

CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

In 2021, the COVID-19 pandemic continued to create a negative impact on supply chains and disrupt the global economy. In this complex operating environment, CITIC Limited remained focused on the implementation of its 14th Five-Year Plan. Leveraging the unique competitive advantages of its diverse business platform, the Company continued to advance its high-quality development in accordance with the principles of reform, speed and quality.

CITIC Limited realised a profit attributable to ordinary shareholders of HK\$70.2 billion in 2021, a historic high and 24% more than in 2020. The comprehensive financial services segment, the largest contributor to the bottom line, recorded a 12% increase in revenue and a 20% increase in net profit for the year. The four non-financial business segments, led by strong performance in advanced materials, recorded profit growth of 40% as we capitalised on market opportunities and enhanced operating efficiency. The contribution of non-financial business segments to total profit rose to 36%, up from 32% in 2020.

The board recommends a final dividend payment of HK\$0.456 per share, giving shareholders a total dividend of HK\$0.606 per share for the year 2021, 24.2% more than in 2020.

Business review

In 2021, our comprehensive financial services segment furthered its healthy development and increased efforts to support the real economy. CITIC Bank recorded steady asset growth and realised a 4.7% rise in revenue as well as a 13.6% increase in net profit. The bank prioritised loan allocations to key areas such as inclusive finance, private enterprise, manufacturing, strategic emerging industries and green credit. CITIC Bank also accelerated its transition towards a capital-light business model. Fee income increased 24% year-on-year and asset quality improved with a 0.25 percentage point decrease in the NPL ratio to 1.39% while the provision coverage ratio increased by 8.39 percentage points to 180.07%. As the only securities company in China with assets exceeding RMB1 trillion, CITIC Securities recorded a historic high net profit, with an increase of 55% from the previous year. CITIC Trust implemented regulatory requirements, reduced the channel business and actively explored new business streams, with assets under management from family trusts, standardised trusts and asset securitisation trusts reaching RMB301.4 billion. CITIC-Prudential Life recorded growth in both premium income and new business value, with a 16% increase in net profit. It continued to maintain its industry-leading risk management capabilities.

The advanced intelligent manufacturing segment focused on technological advancements and recorded a 40% rise in net profit. CITIC Dicastal benefited from the recovery of the automotive market, an enhanced product portfolio and the ability to cater to changing customer needs to deliver a 40% increase in net profit over the previous year. CITIC Dicastal's Qinhuangdao aluminum wheels plant was named a "lighthouse factory," a first in the global automotive wheels industry. CITIC Heavy Industries prioritised larger markets and customers, realising record high revenue.

The advanced materials segment was the largest revenue contributor of our five business segments with a year-on-year increase of 89% in net profit due to the implementation of national resource security strategies and advantageous commodity markets. At the Sino Iron project, net profit increased by 121% to US\$950 million, driven by the strong price of iron ore, increased production and continual operational enhancements. CITIC Pacific Special Steel achieved a rise of 32% in net profit and record sales volumes, due in large part to its optimised product portfolio and strong management. CITIC Metal also delivered record performance, with revenue exceeding RMB100 billion for the first time. CITIC Resources leveraged market opportunities to record a turnaround profit.

In the new consumption segment, we embraced industry trends, enhanced digital capabilities and continued to cultivate consumer markets. This segment recorded an increase of 80% in annual profit. Dah Chong Hong's profit improved substantially with the recovery of automotive markets and ongoing operational enhancements. Its healthcare subsidiary, DCH Auriga, actively contributed to anti-epidemic work in Hong Kong and Macau as the exclusive logistics partner for the Fosun-BioNTech COVID-19 vaccine, while also supporting the distribution of the Sinovac vaccine in Hong Kong. CITIC Press remained committed to innovation in a challenging industry. It maintained its leading market share in the financial, economic, social and science publishing segments, while its children's books business achieved a third-place national market ranking. CITIC Telecom International further developed its overseas business and was appointed the exclusive international SMS service provider of Japan's largest mobile communication operator. Its subsidiary, CTM, became the first provider in Macau to offer full outdoor and indoor 5G network coverage.

The new-type urbanisation segment focuses on contributing to China's regional and urban development. In 2021, tightened regulatory policies in the real estate market resulted in a decline in income from property development and a corresponding 17% reduction in the segment's profit. The engineering contracting business focused on key projects, including the Chongli Prince City Ice and Snow Town Project, which was delivered on schedule for the Beijing Winter Olympics. It also built a strong pipeline with new project contracts including the Al Khairat Heavy Oil Power Plant in Iraq and the Jinan International Ecological Harbour Project under the nation's Yellow River Strategy. The property rental business of CITIC Pacific Properties in both mainland China and Hong Kong achieved stable income.

Integration, collaboration and expansion

In 2021, CITIC Limited increased its overall competitiveness through business integration, building a collaborative ecosystem with enhanced synergy, and strengthening its growth momentum through expansion.

During the year, we optimised and implemented strategies in accordance with the framework of the 14th Five-Year Plan. We made solid progress in the formation of a financial holding platform with CITIC Financial Holdings granted an official licence and incorporated, marking an important development in the reform of

China's financial system and a historic milestone for CITIC. We also continued to focus on initiatives to enhance our operational fitness and streamline our organisational hierarchy. Business integration was accelerated through the reorganisation and reduction of subsidiary companies while we exited underperforming assets, which significantly improved our operational and management efficiency. At the same time, we steadily resolved notable risks and stepped up our efforts in the disposal of non-performing loans. During the year, our comprehensive risk management system delivered solid results and continues to provide a strong foundation for the company's steady development.

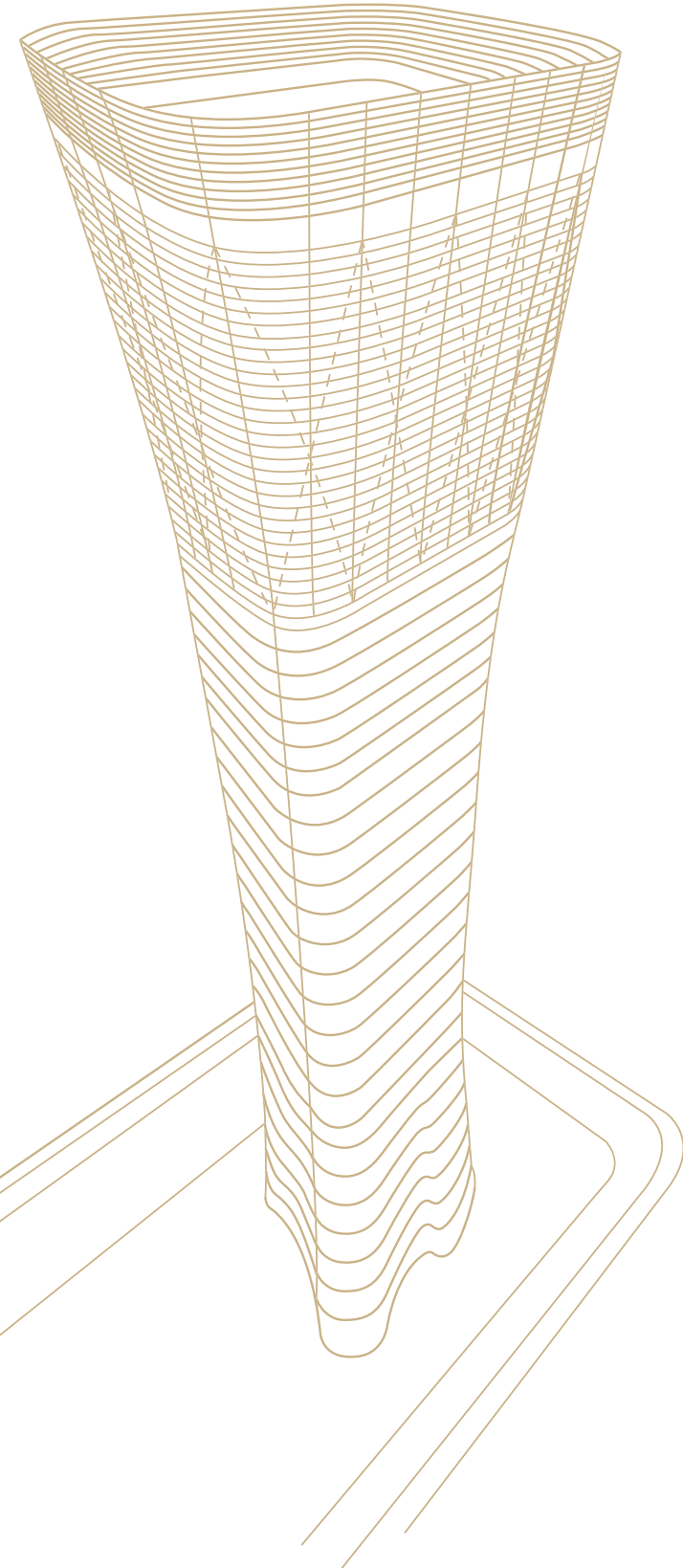
We also strengthened collaboration and synergy among our businesses in 2021. Synergies in the financial segment continued to develop in terms of scale and depth, with co-financing of RMB1.56 trillion provided by our financial subsidiaries. Through these efforts, we brought in RMB754.0 billion of corporate deposits for CITIC Bank, while custody assets increased by RMB226.7 billion and cross sales in the retail business totalled RMB87.6 billion. CITIC continues to promote synergies among financial and non-financial sectors. CITIC Finance and CITIC Bank worked together to offer financial services on fair market terms to CITIC's non-financial businesses, which reduced CITIC Limited's gearing ratio to a recent low. The "CITIC Synergy+" system was launched on schedule and "CITIC U Enjoy+" system has 139 million total users which has introduced over 12.46 million customers to CITIC Bank and CITIC Securities, generating more than 627,700 cross sales orders.

CITIC has always emphasised technological innovation and digitalisation as drivers for our business development. In 2021, we invested HK\$16.429 billion in research and development, a 32.5% increase against last year. Our subsidiaries have made innovative advances in their respective industries, contributing towards the resolution of technological "bottlenecks." CITIC Bank continued to strengthen its technological agility and maintained a leading edge in blockchain applications. CITIC Heavy Industries supported thirteen spacecraft launches by successfully developing major components for the Shenzhou spacecraft series, including Shenzhou XII and Shenzhou XIII, as well as the Long March-5B Y2 carrier rocket. During the year, CITIC Pacific Special Steel participated in a project to domesticate the production of high-speed rail bogie bearings. Its products have passed the test requirements and are now poised to end domestic dependence on imported steel bearings.

Pursuing sustainable development

To achieve carbon peak and carbon neutrality in the pursuit of our quality development, we have formulated a strategy under which our financial businesses are required to provide financing solutions for the low-carbon transformation of industries. Our non-financial businesses will concentrate on reducing their carbon footprint in the industrial chain and ecosystem. Existing carbon-intensive businesses with high environmental impact will need to work towards low-carbon transformation, while investments in projects with high energy consumption and emissions will be curbed.

Using the KSM factory in Chengdu as a pilot, CITIC Dicastal was able to reduce unit carbon emissions at the facility by 62% to achieve a world-class and China-leading level. This further promoted the full process application of low carbon technology to advance green development in global factories. CITIC Pacific Energy is expanding its photovoltaic and wind energy businesses while maintaining clean and efficient coal utilisation. CITIC Pacific Special Steel recorded a 30% lower carbon emission intensity than China's industry average.



CITIC has also drafted a carbon peak and carbon neutrality white paper for its sustainable development. Over the long term, green and low-carbon businesses will become a new growth driver for the Company.

The year 2021 marked a strong beginning for our 14th Five-Year Plan, laying a solid foundation and giving us confidence that CITIC can achieve RMB10 trillion in total assets, RMB1 trillion in revenue and RMB100 billion in profit, and be ranked in the top 100 of Fortune 500 companies. The year ahead will be critical for achieving these objectives. We will harness our development momentum and strive to progress while maintaining stability. We will continue to leverage our strengths as a conglomerate to further develop our five business segments, promote resilience, accelerate integration and expansion, optimise our business footprint in pursuit of high-quality growth and create sustainable returns for our shareholders.

朱鶴新

Zhu Hexin
Chairman
Beijing, 31 March 2022