries	–	7	7
Disposals	–	385	385
Impairment losses (Note 46)	(1)	(61)	(62)
At 31 December 2020	(17,115)	(7,451)	(24,566)
Net book value:			
At 31 December 2020	3,071	12,806	15,877

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33 Intangible assets (Continued)

	For the year ended 31 December			
	Mining assets HK\$ million	Franchise right HK\$ million	Others HK\$ million	Total HK\$ million
Cost:				
At 1 January 2019	19,316	3,015	14,816	37,147
Exchange adjustments	–	(2)	(220)	(222)
Additions	12	–	2,160	2,172
Disposals of subsidiaries	–	–	(532)	(532)
Transfers into assets classified as held for sale (Note 36)	–	(3,013)	(122)	(3,135)
Disposals	(46)	–	(313)	(359)
At 31 December 2019	19,282	–	15,789	35,071
Accumulated amortisation and impairment losses:				
At 1 January 2019	(17,023)	(262)	(5,475)	(22,760)
Exchange adjustments	–	–	79	79
Charge for the year	(56)	(150)	(1,295)	(1,501)
Disposals of subsidiaries	–	–	425	425
Transfers into assets classified as held for sale (Note 36)	–	412	25	437
Disposals	46	–	202	248
Impairment losses (Note 46)	–	–	(22)	(22)
At 31 December 2019	(17,033)	–	(6,061)	(23,094)
Net book value:				
At 31 December 2019	2,249	–	9,728	11,977

Amortisation charge is included in “cost of sales and services” and “other operating expenses” in the consolidated income statement.

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For the year ended 31 December 2020

34 Goodwill

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Cost:		
At 1 January	22,551	23,971
Additions	315	203
Disposals	(210)	(61)
Transfers into assets classified as held for sale (Note 36)	–	(950)
Exchange differences	506	(612)
At 31 December	23,162	22,551
Accumulated impairment losses:		
At 1 January	(1,348)	(1,086)
Additions (Note 46)	(647)	(202)
Disposals	3	–
Exchange differences	(37)	(60)
At 31 December	(2,029)	(1,348)
Net book value:		
At 31 December	21,133	21,203

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For the year ended 31 December 2020

34 Goodwill (Continued)

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Comprehensive financial services	1,529	1,495
Advanced intelligent manufacturing	1,037	767
Advanced materials	261	884
New consumption	12,415	12,289
New-type urbanisation	5,891	5,768
	21,133	21,203

In conducting goodwill impairment test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination.

The recoverable amount of an asset group or a group of asset groups is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of an asset group or a group of asset groups will not be recognised if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

Based on management's impairment assessment, impairment loss of HK\$647 million was recognised for the year ended 31 December 2020 (2019: HK\$202 million).

35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Income tax payable	13,448	13,989

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For the year ended 31 December 2020

35 Income tax in the balance sheet (Continued)

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK\$ million	Accrued expenses HK\$ million	Impairment loss on assets other than fixed assets and intangible assets HK\$ million	Fair value changes of financial instruments HK\$ million	Fixed assets and intangible assets HK\$ million	Others HK\$ million	Total HK\$ million
Deferred tax assets							
At 1 January 2019	13,446	3,245	28,288	566	6,446	1,602	53,593
Credited/(charged) to profit or loss	725	1,098	9,642	113	(1,007)	(127)	10,444
Credited/(charged) to other comprehensive income	–	30	81	(44)	–	26	93
Disposal of subsidiaries	(3)	(297)	(75)	–	(149)	(13)	(537)
Transfers into assets classified as held for sale (Note 36)	(9)	(147)	(7)	–	(76)	(56)	(295)
Exchange adjustments and others	(66)	(63)	(788)	(16)	142	(83)	(874)
At 31 December 2019	14,093	3,866	37,141	619	5,356	1,349	62,424
At 1 January 2020	14,093	3,866	37,141	619	5,356	1,349	62,424
Credited/(charged) to profit or loss	632	247	9,343	154	(1,099)	805	10,082
(Charged)/credited to other comprehensive income	–	(7)	(4)	76	–	(2)	63
Business combination (Note 54)	–	263	70	–	13	–	346
Disposal of subsidiaries	(53)	–	–	–	–	(109)	(162)
Exchange adjustments and others	12	279	2,947	39	162	17	3,456
At 31 December 2020	14,684	4,648	49,497	888	4,432	2,060	76,209

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35 Income tax in the balance sheet (Continued)

(b) Deferred tax assets/(liabilities) recognised (Continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK\$ million	Temporary differences on fixed assets and intangible assets HK\$ million	Revaluation of investment properties HK\$ million	Others HK\$ million	Total HK\$ million
Deferred tax liabilities					
At 1 January 2019	(3,604)	(2,175)	(3,768)	(2,791)	(12,338)
(Charged)/credited to profit or loss	(322)	586	100	(2,585)	(2,221)
(Charged)/credited to other comprehensive income	(242)	–	(368)	157	(453)
Disposal of subsidiaries	–	253	–	31	284
Transfers into assets classified as held for sale (Note 36)	–	66	–	953	1,019
Exchange adjustments and others	(95)	12	87	47	51
At 31 December 2019	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
At 1 January 2020	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
Charged to profit or loss	(5)	(242)	(24)	(678)	(949)
Credited/(charged)/credited to other comprehensive income	2,040	–	–	(10)	2,030
Business combination (Note 54)	–	(245)	–	(72)	(317)
Disposal of subsidiaries	–	16	–	36	52
Exchange adjustments and others	(138)	(68)	(261)	(180)	(647)
At 31 December 2020	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)

Notes to the Consolidated Financial Statements

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35 Income tax in the balance sheet (Continued)

- (c) Deductible temporary difference and tax losses not recognised as deferred tax assets

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Deductible temporary differences	1,900	2,562
Tax losses	30,981	32,860
	32,881	35,422

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2020, tax losses amounting to HK\$10,019million (31 December 2019: HK\$14,220 million) that can be carried forward against future taxable income are expiring within 5 years.

36 Assets classified as held for sale

During the year ended 31 December 2019, the Group has decided to dispose approximately 42.31% of its interests in Fast Foods Holdings Limited ("FFHL"). Before disposal, Starry Dream Investments Limited, a wholly-owned subsidiary of the Group, holds 61.54% interests in FFHL which directly holds 52% equity interests in Grand Foods Holdings Limited ("GFHL"), the holding company of McDonald's mainland China and Hong Kong businesses. The Group's interests in FFHL will decrease to approximately 19.23% upon disposal and therefore, loss control over FFHL upon the completion of the disposal. As at 31 December 2019, the disposal plan has been approved by the Board of Directors of the Company. The assets and liabilities of FFHL have been classified as assets and liabilities held for sale in the Group's consolidated financial statements.

On 2 March 2020, Starry Dream Investments Limited entered into a share purchase agreement with CCHL Fast Food Holdings Limited ("CCHL"), a company wholly-owned by a newly established fund of which a wholly-owned subsidiary of CITIC Capital Holdings Limited acts as the general partner. Pursuant to the agreement, the Group agreed to sell and CCHL agreed to purchase 42.31% equity interests in FFHL and CCHL will also be assigned the corresponding portion of outstanding shareholder loans of FFHL in an amount of approximately US\$217 million. The total consideration of the disposal is US\$533 million. Upon completion of the disposal, the Group's equity interests in FFHL reduced to 19.23%, and therefore, FFHL and GFHL were no longer consolidated into the financial statements of the Group (Note 51 (b)).

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For the year ended 31 December 2020

37 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	365,291	186,064
Non-bank financial institutions	1,000,980	872,282
	1,366,271	1,058,346
Accrued interest	4,168	3,034
	1,370,439	1,061,380
Analysed by remaining maturity:		
– On demand	768,681	446,790
– Within 3 months	251,155	337,522
– Between 3 months and 1 year	346,435	274,034
	1,366,271	1,058,346
Accrued interest	4,168	3,034
	1,370,439	1,061,380

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38 Placements from banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	72,485	67,264
Non-bank financial institutions	1,534	39,699
	74,019	106,963
Accrued interest	289	437
	74,308	107,400
Analysed by remaining maturity:		
– On demand	–	115
– Within 3 months	26,288	65,989
– Between 3 months and 1 year	40,831	36,334
– Over 1 year	6,900	4,525
	74,019	106,963
Accrued interest	289	437
	74,308	107,400

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39 Trade and other payables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Trade and bills payables	86,362	73,238
Advances from leasees	453	281
Other taxes payables	7,431	5,720
Settlement accounts	7,083	7,699
Dividend payables	300	278
Other payables	59,314	61,692
	160,943	148,908

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 1 year	70,965	57,437
Between 1 and 2 years	3,343	6,893
Between 2 and 3 years	4,668	562
Over 3 years	7,386	8,346
	86,362	73,238

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40 Financial assets sold under repurchase agreements

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
By counterparties:		
The People's Bank of China	46,591	72,930
Banks	48,183	54,811
	94,774	127,741
Accrued interest	–	25
	94,774	127,766
By types of collateral:		
Debt securities	8,288	39,726
Discounted bills	86,486	88,015
	94,774	127,741
Accrued interest	–	25
	94,774	127,766

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2020, legal title of these collateral pledged has not been transferred to counterparties.

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41 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Demand deposits		
Corporate customers	2,258,627	1,862,591
Personal customers	388,658	307,582
	2,647,285	2,170,173
Time and call deposits		
Corporate customers	1,991,042	1,653,630
Personal customers	726,173	672,759
	2,717,215	2,326,389
Outward remittance and remittance payables	10,763	7,227
Accrued interest	52,431	38,052
	5,427,694	4,541,841

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Bank acceptances	265,419	192,095
Letters of credit	13,112	13,122
Guarantees	13,399	23,879
Others	124,564	104,172
	416,494	333,268

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42 Bank and other loans

(a) Types of loans

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Bank loans		
Unsecured loans	116,984	106,021
Loan pledged with assets (note (d))	17,842	16,430
	134,826	122,451
Other loans		
Unsecured loans	27,517	27,177
Loan pledged with assets (note (d))	828	1,050
	28,345	28,227
	163,171	150,678
Accrued interest	433	634
	163,604	151,312

(b) Maturity of loans

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Bank loans		
– Within 1 year or on demand	47,714	38,632
– Between 1 and 2 years	17,394	17,392
– Between 2 and 5 years	42,471	39,479
– Over 5 years	27,247	26,948
	134,826	122,451
Other loans		
– Within 1 year or on demand	13,549	6,599
– Between 1 and 2 years	3,024	13,446
– Between 2 and 5 years	6,398	3,065
– Over 5 years	5,374	5,117
	28,345	28,227
	163,171	150,678
Accrued interest	433	634
	163,604	151,312

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

42 Bank and other loans (Continued)

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
RMB	39,330	34,102
US\$	46,913	53,178
HK\$	61,191	51,766
Other currencies	15,737	11,632
	163,171	150,678
Accrued interest	433	634
	163,604	151,312

(d) As at 31 December 2020, the Group's bank and other loans of HK\$18,670 million (31 December 2019 HK\$17,480 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary with an aggregate carrying amount of HK\$83,967 million (31 December 2019: HK\$70,196 million).

(e) 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 48 (b). As at 31 December 2020, none of the covenants relating to drawn down facilities have been breached (31 December 2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Corporate bonds issued (note (a))	112,959	99,913
Notes issued (note (b))	60,208	113,592
Subordinated bonds issued (note (c))	134,526	97,196
Certificates of deposit issued (note (d))	–	3,109
Certificates of interbank deposit issued (note (e))	645,179	489,886
Convertible corporate bonds (note (f))	15,659	14,333
	968,531	818,029
Accrued interest	5,327	5,935
	973,858	823,964
Analysed by remaining maturity:		
– Within 1 year or on demand	668,965	605,729
– Between 1 and 2 years	22,547	19,912
– Between 2 and 5 years	116,344	51,306
– Over 5 years	160,675	141,082
	968,531	818,029
Accrued interest	5,327	5,935
	973,858	823,964

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2020 (2019: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
The Company (note (i))	67,149	63,277
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	39,165	30,100
CITIC Telecom International (note (iii))	3,496	3,493
CITIC Heavy Industries (note (iv))	–	141
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(v))	3,149	2,902
	112,959	99,913

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) *Details of corporate bonds issued by the Company*

	As at 31 December 2020					Interest rate per annum
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date		
US\$ Notes2.1	US\$	500	2011-04-15	2021-04-15	6.63%	
US\$ Notes2.2	US\$	250	2014-06-23	2021-04-15	6.63%	
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\$ Notes12	US\$	500	2016-06-14	2021-12-14	2.80%	
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 year ended 31 December 2020

43 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 2019		Interest rate per annum
			Issue date	Maturity date	
US\$ Notes 5	US\$	500	2013-04-10	2020-04-10	6.38%
US\$ Notes 2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes 2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes 1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes 4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes 4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes 4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes 6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes 8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes 9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes 10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes 11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes 12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes 13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes 14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes 15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes 16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes 17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes 18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes 19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes 20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes 21	US\$	200	2018-04-18	2048-04-18	5.07%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 31 December 2020				
	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%

	As at 31 December 2019				
	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%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	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%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(a) **Corporate bonds issued (Continued)**

(iii) **Details of corporate bonds issued by CITIC Telecom International**

	As at 31 December 2020				
	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 2019				
	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%

(iv) **Corporate bonds issued by CITIC Heavy Industries has been redeemed in 2020.**

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	2013-01-25	2020-01-25	5.20%

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

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
20 JLEPC SCP002	RMB	250	2020-04-13	2021-01-08	2.48%
20 JLEPC SCP003	RMB	200	2020-07-27	2021-04-03	3.00%
20 JLEPC SCP004	RMB	200	2020-08-26	2021-05-23	3.09%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
19 JLEPC SCP001	RMB	200	2019-09-05	2020-03-03	3.50%
19 JLEPC SCP002	RMB	200	2019-10-22	2020-07-18	3.45%
19 JLEPC SCP003	RMB	200	2019-12-05	2020-06-02	3.39%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
CITIC Corporation (note (i))	13,045	20,035
CITIC Bank (note (ii))	41,844	89,700
CITIC Offshore Helicopter Company Limited (note (iii))	360	352
CITIC Trust Co., Ltd. (note (iv))	4,959	3,505
	60,208	113,592

(i) Details of notes issued by CITIC Corporation

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months 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%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	2017-04-17	2020-04-17	4.20%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	US\$	700	2017-12-14	2020-12-14	Three months Libor+0.9%
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months Libor+1%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%
Financial bonds	US\$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%

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

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

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	2017-05-04	2020-03-31	5.18%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

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

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	HK\$	1,200	2020-01-16	2021-01-13	2.55%
Guaranteed notes	HK\$	930	2020-07-03	2021-07-01	2.55%
Guaranteed notes	US\$	80	2020-12-30	2021-04-23	3.79%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	US\$	150	2019-05-22	2020-05-20	4.75%

(c) Subordinated bonds issued

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	–	2,382
– In February 2029 (note (ii))	3,865	3,860
Fixed rate bonds maturing		
– In May 2025 (note (iii))	–	12,838
– In June 2027 (note (iv))	23,748	22,310
– In September 2028 (note (v))	35,638	33,479
– In October 2028 (note (vi))	23,758	22,327
– In August 2030 (note (vii))	47,517	–
	134,526	97,196

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

43 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued (Continued)

		As at 31 December 2020				
		Denominated	Face value in			Interest rate
		currency	denominated	Issue date	Maturity date	per annum
			currency million			
(ii)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(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	2020-08-12	2030-08-14	3.87%

		As at 31 December 2019				
		Denominated	Face value in			Interest rate
		currency	denominated	Issue date	Maturity date	per annum
			currency million			
(i)	Subordinated Notes	US\$	304	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(iii)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(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%

(d) Certificates of deposit issued

As at 31 December 2020, these certificates of deposit have expired. These certificates of deposit were issued by CBI with interest rate of 3.13% per annum (31 December 2019: 3.13% per annum).

(e) Certificates of interbank deposit issued

As at 31 December 2020, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB543,008 million (approximately HK\$645,179 million) (31 December 2019: RMB438,830 million (approximately HK\$489,886 million)). The yield ranges from 1.50% to 3.36% per annum (31 December 2019: 2.59% to 3.67% per annum). The original expiry terms are between 1 month to 1 year (31 December 2019: 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. CITIC Corporation, as its parent company, has subscribed RMB26,388 million (HK\$30,890 million), 65.97% of the total corporate bonds, which is the same percentage of the Group's interest in CITIC Bank's common shares. The convertible bonds of CITIC Bank have a term of six years from 4 March 2019 to 3 March 2025, at 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 31 December 2020, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,270 million (HK\$15,767 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

Notes to the Consolidated Financial Statements

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44 Provisions

	Environmental restoration expenditures HK\$ million	Impairment loss of credit commitments and guarantees provided HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2019	1,419	5,991	2,303	9,713
Exchange differences	(14)	(149)	(45)	(208)
Charge for the year	336	1,261	1,805	3,402
Payments made during the year	(14)	–	(9)	(23)
Disposal of subsidiaries	–	–	(1,729)	(1,729)
At 31 December 2019	1,727	7,103	2,325	11,155
At 1 January 2020	1,727	7,103	2,325	11,155
Exchange differences	157	499	153	809
Charge for the year	151	1,280	291	1,722
Payments made during the year	(3)	–	(38)	(41)
Business combination (Note (54))	–	–	1,527	1,527
At 31 December 2020	2,032	8,882	4,258	15,172

Notes to the Consolidated Financial Statements

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45 Share capital and reserves

(a) Share capital

As at 31 December 2020, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2019: 29,090,262,630).

(b) Share based payment

Share Option Plan

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

The CITIC Pacific Share Incentive Plan 2000 adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK\$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2020, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

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45 Share capital reserves (Continued)

(c) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK\$286,585 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2 (j)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of investments in financial assets at FVOCI until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2 (i)(i) and Note 2 (f) respectively.

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

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45 Share capital reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2 (h).

(d) 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 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 31 December 2020 (31 December 2019: Nil).

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For the year ended 31 December 2020

46 Movement of allowances for impairment losses

	For the year ended 31 December 2020					At 31 December HK\$ million
	At 1 January HK\$ million	Charge for the year HK\$ million	Write-offs/ transfer out HK\$ million	Disposal of subsidiaries and Assets classified as held for sale HK\$ million (Note 36)	Exchange differences and others (note(i)) HK\$ million	
Allowances for expected credit losses						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	249	10	-	-	12	271
Financial assets held under resale agreements (Note 25)	53	10	-	-	3	66
Account and bills receivables and other receivables (Note 22)	6,387	2,749	(117)	(21)	610	9,608
Loans and advances to customers and other parties (Note 26)	134,428	79,477	(77,743)	-	20,526	156,688
Investments in financial assets (Note 27)						
- Financial assets at amortised cost	8,649	8,486	(716)	-	1,005	17,424
- Debt investments at FVOCI	1,820	1,186	-	-	142	3,148
Credit commitments and guarantees provided (Note 44)	7,103	1,280	-	-	499	8,882
Others (note(ii))	3,959	3,729	(3,875)	-	1,426	5,239
	162,648	96,927	(82,451)	(21)	24,223	201,326
Allowances for impairment losses						
Inventories (Note 24)	6,690	18	(453)	(67)	477	6,665
Interests in associates (Note 29)	6,735	1,470	(2,309)	-	76	5,972
Interests in joint ventures (Note 30)	1,487	224	(45)	-	10	1,676
Fixed assets (Note 31)	47,640	445	(39)	(16)	91	48,121
Intangible assets (Note 33)	16,682	62	-	(5)	2	16,741
Prepayments (Note 22)	76	1	(1)	-	3	79
Goodwill (Note 34)	1,348	647	-	(3)	37	2,029
Other assets	2,006	782	(558)	-	113	2,343
	82,664	3,649	(3,405)	(91)	809	83,626
	245,312	100,576	(85,856)	(112)	25,032	284,952

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

46 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2019					At 31 December HK\$ million
	At 1 January HK\$ million	(Reversal)/ charge for the year HK\$ million	Write-offs/ transfer out HK\$ million	Disposal of subsidiaries and Assets classified as held for sale HK\$ million (Note 36)	Exchange differences and others (note(i)) HK\$ million	
Allowances for expected credit losses						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	273	(19)	–	–	(5)	249
Financial assets held under resale agreements (Note 25)	5	48	–	–	–	53
Account and bills receivables and other receivables (Note 22)	5,462	1,444	(66)	(210)	(243)	6,387
Loans and advances to customers and other parties (Note 26)	119,919	78,951	(69,023)	–	4,581	134,428
Investments in financial assets (Note 27)						
– Financial assets at amortised cost	4,949	4,060	(212)	–	(148)	8,649
– Debt investments at FVOCI	1,185	772	(102)	–	(35)	1,820
Credit commitments and guarantees provided (Note 44)	5,991	1,261	–	–	(149)	7,103
Others (note(ii))	12,531	2,205	(10,511)	–	(266)	3,959
	150,315	88,722	(79,914)	(210)	3,735	162,648
Allowances for impairment losses						
Inventories (Note 24)	5,600	1,720	(171)	(425)	(34)	6,690
Interests in associates (Note 29)	2,496	4,285	(12)	–	(34)	6,735
Interests in joint ventures (Note 30)	1,448	75	(35)	–	(1)	1,487
Fixed assets (Note 31)	48,015	26	(29)	(101)	(271)	47,640
Intangible assets (Note 33)	16,721	22	(26)	(42)	7	16,682
Prepayments (Note 22)	88	(1)	(1)	(8)	(2)	76
Goodwill (Note 34)	1,086	202	–	–	60	1,348
Other assets	1,552	695	(375)	–	134	2,006
	77,006	7,024	(649)	(576)	(141)	82,664
	227,321	95,746	(80,563)	(786)	3,594	245,312

Note:

- (i) Others include recovery of loans written off.
- (ii) Movement of allowances for accrued interest of the loans and advances to customers and other parties, investments in financial assets are included in others.

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For the year ended 31 December 2020

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	16,797	7,471
With an original maturity of 1 year or above	42,173	50,397
	58,970	57,868
Credit card commitments	740,790	608,970
Acceptances	664,777	475,619
Letters of credit	148,767	116,102
Guarantees	143,619	165,729
	1,756,923	1,424,288

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47 Contingent liabilities and commitments (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Credit risk weighted amount on credit commitments	520,212	444,994

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%.

(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:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Redemption commitment for treasury bonds	13,761	12,584

As at 31 December 2020, the original maturities of these bonds vary from 1 to 5 years (31 December 2019: 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 on a back-to-back basis for the early redemption of these bonds, which are redeemed by the holders through the Group, but will settle the principal and interest upon maturity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47 Contingent liabilities and commitments (Continued)

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Related parties (note)	10,936	16,229
Third parties	2,063	2,886
	12,999	19,115

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Related parties (note)	1,188	5,586
Third parties	242	228
	1,430	5,814

Note:

As at 31 December 2020, 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\$1,188 million) (31 December 2019: RMB5,000 million (approximately HK\$5,582 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 49.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47 Contingent liabilities and commitments (Continued)

(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 (l).

(ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3 (k).

(f) Capital commitments

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contracted for	27,075	33,183

Notes to the Consolidated Financial Statements

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48 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 loan and advance to customers, treasury business, off-balance sheet item 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.

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.

Notes to the Consolidated Financial Statements

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48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(1) Significant increase in credit risk (Continued)

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), 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;
- 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;
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(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 owned 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 probability of default and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. During the year 31 December 2020, based on data accumulation and assessment of the impact of COVID-19, the Group optimised and updated relevant models and parameters. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(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 weighted 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 has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as Gross Domestic Product ("GDP"), registered urban unemployment rate, industrial added value, total retail sales of consumer goods and broad money supply, etc. Due to COVID-19's impact on the macro economy, the Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

Notes to the Consolidated Financial Statements

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48 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:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	748,278	733,290
Placements with banks and non-bank financial institutions	198,513	226,686
Trade and other receivables	135,276	148,653
Financial assets held under resale agreements	143,029	11,117
Loans and advances to customers and other parties	5,197,690	4,358,920
Investments in financial assets		
– At amortised cost	1,156,496	1,040,997
– Debt investments at FVOCI	860,255	701,936
Contract assets	13,619	11,504
Other financial assets	4,110	2,366
	8,457,266	7,235,469
Credit commitments and guarantees provided	1,769,922	1,443,403
Maximum credit risk exposure	10,227,188	8,678,872

The maximum credit risk exposure for debt instruments measured at FVPL at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the 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:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Derivative financial instruments	47,804	19,580
Loans and advances to customers and other parties at FVPL	8,465	7,719
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	482,911	366,373
Maximum credit risk exposure	539,180	393,672

Notes to the Consolidated Financial Statements

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48 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 year:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(141,769)	–	–	(141,769)
Net transfers into stage 2	–	26,540	–	26,540
Net transfers into stage 3	–	–	115,229	115,229
Net increase/(decrease) during the year (note (i))	685,958	(15,546)	(25,644)	644,768
Write offs	–	–	(77,743)	(77,743)
Others (note (ii))	282,091	6,377	5,494	293,962
Balance at 31 December 2020	5,129,703	128,923	95,282	5,353,908
	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	3,959,696	109,399	75,163	4,144,258
Movements:				
Net transfers out from stage 1	(129,433)	–	–	(129,433)
Net transfers into stage 2	–	48,017	–	48,017
Net transfers into stage 3	–	–	81,416	81,416
Net increase/(decrease) during the year (note (i))	563,531	(43,503)	(7,884)	512,144
Write offs	–	–	(69,023)	(69,023)
Others (note (ii))	(90,371)	(2,361)	(1,726)	(94,458)
Balance at 31 December 2019	4,303,423	111,552	77,946	4,492,921

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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 year:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	1,727,835	12,932	10,836	1,751,603
Movements:				
Net transfers out from stage 1	(3,746)	–	–	(3,746)
Net transfers out from stage 2	–	(1,728)	–	(1,728)
Net transfers into stage 3	–	–	5,474	5,474
Net increase/(decrease) during the year (note (i))	151,198	(6,160)	16,860	161,898
Write offs	–	–	(716)	(716)
Others (note (ii))	118,921	507	2,000	121,428
Balance at 31 December 2020	1,994,208	5,551	34,454	2,034,213

	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	1,478,556	5,559	3,099	1,487,214
Movements:				
Net transfers out from stage 1	(12,954)	–	–	(12,954)
Net transfers into stage 2	–	11,793	–	11,793
Net transfers into stage 3	–	–	1,161	1,161
Net increase/(decrease) during the year (note (i))	287,477	(4,236)	7,001	290,242
Write offs	–	–	(212)	(212)
Others (note (ii))	(25,244)	(184)	(213)	(25,641)
Balance at 31 December 2019	1,727,835	12,932	10,836	1,751,603

Notes:

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

Notes to the Consolidated Financial Statements

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48 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 year is as follows:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	44,014	30,234	60,274	134,522
Movements (note (i)):				
Net transfers out from stage 1	(7,313)	–	–	(7,313)
Net transfers into stage 2	–	4,209	–	4,209
Net transfers into stage 3	–	–	50,841	50,841
Net increase/(decrease) during the year (note (ii))	12,037	(5,447)	(2,873)	3,717
Write offs	–	–	(77,743)	(77,743)
Parameters change for the year (note (iii))	186	8,653	19,165	28,004
Others (note (iv))	3,603	1,963	15,068	20,634
Balance at 31 December 2020	52,527	39,612	64,732	156,871

	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	40,325	26,464	53,219	120,008
Movements (note (i)):				
Net transfers out from stage 1	(2,648)	–	–	(2,648)
Net transfers into stage 2	–	6,977	–	6,977
Net transfers into stage 3	–	–	48,156	48,156
Net increase/(decrease) during the year (note (ii))	6,711	(9,095)	(2,118)	(4,502)
Write offs	–	–	(69,023)	(69,023)
Parameters change for the year (note (iii))	372	6,537	24,059	30,968
Others (note (iv))	(746)	(649)	5,981	4,586
Balance at 31 December 2019	44,014	30,234	60,274	134,522

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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 year is as follows:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	5,698	518	4,274	10,490
Movements (note (i)):				
Net transfers out from stage 1	(61)	–	–	(61)
Net transfers out from stage 2	–	(30)	–	(30)
Net transfers into stage 3	–	–	1,580	1,580
Net increase/(decrease) during the year (note (ii))	295	(280)	4,411	4,426
Write offs	–	–	(716)	(716)
Parameters change for the year (note (iii))	(77)	406	3,428	3,757
Others (note (iv))	345	41	778	1,164
Balance at 31 December 2020	6,200	655	13,755	20,610
	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	3,970	327	1,855	6,152
Movements (note (i)):				
Net transfers out from stage 1	(67)	–	–	(67)
Net transfers into stage 2	–	220	–	220
Net transfers into stage 3	–	–	261	261
Net increase/(decrease) during the year (note (ii))	1,904	(28)	2,149	4,025
Write offs	–	–	(212)	(212)
Parameters change for the year (note (iii))	(26)	9	307	290
Others (note (iv))	(83)	(10)	(86)	(179)
Balance at 31 December 2019	5,698	518	4,274	10,490

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Notes:

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

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

	As at 31 December					
	2020			2019		
	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	346,701	6%	294,392	326,183	7%	288,557
– Manufacturing	389,283	7%	182,953	290,098	6%	127,970
– Rental and business services	492,938	9%	237,558	393,789	8%	213,173
– Wholesale and retail	188,866	3%	125,297	165,088	4%	98,624
– Water, environment and public utility management	404,887	8%	161,041	300,791	7%	139,303
– Transportation, storage and postal services	160,123	3%	87,862	172,346	4%	79,691
– Construction	119,077	2%	65,382	108,029	2%	51,945
– Production and supply of electric power, gas and water	102,817	2%	50,739	73,947	2%	52,616
– Public management and social organisations	13,130	1%	914	14,672	1%	7,517
– Others	380,953	7%	142,282	357,563	8%	162,774
	2,598,775	48%	1,348,420	2,202,506	49%	1,222,170
Personal loans	2,254,861	42%	1,546,447	1,935,065	42%	1,275,969
Discounted bills	493,555	9%	–	351,681	8%	–
	5,347,191	99%	2,894,867	4,489,252	99%	2,498,139
Accrued interest	15,182	1%	–	11,388	1%	–
	5,362,373	100%	2,894,867	4,500,640	100%	2,498,139

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

	As at 31 December					
	2020			2019		
	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	5,121,823	95%	2,793,815	4,297,094	94%	2,404,040
Hong Kong, Macau and Taiwan	218,309	3%	98,355	189,415	4%	92,826
Overseas	7,059	1%	2,697	2,743	1%	1,273
	5,347,191	99%	2,894,867	4,489,252	99%	2,498,139
Accrued interest	15,182	1%	-	11,388	1%	-
	5,362,373	100%	2,894,867	4,500,640	100%	2,498,139

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Unsecured loans	1,337,609	1,090,369
Guaranteed loans	621,160	549,063
Secured loans		
– Loans secured by collateral	2,353,265	2,049,804
– Pledged loans	541,602	448,335
	4,853,636	4,137,571
Discounted bills	493,555	351,681
	5,347,191	4,489,252
Accrued interest	15,182	11,388
Gross loans and advances	5,362,373	4,500,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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.

	As at 31 December			
	2020		2019	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances	26,175	0.49%	25,444	0.57%
– Rescheduled loans and advances overdue more than 3 months	16,841	0.31%	12,057	0.27%

(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 31 December 2020, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(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.

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

	As at 31 December 2020					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	Indefinite maturity date HK\$ million (note)	
Total financial assets	373,894	3,432,386	2,291,302	2,071,776	873,982	9,043,340
Total financial liabilities	(3,715,743)	(3,580,295)	(1,127,948)	(174,575)	(6,284)	(8,604,845)
Financial asset-liability gap	(3,341,849)	(147,909)	1,163,354	1,897,201	867,698	438,495

	As at 31 December 2019					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	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,695,101	1,757,424	2,066,205	734,694	7,669,204
Total financial liabilities	(2,839,200)	(3,410,296)	(829,669)	(179,560)	(5,735)	(7,264,460)
Financial asset-liability gap	(2,423,420)	(715,195)	927,755	1,886,645	728,959	404,744

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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:

	As at 31 December 2020					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	Indefinite maturity date HK\$ million (note)	
Total financial assets	373,894	3,667,998	2,835,210	2,849,358	890,571	10,617,031
Total financial liabilities	(3,715,743)	(3,692,094)	(1,266,874)	(210,377)	(6,385)	(8,891,473)
Financial asset-liability gap	(3,341,849)	(24,096)	1,568,336	2,638,981	884,186	1,725,558

	As at 31 December 2019					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	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,944,363	2,250,999	2,769,008	741,097	9,121,247
Total financial liabilities	(2,839,200)	(3,794,768)	(1,148,985)	(203,253)	(5,735)	(7,991,941)
Financial asset-liability gap	(2,423,420)	(850,405)	1,102,014	2,565,755	735,362	1,129,306

Note:

For cash and balances with central banks, the indefinite 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 indefinite maturity date amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under indefinite maturity date.

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For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2020			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	5,636	15,809	37,525	58,970
Guarantees	86,219	56,372	1,028	143,619
Letters of credit	148,465	302	–	148,767
Acceptances	664,777	–	–	664,777
Credit card commitments	733,483	7,270	37	740,790
Total	1,638,580	79,753	38,590	1,756,923

	As at 31 December 2019			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	18,254	20,654	18,960	57,868
Guarantees	107,830	54,797	3,102	165,729
Letters of credit	113,833	2,269	–	116,102
Acceptances	475,619	–	–	475,619
Credit card commitments	601,555	7,131	284	608,970
Total	1,317,091	84,851	22,346	1,424,288

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48 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 31 December 2020				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	565,468	6,656,828	1,339,046	481,998	9,043,340
Total financial liabilities	(223,547)	(7,096,556)	(1,075,224)	(209,518)	(8,604,845)
Financial asset-liability gap	341,921	(439,728)	263,822	272,480	438,495

	As at 31 December 2019				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	465,307	5,850,476	1,033,296	320,125	7,669,204
Total financial liabilities	(190,602)	(6,102,438)	(775,284)	(196,136)	(7,264,460)
Financial asset-liability gap	274,705	(251,962)	258,012	123,989	404,744

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For the year ended 31 December 2020

48 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2020 Effective interest rate	HK\$ million	2019 Effective interest rate	HK\$ million
Assets				
Cash and deposits	1.51%-2.19%	755,386	1.55%-2.00%	740,434
Placements with banks and non-bank financial institutions	1.90%	198,513	2.82%	226,686
Financial assets held under resale agreements	1.62%	143,029	2.13%	11,117
Loans and advances to customers and other parties	5.31%	5,206,155	5.08%	4,366,639
Investments in financial assets	3.22%-4.00%	2,553,067	3.66%-4.39%	2,153,729
Others	–	884,678	–	791,319
		9,740,828		8,289,924
Liabilities				
Borrowing from central banks	3.25%	266,611	3.34%	268,256
Deposits from banks and non- bank financial institutions	2.36%	1,370,439	2.79%	1,061,380
Placements from banks and non-bank financial institutions	2.39%	74,308	2.84%	107,400
Financial assets sold under repurchase agreements	2.03%	94,774	2.39%	127,766
Deposits from customers	2.10%	5,427,694	2.08%	4,541,841
Bank and other loans	0.85%-8.00%	163,604	1.10%-8.00%	151,312
Debt instruments issued	2.45%-6.90%	973,858	2.80%-6.95%	823,964
Lease liabilities	2.20%-6.00%	18,267	3.10%-6.00%	17,435
Others	–	342,631	–	296,079
		8,732,186		7,395,433

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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 31 December 2020, 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\$5,161 million (31 December 2019: decrease or increase by HK\$4,376 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 entered into 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\$) have been designated as an accounting hedge against other US\$ loans.

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For the year ended 31 December 2020

48 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 HK\$ million):

	As at 31 December 2020				
	HK\$	US\$	RMB	Others	Total
Total financial assets	194,230	442,334	8,340,808	65,968	9,043,340
Total financial liabilities	(270,868)	(482,330)	(7,798,994)	(52,653)	(8,604,845)
Financial asset-liability gap	(76,638)	(39,996)	541,814	13,315	438,495

	As at 31 December 2019				
	HK\$	US\$	RMB	Others	Total
Total financial assets	183,551	356,266	7,073,604	55,783	7,669,204
Total financial liabilities	(321,638)	(348,602)	(6,554,096)	(40,124)	(7,264,460)
Financial asset-liability gap	(138,087)	7,664	519,508	15,659	404,744

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 31 December 2020 would decrease or increase the Group's total comprehensive income by HK\$5,107 million (31 December 2019: decrease or increase by HK\$5,379 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 gain and loss 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 profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

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48 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.

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48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

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

	As at 31 December 2020			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
Assets				
Bills receivables at FVOCI	1,235	15,925	–	17,160
Loans and advances to customers and other parties at FVOCI	–	488,811	–	488,811
Loans and advances to customers and other parties at FVPL	–	–	8,465	8,465
Derivative financial assets	107	47,666	31	47,804
Investments in financial assets	123,444	1,207,733	65,394	1,396,571
	124,786	1,760,135	73,890	1,958,811
Liabilities				
Financial liabilities at FVPL	(292)	(6,793)	(5,338)	(12,423)
Derivative financial liabilities	(372)	(49,436)	–	(49,808)
	(664)	(56,229)	(5,338)	(62,231)

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48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

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

	As at 31 December 2019			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
Assets				
Bills receivables at FVOCI	–	14,415	–	14,415
Loans and advances to customers and other parties at FVOCI	–	344,715	–	344,715
Loans and advances to customers and other parties at FVPL	–	–	7,719	7,719
Derivative financial assets	117	19,111	352	19,580
Investments in financial assets	138,381	895,670	78,681	1,112,732
	138,498	1,273,911	86,752	1,499,161
Liabilities				
Financial liabilities at FVPL	(147)	(244)	(1,045)	(1,436)
Derivative financial liabilities	(263)	(20,500)	–	(20,763)
	(410)	(20,744)	(1,045)	(22,199)

For the year ended 31 December 2020, there were no significant transfers between instruments in different levels (2019: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2019: Nil).

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48 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:

	For the year ended 31 December 2020					
	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	HK\$ million
At 1 January 2020	7,719	352	78,681	86,752	(1,045)	(1,045)
Total (losses)/gains:	-	(321)	1,129	808	40	40
- in profit or loss	-	-	(320)	(320)	40	40
- in other comprehensive losses	-	(321)	1,449	1,128	-	-
Net settlements	746	-	(14,416)	(13,670)	(4,333)	(4,333)
At 31 December 2020	8,465	31	65,394	73,890	(5,338)	(5,338)

	For the year ended 31 December 2019							
	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		Derivatives financial liabilities HK\$ million	Total HK\$ million
					HK\$ million	HK\$ million		
At 1 January 2019	-	530	82,383	82,913	(370)	(1)	(371)	
Total (losses)/gains:	-	(177)	1,257	1,080	(14)	-	(14)	
- in profit or loss	-	-	881	881	(14)	-	(14)	
- in other comprehensive (losses)/income	-	(177)	376	199	-	-	-	
Net settlements	7,719	(1)	(4,959)	2,759	(661)	1	(660)	
At 31 December 2019	7,719	352	78,681	86,752	(1,045)	-	(1,045)	

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48 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 31 December 2020				
	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	1,156,496	1,143,875	10,132	821,002	312,741
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	114,829	110,436	68,086	42,350	–
– Notes issued	61,352	61,352	–	55,953	5,399
– Subordinated bonds issued	136,730	137,980	4,188	133,792	–
– Certificates of interbank deposit issued	645,180	637,978	–	637,978	–
– Convertible corporate bonds issued	15,767	18,320	–	–	18,320
	973,858	966,066	72,274	870,073	23,719

	As at 31 December 2019				
	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	1,040,997	1,057,365	2,448	743,741	311,176
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	101,530	100,670	64,254	36,416	–
– Notes issued	115,006	114,362	364	110,454	3,544
– Subordinated bonds issued	99,975	100,400	6,462	93,938	–
– Certificates of deposit (not for trading purpose)	3,196	3,113	–	3,113	–
– Certificates of interbank deposit issued	489,886	481,933	–	481,933	–
– Convertible corporate bonds issued	14,371	14,260	–	14,260	–
	823,964	814,738	71,080	740,114	3,544

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48 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.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49 Material related parties

(a) Relationship of related parties

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

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2020			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Sales of goods	–	89	598	687
Purchase of goods	–	218	4,468	4,686
Interest income (note (2))	–	142	861	1,003
Interest expenses	148	699	994	1,841
Fee and commission income	17	16	363	396
Fee and commission expenses	–	–	201	201
Income from other services	–	166	125	291
Expenses for other services	–	283	1,021	1,304
Interest income from deposits and receivables	–	–	468	468
Other operating expenses	58	42	310	410

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

	For the year ended 31 December 2019			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Sales of goods	–	229	587	816
Purchase of goods	–	489	3,290	3,779
Interest income (note (2))	–	81	873	954
Interest expenses	85	717	446	1,248
Fee and commission income	70	5	979	1,054
Fee and commission expenses	–	–	107	107
Income from other services	2	121	310	433
Expenses for other services	–	142	1,275	1,417
Interest income from deposits and receivables	–	–	427	427
Other operating expenses	3	30	207	240

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties

	As at 31 December 2020			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	74	1,202	3,505	4,781
Loans and advances to customers and other parties (note (2))	–	3,328	7,930	11,258
Cash and deposits	–	–	23,169	23,169
Derivative financial instruments and other assets	95	5	699	799
Investments in financial assets				
– Financial assets at FVPL	–	–	28,842	28,842
– Financial assets at amortised cost	–	–	1,210	1,210
Trade and other payables	254	12,082	1,404	13,740
Deposits from customers	13,294	7,995	21,124	42,413
Deposits from bank and non- bank financial institutions	–	–	43,613	43,613
Derivative financial instruments and other liabilities	–	–	8	8
Bank and other loans	2,727	24,786	–	27,513
Off-balance sheet items				
Entrusted funds	7,221	899	36,320	44,440
Funds raised from investors of non-principal guaranteed wealth management products	–	79	10,868	10,947
Guarantees provided (note (3))	–	–	10,936	10,936
Guarantees received	–	–	14,134	14,134

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	As at 31 December 2019			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	70	1,068	4,471	5,609
Loans and advances to customers and other parties (note (2))	–	1,997	6,811	8,808
Cash and deposits	–	–	24,425	24,425
Derivative financial instruments and other assets	–	1	509	510
Investments in financial assets				
– Financial assets at FVPL	–	–	845	845
– Financial assets at amortised cost	–	–	79	79
Trade and other payables	350	11,937	2,354	14,641
Deposits from customers	2,233	7,913	16,105	26,251
Deposits from bank and non- bank financial institutions	–	–	25,531	25,531
Derivative financial instruments and other liabilities	–	–	144	144
Bank and other loans	5,290	21,925	73	27,288
Off-balance sheet items				
Entrusted funds	6,380	134	31,233	37,747
Funds raised from investors of non-principal guaranteed wealth management products	–	7	2,893	2,900
Guarantees provided (note (3))	–	–	16,229	16,229
Guarantees received	–	2,076	62,388	64,464

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 year ended 31 December 2020

49 Material related parties (Continued)

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

In addition to these related party transactions disclosed in Note 49 (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.

(d) Key management personnel remuneration

For the year ended 31 December 2020, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK\$6.87 million (2019: HK\$7.26 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

50 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 31 December 2020					
	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	-	1,476	-	-	1,476	1,476
Investment management products managed by securities companies	83,946	3,338	40,751	-	128,035	128,035
Trust investment plans	231,843	3,960	-	-	235,803	235,803
Asset-backed securities	103,741	1,942	231,040	-	336,723	336,723
Investment funds	-	367,787	-	384	368,171	368,171
Investments in creditor's rights on assets	96	-	-	-	96	96
Total	419,626	378,503	271,791	384	1,070,304	1,070,304

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

50 Structured entities (Continued)

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

Carrying amount	As at 31 December 2019					
	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	33	3,211	-	-	3,244	3,244
Investment management products managed by securities companies	208,896	3,159	-	-	212,055	212,055
Trust investment plans	183,442	7,395	-	-	190,837	190,837
Asset-backed securities	113,515	97	147,605	-	261,217	261,217
Investment funds	-	267,812	-	418	268,230	268,230
Investments in creditor's rights on assets	570	-	-	-	570	570
Total	506,456	281,674	147,605	418	936,153	936,153

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

50 Structured entities (Continued)

- (c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Wealth management products and trust plans

As at 31 December 2020, 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\$2,978,464 million (31 December 2019: HK\$3,095,615 million).

As at 31 December 2020, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK\$21,980 million (31 December 2019: HK\$59,724 million); the amount of placements from banks and non-bank financial institutions was HK\$302 million (31 December 2019: HK\$39,253 million).

During the year ended 31 December 2020, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK\$68,620 million (2019: HK\$67,067 million), and the Group has no maximum exposure of the placements from these wealth management products (31 December 2019: HK\$14,190 million). These transactions were conducted under normal business terms and conditions.

During the year ended 31 December 2020, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$8,644 million (2019: HK\$6,372 million); interest income of HK\$1,381 million (2019: HK\$1,432 million). The amount of interest expenses was HK\$798 million (2019: HK\$962 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

50 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.

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 de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 40. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2020 totally HK\$61,973 million (2019: HK\$87,984 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 2 (i) and Note 3.

During the year ended 31 December 2020, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK\$35,982 million (2019: HK\$76,844 million). HK\$14,097 million of this balance (2019: HK\$50,721 million) was in respect of performing loans and the Group concluded that were all qualified for full de-recognition. The Group did not recognise other assets and other liabilities arising from continuing involvement (2019: HK\$6,664 million).

Loan transfers

During the year ended 31 December 2020, the Group also through other types of transactions transferred loans of book value before impairment of HK\$25,991 million (2019: HK\$11,140 million). Among them HK\$24,012 million are non-performing loans (2019: all of the HK\$11,140 million are non-performing loans), HK\$1,979 million are transfer of normal loans. The Group carried out assessment based on the criteria as detailed in Note 2 (i) and Note 3 and concluded that these transferred assets qualified for full de-recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

51 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Cash	7,108	7,181
Bank deposits on demand	44,769	44,663
Surplus deposit reserve funds	67,975	108,958
Investments in debt securities with original maturities of three months or less	89,193	71,753
Deposits with banks and non-bank financial institutions due within three months	132,899	80,535
Placements with banks and non-bank financial institutions due within three months	110,758	149,948
Cash and cash equivalents in the consolidated cash flow statement	452,702	463,038

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Total assets	34,779	33,576
Total liabilities	(25,537)	(20,682)
Non-controlling interests	(4,787)	(128)
Net assets disposed	4,455	12,766
Total consideration	6,367	9,106
Release of other comprehensive income relating to interests in disposed subsidiaries	(124)	(50)
Remeasurement at fair value of retained interest in former subsidiaries	1,737	5,747
Gains on disposal/deemed disposal of subsidiaries	3,525	2,037
Net cash inflow is determined as follows:		
Cash proceeds received		
– Proceeds from the above disposal of subsidiaries	4,857	3,318
– Collection of receivables from previous disposal of subsidiaries	3,143	–
Less: cash and cash equivalents disposed	(1,554)	(2,236)
	6,446	1,082

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

51 Supplementary information to the consolidated cash flow statement

(Continued)

(c) Reconciliation of financing liabilities

	For the year ended 31 December				
	Bank and other loans HK\$ million	Debt instruments issued HK\$ million	Interest expense HK\$ million	Lease liabilities HK\$ million	Total HK\$ million
At 31 December 2018	155,590	738,723	7,580	292	902,185
Recognised on adoption of HKFRS 16	-	-	-	27,300	27,300
At 1 December 2019	155,590	738,723	7,580	27,592	929,485
Cash flows	8,758	94,408	(37,043)	(6,673)	59,450
(Disposal of subsidiaries)/business combination	(6,855)	-	-	(147)	(7,002)
Transfers into liabilities directly associated with assets classified as held for sale (Note 36)	(5,318)	-	(115)	(10,300)	(15,733)
Foreign exchange adjustments	(1,640)	(15,134)	(172)	(407)	(17,353)
Other non-cash movements	143	32	36,319	7,370	43,864
At 31 December 2019	150,678	818,029	6,569	17,435	992,711
Cash flows	1,852	99,634	(36,566)	(6,150)	58,770
(Disposal of subsidiaries)/business combination	9,585	-	-	159	9,744
Foreign exchange adjustments	1,437	50,806	1,573	2,661	56,477
Other non-cash movements	(381)	62	34,184	4,162	38,027
At 31 December 2020	163,171	968,531	5,760	18,267	1,155,729

(d) Issue and redemption of other equity instruments by subsidiaries

In 2019, issuance of other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB39,993 million (approximately HK\$45,488 million) undated capital bonds. CITIC Bank also issued convertible corporate bonds of which the equity portion is RMB1,067 million (approximately HK\$1,213 million).

In 2020, redemption of other equity instruments by subsidiaries was from CITIC Envirotech Ltd. ("CITIC Envirotech", a non-wholly-owned subsidiary of the Group listed in Singapore Exchange Limited), a subsidiary of the Group, which redeemed SGD236 million (approximately HK\$1,295 million) (2019: redemption of other equity instruments by subsidiaries was from CBI, a subsidiary of the Group, which redeemed RMB1,825 million (approximately HK\$2,076 million)) perpetual capital securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

52 Major transactions with non-controlling interests

On 6 November 2019, CITIC Envirotech Ltd. issued an announcement that CITIC Envirotech adopted a conditional voluntary offer to implement the delisting plan. A formal offer was issued on 3 January 2020 with approval of CITIC Envirotech General Meeting on 31 December 2019. Upon completion of the exit offer on 17 January 2020, the equity interest owned by the Group in CITIC Envirotech increased from 56.36% to 72.78%. CITIC Envirotech was delisted from the Singapore Exchange Limited on 23 January 2020. In July 2020, with the selective capital reduction by CITIC Envirotech taking into effect, the equity interest owned by the Group in CITIC Envirotech increased to 74.02%.

The effect of changes in the ownership interest of CITIC Envirotech on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2020 HK\$ million
Decrease in carrying amount of non-controlling interests	871
Consideration paid to non-controlling interests	(1,390)
Excess of consideration paid recognised with equity	(519)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

53 Balance sheet and reserve movement of the Company

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Non-current assets		
Fixed assets	4	6
Intangible assets	1	1
Interests in subsidiaries	453,937	449,153
Interests in joint ventures	35	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	3,887	3,732
	457,864	452,927
Current assets		
Amounts due from subsidiaries	65,460	67,050
Trade and other receivables	45	157
Cash and deposits	12,890	3,387
	78,395	70,594
Total assets	536,259	523,521
Current liabilities		
Bank and other loans	23,626	11,840
Amounts due to subsidiaries and other related parties	12,153	13,257
Trade and other payables	55	43
Derivative financial instruments	17	–
Income tax payable	1,048	960
Debt instruments issued	9,843	3,955
	46,742	30,055
Non-current liabilities		
Long term borrowings	31,355	39,689
Debt instruments issued	58,242	60,299
Derivative financial instruments	979	807
	90,576	100,795
Total liabilities	137,318	130,850
Equity		
Share capital	381,710	381,710
Reserves	17,231	10,961
Total ordinary shareholders' funds	398,941	392,671
Total liabilities and equity	536,259	523,521

The balance sheet of the Company was approved and authorised for issue by the board of directors on 30 March 2021.

Director: Zhu Hexin

Director: Xi Guohua

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

53 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Share capital HK\$ million (Note 45 (a))	Capital reserve HK\$ million (Note 45 (c)(i))	Hedging reserve HK\$ million (Note 45 (c)(ii))	Retained earnings HK\$ million	Total HK\$ million
At 31 December 2019	381,710	630	(824)	11,155	392,671
Cash flow hedges:					
– Fair value loss during the year	–	–	(189)	–	(189)
– Transfer to net finance charges	–	–	12	–	12
	–	–	(177)	–	(177)
Profit attributable to shareholders of the Company	–	–	–	17,647	17,647
Dividends paid to ordinary shareholders of the Company	–	–	–	(11,200)	(11,200)
At 31 December 2020	381,710	630	(1,001)	17,602	398,941
	Share capital HK\$ million (Note 45 (a))	Capital reserve HK\$ million (Note 45 (c)(i))	Hedging reserve HK\$ million (Note 45 (c)(ii))	Retained earnings HK\$ million	Total HK\$ million
At 31 December 2018	381,710	630	(603)	11,268	393,005
Cash flow hedges:					
– Fair value loss during the year	–	–	(142)	–	(142)
– Transfer to net finance charges	–	–	(79)	–	(79)
	–	–	(221)	–	(221)
Profit attributable to shareholders of the Company	–	–	–	12,686	12,686
Dividends paid to ordinary shareholders of the Company	–	–	–	(12,799)	(12,799)
At 31 December 2019	381,710	630	(824)	11,155	392,671

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

54 Major business combinations

Consolidation of CITIC Dicastal Company Limited (“CITIC Dicastal”)

In November 2020, the Ministry of Finance has issued the “Notice regarding State-owned Financial Institutions Focusing on Main Businesses, Compressing Levels and Other Related Matters” (Caijin [2020] No. 111). Taking into account relevant regulatory requirements, the financial results of CITIC Dicastal are consolidated into the financial statements of the Group as from 1 November 2020.

The consideration paid and fair value of the assets and liabilities acquired as at the acquisition date are listed below.

Consideration:

	HK\$ million
Fair value of investment previously held as at acquisition date	4,613
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	5,734
Trade and other receivables	8,982
Inventories	6,873
Fixed assets	8,437
Investments in financial assets	1,037
Intangible assets	428
Interests in joint ventures	539
Right-of-use assets	566
Deferred tax assets	262
Other assets	384
Total identifiable assets acquired	33,242

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For the year ended 31 December 2020

54 Major business combinations (Continued)

Consolidation of CITIC Dicastal Company Limited ("CITIC Dicastal") (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK\$ million
Trade and other payables	(8,873)
Bank and other loans	(9,848)
Provisions	(1,527)
Employee benefits payables	(1,342)
Lease liabilities	(142)
Contract liabilities	(92)
Deferred tax liabilities	(252)
Income tax payable	(77)
Other liabilities	(633)
Total identifiable liabilities assumed	(22,786)
Total identifiable net assets of CITIC Dicastal	10,456
Non-controlling Interest	(6,053)
Goodwill	210
Total net assets acquired	4,613

Net cash received from acquisition:

	HK\$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	5,734
	5,734

The revenue and net profit attributable to ordinary shareholders of the Group during the period from 1 November 2020 to 31 December 2020 contributed by CITIC Dicastal was HK\$6,765 million and HK\$72 million respectively. Had CITIC Dicastal been consolidated from 1 January 2020, the consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Group of approximately HK\$575,480 million and HK\$56,628 million respectively.

55 Post balance sheet events

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

56 Comparative amounts

Reclassifications have been made on some of the comparative amounts to ensure the comparability.

57 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

58 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2020 and which have not been early adopted in these consolidated financial statements.

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions ⁽¹⁾
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments) ⁽²⁾
HKAS 16 (Amendments)	Property, Plant and Equipment ⁽³⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽³⁾
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ⁽³⁾
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 ⁽³⁾
Accounting Guideline 5	Merger Accounting for Common Control Combinations ⁽³⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽⁴⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽⁴⁾
HKFRS 17	Insurance Contracts ⁽⁴⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁵⁾

(1) Effective for the annual periods beginning on or after 1 June 2020.

(2) Effective for the annual periods beginning on or after 1 January 2021.

(3) Effective for the annual periods beginning on or after 1 January 2022.

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

(5) 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 year ended 31 December 2020

59 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	51,097	100%	100%	0%
CITIC Pacific Special Steel Group Co., Ltd. 中信泰富特鋼集團股份有限公司	Mainland China	Special steel production	5,047,143,433	83.85%	0%	83.85%
Dah Chong Hong Holdings Limited (Note (a)) 大昌行集團有限公司(Note (a))	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100.00%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,664,616,882	58.11%	0%	58.11%
CITIC Finance International Limited 中信財務(國際)有限公司	Hong Kong	Financial services	N/A	100%	100%	0%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Banking industry	48,934,838,569	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Banking industry	7,502,832,116	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Trust industry	N/A	100%	0%	100%

Note (a): The listing of Dah Chong Hong Holdings Limited's shares on the Hong Kong Stock Exchange was withdrawn on 10 January 2020. Dah Chong Hong Holdings Limited is held by the Group's wholly owned subsidiary CITIC Pacific Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

59 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	94.39%	0%	98.69%
CITIC Consumer Finance Co., Ltd. 中信消費金融有限公司	Mainland China	Consumer finance	N/A	70%	0%	70%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate development	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate development	N/A	100%	0%	100%
CITIC Asset Operation Co., Ltd. 中信資產運營有限公司	Mainland China	Real estate management	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate management	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate management	N/A	100%	0%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

59 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure and elderly service	N/A	100%	0%	100%
CITIC Dicastal Company Limited 中信戴卡股份有限公司(附註 54)	Mainland China	Manufacturing	1,971,342,713	42.11%	0%	42.11%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy conservation and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集團股份有限公司	Mainland China	Publishing	190,151,515	73.50%	0%	73.50%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

59 Principal subsidiaries, associates and joint ventures (Continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate development	10,954,085,035	10%	0%	10%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,926,776,029	15.47%	0%	15.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,205,894,118	26.09%	0%	26.09%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
中船置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%
上海瑞博置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%

Independent Auditor's Report

For the year ended 31 December 2020



羅兵咸永道

Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 363, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Independent Auditor's Report

For the year ended 31 December 2020

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of China CITIC Bank Corporation Limited ("CITIC Bank")
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Impairment of the Sino Iron Project

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank

Refer to Note 2 (i), Note 3, Note 26 and Note 27 to the consolidated financial statements.

As at 31 December 2020, loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the CITIC Bank's consolidated balance sheet, amounted to RMB4,478.78 billion (approximately HK\$5,321.49 billion), and for which management recognised an impairment allowance of RMB126.25 billion (approximately HK\$150.01 billion); investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,679.31 billion (approximately HK\$2,016.67 billion), for which management recognised an impairment allowance RMB16.42 billion (approximately HK\$19.51 billion).

The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under HKFRS 9: Financial Instruments expected credit losses models.

How our audit addressed the Key Audit Matter

We obtained an understanding of management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the design and operating effectiveness of the internal controls relating to ECL for loans and advances to customers and financial investments, primarily including:

- Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the ongoing monitoring and optimisation of the models;
- Internal controls relating to significant management judgments and assumptions, including the assess and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, forward-looking measurement, and management overlay adjustments;
- Internal controls over the accuracy and completeness of key inputs used by the models;
- Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3;
- Internal controls over the information systems for ECL measurement.
- Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, management assesses impairment allowance using both risk parameter model and discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay adjustments due to significant uncertain factors not covered in the models;
- The estimated future cash flows for corporate loans and advances and financial investments in stage 3.

The substantive procedures we performed primarily included:

According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the coding for model measurement on a sample basis, to tested whether or not the models reflect the modelling methodologies documented by management.

We have examined the accuracy of data inputs for the ECL models, including: (i) covering examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates.

We selected samples, in consideration of the financial information and non-financial information of borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans.

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

CITIC Bank established governance processes and controls for the measurement of ECL.

The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

How our audit addressed the Key Audit Matter

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings.

In addition, based on considering the significant uncertain factors, we evaluated the rationality of management overlay adjustments, and examined the accuracy of the relevant mathematical calculations.

For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.

Based on our procedures performed, the models, key parameters and data, significant judgements and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank

Refer to Note 2 (e), Note 3, Note 27 and Note 50 to the consolidated financial statements.

As at 31 December 2020, non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 27 (a) and Note 50 (b) to the consolidated financial statements.

Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.

We focused on the consolidation assessment and judgement made by management involving the structured entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.

How our audit addressed the Key Audit Matter

We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities.

We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests:

- assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities;
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities;
- assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties;
- evaluated and examined the appropriateness of disclosures relating to structured entities in the consolidated financial statements.

Based on the procedures performed above, we found management's judgement relating to the consolidation and disclosure of structured entities for non-principal guaranteed wealth management products were appropriate in all material respects.

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

How our audit addressed the Key Audit Matter

De-recognition of financial assets of CITIC Bank

Refer to Note 2 (i), Note 3 and Note 50 (d) to the consolidated financial statements.

During the year ended 31 December 2020, CITIC Bank entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, and transfers of non-performing loans.

Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met.

The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.

We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results.

We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties.

We took samples to analyse and evaluate the rationality of the models, parameters, assumptions and discount rates used in management risk and reward transfer test and check the accuracy of the calculation of management risk and reward transfer.

Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Independent Auditor's Report

For the year ended 31 December 2020

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of the Sino Iron Project

Refer to Note 3 and Note 9 to the consolidated financial statements.

An impairment indication assessment was undertaken on the Sino Iron Project ("the Project") by management as at 31 December 2020. As a result, management has determined that no impairment indication existed for the Project as at 31 December 2020.

In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2020, including:

- The production profile of the Project (mainly including ore grades, operating cost and production output);
- Forward iron ore prices;
- The risk-free borrowing rates;
- Foreign exchange rates, particularly between Australian and United States dollars.

As the impairment indication assessment involves significant judgements, we regard this as a key audit matter.

In evaluating management's impairment indication assessment of the Project, we undertook the following procedures:

- Assessed whether management's impairment indication assessment is in accordance with the requirements of accounting standards including consideration of both external and internal sources of information;
- Evaluated whether there were significant adverse changes in the economic environment impacting the Project by considering movements in forward consensus iron ore prices, exchange rates and risk-free borrowing rates;
- Considered budget vs actual performance during the last 12 months to evaluate whether economic performance of the asset is, or will be, worse than expected;
- Held discussions with management and external legal counsels to understand key changes to long term planning estimates or assumptions and implications of outstanding litigations related to the Project, and evaluated their potential impact on forecast cash flows.

Based on the above procedures, we found the judgements made by management to be reasonable and consistent with the audit evidence we obtained.

Independent Auditor's Report

For the year ended 31 December 2020

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

For the year ended 31 December 2020

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

For the year ended 31 December 2020

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

Corporate Information

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Beijing 100020, China

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, Level 54, Hopewell Centre, 183 Queen's Road East, 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's Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Corporate Information

Financial Calendar

Closure of Register: 3 June 2021 to 9 June 2021 (both days inclusive)
(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)

Closure of Register: 16 June 2021 to 18 June 2021 (both days inclusive)
(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)

Annual General Meeting: 9 June 2021
 Salon 4-6, Level 3, JW Marriott Hong Kong
 Pacific Place, 88 Queensway
 Hong Kong

Dividend Payment: 3 August 2021

Annual Report 2020

The Annual 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 Annual 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 Annual Report by notice in writing to CITIC Limited's Share Registrar.

Shareholders having difficulty in gaining access to the Annual 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 Annual 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.

CITIC Limited

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