



中信股份
CITIC Limited

CITIC LIMITED

Stock code: 00267

Annual Report

2022



OUR COMPANY

CITIC Limited (00267.HK) 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 Financial Holdings	(100%)
CITIC Bank ¹ (601998.SH) (00998.HK)	(65.97%)
CITIC Securities (600030.SH) (06030.HK)	(18.45%)
CITIC Trust	(100%)
CITIC-Prudential Life	(50%)
China Securities ² (601066.SH) (06066.HK)	(9.47%)
CITIC Finance	(98.69%)
CITIC Consumer Finance ³	(70%)



Advanced Intelligent Manufacturing

CITIC Heavy Industries (601608.SH)	(67.27%)
CITIC Dicastal	(42.11%)
CITIC Holdings	(100%)



Advanced Materials

CITIC Pacific Special Steel (000708.SZ)	(83.85%)
CITIC Metal Group	(100%)
CITIC Resources ⁴ (01205.HK)	(59.50%)
CITIC Mining International	(100%)
CITIC Pacific Energy Investment	(100%)



New Consumption

CITIC Telecom International (01883.HK)	(57.66%)
AsiaSat	(50.50%)
CITIC Press (300788.SZ)	(73.50%)
Dah Chong Hong	(100%)
CITIC Agriculture	(100%)

CONTENTS

2	Highlights
4	Chairman's Letter to Shareholders

OUR BUSINESSES

10	Comprehensive Financial Services
28	Advanced Intelligent Manufacturing
36	Advanced Materials
46	New Consumption
52	New-Type Urbanisation
73	Risk mitigation through collaboration between financial and non-financial businesses

74	Financial Review
88	Risk Management
94	Five Year Statistics
95	Corporate Governance
131	Board of Directors
136	Senior Management
137	Report of the Directors
152	Environmental, Social and Governance (ESG) Report
221	Past Performance and Forward Looking Statements

FINANCIAL STATEMENTS

222	Contents of Financial Statements and Notes
223	Consolidated Income Statement
224	Consolidated Statement of Comprehensive Income
225	Consolidated Balance Sheet
227	Consolidated Statement of Changes in Equity
229	Consolidated Cash Flow Statement
231	Notes to the Consolidated Financial Statements
404	Independent Auditor's Report
415	Corporate Information



New-Type Urbanisation

CITIC Construction	(100%)
CITIC Environment	(100%)
CITIC Industrial Investment	(100%)
CITIC Offshore Helicopter (000099.SZ)	(38.63%)
CITIC Pacific Properties	(100%)
CITIC Urban Development & Operation	(100%)
CITIC Heye Investment	(100%)

- Note 1: CITIC Corporation, a wholly-owned subsidiary of CITIC Limited, holds a total of 263,880,000 A-share convertible corporate bonds (Bond code: 113021) of CITIC Bank.
- Note 2: CITIC Limited holds 4.53% of the shares of China Securities through Glasslake Holdings Limited, an indirect wholly-owned subsidiary. At the same time, CITIC Securities directly holds 4.94% of the shares of China Securities.
- Note 3: CITIC Limited holds 35.1% and 34.9% of the shares of CITIC Consumer Finance through its indirect wholly-owned subsidiary in CITIC Financial Holdings and CITIC Trust.
- Note 4: CITIC Limited holds 9.61%, 1.37% and 7.94% of the shares of Alumina Limited (a listed company, Stock code: AWC.ASX) through CITIC Resources Holdings Limited, CITIC Australia Pty Limited and Bestbuy Overseas Company Limited, respectively.
- Note 5: CITIC Limited holds 2.62% of the shares of SSC (Stock code: 600871.SH) through CITIC Corporation, a wholly-owned subsidiary and 10.01% shares of China Overseas Land & Investment Limited (Stock code: 00688.HK) through an indirect non wholly-owned subsidiary.

HIGHLIGHTS

Year ended 31 December

HK\$ million	2022	2021	Increase/ (Decrease)
Revenue	771,133	708,936	8.8%
Profit before taxation	147,839	121,141	22%
Net profit	123,011	100,278	23%
Profit attributable to ordinary shareholders	75,481	70,222	7.5%
Basic earnings per share (HK\$)	2.59	2.41	7.5%
Diluted earnings per share (HK\$)	2.59	2.41	7.5%
Dividend per share (HK\$)	0.651	0.606	7.5%
Net cash generated from/(used in) operating activities	194,019	(40,694)	577%
Capital expenditure	35,289	42,235	(16%)

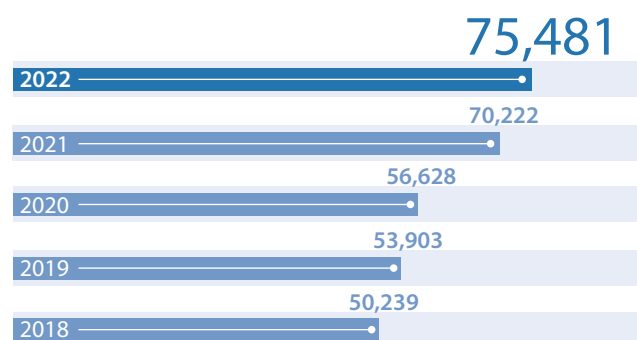
HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/ (Decrease)
Total assets	11,794,199	10,685,521	10%
Total liabilities	10,414,131	9,519,931	9.4%
Total ordinary shareholders' funds	737,251	751,407	(1.9%)
Return on total assets (%)	1.4%	1.3%	0.1pp
Return on net assets (%)	10.1%	9.9%	0.2pp
Staff employed	161,408	136,637	18%

	Business assets		Revenue from external customers		Profit attributable to ordinary shareholders	
Business HK\$ million	As at 31 December 2022	Increase/ (Decrease)	Year ended 31 December 2022	Increase/ (Decrease)	Year ended 31 December 2022	Increase/ (Decrease)
Comprehensive financial services	11,159,455	11%	310,135	21%	55,803	7.2%
Advanced intelligent manufacturing	65,999	(2.0%)	60,023	26%	618	(2.2%)
Advanced materials	262,199	(3.9%)	282,185	(0.1%)	15,127	(21%)
New consumption	62,016	(5.4%)	61,697	(5.9%)	619	(62%)
New-type urbanisation	371,368	5.4%	57,060	1.2%	2,095	(73%)

HIGHLIGHTS

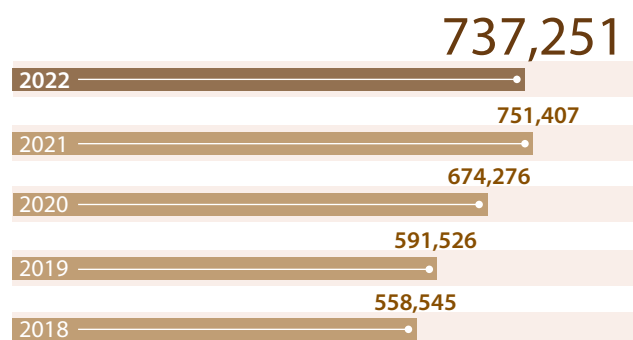
Profit attributable to ordinary shareholders

HK\$ million



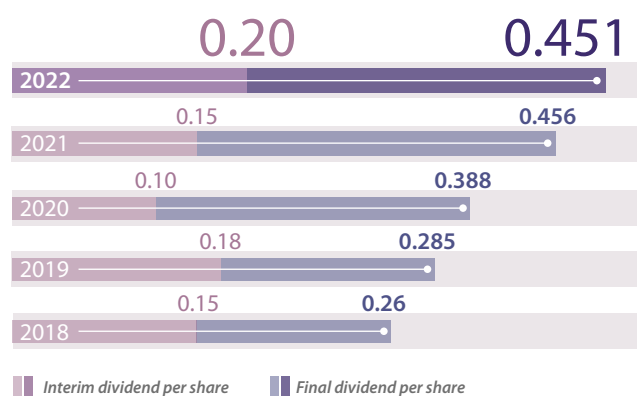
Total ordinary shareholders' funds

HK\$ million



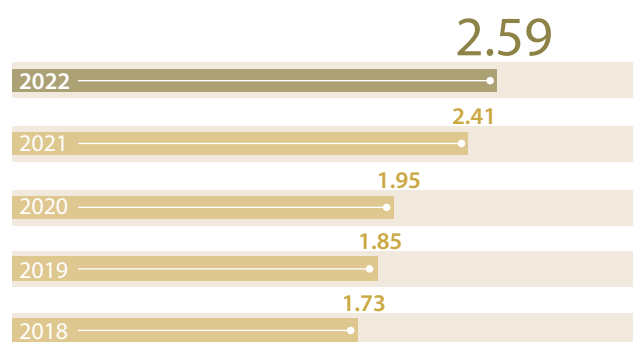
Dividend per share

HK\$



Earnings per share

HK\$



Ordinary shareholders' funds per share

HK\$



CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear shareholders,

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

Leveraging our unique advantages as a Central State-Owned Enterprise to strengthen the foundation for high-quality development

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

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

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

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

Focusing on "three tasks" to consolidate and strengthen our leading position in comprehensive financial services

The comprehensive financial services segment focused on serving the real economy, preventing and controlling financial risks and deepening financial reform. At the same time, the businesses in the segment have applied their political and people-oriented nature, firmly committed to the implementation of the country's financial development with Chinese characteristics. In taking up these responsibilities, we have achieved outstanding

CHAIRMAN'S LETTER TO SHAREHOLDERS

results. CITIC Financial Holdings completed the application process for its establishment and has successfully commenced operations, contributing to CITIC having a more complete set of financial licences and solidifying the competitive advantages of the company's comprehensive financial services. Overall, the segment's role as both the "ballast stone" and "propeller" has become more apparent.

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

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

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

Upholding the country's most fundamental interests and developing industries with strength and quality

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

Committed to serving major national projects: CITIC Heavy Industries has supported 15 successful consecutive

CHAIRMAN'S LETTER TO SHAREHOLDERS

launches of the Shenzhou spacecraft. Leveraging CITIC's expertise and competitive advantages, CITIC Construction successfully constructed and operated the Chongli Prince City Ice and Snow Town for the Beijing Winter Olympics, while CITIC Offshore Helicopter provided helicopter medical rescue support and AsiaSat offered event broadcasting services. CITIC Offshore Helicopter also successfully supported China's 38th Antarctic scientific research flight mission.

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

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

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

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

Systematically promoting technological innovation and enhancing endogenous development momentum

Innovation is an integral part of CITIC Limited's DNA. We insist on seeking productivity from technological innovation, strengthening original development and promoting leading edge research as we strive to be a technological and innovation pioneer amongst SOEs. For the first time, we have formulated a five-year plan for technological innovation to specify the direction of advancements towards key breakthroughs. We established

CHAIRMAN'S LETTER TO SHAREHOLDERS

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

Fulfilling social responsibilities and demonstrating good corporate citizenship

Our approach to development is grounded in a deep sense of responsibility to society and we strive to integrate social responsibility into every aspect of our business. We have actively established and continually refine our ESG management system with the aim of integrating ESG into our business approach, facilitating development, improving ratings and setting strong examples. In this way, we drive the organic integration of ESG with our development strategies, management practices and business operations. Specifically, we implemented the "Two Increases, One Decrease" strategy, set a "dual carbon" target, formulated a "dual carbon" evaluation mechanism and established a carbon asset management system. Our financial subsidiaries proactively provided financing support for green and low-carbon industries such as energy conservation, environmental protection and clean energy. By the end of 2022, the green loan balance of CITIC Bank reached RMB334.1 billion, a year-on-year increase of 67%. Non-financial subsidiaries including CITIC Dicastal and CITIC Pacific Special Steel took the initiative to utilise clean production technology, significantly increasing the "green value" of their business development. CITIC was awarded first place in the "China Industrial Carbon Peak Pioneer Enterprise" list. Through consumption subsidies and rural revitalisation, we continued to solidify the results of our poverty alleviation work to serve the community and enhance living. During the pandemic, a great number of our medical staff travelled to different provinces and cities to fight the battle against COVID-19. Our financial subsidiaries helped numerous market participants address their difficulties with a range of financial instruments, while front-line employees both at home and abroad remained at their posts to ensure business continuity, stable production and uninterrupted services. Many of our employees, alongside our business units, took up voluntary services to collect supplies and medicines, demonstrating CITIC's commitment to supporting social initiatives.

CHAIRMAN'S LETTER TO SHAREHOLDERS

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



Zhu Hexin

Chairman

Hong Kong, 31 March 2023



COMPREHENSIVE FINANCIAL SERVICES

Our comprehensive financial services segment aims to be a leader in financial integration. We are deepening the synergy between our businesses through the formation of a financial holding company, enhancing the competitiveness of each individual business and their ability to serve the real economy.

MAJOR SUBSIDIARIES



CITIC Financial Holdings

is one of the financial holding companies first licensed by the People's Bank of China, and a comprehensive financial services company holding a complete set of licences in the financial industry with a wide range of businesses.



CITIC Bank

is a leading national commercial bank with highly integrated capabilities and strong brand recognition in China, and its core businesses include corporate banking, retail banking and financial markets services.



CITIC Trust

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



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 and commodities. All respective businesses maintain a leading position in the market.

REVENUE

HK\$ million

+21%

2022 310,135

2021 256,760

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million

+7%

2022 55,803

2021 52,075

TOTAL ASSETS

HK\$ million

+11%

2022 11,159,455

2021 10,050,873

CAPITAL EXPENDITURE

HK\$ million

+6%

2022 14,249

2021 13,450

In the comprehensive financial services segment, profit attributable to ordinary shareholders increased by 7% year-on-year. CITIC Bank recorded revenue exceeding RMB210 billion, another record high, and the net profit attributable to shareholders increased by 12% year-on-year, maintaining a double-digit growth. CITIC Securities further consolidated its leading position in the industry, ranking first globally in equity underwriting for the first time and first in domestic industry in terms of revenue and net profit for the 17th consecutive year. CITIC Trust stick to develop its innovative businesses and its net profit continues to rank second in the industry. CITIC-Prudential Life maintained double-digit growth in premium income, and ensured that both comprehensive and core solvency adequacy ratios remained at sufficient levels.



FINANCIAL HOLDINGS

CITIC Financial Holdings is a comprehensive financial services company established in March 2022. It is among the first batch of financial holding companies to be licensed by the People's Bank of China with proper financial licences and extensive scope of business. In accordance with the overarching philosophy of "capital management as the connector, corporate governance as the platform, risk management as the bottom line, and wealth management as the driving force", CITIC Financial Holdings is committed to implementing the "1435" Strategy, which refers to improvement of the four functional systems of comprehensive risk prevention and control, integrated financial services, unified customer services and advanced technological empowerment; development of three core capabilities of wealth management, asset management and comprehensive financing; and strengthening of five sub-areas of banking, securities, trust, insurance and asset management, thus sparing no effort to develop itself into a financial holding company with international competitiveness and global influence.



the four functional systems of comprehensive risk prevention and control, integrated financial services, unified customer services and advanced technological empowerment; development of three core capabilities of wealth management, asset management and comprehensive financing; and strengthening of five sub-areas of banking, securities, trust, insurance and asset management, thus sparing no effort to develop itself into a financial holding company with international competitiveness and global influence.

Business Operations

Corporate Governance: CITIC Financial Holdings established a governance structure of "three meetings and one management", and appointed directors and supervisors according to established procedures; formulated Articles of Association of the company and the Rules of Procedure for the Board of Directors and Supervisory Committee, to ensure the proper decision-making and operation of corporate governance; developed the Authorisation Scheme for Shareholders to the Board of Directors and for the Board of Directors to the General Manager; and explored effective management and control models connecting the group headquarters. It vigorously promoted the asset transfer of CITIC Bank, CITIC Securities, CITIC Trust, CITIC-Prudential Life and CITIC Consumer Finance to the holding company, achieving substantial progress.

Risk Management: CITIC Financial Holdings formed a comprehensive risk management system with its own characteristics by strengthening integrative, penetrative and collaborative management for a risk management model that combines comprehensive monitoring and targeted controls. Moreover, seven management mechanisms have been established, including coordination of risk management and disposal; risk preference and compliance internal control and supervision; unified credit management and control; risk warning; risk reporting; and risk isolation, recovery and disposal, to give full play to the functions of management, service, guidance and support, and to promote the steady improvement of asset quality and effective risk management and control.

Capital Management: CITIC Financial Holdings has built a capital management system covering the entire process of planning, monitoring and assessment through in-depth study of industry development trends and based on the characteristics of financial holding companies, promoting the transformation of management to being value-led, active and impactful. CITIC Financial Holdings also assisted the People's Bank of China in the study of the issuance of qualified capital instruments, striving to improve the capital adequacy.

Wealth Management: CITIC Financial Holdings established a Wealth Management Committee comprising three sub-committees for investment banking, the retail system and asset allocation. It has built a business collaboration platform to consolidate subsidiaries' wisdom, resources and capabilities for sharing of information, co-development of products, and joint advancement of businesses. Its subsidiaries recorded a total AUM of RMB15.3 trillion for corporate clients and RMB6.6 trillion for individual clients, realising a co-financed investment of RMB2 trillion and cross-sales of RMB188.1 billion of financial products for the year. CITIC Financial Holdings set up a comprehensive service project for key customer groups, which endeavors to provide "N+1+1" services to 23 strategic customers, including FAW Group. CITIC Financial Holdings also established a comprehensive service system for high-net-worth clients in particular, creating the "CITIC Premier" brand to issue wealth management products, and launched six "CITIC Premier" products with a total fundraising scale of RMB27.8 billion. It also established a CITIC think-tank service system to provide "Financing+Intelligence" services.

Fintech: Focusing on the three fields of "shared services, wealth management and intelligent control", CITIC Financial Holdings facilitated all 18 sub-projects of the Digital Platform 1.0 Project to successfully launch and maintain smooth operations. Given that the financial sharing centre and the acquisition management platforms have effectively improved risk control and operational efficiency, operational costs are expected to be reduced significantly every year. The wealth management platform achieved preliminary interconnectivity of channels, customers and products among subsidiaries. Moreover, the "Xiao Xin" digital wealth advisor was announced at the World Artificial Intelligence Conference 2022 and won the award of "Pioneer in Industrial Intelligence 2022". The intelligent control platform's forward-looking deployment and construction of "management cockpits" and "intelligent offices" provided decision-making support, such as operational analysis, operational monitoring and risk warning to management, while offering employees a digital, networked and intelligent office platform.



BANKING

CITIC Bank is a leading national commercial bank with strong integrated capabilities and brand competitiveness in China. With over 60,000 staff and total assets exceeding RMB8.5 trillion, CITIC Bank's core businesses include corporate banking, retail banking and financial markets. In 2022, CITIC Bank ranked 21st in the "Top 500 World Banking Brands Leaderboard" and its Tier 1 capital ranked 19th in the "Top 1000 World Banks" as published by British financial magazine *The Banker*.

Year in Review

With quality development as its focus, CITIC Bank achieved encouraging operating results in 2022 by accelerating transformation, and effectively preventing and defusing risks. During the period, it recorded operating revenue of RMB211.1 billion, a 3% increase year-on-year, of which net interest income was RMB150.6 billion, a 2% increase year-on-year. Non-interest income increased by 7% year-on-year to RMB60.5 billion. The proportion of non-interest income rose by 0.94 percentage point to 28.64%, demonstrating notable results of the light risk-weighted assets development strategy. CITIC Bank achieved RMB62.1 billion in profit attributable to its shareholders, up 12% year-on-year.

RMB million	2022	2021	Change
Revenue	211,109	204,554	3%
Profit attributable to shareholders	62,103	55,641	12%
Total assets	8,547,543	8,042,884	6%
Return on equity	10.80%	10.73%	0.07pp

During the period, CITIC Bank steadily expanded the scale of its business, improved service quality and enhanced efficiency to support the real economy. By the end of 2022, total assets amounted to RMB8,547.5 billion, an increase of 6% compared to the previous year end, with customer loans up 6% and customer deposits up 8% from the beginning of the period. During the period, CITIC Bank closely followed the direction of national policies to serve the real economy with increasing loan growth in key areas such as manufacturing, inclusive finance, green and strategic emerging industries during the year.

CITIC Bank recorded declines in both NPL and NPL ratio in 2022. By the end of 2022, the balance of NPL fell 3% to RMB65.2 billion and the NPL ratio declined 0.12 percentage point to 1.27% from the end of the previous year. The provision coverage ratio increased 21.12 percentage points to 201.19% year-to-date.

During the period, CITIC Bank maintained its focus on capital management under the guidance of "light risk-weighted assets with higher return" to improve capital allocation efficiency. Its capital adequacy ratio fulfilled all regulatory requirements.

Business Highlights

RMB million	Operating Income 2022	By percentage 2022	Operating Income 2021	By percentage 2021
Corporate banking	94,436	44.7%	94,056	46.0%
Retail banking	84,677	40.1%	82,567	40.4%
Financial markets	30,312	14.4%	26,512	13.0%
Other	1,684	0.8%	1,419	0.6%

Three Core Businesses

Guided by the “342 Action Plan for Developing Core Business Capabilities”, CITIC Bank accelerated the improvement of its market competitiveness by focusing on three core businesses: wealth management, asset management and comprehensive financing. During the period, the mark-to-market value of retail assets under management increased by 12% from the end of the previous year to RMB3.91 trillion. Wealth management assets reached RMB1.58 trillion, increasing by 12% from the end of the previous year. The balance of comprehensive financing increased by 7% from the end of the previous year to RMB12.30 trillion.

Corporate Banking¹

CITIC Bank’s corporate banking business fully supports the nation’s stabilisation of the economic market and high-quality economic development. The balance of general RMB corporate loans amounted to RMB2,299.4 billion, representing an increase of RMB169.1 billion from the end of the previous year. CITIC Bank made every effort to support the stabilisation and high-quality development of the economy. Loans for inclusive finance, medium-to-long-term manufacturing industries, strategic emerging industries and agriculture-related sectors increased by 22%, 35%, 37% and 23% year-on-year respectively. CITIC Bank adhered to the principle of being customer-centric and improved its tiered and categorised customer management system. By the end of 2022, CITIC Bank recorded a total of 1,037,300 corporate clients, maintaining steady growth in its various corporate businesses:

Investment Banking: Dedicated to serving the real economy, CITIC Bank supported key areas of economic transformation and strengthened the “Financing+Intelligence” advantage of our investment banking business. It recorded revenue of RMB7.4 billion with the scale of financing reaching RMB1,208.5 billion. CITIC Bank completed the underwriting of debt financing instruments totaling RMB739.3 billion, ranking first in the market.

International Business: Adhering to the “green and light risk-weighted asset development” and “digital development” strategies, CITIC Bank built a straight through “full-chain” product delivery system of “Settlement+Transaction+Financing+Intelligence” for international businesses, with construction of a cross-border treasury as its core. CITIC Bank also collected and settled remittances valued at over US\$18.3 billion in total for 73,000 small and medium-sized e-commerce customers at the cross-border e-commerce platform.

¹ The numbers disclosed in the corporate banking, retail banking and financial markets are data of the Bank.

Transaction Banking: As an important pillar for transforming its corporate banking services, CITIC Bank endeavored to build a “Transaction+2.0” ecosystem, launching a transaction banking ecosystem with a “Chain Ecosystem, Finance Ecosystem and e-Ecosystem” as the main components. By the end of 2022, CITIC Bank served a total of 961,100 transaction banking clients, an increase of 15% year-on-year. CITIC Bank registered transaction financing volume of RMB1,210.8 billion, an increase of 32% over the previous year. It recorded transaction turnover of RMB153 trillion, an increase of 14% over the previous year.

Auto Finance: CITIC Bank opened a new chapter in the development from 1.0 “Chain Finance” to 2.0 “Auto Ecosystem” with a focus on three main areas—“auto manufacturing”, “auto circulation” and “auto life”. By the end of 2022, the business had 8,644 customers. The balance of outstanding financing reached RMB187.4 billion. During the period, RMB609.0 billion of loans were extended, growing 38% year-on-year and outperforming the market, with a low overdue advance ratio of 0.07%, indicating sound asset quality.

Custody Business: During the period, CITIC Bank actively developed key businesses such as mutual funds, annuities, and cross-border custody, with the total custody assets exceeding RMB13 trillion. The Bank established 73 new mutual funds under custody, totaling RMB92.4 billion, with an initial market share of 6%. The annuities business, moreover, maintained steady growth, while the custody scale for enterprise annuities reached RMB136.4 billion, ranking second among joint-stock commercial banks.

Retail Banking

CITIC Bank continued to enhance the retail operations system and achieved continuous growth in the number of customers. By the end of 2022, the number of individual customers increased by 6% to 127 million. An organic combination of online operations, remote assistance and AI marketing was realised for basic mainstream customers, and the total number of basic mainstream customers increased by 6% year-on-year. The Bank promoted the iron-triangle business model of “wealth consultant+remote assistant+financial manager” for affluent and VIP customers, whose numbers increased by 11% year-on-year. The Bank also accelerated transformation of the “buyers’ investment advisers” model for private banking customers, with total numbers increasing by 11% year-on-year.

By the end of 2022, the balance of individual deposits was RMB1,159.3 billion, an increase of 34% year-to-date. The balance of individual loans (excluding credit cards) was RMB1,553.5 billion, up 5% from the end of the previous year; the balance of mortgage loans was RMB944.1 billion, an increase of 0.04% from the end of the previous year. As part of the first group of commercial banks qualified to conduct “third-pillar” pension business, CITIC Bank officially launched account opening services and product sales for private pension funds on 25 November 2022. By the end of 2022, there were a total of 302,500 private pension fund accounts with accumulated deposits of RMB508 million. The bank gave full play to the role of credit cards as the “connector” between the financial supply side and the consumer demand side, supporting consumption potential to build a brand image “with a human touch”. By the end of 2022, a total of 106.60 million credit cards had been issued, up 5% from the end of the previous year and the total credit card loan balance reached RMB510.5 billion. During the reporting period, the total trade turnover of credit cards reached RMB2,792.3 billion, representing a year-on-year increase of 0.44%.

Financial Markets

CITIC Bank's financial market business closely follows the national policies, continuously optimises the business structure, and strengthens the synergies with CITIC Group. As for the interbank business, with the "CITIC Interbank+" platform as the carrier, the Bank continued to strengthen integrated operations for interbank customers. During the period, the Bank continued to intensify its efforts to serve the real economy by directly discounting notes of RMB1,397.2 billion, serving 14,331 enterprises, of which 9,634 were SMEs, accounting for 67.2% of the total. As for financial markets, the Bank continued to give full play to its professional advantages and continuously improved its trading capabilities. During the period, it continued to provide liquidity to the inter-bank foreign exchange market, with the trading volume of foreign exchange market making reaching US\$2.25 trillion, maintaining at the front of the market. The Bank performed its duties as an underwriter for government bonds and supported the issuance of government bonds through a combination of underwriting, investment and trading, with the underwriting share ranking among the top in the market. As for asset management, by emphasising its synergistic advantages with CITIC Group, the Bank has established an all-weather product system covering the entire market including all categories of assets and all channels. During the period, revenue from the wealth management business reached RMB7.8 billion.



Innovation and Fintech

Empowered by Fintech, CITIC Bank strengthened its comprehensive digital capabilities in operations and management. The Bank strived to enhance overall competitiveness and market value by supporting high-quality implementation of the Business Core Strengthening Initiative. During the reporting period, the Bank invested RMB8.7 billion in Fintech, a year-on-year increase of 16%. The number of in-house Fintech staff reached 4,762, a year-on-year increase of 11% accounting for 8.4% of the total staff count.

CITIC Bank accelerated the transformation of innovation into productivity. In the wealth management business, CITIC Bank invested in a new generation of personal credit system, the Kunpeng system, to fully implement the new corporate structural transformation. The system covers all of CITIC Bank's personal loan product business, with an efficient operating system offering rapid responses to various scenarios, enabling transactions around the clock, and achieving an average daily transaction volume of nearly 30 million. For our corporate business, the Bank has independently researched and developed the Tianyuan Intelligent Treasurer to assist in the treasury function construction by state-owned enterprises. The Bank led the industry in implementing pilot projects, providing individual, customised and integrated treasury management services to our clients, thus enhancing the brand recognition of CITIC Treasurer. In our financial markets business, the autonomous control of the financial markets application system group significantly improved its intelligence in the fields of price quote, trading, risk controls and operations. The Bank contributed the "CITIC solution" to the localisation and transformation of financial market application software in the banking industry, winning the second prize in the PBOC Fintech Development Awards.



CITIC Trust is a leading trust company in China with comprehensive strength. It focuses principally on trust business, proprietary business and asset management business for specialist subsidiaries.

Year in Review

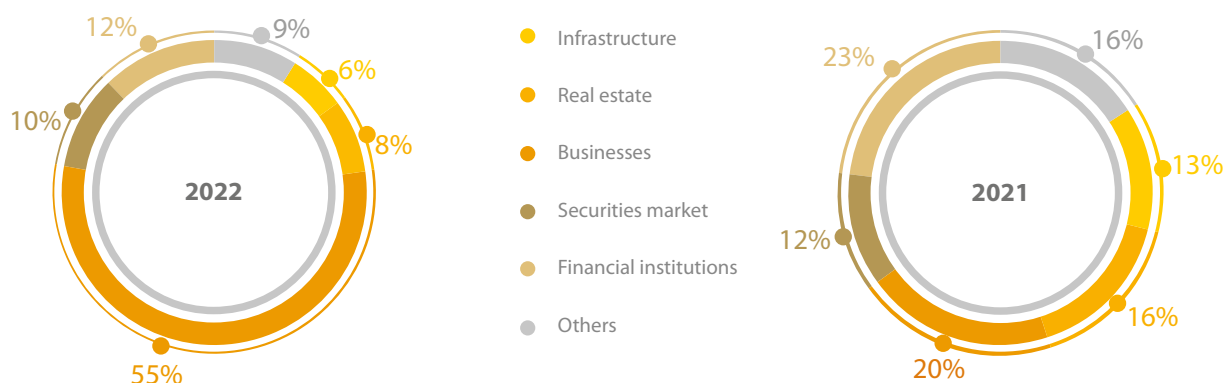
In 2022, with regulatory organisations preparing to introduce new classifications for the trust business, CITIC Trust responded proactively by accelerating its business transformation and continuing to optimise its asset structure to maintain sustainable operating results. Total operating revenue amounted to RMB6.4 billion, revenue generated from trust fees and commissions amounted to RMB4.8 billion and net profit amounted to RMB3.0 billion.



RMB million	2022	2021	Change
Revenue	6,438	8,585	-25%
Profit attributable to shareholders	3,012	3,501	-14%
Total proprietary assets	49,895	49,324	1%
Trust assets under management	1,540,851	978,778	57%
Return on equity	8.24%	10.09%	-1.85pp

Adhering to the vision of building “an excellent trust company that wins the support of the State, the trust of customers and brings happiness to employees”, CITIC Trust optimised its trust business structure and achieved growth in both scale and revenue in its innovative transformation business. During the year, trust profits attributable to beneficiaries reached RMB26.4 billion.

Allocation of Trust Assets – by Industry



Allocation of Trust Assets – by Type



Business Development

Trust Business

Investment banking business: CITIC Trust offers a wide range of diversified and flexible comprehensive financial solutions to enterprises through utilising investment and financing instruments such as debt and equity. During the period, CITIC Trust continued to increase efforts to serve the real economy. In 2022, trust funds directly invested in enterprises reached RMB265 billion, and the percentage of business related to serving the real economy through secondary market investments, corporate bankruptcy trustee service and trusts exceeded 75%.

Asset Management: CITIC Trust allocates trust funds from clients to various financial products in accordance with the agreed investment scope and strategy to meet the investment needs and demands of clients. CITIC Trust continues to improve its allocation and management capabilities in the capital market, and optimises its business lines and processes to develop standard products with different risk and return features through its own investment research capabilities. In 2022, benefiting from the “CITIC Trust-Assembled Funds Trust Plan on Rui Xin Steady Allocation TOF Financial Investment”, CITIC Trust was awarded “Best Securities Investment Trust Product” by *Shanghai Securities News* for the third time, the “Outstanding Standard Product Trust Plan of Year 2022” by *Securities Times* and other honours.

Wealth Management: CITIC Trust provides diversified asset allocation and wealth management services for high-net-worth individuals and institutional clients, with a wide range of products available across currency markets, fixed income and equity investment. The wealth management services provide tailored and highly differentiated products and services, such as family trust and wealth management in special accounts, to various types of clients. At present, CITIC Trust provides professional and comprehensive wealth management services to clients through its twelve wealth management centres in Beijing, Shanghai, Tianjin, Hangzhou, Shenzhen, Guangzhou, Fujian Province, Shaanxi Province, Chengdu and Nanjing.

As a pioneer of the family trust and insurance trust business, CITIC Trust is committed to meeting the diverse wealth management and inheritance needs of its clients through leveraging its advantages in differentiated asset management capabilities and portfolio synergies. During the period, assets under management in its family trust business in collaboration with CITIC Bank reached RMB41.2 billion; assets under management from the family trust business in collaboration with CITIC Securities and China Securities reached RMB0.8 billion; and assets under management from the insurance trust business in collaboration with CITIC-Prudential Life reached RMB5.4 billion. In addition, the first overseas family trust plan in collaboration with CITIC Bank International was successfully launched during the year.

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, with asset accounts and equity accounts as mediums, and on the basis of the safekeeping of trust assets.

CITIC Trust has vigorously expanded its asset securitisation business to broaden the financing channels for enterprises and to serve civil sectors. Through a successful bid process, it was appointed as the ABS trustee for credit assets of Postal Savings Bank in 2022. With its outstanding performance in the asset securitisation business, CITIC Trust has once again received the “Outstanding ABS Issuer” award by China Central Depository & Clearing.

CITIC Trust has also actively expanded its annuity-related business. The custody scale of occupational annuities reached RMB24.6 billion with business carried out in Guangdong, Zhejiang, and Liaoning. It is the only trust company in the industry that has received a legal entity trustee qualification for enterprise annuity funds.

In terms of the special asset business, CITIC Trust secured the project of providing specialised trust custody service for Hainan Airlines Group for its bankruptcy reorganisation, which is the largest special asset trust service project in the industry.

Embracing its responsibility as a fiduciary, CITIC Trust continued to explore new charitable trust models and functional positioning to ensure the continuous and effective operation of charitable trusts and the safe and steady growth of charitable assets. During the period, CITIC Trust established the “Gongniu Group Charitable Trust” with a scale of RMB200 million, establishing once again, the largest charitable trust in China, after setting the record previously in 2021.

Proprietary Business

The principle of the proprietary business is to achieve proprietary asset growth targets and support the development of businesses in CITIC Trust and its subsidiary companies through the optimisation of asset allocation according to compliance requirements in the net capital coverage and leverage ratios. In 2022, standard asset products continued to increase share in proprietary assets, with 63% of new investments of proprietary assets allocated to standard assets covering fixed income, equity and mixed products, which has further optimised the investment structure.

Professional Subsidiary Business

CITIC Trust established professional subsidiaries, including CITIC Trust PE, CTI Capital, CITIC Prudential Fund, to build a comprehensive asset management platform covering businesses in private equity funds, mutual funds and overseas asset management, among others.

CITIC Trust PE's assets under management amounted to RMB43.1 billion as of the end of 2022. It focused on investing in the primary equity market, with its advanced manufacturing investment funds achieving remarkable results. Several of its invested companies have already been listed on the Sci-Tech Board. CTI Capital actively pursued the cross-border market, with assets under management amounting to US\$1.1 billion and offshore trust business in excess of US\$100 million as of the end of 2022, representing a 79% year-on-year increase. CITIC-Prudential Fund Management which is mainly engaged in the management of mutual funds and specific assets, ranks among the top firms in the industry in terms of medium and long-term investment results, and won various awards including the "Golden Bull Award for Excellence in Returns" from *China Securities Journal*.

Risk and Capital

CITIC Trust adheres to the vision of "leveraging risk management to serve business development and promote value enhancement", paying special attention to risk prevention and safeguarding risk thresholds. CITIC Trust greatly values net capital management and ensures that a balance is maintained between capital expansion and business development. In 2019, its registered capital increased from RMB10.0 billion to RMB11.3 billion. As of the end of 2022, the net capital coverage ratio reached 191% and the balance of net capital reached RMB22.4 billion, its capital strength building a solid foundation for sustainable growth.

Indicator	Year End 2022 (RMB billion)	Year End 2021 (RMB billion)	Change	Regulatory Requirement
Net capital	22.4	22.1	1.0%	≥RMB200 million
Total risk capital	11.7	11.7	flat	N/A
Net capital adequacy ratio	191%	189%	2pp	≥100%
Net capital/Net asset	66%	69%	-3pp	≥40%



INSURANCE

CITIC-Prudential Life is a 50-50 joint venture between CITIC Financial Holdings Limited and Prudential Corporation Holdings Limited, which offers life, health and accident insurance and reinsurance services. By the end of 2022, CITIC-Prudential Life operated a total of 23 branches in 100 cities across China. The credit rating of CITIC-Prudential Life continued to be AAA in 2022 with a stable outlook.



Year in Review

Since 2022, domestic economic development has been under pressures from demand contraction, supply shocks, and weakening expectations due to uncertainties arising from the recurring pandemic, international geopolitical conflicts, and other factors. The financial sector saw a general decrease in investment income due to the unfavorable market conditions. With the implementation of China Risk Oriented Solvency System (C-ROSS) Phase II, the solvency level in the insurance industry has been suppressed. In this context, the life insurance industry has experienced a difficult transition and faced unprecedented challenges such as the slowdown in premium growth, sluggish profit growth and increased pressure on capital.

Despite these headwinds, CITIC-Prudential Life was determined to make progress while ensuring stability based on the basic operating rules of the life insurance industry. It implemented a diversified and differentiated channel development strategy, oriented towards high-quality development. In 2022, revenue increased by 14% year-on-year to RMB37.3 billion while premium income grew 16% year-on-year to RMB31.2 billion; profit attributable to shareholders decreased by 63% year-on-year to RMB1.1 billion; while total assets increased by 18% year-on-year to RMB216.6 billion. As of the end of 2022, it maintained a comprehensive solvency adequacy ratio of 217% and a core solvency adequacy ratio of 126%.

RMB million	2022	2021	Change
Revenue	37,316	32,711	14%
Profit attributable to shareholders	1,076	2,899	-63%
Total assets	216,581	184,157	18%

Risk Management

Facing domestic and international complexities and uncertainties, CITIC-Prudential Life persisted in prioritising stability while pursuing progress in risk management. Taking the implementation of regulatory rules for C-ROSS Phase II as an opportunity, it adhered to a problem-solving orientation and focused on key areas by further strengthening risk management with risk appetite as the core. It also deepened the construction of a comprehensive risk management system targeting key issues in systems and mechanisms. These efforts facilitated its risk management work in an orderly manner and continuously enhanced risk management capabilities and internal control effectiveness. In 2022, all of the company's indicators in its risk appetite system met regulatory requirements, and no major administrative penalties, major industry cases, major risk events or major negative news occurred with the company.

Products

CITIC-Prudential Life adheres to a customer-centric approach and strives to be the most outstanding provider of insurance and wealth management solutions in China. Based on customers' needs in health, pension and personal wealth management, it built a comprehensive and diversified product structure with health insurance, life insurance, annuity and pension insurance as its main components to achieve full coverage of customers' entire life cycle. In 2022, CITIC-Prudential Life actively responded to market challenges and adhered to its primary mission, which resulted in a year-on-year increase of 16% in premium income.

By product type (RMB million)	2022	2022 proportion	2021	Change
Life Insurance	25,094	80%	20,558	22%
Health insurance and accident insurance	6,096	20%	6,270	-3%
Total premium income	31,189	100%	26,828	16%

Distribution

CITIC-Prudential Life adheres to a diversified and differentiated distribution strategy. Facing challenges brought by manpower loss and a decline in premium income from new policies, Agency Channel continued to emphasise high-quality development when carrying out business. By following the operational strategy of "product+team", relying on the dual engines of optimisation and innovation as well as key distribution transformation projects, it recorded relatively stable growth with a year-on-year increase of 2% in overall premium income. The bancassurance channel embraced its competitive advantages and thoroughly implemented the "customer-centric" business philosophy. By introducing customer strategies, a five-dimensional strategy of "channel+customer+talent+technology+product" has been established, yielding a year-on-year increase of 31% in premium income.

By distribution channel (RMB million)	2022	2022 proportion	2021	Change
Agency	13,038	42%	12,795	2%
Bancassurance	16,942	54%	12,931	31%
Others	1,209	4%	1,102	10%
Total premium income	31,189	100%	26,828	16%

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



Investment of Insurance Funds

CITIC-Prudential Life adheres to a flexible asset management strategy and the principle of making progress while maintaining stability to provide strong support for business operations and channel transformation. On the one hand, it continued to strengthen strategic core assets and optimised asset-liability matching. On the other hand, it enhanced strategic operations and actively captured market opportunities. By the end of 2022, the total investment of insurance funds increased by 18% from the beginning of

the year to RMB205.6 billion. Meanwhile, financial income declined under the increasing pressure from investment income due to downward-trending market interest rates and stock market turbulence. Nevertheless, CITIC-Prudential Life leveraged its advantages in insurance funds, actively practiced national strategies and invested in infrastructure, high-end manufacturing and other real economic sectors through bond financing and equity investments, realising positive synergies between insurance funds and the real economy.

SECURITIES

CITIC Securities is a leading securities company in China, with businesses covering investment banking, wealth management, financial markets and asset management.

Year in Review

In 2022, CITIC Securities endeavoured to overcome the impact caused by market volatility, and was dedicated to the mission of serving the real economy. Its businesses all achieved steady development and its operational results continued to take the lead in the industry. In 2022, CITIC Securities recorded operating revenue of RMB85.9 billion, while profit attributable to shareholders reached RMB21.3 billion.

RMB million	2022	2021	Change
Revenue	85,941	97,324	-11.7%
Profit attributable to shareholders	21,317	23,100	-7.72%
Total assets	1,308,289	1,278,665	2.32%
Return on equity	8.67%	12.07%	-3.40pp

Investment Banking

In the domestic equity financing business, following reform of the registration system, CITIC Securities completed a total of 166 A-share lead underwriting transactions, with an aggregate value of approximately RMB376.3 billion (including cash and asset private placements), representing year-on-year growth of 13.38% and market share of 22.31%, ranking first in the market. In overseas equity financing (calculated by total offering size distributed evenly among all bookrunner roles), CITIC Securities completed 43 overseas equity transactions with an aggregate underwriting amount of approximately US\$2.4 billion. It ranked second among Chinese securities companies within the equity financing business in the Hong Kong market, and first among Chinese securities companies in terms of GDR underwriting amount in the European market.

CITIC Securities debt financing business continued to maintain a leading position in the industry with a total of 3,555 debentures underwritten by the company, ranking first among its peers. The underwriting amount reached RMB1,578.6 billion, ranking first in the market. With respect to offshore bonds issued by Chinese enterprises in overseas markets, the company completed a total of 141 projects with a total underwriting amount of US\$3.8 billion, ranking second among Chinese securities companies. The company also provided customers with structured and leveraged financing, risk solutions, cross-border liquidity management and other diversified services.

In the financial advisory business, CITIC Securities topped the market in restructuring of A-share material assets, undertaking RMB107.5 billion in deals. It completed transactions totaling US\$41.9 billion in global mergers and acquisitions involving Chinese enterprises, ranking second among Chinese securities companies.

In the New OTC Market business, based on the principle of expanding the customer base, CITIC Securities continued to seize timely opportunities brought by deepening reforms of the capital markets to increase its coverage of innovative SMEs. In 2022, CITIC Securities, as the nominated adviser and broker of the New OTC Market, submitted listing applications of 11 companies, and it conducted continuous supervision of 23 listed companies, 13 of which have entered the innovation tier.

Wealth Management

CITIC Securities focused on the launch of an integrated solution for entrepreneurs' offices, expanded its offerings from cash and shares to asset and risk management services, and strengthened its capabilities in investment advisory and core wealth allocation.

As of the end of the reporting period, CITIC Securities had over 13 million clients on a cumulative basis, and total client assets under custody were maintained at RMB10 trillion. The company provided agency services for stock and fund transactions of RMB36.2 trillion, and revenue from the brokerage business ranked first in the industry.

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. CITIC Securities' over-the-counter (OTC) derivative operations continued to deepen product innovation and enrich product scenarios. OTC products further enriched its coverage and product mix. The market-making business continued to rank at the top of the market, beginning with the first batch of market-making trading of stocks on the STAR Board. CITIC Securities provided clients with cross-time-zone, one-stop investment and trading services in global markets. In the fixed-income business, CITIC Securities recorded steady growth in each business line, having improved product design, enhanced the integrated strength of client service capabilities and explored additional profit models. Sales of interest rate products maintained first place in scale among its peers. The financing business leveraged financing needs of the company's shareholder clientele as a new impetus for growth, and continued to lead in terms of market share; the securities financing business qualified to conduct market-making lending business on the STAR Board, further consolidating its competitive advantage.

Asset Management

In the asset management business, the scale of the first pillar—pension funds—remained stable, while the second pillar—enterprise annuity—increased steadily, with deployment of diverse strategies and in-depth services to enhance core customer cooperation in state-owned joint-stock banks and regional bank wealth management subsidiaries. The company has converted 19 mass market collective products into public offerings. Its establishment of an asset management subsidiary received approval from China Securities Regulatory Commission, while the asset management platform in Hong Kong obtained a public offering fund licence issued by the Securities and Futures Commission. As of the end of the reporting period, the asset management business continued to outperform its peers in key segments, achieving an AUM of approximately RMB1,417.8 billion at the parent company level. The company's private equity management business (excluding pension funds, public offering products and asset securitisation products) attained a market share of 16.13%, ranking first in the industry in 2022.

CITIC Securities is the largest shareholder of China Asset Management Company Limited (China AMC). By the end of 2022, the AUM of China AMC reached approximately RMB1,721.6 billion, of which mutual funds accounted for RMB1,137.5 billion and institutional and overseas business accounted for RMB584.1 billion.

Equity Investment

As an alternative investment subsidiary of CITIC Securities, CITIC Securities Investment closely followed the development of the capital markets and the macro situation in China and abroad. It committed itself to serving the real economy, with newly-added investments targeting industries including new energy, semiconductors, new materials, advanced manufacturing, information technology, innovative pharmaceuticals and new-type robotics and devices.



As a platform for raising and managing private equity investment funds of CITIC Securities, GoldStone Investment supported the development of enterprises that are in line with the national strategic plan for emerging industries and have core competitiveness. In 2022, GoldStone Investment made external investments of nearly RMB10 billion in sectors involving new materials, new energy, new generation information technology and healthcare. As of the end of the reporting period, there were over 20 private equity investment funds under management by GoldStone Investment, and funds under management by GoldStone Investment's wholly owned subsidiary CITIC GoldStone Fund and its subsidiaries amounted to RMB7.7 billion.



ADVANCED INTELLIGENT MANUFACTURING

We strive to be 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 aluminium automotive wheels manufacturer.



CITIC Heavy Industries

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



CITIC Holdings

is dedicated to developing expertise in smart manufacturing and industrial internet, constructing "Lighthouse Factories", and undertaking related venture investments.

REVENUE

HK\$ million

+26%

2022 60,023

2021 47,694

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million

-2.2%

2022 618

2021 632

TOTAL ASSETS

HK\$ million

-2%

2022 65,999

2021 67,326

CAPITAL EXPENDITURE

HK\$ million

+28%

2022 2,100

2021 1,641

The advanced intelligent manufacturing segment achieved profit attributable to ordinary shareholders of HK\$618 million. Despite unfavourable factors such as rising energy prices and shipping costs, CITIC Dicastal took full advantage of its international manufacturing network to ensure the stable supply of raw materials and product delivery, leading to increased sales of aluminium wheels and casting products against a downward trend. It achieved RMB1.068 billion in profit attributable to the parent company, a 6.37% increase. Meanwhile, the company continued to strengthen its management, service and support capabilities in overseas projects. In December, first time products successfully rolled off production lines at the aluminium wheel manufacturing base in Mexico and the aluminium casting products manufacturing base in Morocco, further strengthening the overseas base network. CITIC Heavy Industries achieved profit attributable to shareholders of the listed company of RMB146 million. The company's new orders for the year amounted to RMB11 billion, a new record level. Additionally, the company saw steady growth in traditional businesses such as major equipment and integrated engineering, and made breakthroughs in the more recent businesses of new energy equipment and intelligent mining, with several innovative scientific and technological achievements receiving external recognition.



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 amounts to 80 million wheels and 160,000 tonnes of castings.

CITIC Dicastal has 29 major manufacturing facilities across China, the United States, Europe, and Africa.

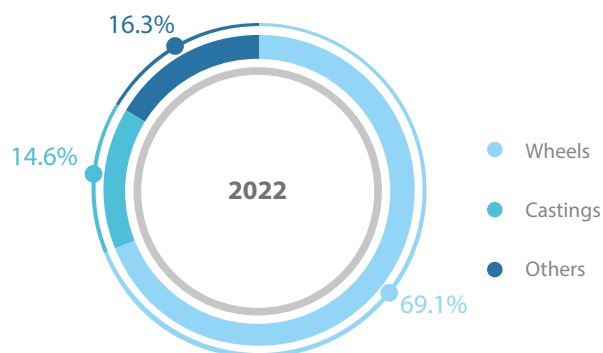
RMB million	2022	2021	Change
Revenue	42,773	32,013	33.61%
Profit attributable to shareholders	1,068	1,004	6.37%
Total assets	38,022	33,139	14.73%
Return on equity	10.84%	11.36%	-0.52pp

Year in Review

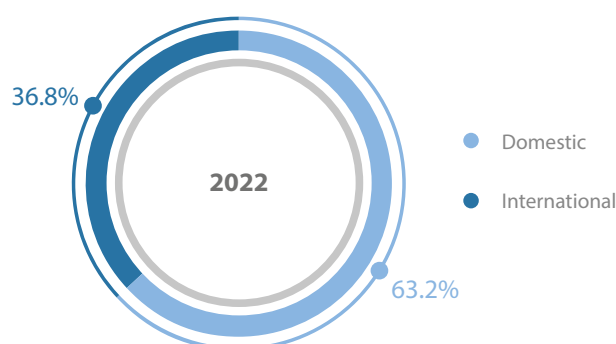
In 2022, global automobile production and sales were heavily disrupted by COVID-19 and the downturn of the industry continued. However, China's auto consumption began recovering in 2022, as the pandemic was effectively contained. According to China Association of Automobile Manufacturers, annual production and sales increased by 3.4% and 2.1% year-on-year.

CITIC Dicastal actively adjusted its business strategy by enhancing product and service quality to meet changing customer needs and to capture opportunities arising from the recovery of the automobile market. In 2022, CITIC Dicastal sold 72.25 million wheels, reflecting a 20.41% annual growth, and sold 119,500 tonnes of casting products, representing a 22.31% year-on-year growth. Revenue increased by 33.61% to RMB42.773 billion during the reporting period while net profit increased by 6.37% to RMB1.068 billion.

Sales by Products



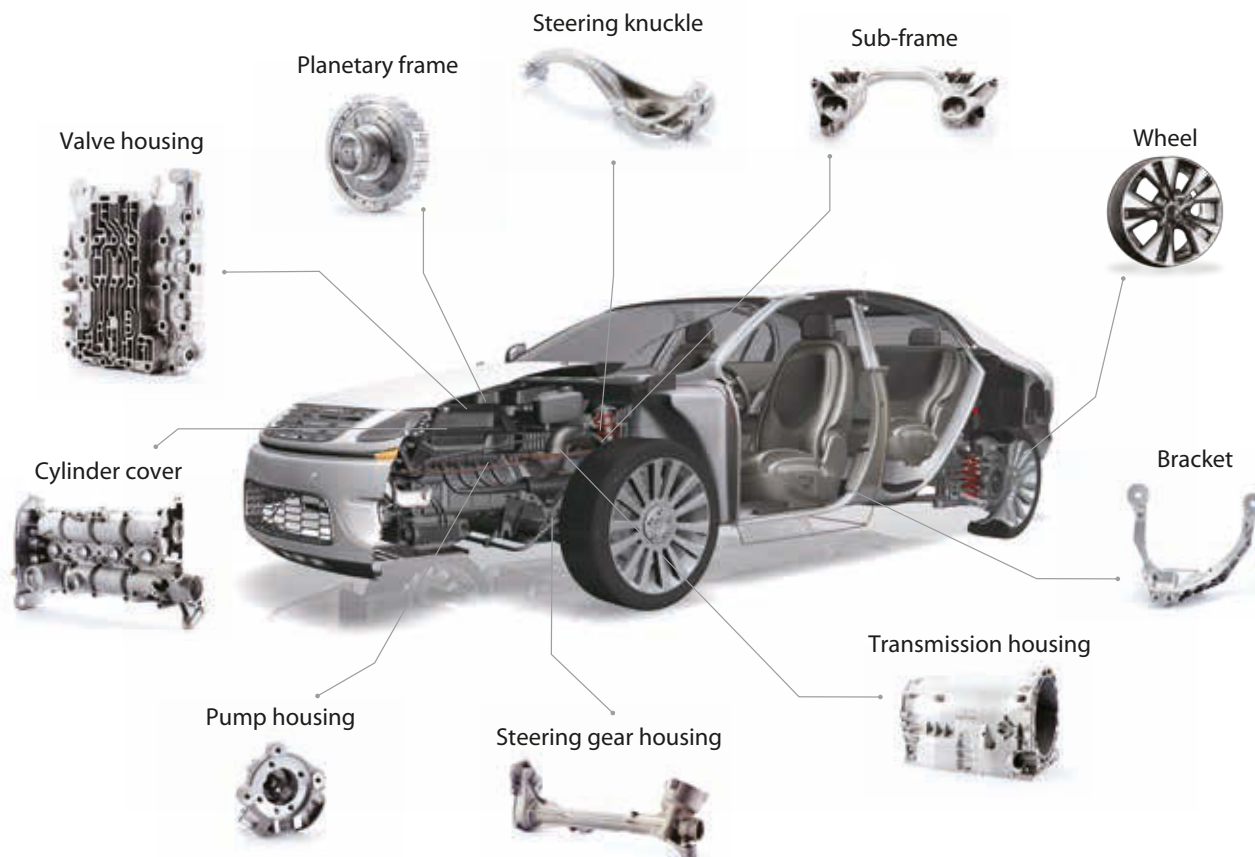
Sales by Regions



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 2022, sales generated by the top 10 customers of CITIC Dicastal's aluminium wheels accounted for 37.32% of total product sales.

Major Products



Overseas Projects

CITIC Dicastal built an aluminium wheel production base in Mexico and an aluminium casting production base in Morocco to deepen the integrated manufacturing of overseas bases.

The Mexican aluminium wheel production facility is located in Saltillo, Coahuila, Mexico. Construction started in January 2022 with a designed production capacity of 3 million tonnes of aluminium wheel products. The first batch of painted products successfully rolled off the assembly line in December 2022, representing the full lifecycle from design and construction to completion that will contribute to the stability of the global industrial supply chain.

The Moroccan aluminium casting production base is located in Kenitra, Morocco and has a designed production capacity of 5 million lightweight aluminium castings for automobiles. The first batch of products was launched in December 2022.

R&D

The rapid development of new energy vehicles has posed greater challenges, such as wheel load and acceleration, to lightweight development in the wheel industry. CITIC Dicastal is dedicated to supplying lightweight solutions to global OEM clients via structural optimisation and technological breakthroughs. Moreover, the company is devoted to achieving “dual carbon” goals (peak carbon dioxide emissions before 2030 and carbon neutrality before 2060) through its research and development of recycled aluminium technology. The company formulated two national standards and eight enterprise standards in the recycled aluminium domain, which gained clients’ recognition and made its voice heard in the industry.



In order to solve the production capacity bottleneck of casting, the company successfully developed USC uniform water technology to improve the efficiency of the casting process. The company also achieved phased progress in virtual testing technology via model benchmarking.



INTELLIGENT HEAVY EQUIPMENT & SPECIALISED ROBOTICS

CITIC Heavy Industries is a globally competitive manufacturer and service provider of mining and cement equipment, one of China’s largest heavy machinery manufacturers, and one of China’s leading specialised robotics manufacturers. Its major business includes research and development and the provision of advanced industrial equipment products, services, and solutions to customers. Products include mining and heavy machinery, complete engineering packages, specialised robots and intelligent equipment, and new energy equipment. Its main production facilities are located in Luoyang, Henan; Tangshan, Hebei; Zhangzhou, Fujian; Beijing and Vigo, Spain.

In 2022, CITIC Heavy Industries strengthened top-level design and consolidated reforms to stimulate vitality in the company. It made tremendous achievements in technological innovation, with steady quality improvement and brand value enhancement, taking solid steps towards high-quality development. CITIC Heavy Industries recorded revenue of RMB8.827 billion, up 16.91% year-on-year. Profit attributable to ordinary shareholders was RMB146 million. New confirmed orders exceeded RMB11 billion, maintaining a value of over RMB10 billion for three consecutive years. Net cash flow from operating activities was RMB1.213 billion, up 77.9% year-on-year. CITIC Heavy Industries has increased R&D investment, and R&D expenses have increased by RMB120 million year-on-year.

Year in Review

RMB million	2022	2021	Change
Revenue	8,827	7,550	16.91%
Profit attributable to shareholders	146	227	-35.78%
Total assets	19,502	20,378	-4.30%
Return on equity	1.92%	3.08%	-1.16pp

Implementation of National Strategies Resulted in New Achievements in Technology Innovation

In 2022, CITIC Heavy Industries undertook the national mission to demonstrate its responsibility in the advanced manufacturing industry by remaining committed to implementing the innovation-driven development strategy. To date, CITIC Heavy Industries has secured 15 consecutive launches of the “Shenzhou Spacecraft”, contributing to the development of China’s aerospace industry. The large-scale nuclear power core forgings supplied by CITIC Heavy Industries are applied in large scale to key national projects. Moreover, CITIC Heavy Industries made important breakthroughs in “bottleneck” technologies and projects, as represented by the LK3000 hydraulic piling hammer, the first domestic set of offshore drilling equipment. CITIC Heavy Industries also launched a new generation of heavy-duty seven-axis hydraulic mechanical arm realising the largest weight capacity and longest cantilever in China, breaking the foreign technology monopoly. Additionally, the first domestic 15-metre shield tunnelling machine jointly manufactured by CITIC Heavy Industries spanned Shantou Bay, which enabled completion of this “world-class challenge project” and demonstrated the comprehensive strength and mission of CITIC Heavy Industries as a high-end equipment manufacturing enterprise.



Empowerment of Industrial Sectors Consolidated the Foundations of our Development

In 2022, CITIC Heavy Industries focused on set targets of the industrial sector and recorded excellent results in traditional businesses. These were represented by mining and other heavy machinery and engineering packages, with new orders of capital equipment and spare parts in both domestic and overseas markets. In terms of the emerging businesses represented by special materials, offshore wind power and smart mines, CITIC Heavy Industries specialised and established itself in new fields and application scenarios such as petrochemical hydrogenation, nuclear power, renewable energy, and 5G-based comprehensive solutions for smart coal mines. In particular, the $\Phi 8.53 \times 4.88\text{m}$ semi-autogenous (SAG) mill and $\Phi 6.4 \times 11.15\text{m}$ ball mill manufactured by CITIC Heavy Industries contributed to a world-class large-scale copper-cobalt mine project. The largest LGMS6027 slag vertical mill developed by CITIC Heavy Industries was put into operation at the project site, with an annual output of 1.5 million tonnes of slag micro-powder, reflecting the company’s mastery of the core technology of super-large vertical mills. CITIC Heavy Industries also delivered on schedule batches of single piles for the offshore wind power project II of State Power Investment Corporation in Shenquan, Jieyang, including one with the heaviest pillar with the widest diameter at that time in China. The company’s self-developed explosion-proof wheeled inspection robot won the China Excellent Industrial Design Award.

The Acceleration of Digital Transformation Boosted Management Innovation

In 2022, CITIC Heavy Industries adhered to the philosophy of “continuous lean management of discrete manufacturing” and focused on “digital design, digital manufacturing, digital lean management and industrial digitalisation”. The company developed the “Intelligent Factory for Discrete Manufacturing of Heavy Machinery Based on 5G+Industrial Internet” project, which was named one of the pilot demonstration projects of the national industrial internet (in terms of network integration and innovative application), making it the only enterprise in Henan Province that was awarded the same title twice. With the title of “Excellent Example for New Models of Discrete and Intelligent Equipment Manufacturing and Digital Transformation of Enterprises”, CITIC Heavy Industries was the only enterprise in Henan Province selected as one of the first “Digital Pilot” enterprises of China. The digital transformation of CITIC Heavy Industries has empowered customers as well as the industry. In addition, the completed “Innovative Application of Intelligent Operation and Maintenance of High-end Mining Equipment based on Industrial Internet Platform Project” was awarded the title of “National Demonstration Project of the Internet of Things”. The overall construction of the “intelligent coal mine” project obtained from Yaojie Coal and Electricity Group was completed, assisting traditional coal enterprises in the transformation and upgrade to green, safe, efficient and intelligent coal mines. By focusing on “digital heavy industry” and “business-finance integration”, CITIC Heavy Industries has fostered new momentum for the development of the digital industry and industrial digitalisation.



INDUSTRIAL INTERNET PLATFORM

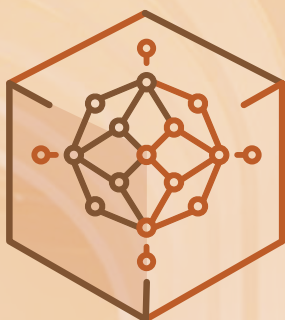
CITIC Holdings is a digital transformation business platform of CITIC Group. In 2022, focusing mainly on the field of digital technology, the company built a business framework to adapt to the development of the digital economy, and also made breakthroughs in industrial internet platforms and R&D of industrial intelligent products. The company established a business strategy of “1+1+5” with “industrial intelligence” as its core positioning, conducting “Lighthouse Factories” consultations, industrial Internet platform construction, and designing solutions for five major products: precision inspection for production lines of automobiles and their parts; high-speed inspection and intelligent sorting of consumer goods; PHM (Prognostics and Health Management) and intelligent maintenance of large-scale metal processing equipment; advanced process control and optimisation; and AI-enabled carbon and energy intelligent management. With the continuous improvement of technology and service capabilities and the ongoing expansion of customers in the market, the company has become a leading industrial intelligence solution provider in the industry.

In 2022, through active replication and promotion of “Lighthouse Factories” capabilities, CITIC Holdings and its subsidiary CRF UNION Digital Technology Co., Ltd. have formed their own integrated technical system in platform architecture, core industrial sensors, and industrial AI-powered models. They have implemented a number of industry-level solutions based on various typical industrial application scenarios. CRF UNION has also been selected as one of China’s 16 Outstanding Digital Factory Integrated Solution Providers by IDC, a renowned market research organisation in the world.

Continuing to enhance its capability in scientific and technological innovation, CITIC Holdings has built four core technology laboratories and a highly-qualified, top-notch research team. In 2022, it obtained 97 national invention patents, while a total of 150 patents have been authorised in the past two years. The fully self-developed “Tianshu (AstraOS) Industrial Internet Platform” passed the performance evaluation with excellent results and obtained certification from the Ministry of Industry and Information Technology, representing a new breakthrough for CITIC Group in mastering the core technology of industrial Internet platforms. The “Metal Precision Processing Industrial Internet Platform” was selected in 2022 as the Pilot Demonstration of the Integration of IT Application and the Manufacturing Industry (in specialised industrial Internet platforms) by the Ministry of Industry and Information Technology. The “Online Abnormality Monitoring System for Precision Manufacturing” won the 2022 PaddlePaddle Industry Application Innovation Award. Additionally, the “Auto Manufacturing AI Vision Cloud” won second place in the professional group final of the China Industrial Internet Contest 2022, and entered the apparatus finals for AI Vision in the first “Ingenuity Cup,” a national artificial intelligence innovation application competition.

In 2022, CITIC Holdings actively built an enterprise-led industry-university-research innovation system and deepened cooperation with national strategic scientific and technological institutions. It also set up joint laboratories around the common, cutting-edge, and core technical areas of the Group’s business sectors to carry out joint technological research. The company has created a resource base for original technologies and made greater contributions for CITIC to build an outstanding technology-oriented corporate group.

The industrial investment funds under CITIC Holdings continue to serve as a resource consolidation booster and an industrial innovation beacon focused on combining the national goal of vigorously developing strategic emerging industries with the digital business of CITIC Holdings. Adhering to the ESG concept, the company has invested in information security, basic software, high-end materials and other fields with accumulated investment totaling RMB217 million by year end 2022. Actively serving the sustainable development of the real economy and promoting the green cycle strategy, the company has invested in new energy battery recycling projects, reduced power semiconductor storage device projects, and high-performance heat dissipation material projects. Establishing benchmark cases and making great efforts in implementing “dual carbon” and “digital energy” goals, the company has laid a solid foundation to explore the sustainable development of high-end manufacturing industries. Such efforts aim to achieve dual circulation in industrial resources capture and investment income.



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 a global leader in the manufacture of specialty steel.



CITIC Metal

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



CITIC Resources

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



CITIC Mining International

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



CITIC Pacific Energy

invests in and manages power plants as well as green energy businesses in China.

REVENUE

HK\$ million

-0.1%

2022 282,185

2021 282,422

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK\$ million

-21%

2022 15,127

2021 19,162

TOTAL ASSETS

HK\$ million

-3.9%

2022 262,199

2021 272,756

CAPITAL EXPENDITURE

HK\$ million

-5.6%

2022 12,622

2021 13,376

The advanced materials segment realised profit attributable to ordinary shareholders of HK\$15.127 billion. CITIC Pacific Special Steel recorded a 4.4% increase in sales of steel to 15.18 million tonnes. Affected by rising raw material prices, profit attributable to shareholders of the listed company decreased 8.7% to RMB7.105 billion. Sino Iron realised output of iron concentrate of 21.41 million tonnes, and achieved profit attributable to the parent company of US\$475 million by overcoming the adverse factors such as labour shortages, extreme weather conditions and rising prices. CITIC Metal recorded a 6.5% increase in profit attributable to the parent company to HK\$2.249 billion due to the growing scale of its trading business. The company's sales of niobium products and iron ore continued to maintain the leading position in the industry. CITIC Resources recorded a 21% increase in profit attributable to ordinary shareholders to HK\$1.336 billion due to its share of the output of the crude oil business reaching 9.66 million barrels, nearly the highest level in five years, while seizing the opportunities brought by the rising prices of commodities such as aluminium and coal. CITIC Pacific Energy achieved a 9.81% increase in electricity generation. Additionally, benefiting from the profit growth of Xin Julong coal mine and relocation compensation for urban renewal projects, the company realised profit attributable to the parent company of HK\$1.095 billion, an increase of 3.3 times year-on-year.



SPECIALTY NEW MATERIALS

CITIC Pacific Special Steel is a global leader in the manufacture of specialty 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 exported to more than 60 other markets, including the US, Japan, Europe and Southeast Asia.



STEEL MILL	PROFILE
XINGCHENG SPECIAL STEEL	• Located in Jiangyin, Jiangsu province • Annual production capacity of special steel: 7 million tonnes • 7 bar, wire and medium-to-heavy plate production lines • Owns two 100,000-tonnage ports • Producing world-class bearing steel, auto steel, alloyed cast round billet and spring steel
DAYE SPECIAL STEEL	• Located in Huangshi, Hubei province • Annual production capacity of special steel: 4.1 million tonnes • 10 bar, tube and forged steel production lines • Its ultra-high-strength steel and high-temperature alloyed steel are widely used in the aeronautics and aviation sector.
QINGDAO SPECIAL STEEL	• Located in Qingdao, Shandong province • Annual production capacity special steel: 4.1 million tonnes • 6 wire, bar and flat steel production lines • Situated next to Dongjiakou Port, one of Northern China's largest and busiest ports • A leader in tie cord steel in the domestic market
TIANJIN PIPE	• Located in Dongli District, Tianjin • Annual production capacity of hot-rolled seamless steel tube: 3.5 million tonnes • Owns 7 seamless steel tube hot-rolled production lines, 11 heat treatment lines and 23 processing lines • Specialised pipes, including high-end Oil Country Tubular Goods (OCTG), deep-sea line pipes and alloy drilling pipes, reach international leading technology standard
JINGJIANG SPECIAL STEEL	• Located in Jingjiang, Jiangsu province • Annual production capacity of special steel: 1 million tonnes • 1 bar and 1 tube production lines • Access to a trade terminal on the Yangtze River

Year in Review

RMB million	2022	2021	Change
Revenue	98,344.71	98,593.42	-0.25%
Profit attributable to ordinary shareholders	7,105.38	7,777.74	-8.64%
Total assets	90,774.62	84,701.43	7.17%
Return on equity	20.96%	26.27%	-5.31pp

With a total production capacity of 20 million tonnes of special steel 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—Zhejiang Pacific Seamless Steel Tube in Shaoxing and Pacific Special Steel Suspension in Ji'nan. In addition, in January 2023, CITIC Pacific Special Steel successfully bid for a 60% equity interest in Shanghai Electric Group Pipe Co., Ltd. Subsequently, Shanghai Electric Group Pipe Co., Ltd has become a wholly-owned subsidiary of the company. As a result, the company was able to obtain a controlling stake in Tianjin Pipe Corporation by indirectly holding a 51.02% equity interest. A new manufacturing base will also be added to the company.

In 2022, witnessing a further slowdown in the global economy and being impacted by multiple pandemic waves, China's macro economy faced growing downward pressure. Amid strong supply and weak demand, the steel industry has remained in a state of "high costs and thin margin" for a long time. In face of a complicated and harsh international environment, and disruption caused by the recurrence of the pandemic domestically, CITIC Pacific Special Steel proactively responded to market changes. Adhering to the overall principle of prioritising stability while striving for progress, and focusing on operational performance, the company defended itself from risks, and effectively overcame many challenges to outperform the industry.

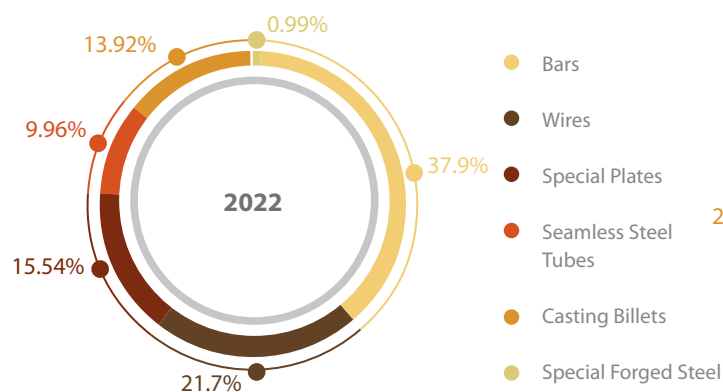
In 2022, CITIC Pacific Special Steel recorded external sales of 15.18 million tonnes of steel products, representing a year-on-year increase of 4.43%, of which sales from foreign trade increased by 20.83%. CITIC Pacific Special Steel achieved revenue of RMB98.345 billion during the year, maintaining stable revenue year-on-year. Despite the declining trend in the price of steel products in the domestic market, the company's overall profitability remained stable as compared with industry peers; it achieved a net profit of RMB7.109 billion and a weighted average return on equity of 20.96%.

Sales and Products

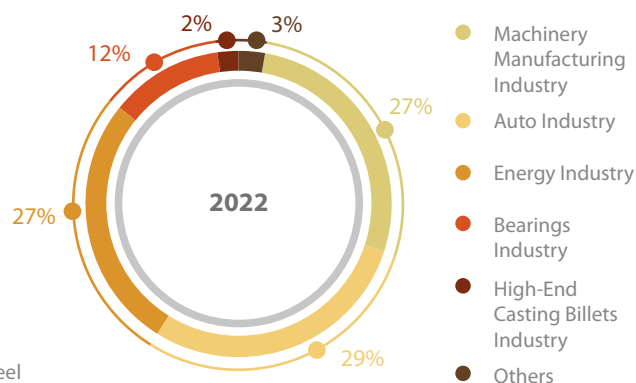
The company actively responded to market changes during the year, and coordinated its production, marketing and research. By taking the initiative to capture orders, the company recorded monthly sales of over 1.4 million tonnes, achieving a record high. With demand weak in the domestic market, the company conducted targeted marketing to grasp opportunities arising from the overseas energy crisis and supply chain adjustments, thereby significantly increasing foreign trade exports by 20.8% year-on-year with gross profit per tonne of steel achieving a record high. Meanwhile, the company adapted itself according to market changes. Seizing the opportunity presented by the rapid development of the wind power industry, it expanded efforts in the development of energy steel, with sales volume exceeding 4 million tonnes, representing a year-on-year increase of 36.8%. More than 70 "Little Giant" key projects also recorded total sales volume of over 5 million tonnes during the year. In

addition, the sales volume of the “two types of high strength steel and one special steel” increased by 63% year-on-year, of which, the growth of high strength steel doubled. The market share of steel used in aerospace engine shells maintained steady growth, reaching 49%, with an increase of 18% in special stainless steel and an increase of 30% in high-temperature, corrosion-resistant alloys.

Sales by Product



Sales by Industry



During the year, the company successfully achieved cost reductions and efficiency enhancements through ongoing measures in procurement, production collaboration and other initiatives. The Finance Share Center, a financial digital transformation, was put into full service, further enhancing operational productivity and capacity.

R&D and Innovation

CITIC Pacific Special Steel continued to invest strongly in R&D. In 2022, R&D investment was RMB3.85 billion, representing 3.92% of the total investment value and a 10.42% increase as compared to 2021. The company obtained 354 patents, including 107 invention patents during the year, for a total of 1,721 patents and 391 invention patents (6 international patents are in force), and participated in the revision and drafting of 18 national/industrial/institutional standards. Xingcheng Special Steel was awarded the “China Industry Award”, with the title of “Quality Control and Technological Evaluation Laboratory for Bearing Steel Products” by the Ministry of Industry and Information Technology, and the “China Excellent Patent Award”; Daye Special Steel was recognized as the “2022 China Excellent Steel Enterprise Brand” and the “National Intellectual Property Rights Demonstration Enterprise”. Xingcheng Special Steel produced a mass supply of 1,000-1,200mm diameter super-sized billets, taking a leading position in the world.

The 177.8mm thick rack steel plate and the 180mm thick hydrogen chromium-molybdenum steel plate developed by CITIC Pacific Special Steel filled the gap in this field in China, and the newly developed 14.9-grade bainite high-strength fastener replaced those imported from Japan. Daye Special Steel recorded notable growth in the international civil aviation industry and secured several projects in the marine industry, marking a milestone in its developmental history. Qingdao Special Steel successfully developed the 1,960MPa-class hot-rolled wire rods with a 5mm diameter for bridge cables, allowing it to transcend existing strength limitations for wire rods during air cooling and to realise mass production of salt bath wires. Jingjiang Special Steel’s independent development of a special type of air-tight threaded button enabled it to acquire all intermediate casing orders for Sinopec’s key gas storage project. The high-pressure boiler pipe P92 manufactured by Zhejiang Pacific Seamless Steel Tube was supplied to the domestic markets of boiler pipe and pipe fittings for the first time, achieving commercialisation for nuclear power pipes, pipelines and high-strength oil cylinders.

New Projects

In April 2022, the company publicly issued convertible bonds of RMB5 billion, the proceeds of which were invested in high-temperature alloy, ultrahigh-strength steel, high-grade mould steel and special stainless steel, which are key areas being developed by the company in relation to the comprehensive utilisation of energy and environmentally-friendly transformations. The issuance of convertible bonds will further enhance the company's competitiveness and liquidity of the company's share capital. After obtaining management rights of Tianjin Pipe Corporation through the acquisition of 40% of shares of Shanghai Electric Group Pipe Co., Ltd in 2021, the company proceeded to acquire the remaining 60% of shares of Shanghai Electric Group Pipe Co., Ltd in January 2023, thereby holding 100% of shares, and thereby becoming the controlling shareholder of Tianjin Pipe Corporation. At year end, the company's production capacity of seamless steel pipe amounted to 5 million tonnes, making it the largest seamless steel pipe production enterprise in the world. This is expected to lay a solid foundation for the company to continue expanding and consolidating its business in the field of high-end seamless steel pipe, and improve its sustainable and high-quality development.

Major Products

Products	Production capacity ('000 tonnes)	Examples	Industries
Bars	 5,750	• Bearing steel • Gear steel • Spring steel • Alloy tube billet • Oilfield steel	• Automobile • Machinery • Power • Petroleum & petrochemical • Railway
Special Plates	 2,360	• High-rise building steel • High strength plate • High strength corrosion resistant bridge plate • Special wear plate • Plastic mould plate	• Power • Construction • Shipbuilding • Machinery • Petroleum & petrochemical
Seamless Steel Tubes	 1,510	• Petroleum pipe • Engineering pipe • Ultra high strength steel pipe	• Petroleum & petrochemical • Machinery • Automobile
Wires	 3,290	• Alloy structural steel • Bearing steel • Spring steel • Cutting wire steel • Tire cord steel • High strength cable steel	• Automobile • Metal works • Machinery • Construction
Casting Billets	 2,110	• Alloy structural steel • Gear steel • Bearing steel	• Power • Petroleum & petrochemical • Machinery
Special Forged Steel	 150	• Tool and die steel • Ultra-high strength • Stainless steel • High-temperature alloys	• Machinery • Aerospace • Automobile



SPECIALTY RAW MATERIALS

CITIC Metal Group (CITIC Metal) is primarily engaged in commodities trading and mining investments, and aspires to become a top tier trader and investor in the field. CITIC Metal specialises in trading niobium products, iron ore, copper, steel and aluminium, among others. The company's investment portfolio includes Ivanhoe Mines (IVN.TO; 25.92% shareholding), Las Bambas Copper Mine in Peru, Brazilian niobium miner CBMM, CITIC Titanium, Western Superconducting Technologies (688122.SH; 11.89% shareholding) and others.



In 2022, CITIC Metal achieved revenue of RMB120.7 billion, an increase of 6% year-on-year, and profit attributable to the parent company of RMB1.94 billion, an increase of 8% year-on-year.

To align with the national strategies of "Strong Trading Nation" and "Going Global", CITIC Metal actively developed its commodity trading business in 2022. The company continued to make smooth construction progress on key investment projects, while maintaining steady and healthy organic growth. The company takes a leading position in the niobium product industry, accounting for over 80% market share. It recorded trading volume of more than 50 million tonnes of iron ore, preserving its industry leadership. While the copper concentrate trade was steadily developing, the expansion of copper blister and electrolytic copper trade drove significant growth in the copper products business and kept building influence in the industry. Other trading commodities such as steel and aluminium continued to achieve sustained and sound growth, with overall operating performance growing steadily.

The construction of CITIC Metal's overseas mineral resources projects progressed steadily and generated sound investment returns. KK Copper Mine, which is owned by its associate, Ivanhoe Mines Limited, achieved a new annual production record of 333,000 tonnes of copper metal in concentrate due to the early commissioning of the Phase II concentrator plant. KK Copper Mine also pushed forward efforts to construct Phase III of the project. The Las Bambas Copper Mine in Peru and Brazilian niobium miner CBMM overcame adverse impacts posed by the pandemic and logistics, and maintained stable production and operations. They generated sound investment returns to CITIC Metal and made positive contributions to secure the stable supply of national mineral resources.

The company put maximum efforts to build its capital operations platform. On 10 April 2023, CITIC Metal, one of the first group enterprises under the registration-based system, officially listed on the A-share stock market (601061.SH). Its subsidiary, CITIC Titanium's new production line was completed and increased the production capacity from 60,000 tonnes to 120,000 tonnes.

The company will uphold the "green", "low-carbon" and "innovation" development concepts and focus on developing the key business of commodity trading and mining investment in a bid to make positive contributions to the stability and security of supply chains for the national resources industries.



Sino Iron, developed by CITIC Mining International through its Australian subsidiary CITIC Pacific Mining (CPM), is the largest magnetite concentrate operation in Australia and a major supplier of premium feedstock to Chinese steel mills.

For almost a decade the fully integrated mining, processing and export facility has been producing a premium, low impurity 65% Fe concentrate for a growing number of customers. Located on the

coast of Western Australia's Pilbara region, Sino Iron is a leader of magnetite mining and beneficiation in Australia. CITIC has an aggregate entitlement to three billion tonnes of magnetite ore via initial mining right acquisitions and an exercised option, supporting a mine life of more than 40 years.

Utilising conventional drill and blast open pit mining techniques, ore is conveyed from in-pit crushers to a six-line concentrator where it is fed into some of the world's biggest grinding mills and then undergoes further separation from waste material. Concentrate is then pumped in slurry form 30km to a purpose-built port and prepared for transshipment to CITIC's ocean-going vessels. Supporting infrastructure includes a 480MW combined cycle gas-fired power station, 33% more efficient than open cycle equivalents, and a large-scale reverse osmosis desalination plant.

Recent independent life cycle analysis (commissioned by CMI) found that—across the steel supply chain—the net overall system benefit of using Sino Iron magnetite concentrate in the blast furnace compared to typical Platts 62% Fe Pilbara hematite fines was a 180kg saving in carbon emissions for every tonne of hot metal produced by steelmaking customers.

In 2022 Sino Iron exported 21.41 million wet metric tonnes of concentrate to CITIC's special steel plants and other steel mills. It achieved a profit of US\$475 million, despite a scheduled maintenance program for key marine assets and the impact of pandemic precautionary measures—which have since been reduced. Sino Iron remains the world's largest seaborne supplier of magnetite concentrate to China.

Sino Iron still faces several challenges to sustainability. In the short term, the Australian mining industry is experiencing labour shortages and inflationary pressures.

Specific to Sino Iron, several litigation matters with the tenement holder are ongoing. In March 2023, the Supreme Court of Western Australia delivered its judgment in proceedings commenced by CITIC parties to secure long term approvals and tenure for the Project.

While the CITIC parties were unsuccessful in obtaining all the orders they sought, the judgment provides a pathway that should enable them to seek approval of a proposal for extension of the mine pit and expansion of waste rock and tailings storage within the project's existing site lease area. Approval of such proposals would enable continued operation of the Project for a further interim period and allow the CITIC parties further time to take the necessary steps to seek to secure the additional tenure required for life-of-mine operations.

It remains the case that that Sino Iron requires the cooperation of all stakeholders to reach its full potential. The full implications of the judgment are under review and CITIC will take all necessary actions to secure Sino Iron's long-term future.



CITIC Resources, listed on the Hong Kong Stock Exchange, conducts its principal business in the exploration, development and production of oil. It also invests in coal mining, the import and export of commodities, electrolytic aluminium, bauxite mining and alumina smelting.

In 2022, CITIC Resources recorded operating revenue of approximately RMB5.042 billion, a year-on-year increase of 42.9%. Profit attributable to ordinary shareholders was approximately RMB1.147 billion, a year-on-year increase of 25%.

Oil and Gas Business

Operating revenue from the oil and gas segment reached RMB1.593 billion, up 42% year-on-year. The three oilfields under this segment produced a total of 17,961,000 barrels of crude oil, a 2% increase from 2021.

The steady increase in crude oil production was mainly due to implementation of the development adjustment program and the production optimisation initiative of Yuedong Oilfield. The successful drilling of new wells on D Island marked the return of value from investment in the island, which had been abandoned for nearly 10 years.

KBM Oilfield promoted the ongoing exploration and expansion of Qianshan reservoir, and in-depth evaluation of Binhai reservoir, increasing recoverable reserves by 7,154,000 barrels.

Oilfields	CITIC Resource's interest	Daily oil production in 2022 (share of the output, barrels)	Change compared to 2021 (barrels)	Proven oil reserve estimates as of 31 December 2022 (share of the output)
KBM Oilfield (Kazakhstan)	50%	19,600	400	70.9 million barrels
Yuedong Oilfield (China)	90%	6,411	81	24.3 million barrels
Seram Block (Indonesia)	41%	466	-74	1.1 million barrels

In 2022, crude oil production from KBM oilfield was significantly impacted by severe challenges, including oilfield strikes, a massive blackout of external electrical grids, and Russian crude oil price limits. However, by adopting a series of refined management measures for production wells, KBM Oilfield gradually resumed steady oilfield output.

In 2022, Yuedong Oilfield achieved a record output of approximately 500,000 tonnes of crude oil through the implementation of its development adjustment program. During the year, Yuedong Oilfield commissioned 13 new oil wells. As of 31 December 2022, a total of 68 adjustment oil wells had been put into operation. The new oil wells averaged an initial daily production of 14.6 tonnes and new production capacity of 278,000 tonnes.

As for the Seram Oilfield in Indonesia, CITIC Resources focused on management of key oil well production and explored possibilities for increasing production from old oil wells, with reasonable and effective ramp-up measures undertaken during the year. Under improved power supply conditions, existing closed oil wells were reopened to slow down the comprehensive decline and to extend the productive economic life of these oilfields.

In order to explore oilfield potential, CITIC Resources conducted oil well testing and production trials during the year. The company also conducted in-depth research, formulated drilling programmes, and adopted effective measures to steadily increase oil production. It strengthened oil deposit research, took measures to optimise oil well planning, and made efforts to improve storage and production. These measures effectively advanced scientific research projects and ensured the achievement of research results, thereby consolidating the scientific and material foundations of oilfield development.

During the year, CITIC Resources focused on the core mission of “improving quality and efficiency” by actively demonstrating scientific and technological innovation. The company also improved its financial management, risk prevention and control capabilities. Planning scientifically, it took the initiative to optimise management systems through top-level design, fostered reform momentum, and stimulated workforce enthusiasm to maximise business potential. The above initiatives have contributed to a good corporate atmosphere maximising efficiency from

management and technology, leading to the achievement of satisfactory results in both production operations and business performance.

Other Businesses

CITIC Resources Australia Pty Ltd continued to maintain stable sales volume and recorded satisfactory performance in each business line despite a volatile commodities market environment in 2022. Annual sales of aluminium ingots reached 61,000 tonnes, while that of clean coal and steel reached 612,461 tonnes and 107,647 tonnes respectively. Alumina Limited (AWC.ASX), of which 9.6117% equity interest is held by CITIC Resources, continued to generate stable profits and cash income. Considering risk controls and capital allocation reduction targets, among other factors, CITIC Resources discontinued the steel trade business in the fourth quarter, and properly handled matters such as the recovery of trade and other accounts receivable.



CITIC Pacific Energy invests in and manages power plants in China with supporting businesses that extend across the industrial supply chain, from mining and shipping to power sales and heat supply. The company also actively invests in green energy businesses including solar and wind power generation.

CITIC Pacific Energy's coal-fired power stations have a total installed capacity of 8,000MW. Among these, the Ligang Power Plant in Jiangsu Province is currently one of the largest thermal power plants in China, with an installed capacity of 4,040MW.

The Ligang Power Plant provides a safe, reliable and long-term supply of electricity and industrial steam to surrounding areas. It has also implemented an integrated strategy for its power generation business that incorporates shipping, bulk cargo terminal logistics and the comprehensive utilisation of resources (CUR). The Inner Mongolia Shenglu Power Plant, an ultra-supercritical air-cooling generation project with an installed capacity of 2,000MW, is the first million-unit project in Inner Mongolia to be commissioned under the "West-East Power Transmission" scheme, providing over 10 billion kWh of electricity to Shandong Province per annum. The company has invested in Xin Julong coal mine in Juye County, Shandong Province, with an approved production capacity of six million tonnes per year, producing high-quality coking coal with a competitive edge in the market.

A total of 44.9 billion kWh of electricity was generated by CITIC Pacific Energy in 2022, an increase of 9.81% year-on-year, which was primarily due to the power generation of Shenglu Power Plant, which exceeded targets. Prioritising the energy supply security for all, Ligang Power Plant managed to offset the deficit from insufficient hydro power-generated electrical output resulting from summer droughts in the Sichuan-Chongqing region and increased the gross power generation for the year by a slight margin and supplied 13.89 million GJ of heat. During the reporting period, despite that hydro power was markedly reduced due to climatic factors and that thermal coal prices were pushed up due to demand, CITIC Pacific Energy was able to achieve a profit turnaround for some of its coal-fired power projects by increasing the proportion of coal under long-term contract. The production and operation of Shandong Xin Julong coal mine was stable, with an annual production of 3.48 million tonnes of commercial coal, yielding an excellent operational result for the year, benefiting from economic recovery and stable coking coal prices. CITIC Pacific Energy continued to strengthen the development of green energy projects. These include projects under construction and completed projects with a total capacity of 405MW, of which 126MW have been completed and connected to the power grid. Centralised wind power projects with a capacity of 1,000MW in Xilinhote City, Inner Mongolia have fully entered the construction phase and subsequent wind power projects have also made solid progress. Adopting a comprehensive green energy development strategy in mainland China, the company is investing in energy transition systematically, including onshore wind power, offshore wind power, solar power and energy storage with reserved projects of over 5GW of wind power, over 4GW of photovoltaic and 1GW of offshore wind power distributed throughout most provinces in China.



NEW CONSUMPTION

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

MAJOR SUBSIDIARIES



CITIC Telecom International

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



CITIC Press

is a major provider of integrated content and cultural 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

-5.9%2022  61,6972021  65,564**PROFIT ATTRIBUTABLE TO
ORDINARY SHAREHOLDERS**

HK\$ million

-62%2022  6192021  1,610**TOTAL ASSETS**

HK\$ million

-5.4%2022  62,0162021  65,563**CAPITAL EXPENDITURE**

HK\$ million

-0.1%2022  1,7472021  1,748

Profit attributable to ordinary shareholders of the new consumption segment decreased 62% to HK\$619 million. CITIC Telecom International's net profit increased 11% to HK\$1,191 million and reached new heights in overall development, because of its robust efforts to develop new markets, businesses and customers. CITIC Press upheld the largest retail market share of books among Chinese publishers, though industry headwinds dragged down its profit by 48% to RMB126 million. Dah Chong Hong reported an increase in net profit of 11% to HK\$612 million mainly driven by cost optimisation and margin expansion in its motor businesses. CITIC Agriculture's loss of RMB680 million resulted mainly from provisions in certain equity investments and sharing the loss incurred by its listed subsidiary Longping High-Tech.



INFORMATION SERVICES



CITIC Telecom International (CITIC Telecom) is an internet-based telecommunications enterprise providing comprehensive services, including mobile sales and services, internet services, international telecommunications services, enterprise solutions and fixed line services. It also holds a 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM), the leading integrated telecommunication service provider in Macau. CITIC Telecom has established branches in 22 countries and regions worldwide with more than 2,500 employees, operating over 160 global

network nodes globally. Its business presence covers more than 150 countries and regions, connecting to over 600 operators around the world and serving over 3,000 multinational companies and 40,000 local enterprises.

In 2022, CITIC Telecom continued to reach new heights in overall corporate development and reported record-high operating results as it made robust efforts to develop new markets, businesses, and customers. Total revenue amounted to HK\$10,111 million, representing a 7% year-on-year growth. Profit attributable to the parent company amounted to HK\$1,191 million, representing a 11% year-on-year growth.

CTM was granted a 5G licence in Macau during the year and officially launched its first commercially used 5G service on 14 November 2022, which further consolidated CTM's leading position in the Macau market. On 14 December 2022, CITIC Telecom and CTM successfully hosted the "Inauguration Ceremony of 5G New Era" and "Ushering into Digital Macau 3.0 Forum", deepening cooperation within the 5G ecosystem and promoting the digital transformation of Macau, thus opening a new chapter with the mission of "strengthening Macau through digitalisation". By the end of 2022, CTM had registered more than 60,000 5G users. With a 97.1% share in Macau's broadband market, CTM has continued to drive the fibreisation of broadband services, boosting Macau's broadband speed ranking to the fastest worldwide.

CITIC Telecom has continued to upgrade its product capabilities and expand its global footprint. The company jointly launched a high-end IPX service platform with a major mobile carrier in Asia. Moreover, it supported its carrier partners to launch the new VoLTE function for two-way roaming service between mainland China and Hong Kong, as well as the P2A function for SIMN users. The activated volume of IoT services has achieved substantial growth through the DataMall platform following the company's major efforts to expand into the new market of the Internet of Things. The data centre business also performed well.

To bolster competitiveness in the cloud market, the SmartCLOUD™ container service was launched with its coverage extending from Greater China to Asia Pacific and Europe. New cloud service centres have been established in the United States and Europe, taking the total number of our global cloud service centres to 21. CITIC Telecom remained deeply committed to the Southeast Asian market and secured a number of large-scale ICT projects.

Going forward, CITIC Telecom will continue to fulfil its strategic positioning of "Root in Chinese mainland market, take Hong Kong and Macau as the base and connection, and expedite international market expansion and coverage" with resolute efforts.

CITIC Telecom will step up strategic cooperation with carriers and other key major customers to enhance its capabilities in the "cross-border mobile communication service platform", "enterprise messaging service platform" and "global data volume trading platform". Leveraging the first-mover advantage for 5G in Macau, CITIC Telecom

will expand the use of 5G within the industry and introduce more varieties of 5G applications to facilitate smart city development in Macau. CITIC Telecom will also seize new opportunities in Southeast Asia with a special focus on the markets in the Philippines and Vietnam to accelerate corporate development.

AsiaSat is a joint venture between CITIC and the Carlyle Group, whose business includes leasing and selling satellite transponders for the provision of broadcasting, communication, and signal uplinking and downlinking services. The company provides services for leading international broadcasters and content providers delivering over 550 programme channels in 35 languages, which include more than 130 UHD and HD C-band TV channels, reaching more than 850 million TV households in Asia Pacific.



In addition, AsiaSat provides renowned news broadcasters and video service providers with high-quality services in Satellite News Gathering (SNG) and contribution links for point-to-point and point-to-multipoint transmission of live sports, news and events. Through its high-powered, focused satellite beams, AsiaSat also offers secure and reliable connectivity for a broad range of applications for industries such as maritime, aviation, banking, oil and gas exploration, mobile backhaul and utility services.

In 2022, AsiaSat continued its transformation to respond to changing dynamics of the marketplace by extending and diversifying its service and product portfolio to become an integrated, end-to-end satellite solution provider serving customers with comprehensive media, data, and maritime solutions.

In its media business, AsiaSat's fully managed service has successfully demonstrated the combined power of satellite broadcasting along with IP-based distribution from its majority-owned, live streaming subsidiary One Click Go Live Limited (OCGL). The synergy created through this service integration has enabled AsiaSat to deliver a complete, end-to-end media solution for customers to reach a global audience anywhere and on any device. Some of the notable events made possible by this collaboration have included the live telecast of the celebration of the 25th Anniversary of the establishment of the HKSAR in July and the delivery of the Macau Grand Prix in November 2022.

During the year, AsiaSat also expanded into content aggregation, management and distribution services, helping broadcast clients connect to consumers more directly and quickly through pay TV and new distribution platforms such as OTT and FAST. This allowed them to enjoy the benefits of cost-savings and reduced complexity in network management.

Through SAILAS's smart platform, launched in July 2021, AsiaSat serves the merchant shipping, fishery, passenger cruise and offshore oil and gas industries with high-speed broadband connectivity service and a broad range of value-added services. These include video streaming, antenna solutions, Out-of-Band Management (OBM), VoIP, LTE 4G/5G, L-band backup and cybersecurity, all of which were developed to establish a complete service network crafted to address the requirements of the maritime community, from enhancing efficiency and safety for shipping operations to providing passengers with reliable and accessible connectivity and entertainment at sea. SAILAS is providing an expanded maritime coverage across the Asia Pacific and EMEA regions.



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 publication and distribution, education services and lifestyle consumption.

In 2022, CITIC Press recorded operating revenue of RMB1,801 million, down by 6.31% year-on-year. Profit attributable to ordinary shareholders was RMB126 million, down by 47.81% year-on-year. The weighted average return on net assets was 6.16%.



During the reporting period, CITIC Press outperformed other players in the industry, increasing its market share and achieving the largest retail market share of books among Chinese publishers. Among these, books in categories of economics and business, popular sciences and biography took leading market shares. The company has also contributed great social benefits and its published books have been shortlisted for 40 key national awards and key supporting projects.

With the rise of short video reel and live streaming e-commerce platforms, CITIC Press proactively expanded its own live streaming channels, with five of its accounts being shortlisted among the Top 10 for publisher self-streaming, and two children's book streaming accounts being consistently ranked as No 1 and No 2. Its digital content platform, CITIC Academy App, had over 6.3 million registered users and its Talking Literature podcasts had over 180,000 subscribers. The company also co-hosted the "2022 ESG Global Leaders Summit" to fulfil its social responsibility.

During the reporting period, CITIC Books and other lifestyle consumption businesses significantly increased the proportion of online products and services, and launched a corporate employee benefits platform, CITIC Mall.



Dah Chong Hong (DCH) is a leading motor and consumer products distributor in Asia with operations in 13 economies. In its motor business, DCH represents more than 20 passenger and commercial vehicle brands with over 100 4S shops and a wide range of supporting services. DCH's consumer products business includes brand development, food manufacturing, distribution, logistics and retail in the food and fast-moving consumer goods (FMCG), healthcare and electrical products industries.

In 2022, DCH reported a full-year profit of HK\$612 million, an increase of 11% year-on-year driven by a solid performance in the premium and commercial vehicles segments as well as continued regional growth in healthcare distribution.

As DCH's largest segment, the motor business has operations in mainland China, Hong Kong, Macau, Taiwan, Singapore and Myanmar. In mainland China, DCH operates 4S shops for a wide range of brands including Bentley, Mercedes-Benz, Audi, Lexus, Toyota and Honda. In 2022, the market for premium brands and commercial vehicles

remained strong despite supply chain and business disruptions. During the year, DCH Motors focused on protecting its gross margins, providing exceptional service and fine-tuning its portfolio to deliver a gain in segment profit.

DCH is a leading consumer products distributor in Asia representing over 1,000 domestic and international brands in the food, FMCG, healthcare and electrical products categories with operations in mainland China, Hong Kong, Macau, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam and Brunei. While consumer markets began to normalise in 2022, DCH's distribution businesses continued to be impacted by pandemic management measures including travel and dining restrictions. The healthcare business continued its strong momentum with further expansion in Southeast Asia, supporting local governments with COVID-19 vaccines and treatments and building a strong international principal base across the region.

During the year, DCH continued to implement strategic initiatives to expand into growing market segments such as health foods and electric vehicles, while strengthening its digital architecture to enhance e-commerce capabilities, promoting synergy and regional connectivity.



AGRICULTURAL TECHNOLOGY



CITIC Agriculture, following a “technology-oriented, finance-driven and management-based” business philosophy, is committed to building a globally competitive and leading agri-tech business that focuses on agricultural science and technology.

In 2022, CITIC Agriculture actively refined its operations management. The company recorded a significant increase in revenue from the crop seed business, while improving various other business indicators. CITIC Agriculture's services have achieved good results, with continuous progress made in scientific and technological

research. The company maintained its leading position in the domestic crop seed industry, making progress in the application of cutting-edge technologies.

Longping High-Tech (000998.SZ) and its subsidiaries were selected as the major enterprises in the national crop seed industry in the fields of rice, corn, vegetables, and cereals. The subsidiary also ranked first in the “List of Credit Star Enterprises in China's Crop Seed Industry” for the fifth time. In 2022, the company's rice, corn, wheat and related varieties, as well as its cultivation technologies, were selected as the leading varieties and main technologies of grain and oil seed production respectively by the Ministry of Agriculture and Rural Affairs. The project of commercialised melon breeding system creation and promotion and application of new varieties won first prize in the Tianjin, in Science and Technology Progress Awards.

Leveraging its high-quality germplasm resources and advanced breeding system, Longping Agriculture Science Co. realised significant improvement of business performance by optimising supply chain management and strengthening cost controls.

Higentec Co., Ltd fully utilised Biotechnology (BT) and Data Technology (DT) to expand its business scope and was fully selected into the three major types of national seed industry formation enterprises of crops, domestic animal and fowl genetic resources, and aquatic germplasm resources by the Ministry of Agriculture and Rural Affairs. As the only professional platform enterprise, the company was also recommended to the first tier of anti-counterfeiting and rights-protection organisations and institutions in China's seed industry by the Ministry of Agriculture and Rural Affairs. The company's testing service and project management capabilities were authorised and certified through the CMA, CASL, CATL and CMMI3 accreditation.



NEW-TYPE URBANISATION

In the new-type urbanisation segment, we have positioned ourselves as the builders of smart cities. We continue to implement China's regional development strategies, providing smart-city solutions with integrated capabilities in engineering contracting, urban operations, property development and management.

MAJOR SUBSIDIARIES



CITIC Construction

is a leading international engineering contracting services provider.



CITIC Environment

is a specialised investment and operational platform for environmental protection.



CITIC Industrial Investment

is a capital operations platform and manages businesses including healthcare, logistics and infrastructure.



CITIC Offshore Helicopter

is a leading general aviation company in China.



CITIC Pacific Properties

focuses on investing, developing, operating and managing 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

+1%

2022 57,060

2021 56,366

TOTAL ASSETS

HK\$ million

+5%

2022 371,368

2021 352,488

**PROFIT ATTRIBUTABLE TO
ORDINARY SHAREHOLDERS**

HK\$ million

-73%

2022 2,095

2021 7,810

CAPITAL EXPENDITURE

HK\$ million

-62%

2022 4,571

2021 12,020

In 2022, the new-type urbanisation segment achieved profit attributable to ordinary shareholders of HKD2.1 billion, a decrease of 73% compared to the previous year. The operating profit decreased by 8% year-on-year if excluding the impact of the provisions on CITIC Envirotech's goodwill and other engineering projects. The property development, operation and management companies saw a 34% year-on-year increase in total revenue. Profits were mainly realised from the delivery of projects including Harbour City in Guangzhou, Nove Mansion in Shanghai, City Paramount in Yangzhou, Fenghua Industrial Complex in Ningbo and Lushan Courtyard in Chengdu, effectively offsetting the decrease in profit sharing from our interests in China Overseas Land and Investment. The construction and urban operation companies recorded an 3% drop in total revenue.



CONSTRUCTION AND URBAN OPERATION

CITIC Construction is a well-known global integrated engineering service provider, with the top A+ qualification for general contracting of housing construction in China and the National High-Tech Enterprises Certification. The company engages in the construction of housing, infrastructure, and industrial facilities, and proactively seeks further development in areas such as agriculture, ecological management, resources, and energy. In its overseas market that covers nearly 20 countries or regions, it focuses on promoting win-win cooperation with countries along the “Belt and Road” and expanded third-party markets with renowned companies in the United Kingdom, Japan, South Korea, Singapore and other countries. The company’s domestic business is mainly concentrated in key national development regions such as the Jingjinji Metropolitan Region, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the Chengdu-Chongqing Economic Circle, the Hainan Free Trade Zone and the Yellow River Basin for Ecological Protection and High-Quality Development. The company has completed several large-scale urban-industry integrated public-private partnership (PPP) projects to build a brand of central enterprises in the field of new urbanisation.

Tapping into CITIC’s extensive resources and network, CITIC Construction provided clients with comprehensive services for the entire industry chain in addition to engineering contracting services, including project planning, design, investment, financing, construction and operation. These supporting services are crucial for projects to achieve expected revenues.

Through the successful delivery of large-scale livelihood projects important to the communities in which it operates, CITIC Construction has established a strong brand image and reputation over the years. It is widely regarded today as a highly successful Chinese engineering contracting enterprise within the industry. CITIC Construction has achieved top rankings among the Global Top 250 International Contractors by Engineering News-Record (ENR) of the United States for many years. In 2022, CITIC Construction was awarded the “Leading Enterprise in Social Responsibility” by China International Contractors Association, which was widely recognised by the industry.

Year in Review

In 2022, CITIC Construction recorded revenue of RMB23,987 million, an increase of 10% over the same period last year, with the profit attributable to shareholders of RMB1,086 million.

In 2022, in the face of unfavorable factors such as recurrent pandemic outbreaks and sluggish global economic recovery, CITIC Construction forged ahead amid difficulties. It took the initiative to deeply integrate into the national regional development strategy and promoted the high-quality development of “Belt and Road”, thereby winning new markets, entering new fields and achieving goals.

The company consolidated its capability for the development pattern of “dual circulation” by building new-type urbanisation prototype projects. With a focus on PPP industrial parks, we facilitated the quality promotion and upgrade of new-type urbanisation. We innovated by implementing the new mode of “PPP+special bonds” to

improve financing channels and facilitate the deep involvement of investment funds and venture capital, thereby forming a closed-loop industry and capital chain to establish CITIC's national benchmark projects in the domestic PPP field. The Chongli Prince Ice Town Project was completed and delivered with high-quality results, marking the company's own contribution to the hosting of the Winter Olympics. The water reclamation plant, the first sub-project under the Yellow River Strategic Jinan International Ecoport PPP Project, successfully entered operation. The Chuda Highway Project opened to passenger traffic ahead of schedule. Domestic large-scale and key projects, such as Linkong Economic Zone in Ziyang, Nanjing Science and Innovation Centre, Yangtze River New Town in Wuhan, CITIC Financial Centre in Shenzhen, and Linqing Highway, remained on schedule while maintaining quality standards.

CITIC Construction also expanded and consolidated the promotion of the Belt and Road Initiative, with its overseas business excelling in both quantity and quality. The company accurately responded to economic and social development concerns of host countries. We served national interests, including economic and trade cooperation as well as economic diplomacy by fully leveraging bilateral and multilateral cooperation mechanisms, expanding our presence in traditionally advantageous markets and tapping into markets in new countries. Upholding our commitment to contract agreements, the company polished the CITIC brand with a number of practical and relevant signature projects that drew hearts and minds close. 1 and 2 of the gas turbine generators of the Missan power plant project in southeastern Iraqi city Amarah were put into full operation, with the Iraqi Prime Minister, who attended the commissioning ceremony, highly praising the project as a new benchmark for cooperation between China and Iraq. In addition, all 31,000 housing units of the RED project in Angola were delivered to the local government, marking a successful conclusion.

The company integrated domestic and foreign markets by rapidly developing the industrial chain in the agricultural sector and establishing advantageous market niches. We actively participated in the domestic and international grain industry supply chain and created the "Going Global" agricultural branding of state-owned enterprises, rapidly developing the industrial chain in the agricultural sector. We successfully completed and commenced the operation of the Alashankou border trade project, and signed contracts for several cattle breeding base construction projects in Kashgar. In line with national policy, we also participated in targeted sales of feed grains, successfully bidding for over 2.4 million tonnes of feed grains. In cooperation with Japan's Itochu and Singapore's Surbana Jurong Group, we are jointly promoting the construction of Hainan's fishing ports and fishing port economic zones, as well as investing deeply in overseas regions endowed with agricultural resources, exploring agricultural infrastructure projects in Southeast Asia, and participating in international cooperation in the grain industry supply chain.

CITIC Construction is exploring new markets and sectors. The company further advanced international production capacity cooperation in overseas markets, for example by signing a contract for a Water Supply Project beyond the building lines in Lobito, Angola, the Kamoia Phase III Site Formation Project in the Democratic Republic of the Congo and the Phongsali Phase I Development Alternative Demonstration Project in Laos. The company also signed new cooperation agreements for a 20,000-unit Social Housing Project in Riyadh, Saudi Arabia, and a Potash Mixed-use Project in M'Pondwe, the Republic of the Congo. In the domestic market, the company recently signed a PPP Project contract for Ancillary Public Services in the Sino-Japanese Ecological City in Jinpu New Area, Dalian, and a Phase II Infrastructure Ancillary Project for the New Japanese Industrial Park in Dalian. The company also won the bid for an affordable rental housing project in Wuhan. New contracts signed throughout the year amounted to RMB15.711 billion.

Major Projects



TKU NATIONAL EXPRESSWAY UPGRADE, KAZAKHSTAN

Contract value:

US\$936 million

Contract period:

73.5 months

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 7,637km in length.

Progress as of the end of 2022: The roadbed for the project's main line has been completed and 666km of base course surface has opened to traffic, accounting for 87% of the entire length.



KB EXPRESSWAY UPGRADE, KAZAKHSTAN

Contract value:

US\$669 million

Contract period:

56 months

General information: The Karagandy to Balkhash road (1492.4-1855km) upgrade is 362.6km in length. After work is completed, the expressway will be qualified with I-b grade conditions, having four lanes in total and a speed limit of 120km/h.

Progress as of the end of 2022: 96% of the roadbed has been completed and 491km of base course (single carriageway) has been completed, representing 68% of its entire length. The entire road is essentially opened to traffic unfettered.



EAST SECTION OF THE 84KM EAST-WEST HIGHWAY, ALGERIA

Contract value:

Approximately US\$680 million

Contract period:

53.5 months

General information: The project stretches from the interchange of Dréan in southern Annaba to the Tunisian border in the east, including nine interchanges. The highway will be 84km long.

Progress as of the end of 2022: The roadbed construction, road surface work, transportation, and drainage work of the project have been completed by 99.99%, 91.23%, 68.86% and 83.25%, respectively, and the 52km priority section is well positioned for opening.



SUNSURIA HEADQUARTERS, MALAYSIA

Contract value:
MYR489 million

Contract period:
36 months

General information: Located in Shah Alam, Selangor Darul Ehsan, Malaysia, the project is the construction of the second phase of Sunsuria headquarters, which is a commercial and residential complex with a total GFA of about 330,000m². It consists of 3 towers, including a 31-storey office tower, a 33-storey SOHO tower and a 41-storey apartment building, which are connected by a 9-storey podium.

Progress as of the end of 2022: The SOHO tower (total 42 floors) has been structurally capped with 50% of decoration and 40% of electromechanical work completed; the structural construction of 32 floors of the apartment tower (total 50 floors) has been completed with 20% of decoration and 30% of electromechanical work completed; the structural construction of three floors of the office building (total 40 floors) has been completed.



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

Contract value:
RMB7.466 billion

Contract period:
The construction periods are calculated separately for each road.

General information: Located in the city of Ziyang, Sichuan province, the initial five roads being constructed in this project include Chengzi Avenue, Sanxian Road, Zonger Road, Zongsan Road and Zongsi Road. The completed project will have a total length of approximately 38.9km.

Progress as of the end of 2022: The project completed phased acceptance and handover of its five sub-projects (except the rejection project) before 30 September 2022.



CHUDA HIGHWAY EXPANSION PROJECT, YUNNAN PROVINCE, CHINA

Contract value:
RMB9.294 billion

Contract period:
48 months

General information: The construction stretches 43.329 km in length. Located in Yaoan County of Chuxiong State, Yunnan Province, the highway passes through four towns—Qianchang, Dongchuan, Guantun and Dahekou, with the beginning mileage and the ending mileage being K176+307.727~K219+637. The project is constructed according to highway standards with six lanes and a speed limit of 100km/h.

Progress as of the end of 2022: Civil engineering, traffic safety and housing construction on the main line were completed on 30 March 2022, and opened to traffic on 31 March 2022.



WUHAN CHANGJIANG NEW TOWN PROJECT, WUHAN, CHINA

Contract value:
RMB3.924 billion

Contract period:
1,033 days

General information: This project consists of Chenjiaji Avenue and New District Avenue, with the total length of the Chenjiaji Avenue being about 4.7km. The comprehensive pipe gallery project is 9,061.59m, and the tunnel project is 2,200m; the total lengths of the New District Avenue and comprehensive pipe gallery project are 3.97km and 2.42km respectively.

Progress as of the end of 2022: Phased progress has been made in the construction of the main structure of tunnels and pipe corridors. In respect of Chenjiaji Avenue Project, the guideway of Xingsheng Road has been completed; the monitoring centre project has started construction; and the Yangtze River Pearl Green Belt contaminated soil restoration project has passed inspection.



JINAN ECOLOGICAL PORT PROJECT

Contract value:
RMB6.032 billion

Contract period:
60 months

General information: This project is located within 22km² of Jinan International Merchants Industrial Park, with 308 National Highway in the north, Xiaoqing River in the south, Jiaxuan West Road in the west and Linkong East Road in the east. The scope of work consists of the Aerospace Avenue Project, Aerospace Avenue Comprehensive Pipe Gallery Project, Tianji Road Project, Tianji Road Comprehensive Pipe Gallery Project, Jiangxu Road Comprehensive Upgrade Project, Comprehensive Sewage Treatment Plant and High-end Equipment Industry National Lab, etc.

Progress as of the end of 2022: The processing equipment of the comprehensive sewage treatment plant has been put into use, and the overall project has entered the final stage of completion; construction of the main structure of the 2.4km comprehensive pipe gallery on Hangtian Avenue has been completed, and the construction of the 2.2km sewage pipeline and rainwater pipeline has been completed; the main body of the 1.0km comprehensive pipe gallery construction on Tianji Road has been completed; 2.6km of rainwater pipelines and 2.34km of industrial sewage started construction; on Jiangxu Road, 2.5km of power passages and supporting pipelines on Jiangxu Road have been completed, and the construction of 1.5km road foundation has started.

CITIC Engineering is a leading innovative technological engineering company in China, focusing mainly on new forms of infrastructure, urbanisation and ecology. It provides integrated and digital services throughout the whole project lifecycle, from planning, consultation, survey and design, investment and financing and EPC, to operation management. The company is based in Wuhan, with operations spanning China, and has established two well-known domestic design and research institutes: Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd (CSMEDI) and CITIC General Institute of Architecture Design and Research Co., Ltd (CADR). In October 2022, CITIC Limited completed the streamlining of the environmental protection business, and CITIC Engineering became a wholly-owned subsidiary of CITIC Environment.

With the promotion of “nationalisation” and “digitisation” strategies, CITIC Engineering has become an industry leader. The company has been ranked among the “Top 100 Enterprises in Hubei Province 2022” and the “Top 100 Service Enterprises in Hubei Province 2022”. Central and Southern China Municipal Engineering Design and Research Institute ranked in the top tier of China’s municipal engineering design industry for its comprehensive capabilities. CITIC General Institute of Architecture Design and Research continued to be listed as one of the “Top 60 Engineering Design Companies in China” by global construction industry authority Engineering News-Record (ENR). It has received this accolade for many years running and was awarded the title “17th National Advanced Unit for Staff Professional Ethics in Construction”.

CITIC Engineering achieved significant results in digital transformation. Phase I of a major building information modelling (BIM) project of the Ministry of Industry and Information Technology (MIIT) has successfully passed inspections. CITIC Engineering, as a core member of the alliance, won the bid for Phase II of the major BIM project of MIIT. The Phase II project has great significance for maximising achievements under Phase I of the MIIT project by continuously enhancing the overall digitisation capabilities and influence of CITIC. CITIC Intelligent Construction Platform was successfully piloted in several projects, achieving favourable economic and social benefits. It was selected as part of the first batch of Cases of Innovative Services for Intelligent Construction by the Ministry of Housing and Urban-Rural Development. It was also included in the MIIT list for 2022 Pilot Demonstration Projects to Integrate New-generation Information Technology and the Manufacturing Industry (Specialised Industrial Internet Platform). The company has also won bids for a number of digital projects, including an urban smart parking construction project in Qin’an County, Tianshui, Gansu; the renovation and improvement of public testing facilities for Intelligent Connected Vehicle Roads in Xiangyang, Hubei; and the smart control service project for rural domestic sewage treatment in Jiaozhou, Shandong.

2022 was a fruitful year for CITIC Engineering in technological innovation. It launched 135 scientific research projects, among which five were national projects; it obtained 192 authorised patents, including 13 invention patents; it edited and co-edited a set of over 164 standards and specifications, among which 27 were national level. The company was nominated for an award under the FIDIC Global Project Award 2022. It also won one award under the 2022 National Municipal Engineering Top Quality Evaluation, 15 awards under the 2022 National Excellent City Planning Design Awards recommended by the Hubei Association of City Planning, and two awards under the 15th China Steel Construction Awards (Gold).

CITIC Engineering adhered to national strategic goals for making its unique contributions, in particular, the Cybersecurity Institute+Innovative Industrial Centre, the first and only national cybersecurity talent and innovation base project, was completed and put into operation; Phase I of the Wuhan water and sludge treatment project, the largest centralized treatment plant of sludge in rainwater pipes, was completed and put into operation; the Hubei Chibi Yangtze River water intake works, an important livelihood engineering project involving drinking water safety of 530,000 residents, went fully into service; and the construction of the first national reclaimed water supply plant, Jiangdong New District Quality Drinking Water Plant Project in Haikou City, Hainan, advanced vigorously.

Major Projects



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

Contract value:
RMB8.62 billion

Contract time
November 2018

Contract period
36 months

Commencement of construction
July 2017

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 and an international talent community project with "new city" infrastructure and facilities in the airport area.

Progress as of the end of 2022: The project has been completed.



THE CLEAN WATER PROJECT IN JIANGXIA DISTRICT, WUHAN, CHINA

Contract value
RMB5.110 billion
(Phase I: RMB982 million
Phase II: RMB687 million
Phase III: RMB2.765 billion)

Contract time
October 2016

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

General information This comprehensive project provides systematic integrated solutions for regional water bodies and is the third batch of national PPP demonstration projects. The project involves a range of water-related processes, including sewage collection and treatment, flood control and drainage, water supply, the treatment of water from lakes and rivers, creation of water environments, 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.

Progress as of the end of 2022: 95% of Phase I, 100% of Phase II, 81% of Phase III



WUHAN OPTICS VALLEY CULTURAL CENTRE PROJECT

Contract value:
RMB1.699 billion

Contract time
December 2022

Contract period
20 months

Commencement of construction
January 2023

General information The project comprises an international communication centre, a library, an art gallery and a youth activity centre. Its total land area is 6.33 hectares and GFA is 264,000m². Once completed, it will become a new cultural and business landmark of the Optics Valley in Wuhan.

Progress as of the end of 2022: 14% of the project has been completed.



NEW CONSTRUCTION OF XIAOHONGSHAN SCIENTIFIC TOWN, WUHAN, CHINA

Contract value:
RMB1.224 billion

Contract time
October 2021

Contract period
36 months

Commencement of construction
September 2021

General information This project occupies 4.07 hectares of land with a total GFA of 150,000m². Xiaohongshan Scientific Town will be developed into a leading area for life and health, and information technology industries in central China, a demonstration base for China's scientific and technological achievements and transformations, a cutting-edge technology exchange and release centre, and an innovative technology-sharing experiential park.

Progress as of the end of 2022: 10% of the project has been completed.



PHASE II SHENZHEN FUTIAN WATER PURIFICATION PLANT PROJECT

Contract value:
RMB1.976 billion

Contract time
December 2022

Contract period
37 months

Commencement of construction
January 2023

General information This project is Asia's largest double-layer semi-underground water purification plant with a daily sewage treatment capacity of 400,000 tonnes. It will be built as a new urban landmark integrating science popularisation for ecology, sports and leisure, and a photogenic spot for social media.

Progress as of the end of 2022: 16% of the project has been completed.



QUALITY AND EFFICIENCY IMPROVEMENT PROJECT OF SEWAGE TREATMENT, YUNXIAO COUNTY, ZHANGZHOU, FUJIAN

Contract value:
RMB1.330 billion

Contract time
November 2022

Contract period
36 months

Commencement of construction
November 2022

General information This project includes a sewage treatment plant, a sewage pipe network project, a river ecological restoration project and smart waterworks. It will be built into a "resource-saving, smart and efficient" sewage collection and treatment system with "advanced standards and complete functions" that can achieve full coverage, collection and processing of the sewage pipe network.

Progress as of the end of 2022: 12% of the project has been completed.



BEIJIAN PARK WATER PURIFICATION PROJECT, WUXI, CHINA

Contract value:
RMB1.008 billion

Contract time
March 2022

Contract period
24 months

Commencement of construction
May 2022

General information This project is Wuxi's first underground water purification plant with a daily sewage treatment capacity of 150,000 tonnes. It will be built as a domestic demonstration benchmark for submerged water purification where sewage treatment facilities are underground with a wetland park above ground.

Progress as of the end of 2022: 55% of the project has been completed.



PHASE I JIANGBEI RECLAIMED WATER PLANT, NINGBO, CHINA

Contract value:
RMB964 million

Contract time
May 2020

Contract period
31 months

Commencement of construction
May 2020

General information Located in Jiangbei District, Ningbo, this plant is designed to purify 150,000 tonnes of wastewater per day. Unlike traditional sewage plants, this plant adopts a fully buried main structure. The top floor is being developed for an industrial park, while the bottom floor serves as a treatment structure and operational layer. It will be built into a new type of modern water reclamation plant.

Progress as of the end of 2022: 98% of the project has been completed.

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 processing and disposal, and energy-saving services.

CITIC Environment conducts the water treatment business via its subsidiary CITIC Envirotech. At the end of 2022, CITIC Envirotech had over 70 operating units, with more than 100 water plants in operation, achieving an average daily water treatment capacity of over 2 million tonnes, including industrial wastewater, municipal wastewater and water supply projects. Additionally, CITIC's subsidiary Memstar is one of the few leading global membrane technology manufacturers and suppliers, which possesses full-spectrum capabilities in the R&D, production, and application of membrane products including Microfiltration (MF), Ultrafiltration (UF), Nanofiltration (NF) and Reverse Osmosis (RO) membranes. Memstar focuses on deploying its technology for large-scale municipal wastewater treatment, industrial wastewater treatment and reuse, seawater desalination pre-treatment, tap water processing, and other fields to continuously expand market share. In its circular economy business, CITIC Envirotech endeavours to reduce carbon emissions and boost local economic growth. The Shantou Chaonan Textile, Printing and Dyeing Industrial Park Project initiated a six-dimensional business model that integrates multiple technologies to boost profits. On a provincial and ministerial level, the industrial park was recognised as a National Third-Party Environmental Governance Test Site. It was also recognised as a successful model of pollution and carbon emission reduction in the "Belt and Road Initiative" by the Ministry of Ecology and Environment, as well as a demonstration base for China Textile, Printing and Dyeing Circular Economy Park. Major construction projects came into operation in 2022, including the Lanzhou Qilihe Anning Wastewater Plant Upgrading Project, the largest full-scale underground membrane bioreactor (MBR) wastewater plant in the northwest of China; Kazakhstan's KBM Oilfield Water Treatment and Recycling Project, one of the 55 key "Belt and Road Initiative" projects between China and Kazakhstan; and the Jinan International Ecoport Project, a Yellow River Basin ecological conservation strategic project. In key business expansion, CITIC Envirotech won a strategically important bid for Memstar's first steel project, Baowu Water UF centralised procurement project; the company won the bid for the Wuhan Holding UF centralised procurement project, which plays an important role in Memstar's marketing in the country's central region; it also won the Xinhui Guanhua bid for operation and maintenance (O&M) of its printing and dyeing park, the first comprehensive industrial O&M project of CITIC Envirotech, all of which promote the high quality, asset-light operational development of the company.

Regarding hazardous waste disposal, CITIC Envirotech has built and invested in seven projects in Xinjiang, Shandong, Jiangsu, Hainan, and other locations, with a processing design capacity of over 0.9 million tonnes per year. More than half of these projects have come into service.

Regarding solid waste disposal, Sanfeng Environment, of which an 11.08% equity interest is held by CITIC Environment, was listed on the Main Board of the Shanghai Stock Exchange in June 2020, with the company's growth exceeding expectations. Excluding one-time subsidies, its net profit achieved 1,139 billion grew by 18.89% in 2022 compared with a year earlier. It ranked in third place among the main board's listed companies in the environmental protection segment in terms of net profit. Its core equipment and technology have been applied in eight countries, and in Hong Kong and Macau, with a total domestic waste treatment capacity of over 200,000 tonnes per day, ranking at the forefront of the industry. Sanfeng Environment has been awarded one of the "Global Top 500 New Energy Enterprises" for the third consecutive year since 2020 and was named one of China's "Top 10 Most Influential Enterprises in the Solid Waste Disposal Industry" for the sixth consecutive year.

In energy-saving services, the subsidiary CITIC Energy Saving Technology Co., Ltd actively explored the business of clean energy based on prudent investment in industrial energy-saving projects. CITIC Energy Saving Technology has also established a business collaboration with Zhuzhou CRRC Times Electric Co., Ltd, a subsidiary of CRRC Group Co., Ltd. The companies are jointly investing in the construction and operation of the “Solar Energy Storage and Charging” integrated project under the Energy Management Contract (EMC) model, and exploring the independent and large-scale power supply under the networking mode. The combination of power grid technology and the new model of power grid marketing, operation and management under this new energy micro-grid networking mode forms an efficient and integrated Distributed Energy System (DES).

Infrastructure: CITIC Limited invests in and manages ports and port terminals as well as regional development in China through CITIC Industrial Investment. CITIC Limited also has an interest in the Western Harbour Tunnel in Hong Kong.

The port and terminal business mainly focuses on investment in and 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 a combined handling capacity of about 32 million tonnes and a storage capacity of about 1.32 million cubic metres of liquefied petroleum. In the future, CITIC Industrial Investment intends to focus on liquefied petroleum from its base in Ningbo, accelerate the construction of liquefied petroleum terminal and storage projects, and expand into integrated logistics services in order to become an integrated logistics and warehousing service provider of liquid chemicals with distinctive advantages and influence in the domestic market.

Project	Ownership	Designed handling capacity/ storage capacity
Port storage		
Xinrun Petrochemical Storage and Transport	90%	6 million tonnes/600,000m ³
PetroChina Fuel Oil Port	51%	12 million tonnes
Guanwai Liquefied Products Port	51%	1.8 million tonnes
Xinyuan Port	51%	7.2 million tonnes
Xinhai Oil Terminal	30%	720,000m 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

The regional development business refers to the Xidian New Town Project in Ningbo, with construction involving reclamation engineering, land consolidation, urban infrastructure and supporting projects such as water engineering and green land development, with a planned land area for development of approximately 6,480 mu, and a gross construction area of approximately 4 million square metres. In 2022, CITIC Xidian completed 107 hectares of reclamation works and renewal of land certificate after acceptance of the project. The New Town area is included in the new round of urban development to lay a solid foundation for further development. During

the year, an additional 317mu of land expropriation and 110mu of vacated land reserve transformation were completed. The company completed the central landscape belt which has opened to the public and commenced the construction of the main trunk and other complementary municipal facilities and amenities in the New Town, leading to continuous improvement in Xidian New Town's brand value and influence.

Healthcare: CITIC Limited operates and manages healthcare business through CITIC Pacific and CITIC Industrial Elderly Care.

CITIC Pacific mainly engages in medical and elderly care services, as well as medical equipment distribution. The medical services business comprises four hospitals with approximately 1,200 beds including Jiangyin Lingang Hospital, as well as Hangzhou Chengdong Hospital, Shaoxing Chengdong Hospital and Shaoxing Shangyu Third Hospital, which are operated via Hong'en Medical Group. Of these, Jiangyin Lingang Hospital was acquired by CITIC Pacific in 2018 and is located centrally in Lingang Economic Development Zone of Jiangyin in Jiangsu Province. Since the acquisition, the hospital has rapidly improved its treatment and services with the introduction of experts and upgrading of equipment, and it has been elevated to a Grade II Level A general hospital. The hospital is constructing a new wing with 650 beds, which will be built as a Grade III general hospital. The new hospital wing is well under construction and is expected to be put into use by the end of 2024. In 2022, Hangzhou Chengdong Hospital, which is managed by Hong'en Medical Group, has established a co-construction and co-operation relationship with the cardiology department of Sir Run Run Shaw Hospital, affiliated with the Zhejiang University School of Medicine, further enhancing its operational standard and local medical influence.



CITIC Pacific has extended its elderly care business to Jiangyin, Zhenjiang, Yancheng and Fuzhou. With a total of 887 elderly care/nursing care beds in five elderly care homes and three nursing institutions, it also provides community care and home-based elderly care services to approximately 43,400 households through various methods. In 2022, all of its elderly care homes were awarded Star Rating in Wuxi, and its overall quality and standard of elderly care services were highly recognised by the local civil administration and health care authorities. It actively promotes a business model of integrating medical and elderly care with its rich medical resources, providing diversified services including nursing home operations, home-based long-term elderly care insurance service' medical home care services as well as intensive and basic in-home care for seniors.

Haoan Health and Shanghai Youhe Medical, both subsidiaries of CITIC Pacific, provide medical equipment and consumables sales and services across the country, mainly focusing on the Jiangsu, Zhejiang and Shanghai markets. Notably, Haoan Health has been deeply involved in the Zhejiang Province market for a long time. At present, it provides high-quality medical device solutions for nearly 400 hospitals in Zhejiang Province in the fields of gastroenterology, urology, neurology and neurosurgery, covering more than 10,000 device varieties under more than 20 major categories, and maintains a leading position in the medical device sales service industry in Zhejiang Province. In 2022, with the acquisition of Shanghai Youhe Medical, the scale of CITIC Pacific's medical device business expanded, and its business footprint spread across four major markets in Shanghai, Jiangsu, Zhejiang and Henan, as well as multiple medical-centre-cities in South China, Southwest China and North China. It has cooperated with more than 700 medical institutions to provide professional solutions for clinical intervention, diagnosis and treatment in the fields of gastroenterology, respiratory and thoracic surgery. Its products mainly comprise medical equipment, with more than 30 high-quality domestic and foreign product lines.

CITIC Industrial Elderly Care mainly develops its existing business in core cities in the Yangtze River Delta and strategically deploys its business in Shanghai and Hangzhou. Its projects include Suburban CCRCs (Continuous Care Retirement Communities), urban comprehensive elderly care projects and chain elderly care centres. It has invested in and operates eight projects with 3,300 beds in total.

Adhering to China's strategy for integrated development of the Yangtze River Delta, CITIC Industrial Elderly Care will focus on the market-oriented and high-quality chain institutional elderly care service business that integrates medical and elderly care resources, with expansion through self-built operations and M&A. It strives to become an elderly care investment and operational enterprise with distinctive features, first-class capabilities and leading scale in China.



General Aviation: As a leading company in the aviation industry, CITIC Offshore Helicopter (COHC) operates a full-service general aviation business with comprehensive capabilities and is the first and only mainboard-listed company in the general aviation industry in China (000099.SZ). COHC's range of offshore and onshore services spans offshore oil air services, air emergency rescue, aircraft maintenance, port navigation-support, offshore wind power, and drone operation. In 2022, COHC served as the medical helicopter rescue team for the Winter Olympic Games and the Winter Paralympic Games in the alpine skiing area, successfully completing helicopter rescue and aerial photography missions for both events.

Headquartered in Shenzhen, Guangdong Province, COHC owns four heliports in Shenzhen, Hainan, Tianjin, and Zhanjiang. Its bases and take-off and landing points form a network covering all provinces, municipalities, and autonomous regions within the country, except Tibet, and overseas in areas such as the North and South Poles and Myanmar. COHC also has the largest civil helicopter fleet in Asia and operates 86 helicopters comprising 15 world-class helicopter models as of the end of 2022. During the year, COHC maintained its leading market share in offshore oil helicopter flight services. It is the only provider of helicopter pilots to ports across the country, and the only supplier of helicopters for China's national arctic scientific expeditions. COHC is also the only general aviation company that engages in offshore oil flights service overseas.



PROPERTY DEVELOPMENT, OPERATION & MANAGEMENT

CITIC Pacific Properties, positioned as a developer and manager of premier properties, is focused on mixed-use, commercial and residential projects with operations that extend across the commercial lifecycle to include investment, project development, marketing and property management. It currently owns and manages properties in key cities in the Yangtze River Delta, the Greater Bay Area, the Yangtze River Economic Belt, and the Bohai Rim Economic Circle.

During the period, CITIC Pacific Properties successfully delivered high-quality projects in mainland China, such as the Curtilage in Chongming Island, Shanghai; parts of Harbour City and of Optics Valley Innovation Tiandi in Wuhan; as well as City Paramount and Brocade Garden in Yangzhou; all of which received recognition from the market.

Overcoming market pressures, CITIC Pacific Properties achieved significant breakthroughs in block trades of several key commercial projects, including Harbour City in Wuhan, Shanghai T Center and Suzhou T Center.

In 2022, CITIC Pacific Properties acquired three new projects in Guangzhou, Suzhou and Jinan. As of the end of 2022, CITIC Pacific Properties had a land reserve in mainland China of approximately 6.34 million square meters in terms of planned aboveground gross floor area, of which, the area of its equity interest accounted for approximately 4.75 million square metres, setting a new record high.

CITIC Pacific Properties maintained stable operations in the management of existing assets. After renovation, CITIC Square successfully introduced a number of inaugural brand name stores in Shanghai and even to China as a whole. Shanghai Harbour City obtained great success in the creation and building a popular city landmark in terms of culture, art and events. In addition, Shanghai T Center and Dream Gala Shopping Center, both of which are still in preparatory stages, and made remarkable achievements in merchant recruitment.



In Hong Kong, the superstructure construction of Jardine's Lookout project, a high-end residential project at Tai Hang Road with a total gross floor area of about 12,000 square metres, commenced at the end of 2022. During the year, it won the government land tender for a residential development at Lai Kong Street, Kwai Chung with a total consideration of HK\$1.1 billion. The land survey was carried out as soon as the site was taken possession in December. The project to be developed into a high quality residential development has a total gross floor area of about 23,000 square metres including a public transport terminus and government accommodation. The Discovery Bay development is a 50-50 joint-venture between CITIC Pacific and HKR International. The residential development with a total gross floor area of about 124,000 square metres in the northern part of Discovery Bay is underway in phases. The foundation work of the first Phase 19 with a total gross floor area of about 44,000 square metres is in progress. The existing residential projects for sale are Poggibonsi and IL PICCO comprising 196 residential units and 21 garden houses respectively. At the end of 2022, a total of 189 units and 7 houses were sold. Despite the continuing impact of the pandemic on the leasing market

in 2022, the average occupancy rate of its investment portfolio remained at approximately 92%. During the year, the upgrading refurbishment of the common areas and facilities of CITIC Tower in Hong Kong was completed, whereby an intelligent lift control system and lift lobby access system were activated to enhance office security and environmental health, improving its competitiveness in the leasing market.

CITIC Urban Development & Operation continued to work on its key development projects in 2022. Steady progress has been made in the construction of supporting public facilities of the urban development project in CITIC Coastal City in Shantou. The Shantou Bay Tunnel, which was under construction for eight years, commenced operation, making it the third cross-harbour tunnel in Shantou. The tunnel can guarantee smooth traffic flow around the clock in the inner bay and contribute CITIC's expertise to world-class super projects. The third phase of the Ningbo Fenghua innovation industrial complex project was able to achieve contracting of all expropriation units according to plan, with the project expropriation rate reaching 100%. CITIC Yungu Industrial Park, constructed in the innovative industrial complex, successfully completed project delivery of two industrial factory units to purchasers, establishing a positive project image and reputation. More than 50 enterprises have already expressed the intention to settle in the site.

Key Development Projects

by CITIC Pacific Properties



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, residential

Shanghai Harbour City is located on the south shore of the Huangpu River in Shanghai. The project is an urban complex consisting of various property components, including eight high-end office buildings, a five-star hotel and serviced apartments, luxury residences, and recreational and commercial facilities.

Seven out of the eight office buildings in this project have been sold and delivered respectively to China Construction Bank, the Agricultural Bank of China, United Overseas Bank, China Industrial Bank, Shanghai HY Investments Company, China Life and ICBC. One office building is self-held and operated by CITIC. Mandarin Oriental Hotel and serviced apartments within this project as well as all retail and office segments have been put into operation, creating a new artistic, cultural and commercial landmark in Shanghai. In 2022, Nove Mansion Phase III, the residential part of Shanghai Harbour City, was delivered in full.



T Center, Shanghai (100% owned)

Site area:	60,335m ²
Gross floor area:	229,372m ²
Use:	Office, retail

Located in the western part of Shanghai, this office and retail development is an integrated project with a combination of structures, including high-rise office towers, street level retail shops, and an underground shopping arcade in the subway station below. This project has entered the final stage of construction and its completion filings are underway. The project has achieved remarkable results in recruiting commercial tenants.



Harbour City, Guangzhou, Guangdong province (50% owned)

Site area:	181,700m²
Gross floor area:	1,205,100m²
Use:	Office, residential, hotel, retail

The project is located in the key riverfront area of Liwan District, Guangzhou, with a rare first-class view of the Pearl River. It will be developed into an international harbour city consisting of residential, retail and office properties. After completion, the project will become a new landmark for cultural and recreational activities along the riverfront area of Guangzhou, and a new integrated urban centre where business and city life blend together. Phase I of the project is currently underway, with remaining lots in the preliminary planning, positioning and design stages.



Harbour City, Wuhan, Hubei province (85% owned)

Site area:	229,040m²
Gross floor area:	1,173,000m²
Use:	Office, residential, apartment, retail

This project is located between the first and second rings of Wuhan in the Riverside Commercial Zone of the CBD, which has the highest growth potential in the city. Six hundred metres of the project's east boundary opens onto the riverfront with uninterrupted scenic views and convenient transport. Construction is currently underway.



Optics Valley Innovation Tiandi, Wuhan, Hubei province (50% owned)

Site area:	353,800m²
Gross floor area:	1,197,400m²
Use:	Office, residential, apartment, retail

This large-scale mixed-use project is being co-developed with Shui On Group. It is located at the heart of the East Lake High-tech Development Zone in Wuhan. Construction is currently underway.



T Center, Nanjing, Jiangsu province (100% owned)

Site area:	31,200m ²
Gross floor area:	131,100m ²
Use:	Office, apartment, retail

This site will be developed into a 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 core, the area's geographical location and business environment is superb. Construction of the project is currently underway.



CBD Project, Jinan, Shandong province (50% owned)

Site area:	79,300m ²
Gross floor area:	355,900m ²
Use:	Office, retail, residential

The mixed-use project is jointly developed by the company and a state-owned enterprise in Jinan, Shandong province. It consists of T Center—a Grade A office building, and residential segments. The project is located in the CBD of Jinan, adjacent to its administrative center and high-tech district, and will be developed into a new landmark in the area. Construction of the project is currently underway.



Harbour City, Qingdao, Shandong province (80% owned)

Site area:	203,400m ²
Gross floor area:	380,100m ²
Use:	Office, residential, retail

The project is located in the waterfront area of Happy Marina City, the main district in the north of Qingdao, with premium marine resources and seaviews. The project is intended to be developed into a coastal city complex consisting of boutique residences, offices and retail properties.



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 rare view of Taihu Lake and access to convenient public transport. It will be developed into a mixed-use project with T Center and residential segments. Construction is currently underway.

by CITIC Urban Development & Operation



CITIC Coastal City, Shantou, Guangdong province

Project planning area:	Covering 168km ² of Haojiang District, Shantou
Project type:	Regional development project

The project is the largest integrated urban and regional development project since the establishment of the Shantou Special Economic Zone, and is a new type of urbanisation project jointly developed by CITIC Urban Development and Shantou Municipal Government. The cooperation includes the primary development and rehabilitation of land, the construction of infrastructure facilities such as a cross-harbour tunnel, municipal roads and others, the provision of ancillary public service facilities such as schools and hospitals, and the construction of large-scale venues including convention centres, museums and exhibition centres.



Fenghua Industrial Complex, Ningbo, Zhejiang province (90% owned)

Cooperation area:	Located in Fenghua District, Ningbo, with the cooperation area of about 1,230mu. The project is a demonstration project for urban renewal in the Yongjiang Science and Innovation Corridor in Ningbo.
Project type:	Regional development project

The project is being developed by CITIC Urban Development with a multi-faceted investment, financing and construction model that involves "land development+industry introduction+industry operation". The completed residential and commercial community and industrial park will be able to accommodate over 30,000 people to live and work, and has potential to become a model for new urbanisation in the Yangtze River Delta region.



Lushan Courtyard, Chengdu, Sichuan province (100% owned)

Site area:	84,260m ²
Gross floor area:	377,780m ²
Type:	High-rise residential, houses

The project is located in the Tianfu New Area of Chengdu, with superior regional strengths and surrounded by a full range of complementary facilities. High-rise residential units of the project have been successfully delivered, providing thousands of families with quality houses that are worthy of their trust.

Major Investment Properties

Property	Purpose	Ownership	Approx. gross area
CITIC Tower, Beijing	Office	100%	437,000m ²
Capital Mansion, Beijing	Office	100%	140,200m ²
CITIC Building, Beijing	Office	100%	62,200m ²
CITIC Square, Shanghai	Office and retail	100%	132,300m ²
CITIC Tower, Hong Kong	Office and retail	100%	52,000m ²



CITIC Tower, Beijing



Capital Mansion, Beijing



CITIC Building, Beijing



CITIC Square, Shanghai



CITIC Tower, Hong Kong

RISK MITIGATION THROUGH COLLABORATION BETWEEN FINANCIAL AND NON-FINANCIAL BUSINESSES

In 2022, the company further implemented the national policy requirement that the financial services industry serve the real economy and prevent and mitigate major risks, gave full play to the traditional advantages of diversified operations, and advanced collaborations to resolve potential risks and achieve practical results. CITIC Limited led its non-financial and financial subsidiaries to build a “joint fleet”, applying various operational models such as trust segregation, M&A and reorganisation, agency construction and management and escrow, and custody services. The company, while ensuring compliance with laws and regulations and without amplifying or spreading risks, fully utilised its expertise in property development to revitalise underlying assets and promote and implement a number of bailout projects in the property sector, effectively supporting local governments to “ensure the delivery of buildings and protect people’s livelihoods”. In addition to strengthening asset quality and safeguarding the interests of private shareholders, the company contributed a “CITIC solution” to support the stable development of the property market overall, and serve the real economy.

FINANCIAL REVIEW

Highlights

In 2022, despite the complex and severe internal and external environment, including the slowdown of global economic growth, the challenges to domestic economy with the superimposed impacts brought by repeated epidemics and the overlay of the “triple pressures”^{note}, the Group maintained a growth trend with its operating performance outperforming the market. In 2022, the Group achieved revenue of HK\$771,133 million, representing a year-on-year increase of 8.8%. Besides, the Group recorded profit attributable to ordinary shareholders of HK\$75,481 million, representing a year-on-year increase of 7.5%. Excluding the foreign translation impact of RMB depreciation, the revenue and profit attributable to ordinary shareholders of the Group recorded a year-on-year increase of 13% and 11%, respectively.

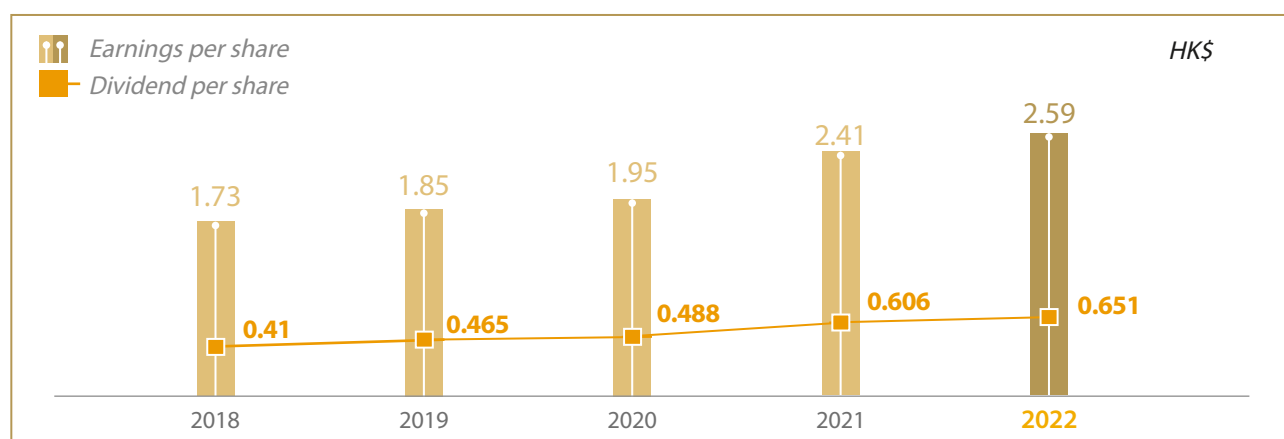
The **comprehensive financial services segment** recorded a year-on-year increase of 21% and 7.2% in revenue and profit attributable to ordinary shareholders, respectively. Among which, **CITIC Bank’s** revenue exceeded RMB210 billion, achieving a new record high again, and recorded a year-on-year increase of 12% in profit attributable to its shareholders, maintaining a double-digit growth. **CITIC Securities** further consolidated its leading position in the industry, ranking first in the global market for the first time in terms of equity underwriting scale, while maintaining its first position in the domestic industry in terms of revenue and net profit for seventeen consecutive years. **CITIC Trust** firmly promoted its innovative business, and its profit attributable to the parent company remained the second place in the industry. **CITIC-Prudential Life** maintained double-digit growth in premium income, keeping sufficient comprehensive and core solvency margin.

The **non-financial segments** recorded a year-on-year increase of 2.0% in revenue and a year-on-year decrease of 37% in profit attributable to ordinary shareholders. Among which, the **advanced intelligent manufacturing segment** expanded its overseas business landscape and constantly promoted scientific and technological innovation, with an increase in revenue of 26% in a declining market. The **advanced materials segment** actively supported the supply of resources and energy, remaining stable in revenue, with a decrease in net profit due to the decline in commodity prices. The operating performance of **new consumption segment** and **new-type urbanisation segment** were respectively affected by the slowdown in the sales of fuel vehicles and the downturn in the real estate industry, as well as the increase in provisions for certain assets, both recording a decrease in net profit.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK\$2.59 in 2022, an increase of 7.5% from HK\$2.41 in 2021. As at 31 December 2022, the number of outstanding ordinary shares was 29,090,262,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK\$0.451 per share to ordinary shareholders. Together with the interim dividend of HK\$0.20 per share paid in November 2022, the total ordinary dividend will be HK\$0.651 (2021: HK\$0.606 per share). This equates to an aggregate cash distribution of HK\$18,938 million.



^{Note} In 2021, the Central Economic Work Conference noted, “China is facing pressure on three fronts — shrinking demand, supply shocks and weakening expectations”.

Segment Results

Comprehensive Financial Services

HK\$ million	2022	2021	Increase/(Decrease)	
			Amount	Change
Revenue from external customers	310,135	256,760	53,375	21%
Net profit	101,399	78,193	23,206	30%
Profit attributable to ordinary shareholders	55,803	52,075	3,728	7.2%
Total assets	11,159,455	10,050,873	1,108,582	11%

In 2022, this segment achieved revenue of HK\$310,135 million, with a net profit of HK\$101,399 million and profit attributable to ordinary shareholders of HK\$55,803 million, up by 21%, 30% and 7.2% year-on-year, respectively.

CITIC Bank maintained stable and positive growth. It achieved revenue of RMB211,109 million for the year, up by 3.2% year-on-year, reaching a new historical high, with profit attributable to its shareholders of RMB62,103 million, up by 12% year-on-year, maintaining the double-digit growth. Both balances of deposits and loans exceeded RMB5 trillion, with the percentage of loans for inclusive finance, green credit and strategic emerging industries significantly increased. The asset quality has been improving, with the provision coverage ratio increased by 21.12 percentage points to 201.19%, hitting a new record high in eight years. The Non-Performing Loans (“NPL”) balance decreased by 3.3% to RMB65.2 billion and the NPL ratio declined 0.12 percentage point to 1.27%. Both the NPL balance and NPL ratio have decreased simultaneously for two consecutive years.

CITIC Trust innovative business had exceeded RMB1 trillion, representing a continuous rise in the scale and proportion. Against the sharp decline in overall performance of the trust industry, its revenue and net profit still ranked in the top tier of the industry. It achieved revenue of RMB6,438 million, representing a decrease of 25% year-on-year, ranking third in the industry. Its profit attributable to the parent company amounted to RMB3,012 million, representing a decrease of 14% year-on-year, ranking second in the industry and remaining constant from last year.

CITIC Securities was steadily building itself into a world-class investment bank. It has stepped up efforts in market expansion to maintain the leading position in the industry. Specifically, its equity underwriting scale ranked first for the first time globally, and the revenue from brokerage business, the scale of customer asset under custody, AUM, the balances of margin financing and securities lending and onshore bonds underwriting scale all ranked first in the domestic industry. As affected by the fluctuations in capital markets, CITIC Securities achieved revenue of RMB85,941 million^{note1} for the year, representing a decrease of 12% year-on-year. Its profit attributable to owners of the parent company amounted to RMB21,317 million, representing a decrease of 7.7% year-on-year. Both its revenue and net profit have ranked first in the industry for seventeen consecutive years.

CITIC-Prudential Life continued to implement a diversified and differentiated channel development strategy. It achieved premium income of RMB31,189 million^{note2} up by 16% year-on-year. Due to the impact of capital market fluctuations and the downward trend of long-term interest rates, profit attributable to the parent company decreased by 63% year-on-year to RMB1,076 million. CITIC-Prudential Life actively expanded the utilisation of insurance funds, increasing the investment in major infrastructure and construction projects for people's livelihood, with an increase in investment in real economy amounted to RMB9.3 billion for the year.

Note 1 CITIC Limited holds 18.45% equity interests of CITIC Securities and has consolidated its financial statements since 13 April 2022.

Note 2 CITIC-Prudential Life is a joint venture of CITIC Limited, which holds 50% equity interests, without consolidating its financial statements.

Advanced Intelligent Manufacturing

HK\$ million	2022	2021	Increase/(Decrease)	
			Amount	Change
Revenue from external customers	60,023	47,694	12,329	26%
Net profit	1,375	1,374	1	0.1%
Profit attributable to ordinary shareholders	618	632	(14)	(2.2%)
Total assets	65,999	67,326	(1,327)	(2.0%)

In 2022, this segment achieved revenue of HK\$60,023 million, net profit of HK\$1,375 million and profit attributable to ordinary shareholders of HK\$618 million, representing a year-on-year increase of 26%, 0.1%, and a decrease of 2.2%, respectively.

CITIC Dicastal responded to unfavorable factors of rising energy prices and shipping costs by taking full advantage of its global manufacturing layout to effectively ensure stable supply of raw materials and product delivery. The sales of aluminum wheels and aluminum casting parts increased in a declining market. It achieved revenue of RMB42,773 million and profit attributable to the parent company of RMB1,068 million, representing a year-on-year increase of 34% and 6.4%, respectively. The company continued to strengthen its management, service and support capabilities in overseas projects. In December, the aluminum wheels manufacturing base in Mexico and the aluminum casting parts manufacturing base in Morocco successfully commenced production.

CITIC Heavy Industries recorded steady growth in traditional businesses such as critical equipment and integrated engineering works, and made effective breakthroughs in new energy equipment and in intelligent mines business, with revenue increasing by 17% year-on-year to RMB8,827 million. CITIC Heavy Industries is committed to achieving breakthroughs of critical technologies in “bottleneck” fields. Investment in R&D increased by RMB120 million year-on-year, up by 0.4 percentage point to 7.2%, with a profit attributable to the shareholders decreased by 36% year-on-year to RMB146 million. Newly effective orders for the year amounted to RMB11 billion, another historical high level. A number of scientific and technological innovation achievements have received external recognition, laying a solid foundation for long-term sustainable development.

Advanced Materials

HK\$ million	2022	2021	Increase/(Decrease)	
			Amount	Change
Revenue from external customers	282,185	282,422	(237)	(0.1%)
Net profit	16,825	21,137	(4,312)	(20%)
Profit attributable to ordinary shareholders	15,127	19,162	(4,035)	(21%)
Total assets	262,199	272,756	(10,557)	(3.9%)

In 2022, this segment achieved revenue of HK\$282,185 million, net profit of HK\$16,825 million and profit attributable to ordinary shareholders of HK\$15,127 million, representing a year-on-year decrease of 0.1%, 20% and 21%, respectively.

CITIC Pacific Special Steel actively responded to the cyclical downturn of the industry, timely optimised its product mix, and maintained full scale production. The sales of steel recorded a year-on-year increase of 4.4% to 15.18 million tonnes for the year. The company recorded revenue of RMB98,345 million, remaining stable. Profit attributable to ordinary shareholders decreased by 8.6% year-on-year to RMB7,105 million, the profitability remained top in the industry. CITIC Pacific Special Steel continued to optimize the resource integration and business deployment, and successfully acquired the controlling right of Tianjin Pipe Corporation in February 2023. The production capacity of seamless steel tubes exceeded 5 million tonnes annually, leaping to first in the world.

Sino Iron overcame adverse factors of labor shortage, extreme weather conditions and inflation by focusing on active operation and marketing, and realised 21.41 million wet metric tonnes of concentrate output, with a profit attributable to the parent company of US\$475 million, remaining the largest supplier of magnetite concentrate to China.

CITIC Metal recorded revenue of HK\$139,887 million with a profit attributable to the parent company of HK\$2,249 million, representing a year-on-year growth of 1.6% and 6.5%, respectively. The revenue from trade business has maintained growth for four consecutive years. Sales of Niobium and iron ore continued to maintain the leading position in the industry, and the sales of non-ferrous metals maintained sustainable growth. The Kamoa-Kakula Copper Mine Phase II went into production 4 months ahead of schedule, with annual production of copper reaching a historic record of over 333,000 tonnes, contributing to a profit of HK\$800 million.

CITIC Resources seized the opportunity of rising prices of crude oil, aluminum and coal, recording revenue of HK\$5,866 million, with a profit attributable to ordinary shareholders of HK\$1,336 million, up by 35% and 21% year-on-year, respectively. Output of crude oil attributable to the company reached 9.66 million barrels, hitting the highest level in five years. The crude oil business achieved revenue of HK\$1,854 million and a profit of HK\$890 million, representing a year-on-year growth of 38% and 20%, respectively. Non-oil business realised revenue of HK\$4,012 million and a profit of HK\$705 million, representing a year-on-year growth of 34% and 13%, respectively. With continuous improvement of the company's financial position, the interest-bearing debt ratio reduced by 8.0 percentage points to 20.8% compared with the beginning of the year.

CITIC Pacific Energy achieved a 9.81% year-on-year increase in electricity generation, with revenue of HK\$12,898 million, representing a year-on-year growth of 7.0%. Benefiting from the profit growth of Xin Julong coal mine and relocation compensation for urban renewal projects, CITIC Pacific Energy realised a profit attributable to the parent company of HK\$1,095 million, an increase of 3.3 times year-on-year. The company is committed to the transformation of green energy, and the total installed capacity of Photovoltaic grid-connected throughout the year amounted to 126MW, an increase of 126% year-on-year. The centralised wind power projects with a capacity of 1,000MW in Xilin Gol League overcame the impact of the epidemic and successfully completed the annual construction target.

New Consumption

HK\$ million	2022	2021	Increase/(Decrease)	
			Amount	Change
Revenue from external customers	61,697	65,564	(3,867)	(5.9%)
Net profit	1,295	2,366	(1,071)	(45%)
Profit attributable to ordinary shareholders	619	1,610	(991)	(62%)
Total assets	62,016	65,563	(3,547)	(5.4%)

In 2022, this segment achieved revenue of HK\$61,697 million, with a net profit of HK\$1,295 million and profit attributable to ordinary shareholders of HK\$619 million, representing a year-on-year decrease of 5.9%, 45% and 62%, respectively.

CITIC Press maintained its leading position in the book market, with active efforts promoting digital innovation, and exploring new media as well as live streaming channels, its market share rose by 0.15 percentage point to 3.03% compare to the previous year, returning to the top position among Chinese publishers. Among these, economics and business books, sciences books as well as biography books continued to rank first in the market. Due to the impact of the overall downturn in the industry, CITIC Press recorded revenue of RMB1,801 million for the year, down by 6.3% year-on-year and profit attributable to ordinary shareholders was RMB126 million, down by 48% year-on-year.

Dah Chong Hong's luxury and commercial vehicle business grew rapidly, and healthcare distribution maintained sustainable growth. Affected by decline of car sales, the company recorded a year-on-year decrease of 7.3% in revenue to HK\$49,640 million. The company continued improvements in operating efficiency and costs control, the growth in gross profit of the automobile sales business contributed to a year-on-year increase of 11% in profit attributable to the parent company to HK\$612 million.

CITIC Telecom International continued to vigorously expand into information services market. It recorded a year-on-year increase of 6.6% in revenue to HK\$10,111 million and a year-on-year increase of 11% in profit attributable to ordinary shareholders to HK\$1,191 million. Its subsidiary, CTM, successfully obtained 5G license, becoming the first telecommunications operator to launch 5G services in Macau, as a result of which its market leading position remained solidified.

CITIC Agriculture incurred a loss of RMB680 million, mainly due to the provision for certain equity investments and sharing of loss from Longping Hi-Tech.

New-Type Urbanisation

HK\$ million	2022	2021	Increase/(Decrease)	
			Amount	Change
Revenue from external customers	57,060	56,366	694	1.2%
Net profit	902	8,280	(7,378)	(89%)
Profit attributable to ordinary shareholders	2,095	7,810	(5,715)	(73%)
Total assets	371,368	352,488	18,880	5.4%

In 2022, this segment achieved revenue of HK\$57,060 million, up by 1.2% year-on-year, a profit of HK\$902 million and profit attributable to ordinary shareholders of HK\$2,095 million, down by 89% and 73% year-on-year, respectively. Excluding the impact of provision for CITIC Envirotech's goodwill and certain projects, this segment achieved operating profit of HK\$8,831 million, down by 7.6% year-on-year.

The property development and operation companies achieved revenue of HK\$12,644 million, up by 34% year-on-year, and operating profit of HK\$6,489 million, up by 2.0% year-on-year. Projects such as Guangzhou Harbour City, Shanghai Nove Mansion, Ningbo Fenghua and Lushan Courtyard were delivered with revenue recognised, effectively compensating for the decrease in net profit contributed by COLI and driving a growth in both revenue and profit.

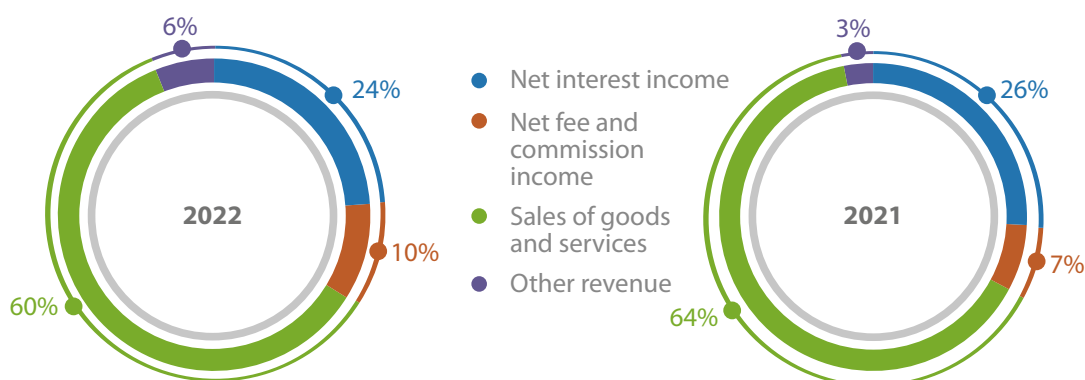
The construction and engineering and urban operation companies achieved revenue of HK\$46,326 million, down by 3.0% year-on-year. Excluding the impact of provision for CITIC Envirotech's goodwill and certain projects, this segment realised operating profit of HK\$2,342 million, down by 27% year-on-year, mainly due to the exchange loss on foreign currency debt of CITIC Environment and the decrease in gain on disposal of equity interests. These companies actively integrated into national regional strategies and efficiently served the markets along the "Belt and Road" route, achieving high-quality delivery of the Chongli Prince City Ice and Snow Town project and 31,000 housing units of the RED project in Angola.

Group Financial Results

Revenue

By nature

HK\$ million	Year ended 31 December		Increase/(Decrease)	
	2022	2021	Amount	%
Net interest income	183,297	181,973	1,324	0.7%
Net fee and commission income	75,909	49,720	26,189	53%
Sales of goods and services	466,823	452,163	14,660	3.2%
– Sales of goods	408,026	385,350	22,676	5.9%
– Revenue from construction contracts	24,532	34,589	(10,057)	(29%)
– Revenue from other services	34,265	32,224	2,041	6.3%
Other revenue	45,104	25,080	20,024	80%



Expected credit losses and other impairment losses

In 2022, expected credit losses and impairment losses of HK\$100,727 million were recorded, a decrease of 3.9% from the previous year. CITIC Bank provided provision of HK\$83,063 million, including HK\$64,895 million expected credit losses for its loans and advances to customers.

Net finance charges

In 2022, the finance costs of the Group amounted to HK\$9,700 million, a year-on-year increase of HK\$267 million, or 2.8%, mainly due to the increase in interest expenses from loans.

In 2022, the finance income of the Group amounted to HK\$1,364 million, a year-on-year decrease of HK\$672 million, or 33%, mainly due to the decrease in interest income from bank deposits.

Income tax

In 2022, income tax of the Group was HK\$24,828 million, an increase of HK\$3,965 million, or 19%, as compared with last year, this was consistent with the increase in profit before taxation.

FINANCIAL REVIEW

Group Cash Flows

HK\$ million	CITIC Limited Year ended 31 December				CITIC Bank Year ended 31 December			
	2022	2021	Increase/ (Decrease)	%	2022	2021	Increase/ (Decrease)	%
Net cash generated from/(used in) operating activities	194,019	(40,694)	234,713	577%	226,916	(90,800)	317,716	350%
Net cash generated from/(used in) investing activities	55,917	(269,388)	325,305	121%	(134,792)	(249,043)	114,251	46%
Including: Proceeds from disposal and redemption of financial investments	3,031,389	3,788,827	(757,438)	(20%)	3,002,100	3,667,688	(665,588)	(18%)
Payments for purchase of financial investments	(3,146,053)	(4,041,787)	895,734	22%	(3,129,766)	(3,912,064)	782,298	20%
Net cash (used in)/generated from financing activities	(109,189)	208,155	(317,344)	(152%)	(37,852)	264,856	(302,708)	(114%)
Including: Proceeds from bank and other loans and debt instruments issued	1,256,532	1,260,578	(4,046)	(0.3%)	988,886	1,088,538	(99,652)	(9.2%)
Repayment of bank and other loans and debt instruments issued	(1,275,180)	(1,028,186)	(246,994)	(24%)	(973,288)	(817,641)	(155,647)	(19%)
Interest paid on bank and other loans and debt instruments issued	(48,701)	(41,084)	(7,617)	(19%)	(30,842)	(31,616)	774	2.4%
Dividends paid to ordinary shareholders	(19,083)	(15,651)	(3,432)	(22%)	(23,306)	(19,043)	(4,263)	(22%)
Dividends paid to non-controlling interests	(22,021)	(11,302)	(10,719)	(95%)	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	140,747	(101,927)	242,674	238%	54,272	(74,987)	129,259	172%
Cash and cash equivalents at 1 January	360,953	457,975	(97,022)	(21%)	309,220	379,694	(70,474)	(19%)
Effect of exchange changes	(23,166)	4,905	(28,071)	(572%)	(18,836)	4,513	(23,349)	(517%)
Cash and cash equivalents at 31 December	478,534	360,953	117,581	33%	344,656	309,220	35,436	11%

Capital Expenditure

HK\$ million	Year ended 31 December		Increase/(Decrease)	
	2022	2021	Amount	%
Comprehensive financial services	14,249	13,450	799	5.9%
Advanced intelligent manufacturing	2,100	1,641	459	28%
Advanced materials	12,622	13,376	(754)	(5.6%)
New consumption	1,747	1,748	(1)	(0.1%)
New-type urbanisation	4,571	12,020	(7,449)	(62%)
Total	35,289	42,235	(6,946)	(16%)

Capital Commitments

As at 31 December 2022, the contracted capital commitments of the Group amounted to approximately HK\$25,015 million. Details of capital commitments are disclosed in note 51(f) to the financial statements.

Group Financial Position

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Total assets	11,794,199	10,685,521	1,108,678	10%
Loans and advances to customers and other parties	5,645,252	5,809,296	(164,044)	(2.8%)
Investments in financial assets	3,518,752	2,906,862	611,890	21%
Cash and deposits	757,865	720,235	37,630	5.2%
Placement with banks and non-bank financial institutions	243,324	173,754	69,570	40%
Trade and other receivables	236,516	172,837	63,679	37%
Fixed assets	178,897	177,306	1,591	0.9%
Total liabilities	10,414,131	9,519,931	894,200	9.4%
Deposits from customers	5,766,198	5,852,701	(86,503)	(1.5%)
Deposits from banks and non-bank financial institutions	1,234,900	1,422,328	(187,428)	(13%)
Debt instruments issued	1,323,385	1,250,325	73,060	5.8%
Borrowing from central banks	133,690	231,479	(97,789)	(42%)
Bank and other loans	172,528	145,362	27,166	19%
Trade and other payables	423,468	184,939	238,529	129%
Total ordinary shareholders' funds	737,251	751,407	(14,156)	(1.9%)

FINANCIAL REVIEW

Total assets

Total assets increased from HK\$10,685,521 million as at 31 December 2021 to HK\$11,794,199 million as at 31 December 2022, mainly attributable to the consolidation of CITIC Securities.

By geography



FINANCIAL REVIEW

Loans and advances to customers and other parties

As at 31 December 2022, the net loans and advances to customers and other parties of the Group were HK\$5,645,252 million, a decrease of HK\$164,044 million or 2.8% compared with 31 December 2021. The proportion of loans and advances to customers and other parties to total assets was 47.86%, a decrease of 6.51 percentage points compared with 31 December 2021.

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Loans and advances to customers and other parties measured at amortised cost				
Corporate loans	2,760,243	2,807,040	(46,797)	(1.7%)
Discounted bills	4,146	5,532	(1,386)	(25%)
Personal loans	2,380,617	2,523,024	(142,407)	(5.6%)
Accrued interest	19,462	16,181	3,281	20%
Total loans and advances to customers and other parties measured at amortised cost	5,164,468	5,351,777	(187,309)	(3.5%)
Impairment allowances	(153,923)	(154,269)	346	0.2%
Carrying amount of loans and advances to customers and other parties measured at amortised cost	5,010,545	5,197,508	(186,963)	(3.6%)
Loans and advances to customers and other parties at fair value through profit or loss				
Loans	4,345	–	4,345	N/A
Loans and advances to customers and other parties measured at fair value through other comprehensive income				
Loans	61,403	47,210	14,193	30%
Discounted bills	568,959	564,578	4,381	0.8%
Carrying amount of loans and advances to customers and other parties measured at fair value through other comprehensive income	630,362	611,788	18,574	3.0%
Net loans and advances to customers and other parties	5,645,252	5,809,296	(164,044)	(2.8%)

Investments in financial assets

As at 31 December 2022, the investments in financial assets of the Group were HK\$3,518,752 million, an increase of HK\$611,890 million or 21% compared with 31 December 2021. The proportion of investments in financial assets to total assets was 29.83%, an increase of 2.63 percentage points compared with 31 December 2021.

(a) Analysed by types

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Debt securities	2,170,650	1,962,639	208,011	11%
Investment management products managed by securities companies	65,800	72,824	(7,024)	(9.6%)
Investment funds	622,694	518,277	104,417	20%
Trust investment plans	260,359	295,570	(35,211)	(12%)
Certificates of deposit and certificates of interbank deposit	108,065	44,601	63,464	142%
Equity investment	261,765	27,163	234,602	864%
Wealth management products	3,383	2,677	706	26%
Investments in creditor's rights on assets	2,127	–	2,127	N/A
Others	40,267	1,106	39,161	3,541%
Subtotal	3,535,110	2,924,857	610,253	21%
Accrued interest	18,984	18,760	224	1.2%
Less: allowance for impairment losses	(35,342)	(36,755)	1,413	3.8%
Total	3,518,752	2,906,862	611,890	21%

(b) Analysed by measurement attribution

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Financial assets at amortised cost	1,258,965	1,435,823	(176,858)	(12%)
Financial assets at FVPL	1,271,604	667,206	604,398	91%
Debt investments at FVOCI	977,719	793,188	184,531	23%
Equity investments at FVOCI	10,464	10,645	(181)	(1.7%)
Total	3,518,752	2,906,862	611,890	21%

Deposits from customers

As at 31 December 2022, deposits from customers of the financial institutions under the Group were HK\$5,766,198 million, a decrease of HK\$86,503 million or 1.5% compared with 31 December 2021. The proportion of deposits from customers to total liabilities was 55.37%, a decrease of 6.11 percentage points compared with 31 December 2021.

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Corporate deposits				
Time deposits	2,075,641	2,183,893	(108,252)	(5.0%)
Demand deposits	2,162,566	2,401,056	(238,490)	(9.9%)
Subtotal	4,238,207	4,584,949	(346,742)	(7.6%)
Personal deposits				
Time deposits	1,055,451	809,998	245,453	30%
Demand deposits	390,713	379,224	11,489	3.0%
Subtotal	1,446,164	1,189,222	256,942	22%
Outward remittance and remittance payables	16,144	13,062	3,082	24%
Accrued interest	65,683	65,468	215	0.3%
Total	5,766,198	5,852,701	(86,503)	(1.5%)

Bank and other loans

HK\$ million	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Comprehensive financial services	14,235	4,865	9,370	193%
Advanced intelligent manufacturing	14,374	15,823	(1,449)	(9.2%)
Advanced materials	46,809	58,887	(12,078)	(21%)
New consumption	6,348	5,966	382	6.4%
New-type urbanisation	53,377	46,938	6,439	14%
Operation management	106,119	90,837	15,282	17%
Elimination	(69,424)	(78,411)	8,987	11%
Subtotal	171,838	144,905	26,933	19%
Accrued interest	690	457	233	51%
Total	172,528	145,362	27,166	19%

Debt instruments issued

<i>HK\$ million</i>	As at 31 December 2022	As at 31 December 2021	Increase/(Decrease)	
			Amount	%
Comprehensive financial services	1,211,159	1,167,869	43,290	3.7%
Advanced intelligent manufacturing	–	–	–	N/A
Advanced materials	5,610	489	5,121	1,047%
New consumption	3,503	3,500	3	0.1%
New-type urbanisation	–	372	(372)	(100%)
Operation management	97,258	104,713	(7,455)	(7.1%)
Elimination	(2,049)	(32,237)	30,188	94%
Subtotal	1,315,481	1,244,706	70,775	5.7%
Accrued interest	7,904	5,619	2,285	41%
Total	1,323,385	1,250,325	73,060	5.8%

Total ordinary shareholders' equity

As at 31 December 2022, total ordinary shareholders' equity of the Group amounted to HK\$737,251 million, a decrease of HK\$14,156 million as compared with 31 December 2021. This was mainly attributable to the depreciation of RMB.

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 Company'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 Company. 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 2022, consolidated debt of CITIC Limited⁽¹⁾ was HK\$1,487,319 million, including loans of HK\$171,838 million and debt instruments issued⁽²⁾ of HK\$1,315,481 million. Debt of CITIC Bank⁽³⁾ accounted for HK\$1,057,341 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$3,005 million and available committed facilities of HK\$57,381 million.

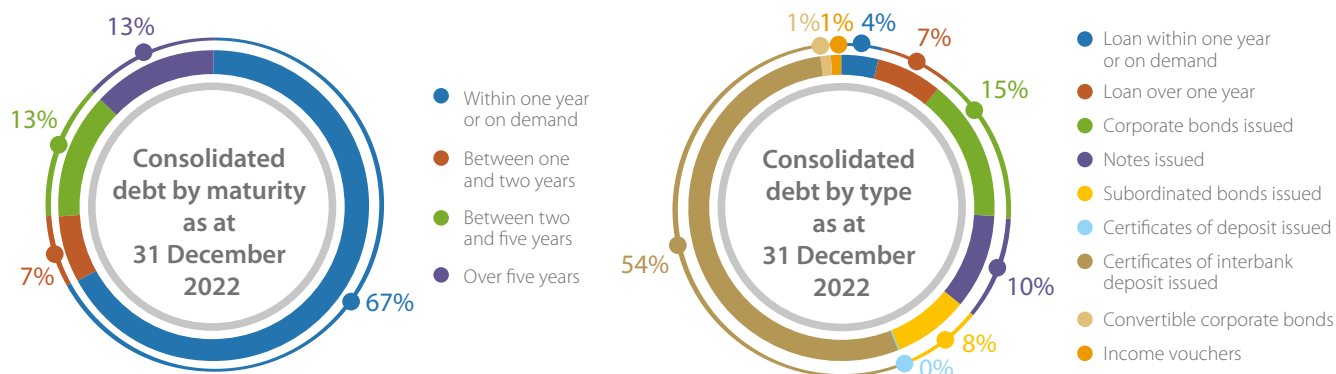
The details of debt are as follows:

As at 31 December 2022	HK\$ million
Consolidated debt of CITIC Limited	1,487,319
Among which: Debt of CITIC Bank	1,057,341

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 deposit issued, certificates of interbank deposit issued, convertible corporate bonds and income vouchers 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 deposit issued, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued and convertible corporate bonds that has been subscribed by another subsidiary of the group.

RISK MANAGEMENT



The debt to equity ratio of CITIC Limited as at 31 December 2022 is as follows:

HK\$ million	Consolidated
Debt	1,487,319
Total equity ⁽⁴⁾	1,380,068
Debt to equity ratio	108%

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 monitors and graded 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 52(b) to the consolidated financial statements.

RISK MANAGEMENT

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2022 are set out in Note 51 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, right-of-use assets and the equity of subsidiaries pledged as security for CITIC Limited's loan as at 31 December 2022 are set out in Note 46(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	Moody's
31 December 2022	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.

RISK MANAGEMENT

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

Details of currency risk management are set out in Note 52(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, forward contracts and other derivative instruments 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, including shares of listed company. 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.

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. Due to factors including challenges from trade friction, prevalent global pandemic, and the continuous mutation of the virus, 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 CITIC Limited 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, property development and management, 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 Company pays close attention to market developments and credit risks arising from business partners. If the Company 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 Company.

- The comprehensive 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, property development and management, 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

HK\$ million	Year ended 31 December				
	2018	2019	2020	2021	2022
Revenue	533,285	566,497	552,949	708,936	771,133
Profit before taxation	93,969	96,015	97,718	121,141	147,839
Net profit	75,025	78,188	80,928	100,278	123,011
Profit attributable to ordinary shareholders	50,239	53,903	56,628	70,222	75,481
Basic earnings per share (HK\$)	1.73	1.85	1.95	2.41	2.59
Diluted earnings per share (HK\$)	1.73	1.85	1.95	2.41	2.59
Dividend per share (HK\$)	0.41	0.465	0.488	0.606	0.651
Return on net assets (%)	9.1%	9.4%	8.9%	9.9%	10.1%
Dividend payout ratio (%)	24%	25%	25%	25%	25%

Financial Condition

HK\$ million	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022
Total assets	7,660,713	8,289,924	9,740,828	10,685,521	11,794,199
Total liabilities	6,850,053	7,395,433	8,732,186	9,519,931	10,414,131
Total ordinary shareholders' funds	558,545	591,526	674,276	751,407	737,251
Ordinary shareholders' funds per share (HK\$)	19.20	20.33	23.18	25.83	25.34
Credit ratings					
– Standard & Poor's	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Positive	BBB+/Stable
– Moody's	A3/Stable	A3/Stable	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 of the Corporate Governance Code ("CG Code") and complied with all code provisions set out in the CG Code throughout the year 2022.

For the year 2022, CITIC Limited made further progress with its corporate governance practices, which including:

- aligning CITIC Limited's culture with its purpose, values and strategy
- upgrading the Code of Anti-Corruption
- establishing the Remuneration Policy for Directors
- adopting the revised Board Diversity Policy and adding a measurable objective of gender diversity
- updating the Terms of Reference of the Audit and Risk Management Committee; Shareholders' Communication Policy; Whistle-blowing Policy
- elaborating the linkage between corporate governance and environmental, social and governance

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.

Corporate Strategy, Business Model and Culture

CITIC Limited is one of China's largest conglomerates and a constituent of the Hang Seng Index. CITIC has built a remarkable portfolio of businesses and our platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world.

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 announced an updated strategic vision to build a lasting enterprise and solidify the CITIC brand's strong market position. CITIC has also 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.

The comprehensive financial services segment will establish a financial holding company with global influence and high competitiveness to become an international leader in the integrated financial services space.

CORPORATE GOVERNANCE

We will also strive to become a pioneer in the advanced intelligent manufacturing sector, with the aim of achieving operational breakthroughs in critical technologies and reinforcing our leading market position in China.

The goal of our advanced materials segment is to ensure supply chain stability. This segment will improve environmental protection efficiency in traditional fields, fill the gaps in emerging industries and maintain the stability of the industrial chain and supply chain to ensure national resources security.

Our new consumption segment strives to be a trendsetter in the consumer market. In response to the consumption upgrade trend, this segment leverages new technologies to promote industrial development, technological breakthroughs and efficiency improvements that contribute to China's cultural development, revitalisation of the seed industry and the creation of a "digital China".

In the new-type urbanisation segment, we have positioned ourselves as a builder of smart cities. With our people-oriented mindset, we can provide smart-city solutions with integrated capabilities in planning, design, investment and financing, construction, development and operation.

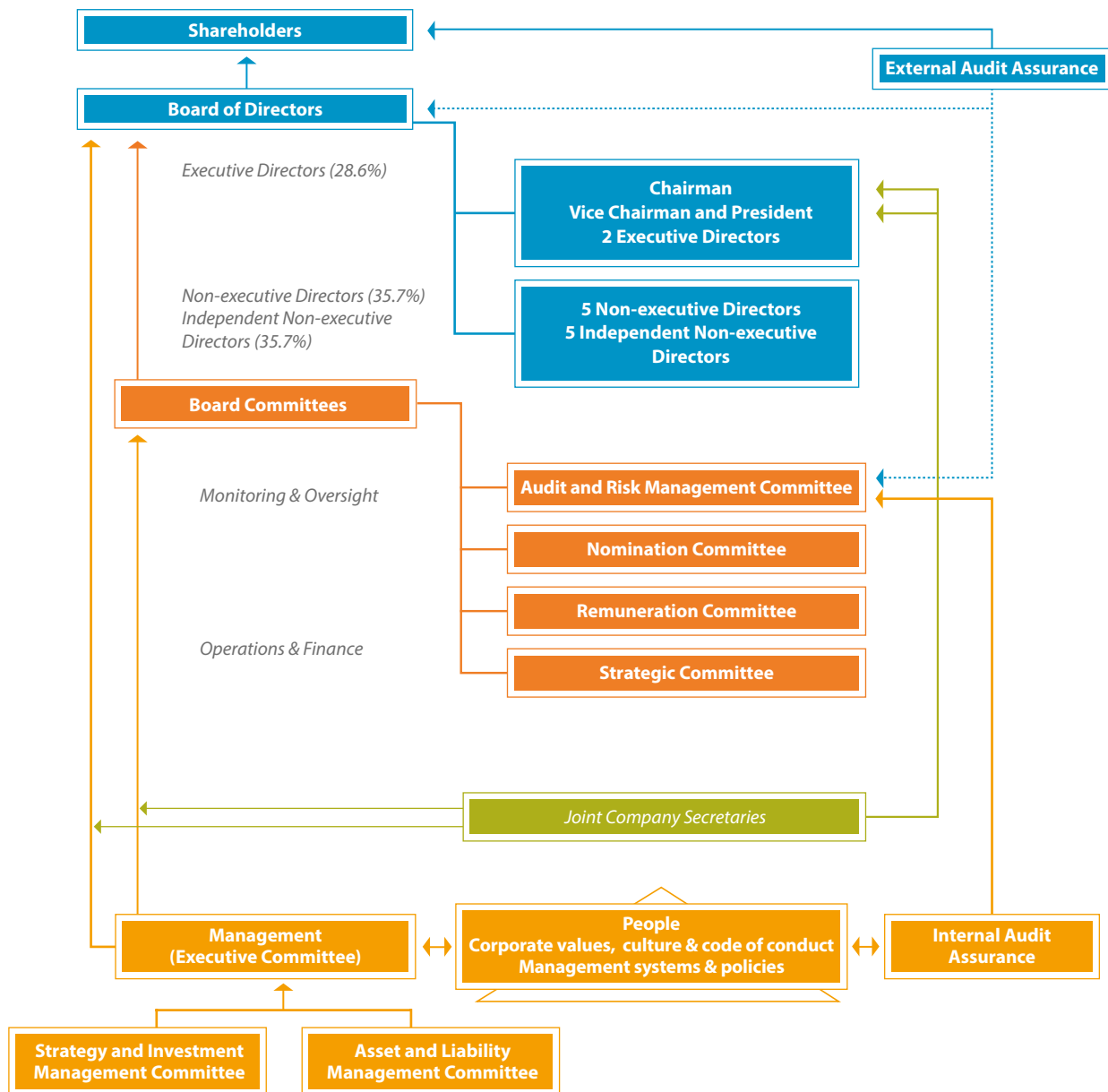
In 2022, we remain committed to the country's long-term development objectives in our quest to become a world-class enterprise. Focusing on three fundamental questions – who is the competition, on what basis should we compete and how to outcompete – we have defined goals for each stage of growth, with a long-term view and holistic perspective, in the spirit of reform. We believe this approach will enable our development to progress at a steady pace. In the years ahead, we will continue to emphasise the CITIC-Style as well as our values of Honesty, Innovation, Cohesion, Harmony, Dedication and Excellence. We look forward to an exciting chapter of high-quality development, with a focus on creating value and prosperity for society and sustainable returns for our shareholders.

Board's Role

The board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking, change embracing and competitiveness focused. Further, the board has taken up the roles such as reviewing the progress report on business operations and key projects/developments of CITIC Limited at each regular board meeting; promoting the long-term sustainable success of CITIC Limited so as to enhance the shareholders' value; ensuring ongoing effective communication with shareholders and engagement with key shareholders for developing the purpose and value of CITIC Limited. A strategic committee of CITIC Limited is also established. At the strategic committee and board retreat meeting held each year, the board discussed about CITIC Limited's strategic development, business plan and corporate governance taking into account the internal and external changing environment. These discussions allow the board members to share their insights on the culture of CITIC Limited and raise awareness of shareholders perspectives which in turn support the board to create greater alignment between culture and strategy of CITIC Limited.

Taking into account the corporate culture in a range of contexts, the board considers that the culture and the purpose, value and strategy of CITIC Limited are aligned.

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.

CORPORATE GOVERNANCE

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.

Board composition and changes

CITIC Limited announced the following changes in board composition.

On 4 January 2022, Mr Zhang Lin was appointed as a non-executive director and a member of the remuneration committee of CITIC Limited and Mr Tang Jiang was appointed as a non-executive director of CITIC Limited.

On 21 October 2022, Ms Li Qingping resigned as an executive director, vice president and a member of the executive committee of CITIC Limited.

On 30 November 2022, Mr Song Kangle resigned as a non-executive director and a member of the strategic committee of CITIC Limited, and Mr Peng Yanxiang resigned as a non-executive director and a member of the audit and risk management committee of CITIC Limited. On the same day, Ms Li Yi was appointed as a non-executive director and a member of the strategic committee of CITIC Limited.

On 9 January 2023, Mr Yue Xuekun was appointed as a non-executive director of CITIC Limited.

On 15 March 2023, Mr Liu Zhengjun and Mr Wang Guoquan were appointed as executive directors of CITIC Limited.

On 26 March 2023, Mr Tang Jiang, a non-executive director of CITIC Limited, passed away.

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

The board currently has 14 directors, comprising four executive directors, five non-executive directors and five independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than two-thirds of the board, of which independent non-executive directors satisfy the Listing Rules requirement of representing 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 five non-executive directors who are not independent (as considered by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")), Ms Yu Yang, Mr Zhang Lin, Ms Li Yi and Mr Yue Xuekun are all non-executive directors of CITIC Group Corporation (the controlling shareholder of CITIC Limited) whilst Mr Yang Xiaoping is the senior vice chairman of CP Group.

Pursuant to the code provision of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The requirement under this code provision is clearly stipulated in Article 104(A) of CITIC Limited's articles of association. All directors, including the non-executive directors, shall hold office for not more than three years since his/her re-election by shareholders at the general meeting. In accordance with Article 95 of CITIC Limited's articles of association, 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. With a

CORPORATE GOVERNANCE

view of enhancing a culture of good corporate governance, starting from the annual general meeting in 2023, all directors of CITIC Limited shall retire from office at each annual general meeting. All 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. Each director has entered into an appointment letter with CITIC Limited. Induction materials will be provided to the newly appointed directors upon their appointment.

Brief bio data of the directors, together with information about the relationship amongst them, are set out on pages 131 to 135.

Board Independence

The current composition of the board (comprising one-third independent non-executive directors) meets the independence requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which facilitates in bringing to the board independent advice and judgement. The majority of members of all governance related committees are independent non-executive directors.

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.

The board, when it considers necessary, has the right to seek advice from independent professionals at the CITIC Limited's expense in order to facilitate proper discharge of their duties and responsibilities. Besides, the chairman meets with the independent non-executive directors in a separate meeting without the presence of executive directors and non-executive directors once a year. At every board meeting, the chairman encourages all directors including the independent non-executive directors to express their views in an open and candid manner. Any director who holds interest as a connected person or has a material interest in the connected transaction will abstain from voting on the board resolutions to approve the connected transaction, i.e. only independent directors shall give their views/opinions and approve the transactions if they agree to the terms and conditions of the transactions. Independent non-executive directors bring a wide range and balance of skills and international business experience and through their contribution to the board meetings and board committee meetings, they can give their opinions on the proposals, strategies and bring independent judgement on issues of business performance and risk.

At the end of every year, the board performs a self-evaluation of its performance and reviews each director's contribution and their time commitment to the board. The performance and time contribution of the independent non-executive directors are assessed annually as part of the board's performance self-evaluation. Independence of independent non-executive directors is assessed upon appointment and annually to ensure that they remain independent and are able to provide independent, balanced and impartial views to the board.

The board reviewed and considered that the features and mechanisms described above are effective in ensuring that independent views and input are provided to the board.

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.

CORPORATE GOVERNANCE

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 is committed to overseeing the content of the Environmental, Social and Governance Report (the "ESG Report") as contained in this annual report. Details of the board's overall responsibility for ESG strategy and reporting are set out in the ESG Report.

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 corporate policies such as the board diversity policy and shareholders' communication 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 104 to 114.

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 were held in 2022. 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 continuing 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 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.

CORPORATE GOVERNANCE

The attendance record of each director at board meetings and general meeting in 2022 is set out below:

	Attendance	
	Board Meetings in 2022	Annual General Meeting on 14 June 2022
Total Number of Meetings	4	1
Current Directors		
<i>Executive Directors</i>		
Mr Zhu Hexin (Chairman)	4	✓
Mr Xi Guohua (Vice Chairman and President)	4	✓
<i>Non-executive Directors</i>		
Ms Yu Yang	4	✓
Mr Zhang Lin ⁽¹⁾	4	✓
Ms Li Yi ⁽⁴⁾	N/A	N/A
Mr Yang Xiaoping	4	✓
Mr Tang Jiang ⁽²⁾	4	✓
<i>Independent Non-executive Directors</i>		
Mr Francis Siu Wai Keung	4	✓
Dr Xu Jinwu	4	✓
Mr Anthony Francis Neoh	4	✓
Mr Gregory Lynn Curl ⁽⁶⁾	3	✓
Mr Toshikazu Tagawa	3	✓
Resigned Directors		
<i>Executive Director</i>		
Ms Li Qingping ⁽³⁾	3	✓
<i>Non-executive Directors</i>		
Mr Song Kangle ⁽⁵⁾	4	✓
Mr Peng Yanxiang ⁽⁵⁾	4	✓

CORPORATE GOVERNANCE

Notes:

- (1) appointed with effect from 4 January 2022
- (2) appointed with effect from 4 January 2022; passed away on 26 March 2023
- (3) resigned with effect from 21 October 2022
- (4) appointed with effect from 30 November 2022
- (5) resigned with effect from 30 November 2022
- (6) Due to COVID-19, there are issues with Mr Gregory Curl attending the meeting as he is based in the USA. Although Mr Curl was not able to participate in the meeting, he consented to all the meeting materials and resolutions.

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, six 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 2022, 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.

Directors also attended the strategic committee and board retreat meeting held in November 2022 to discuss the corporate strategy and business development of CITIC Limited.

CORPORATE GOVERNANCE

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 2022 to 31 December 2022 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	✓	✓
Mr Xi Guohua	✓	✓
<i>Non-executive Directors</i>		
Ms Yu Yang	✓	✓
Mr Zhang Lin ⁽¹⁾	✓	✓
Ms Li Yi ⁽⁴⁾	✓	N/A
Mr Yang Xiaoping	✓	✓
Mr Tang Jiang ⁽²⁾	✓	✓
<i>Independent Non-executive Directors</i>		
Mr Francis Siu Wai Keung	✓	✓
Dr Xu Jinwu	✓	✓
Mr Anthony Francis Neoh	✓	✓
Mr Gregory Lynn Curl	✓	
Mr Toshikazu Tagawa	✓	✓
Resigned Directors		
<i>Executive Director</i>		
Ms Li Qingping ⁽³⁾	✓	N/A
<i>Non-executive Directors</i>		
Mr Song Kangle ⁽⁵⁾	✓	✓
Mr Peng Yanxiang ⁽⁵⁾	✓	✓

Notes:

- (1) appointed with effect from 4 January 2022; induction materials and briefing by external legal counsel were provided in respect of his appointment
- (2) appointed with effect from 4 January 2022; induction materials and briefing by external legal counsel were provided in respect of his appointment; passed away on 26 March 2023
- (3) resigned with effect from 21 October 2022
- (4) appointed with effect from 30 November 2022; induction materials and briefing by external legal counsel were provided in respect of her appointment
- (5) resigned with effect from 30 November 2022

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 and environmental, social, and governance practices, 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 one non-executive director 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.

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. During the year under review, the committee has made certain amendments to the terms of reference which have been submitted to the board for approval. The revised terms of reference are available on CITIC Limited's website (<https://www.citic.com/uploadfile/2022/1230/20221230438469.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");

CORPORATE GOVERNANCE

- 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;
 - (iv) CITIC Limited's whistle-blowing policy and guidelines on implementation; and
 - (v) CITIC Limited's code of anti-corruption.
- oversee CITIC Limited's environmental, social, and governance practices; and
- 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

The bio data of Audit and Risk Management Committee members are set out in the section "Board of Directors" on pages 131 to 135.

Members	Attendance/ Number of Meetings	Date of resignation
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	30 November 2022
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	

CORPORATE GOVERNANCE

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 2022

The audit and risk management committee performed the following in 2022:

Financial reporting	Reviewed the 2021 annual financial statements, annual report and results announcement
	Reviewed the 2022 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2021 annual report and 2022 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 2021 annual financial statements and their independent review of the 2022 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 2022 half-year financial statements and their statutory audit of the 2022 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of CITIC Limited

CORPORATE GOVERNANCE

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
	Reviewed the effectiveness of the risk management and internal control systems including material risks relating to environmental, social, and governance
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
	Reviewed and approved whistle-blowing policy and guidelines on implementation
	Reviewed and approved code of anti-corruption
	Updated the terms of reference of the audit and risk management committee to provide oversight of CITIC Limited's environmental, social, and governance practices

At the meeting held on 27 March 2023, the audit and risk management committee reviewed and approved CITIC Limited's annual financial statements and annual report for the year ended 31 December 2022, and considered reports from the external and internal auditors. The audit and risk management committee recommended to the board for approval of the 2022 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;

CORPORATE GOVERNANCE

- 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

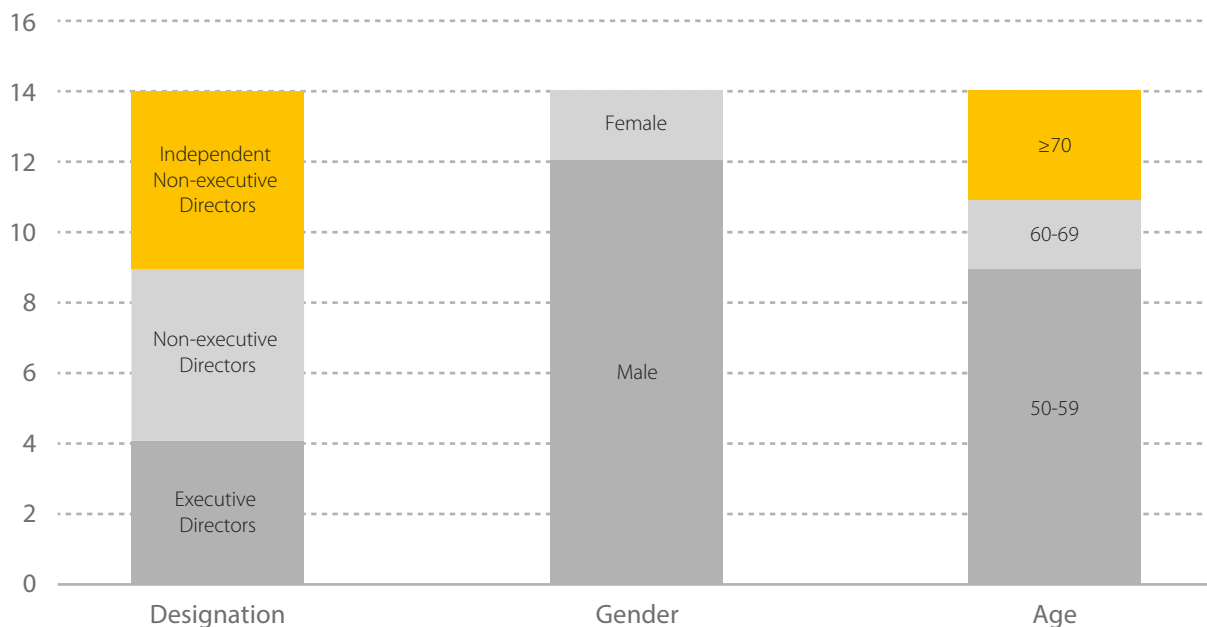
CITIC Limited recognises and embraces the benefits of diversity in board members. CITIC Limited sees diversity as a whole concept and believes that diversity in all aspects, including experience and expertise, provides CITIC Limited with a high level of corporate governance and penetrating insights into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

The Board Diversity Policy was adopted in 2013 and further updated in December 2022, adding a measurable objective of gender diversity.

The Board Diversity Policy 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 and effectiveness 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, banking and tax professionals. Nationalities of the directors are diverse, spanning Chinese, American and Japanese. Such composition serves to enrich the perspective and deliberations of the board.

CORPORATE GOVERNANCE

As at the date of this report, 2 out of 14 directors are females representing 14.29%. The nomination committee will pursue opportunities to increase the proportion of female members when selecting and making recommendations on suitable candidates for board appointments. The goal will be to maintain at least the current level of female representation or improve gender diversity as appropriate.

In considering the board's succession, the nomination committee shall regularly review the composition of the board and status of succession and, as and when appropriate, identify potential candidates in particular qualified female candidates through referrals and recommendation by management, human resources department and external independent professionals. The nomination committee acknowledges the importance of gender diversity when considering potential appointments.

The board sees the increasing importance of gender diversity across the workforce (including senior management) for contribution to the sustainable development of the Group. Currently female representation across the workforce is approximately 38.79%. There is no female representation in senior management.

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 four 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

The bio data of Nomination Committee members are set out in the section “Board of Directors” on pages 131 to 135.

Members	Attendance/ Number of Meetings
Executive Directors	
Mr Zhu Hexin (Chairman)	1/1
Mr Xi Guohua	1/1
Non-executive Directors	
Ms Yu Yang	1/1
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 ^(Note)	0/1

Note:

Due to COVID-19, there are issues with Mr Gregory Curl attending the meeting as he is based in the USA. Although Mr Curl was not able to participate in the meeting, he consented to all the meeting materials and resolutions.

Work done in 2022

The nomination committee completed the following work in 2022:

- recommended the appointment of three non-executive directors 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 14 June 2022;
- reviewed the structure, size, composition and diversity of the board;
- reviewed both the revised board diversity policy and the updated measurable objectives, and put forward for recommendation to the board for approval; and
- reviewed the director nomination policy.

During the period from January to March 2023, three sets of written resolutions were passed by all the committee members including the recommendation to the board in respect of the appointment of two executive directors and one non-executive director, and the recommendation to the board for the re-election of retiring directors at the forthcoming annual general meeting to be held in 2023.

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.

Remuneration Policy for Directors

The remuneration committee, with delegated responsibility from the board, is to determine the remuneration policy for the directors of CITIC Limited. The Remuneration Policy is a formal and transparent policy and was adopted in December 2022. A summary of the Remuneration Policy is set out below. The remuneration committee shall review the Remuneration Policy from time to time to ensure its effectiveness.

Remuneration of executive directors

- Principle: salary verification is linked to performance appraisal; the interests of shareholders, CITIC Limited and the directors are consistent; and the salary standard is open, fair and transparent.
- Remuneration composition: consists of three parts, i.e. basic annual salary, performance annual salary and tenure incentive income. Basic annual salary is determined according to a certain multiple of the average salary of the on-the-job employees of the central enterprises. The annual performance salary is based on the basic annual salary and is linked to the performance evaluation score of CITIC Limited. The tenure incentive income is based on a certain proportion of the total annual salary within three years of the term, and is linked to the term assessment and evaluation.

Directors' fee and additional remuneration of non-executive directors (including independent non-executive directors)

- In view of high complexity of CITIC Limited's business in terms of scope, diversity and geographic spread, the accountability of the role of non-executive directors (including independent non-executive directors) has been expanded substantially. CITIC Limited shall make payment of directors' fees to non-executive directors (including independent non-executive directors) to attract and retain top-notch talent.
- Directors' fees of non-executive directors (including independent non-executive directors) are determined according to their responsibilities and by reference to market comparables. Such directors' fees and any adjustment thereto are subject to the approval of the shareholders. Non-executive directors (including independent non-executive directors) who serve on the relevant committees of CITIC Limited are entitled to receive additional remuneration.

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 one set of written resolutions was 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

The bio data of Remuneration Committee members are set out in the section “Board of Directors” on pages 131 to 135.

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 Zhang Lin	1/1

Work done in 2022

The remuneration committee completed the following work in 2022:

- reviewed and approved the proposal for 2021 remuneration for executives in charge (including executive directors and senior management) of CITIC Limited; and
- establishment of Remuneration Policy for Directors of CITIC Limited and put forward for recommendation to the board for approval and adoption.

The remuneration paid to the directors, by name, for the year ended 31 December 2022 is set out in Note 13 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2022 is set out below:

Remuneration of senior management other than directors for the full year 2022

Total Remuneration Bands	Number of Executives
Below HK\$500,000	0
HK\$500,001 – HK\$1,000,000	5
	5

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 2022.

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, Ms Yu Yang, Ms Li Yi (appointed as committee member in place of Mr Song Kangle with effect from 30 November 2022) and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Toshikazu Tagawa. 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 Cui Jun, Mr Liu Zhengjun (being executive director, vice president of CITIC Limited), Mr Wang Guoquan (being executive director, vice president of CITIC Limited), Mr Xu Zuo (being vice president of CITIC Limited) and Mr Fang Heying (being vice president of CITIC Limited). Mr Ren Shengjun who was vice chairman of the committee resigned from his position on 10 June 2022 and Ms Li Qingping who was a member of the committee resigned from her position on 21 October 2022.

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 executive director, vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited), and other members of the committee include Mr Cao Guoqiang (being Chief Financial Officer of CITIC Limited), Mr Liang Huijiang (being Chief Investment 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 231.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2022 are set out in the Independent Auditor's Report on pages 404 to 414.

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 2022, PwC's fees were approximately as follows:

Statutory audit fee: HK\$157 million (2021: HK\$121 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK\$25 million (2021: HK\$13 million).

Other audit firms provided statutory audit services at a fee of approximately HK\$54 million (2021: HK\$38 million) as well as other services for fees of HK\$69 million (2021: HK\$23 million).

Risk management and internal control

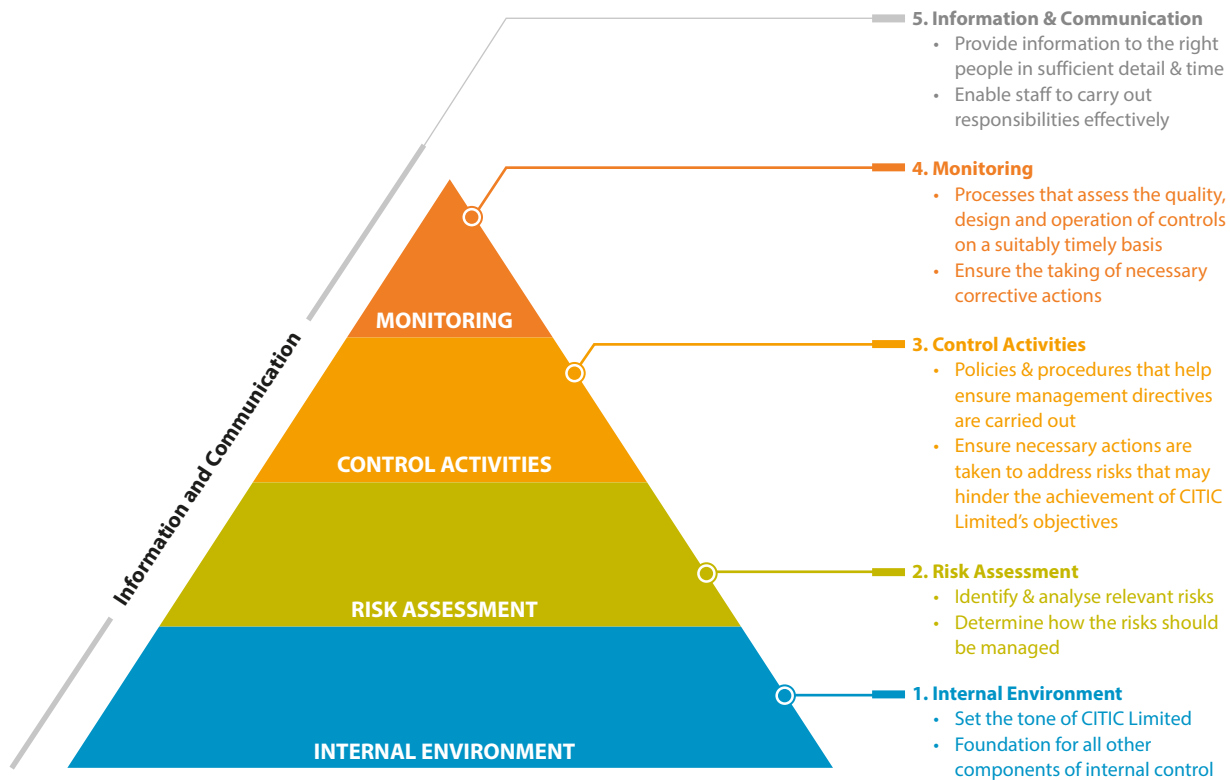
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in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



CORPORATE GOVERNANCE

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 and several committees, (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	- 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	- 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 risks that CITIC Limited is facing through conducting 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/the audit and risk management committee for deliberation, and corresponding risk management measures will be adopted immediately. - In addition to the departments with 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	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.

Key control policies and measures

Monitoring

- 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.

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	- Reviewed the internal audit report. - Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.	- 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.
Compliance assessment	Reviewed the establishment of compliance management system, compliance risk control and management of key compliance projects made by CITIC Limited and its business units; reported on an annual basis any matters subject to criminal convictions, administrative punishments and other punitive measures as a result of non-compliance with laws and regulations, listing rules, provisions under industry regulation; rectified non-compliance and ongoing supervision to ensure completion of such rectification.	No major non-compliance cases were noted during the year, the construction of compliance system still needs to be constantly improved.

CORPORATE GOVERNANCE

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of risk management and internal control system	- 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.	- 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.
Review of the internal audit, risk management, accounting and financial functions	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.	- 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 2022

At 31 December 2022, CITIC Limited had approximately 600 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-Style 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
Veracity	實事求是
Innovation	開拓創新
Modesty	謙虛謹慎
Cooperation	團結互助
Diligence	勤勉奮發
Efficiency	雷厲風行

We stick to core values and corporate culture & spirits with the characteristics of “CITIC-Style”, 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 2022, 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.

Code of Anti-Corruption

CITIC Limited upgraded the code of anti-corruption (“Anti-corruption Code”) in December 2022. CITIC Limited believes that honesty, integrity and fair play are important assets. CITIC Limited will respect and adhere to the laws of the countries in which it operates and all directors and employees of the Group must ensure that the Group’s reputation is not tarnished by dishonesty, lack of integrity or corruption. The Group fully supports the global campaign against corruption and has zero tolerance for corruption and any fraudulent practices. The Anti-corruption Code and the code of conduct for employees of CITIC Limited stipulate the Company’s policy on matters of personal conduct of all employees (including directors, employees and anyone working on the business or affairs of the Company). The Anti-corruption Code applies to the Company and to its subsidiaries and all businesses the Company manages or controls wherever they are located.

The audit and risk management committee, with delegated authority from the board, shall review the Anti-corruption Code from time to time, recommend changes and evaluate its effectiveness.

Whistle-blowing policy

CITIC Limited is committed to achieving and maintaining high standards of integrity and ethical business practices. The whistle-blowing mechanism is an important part of the Company's internal control and risk management system, and an effective way to detect misconducts or significant risks within the Company. The whistle-blowing policy aims to safeguard the interests and reputation of the Company, to strengthen the corporate governance and internal control, and to prevent acts that harm the interests of the Company and its shareholders. The whistle-blowing policy was updated during the year under review.

The internal whistle-blowing mechanism sets out a series of principles and procedures to (i) encourage the reporting of actual or suspected inappropriate behavior, misconducts or violations occurring within the Company or involving the Company itself or its employees; (ii) guide the Company's senior management and employees in handling reports in a fair and appropriate manner; and (iii) prevent malicious allegations and protect whistleblowers from retaliation.

The audit and risk management committee, with delegated authority from the board, shall review the whistle-blowing mechanism periodically to improve its effectiveness.

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 2022. As at 31 December 2022, 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 147.

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 resigned as a joint company secretary on 12 January 2022. Mr Zhang Yunting who was subsequently appointed on 25 April 2022 together with Mr Ricky Choy Wing Kay (being a qualified solicitor in Hong Kong) acted as the joint company secretaries of CITIC Limited during the year under review. 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. Mr Zhang and Mr Choy took no less than 15 hours of relevant professional training respectively during the year under review.

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' Communication Policy

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. The Shareholders' Communication Policy of CITIC Limited was updated in 2022 to emphasise our commitment to enhancing communication with shareholders (both individual and institutional) and the investment community and to require the policy to be reviewed annually to ensure its continued effectiveness.

The full text of the Shareholders' Communication Policy of CITIC Limited is available on the Company's website. The major means of communication with shareholders of CITIC Limited are set out below:

- **Contact details provided to shareholders**
Shareholders and the investment community shall be provided with contact details of CITIC Limited such as mailing address, email address and telephone number in order to enable them to make any query in respect of CITIC Limited. The Company supports the use of electronic and other means of communicating with shareholders and investors.

CORPORATE GOVERNANCE

- **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 notifiable transactions, continuing 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. The annual general meetings and other general meetings will be conducted with instant translation to encourage shareholders' participation.

- **Communication with investors**

CITIC Limited's policy is to proactively meet with investors and analysts and participate in investor road shows. Upon the release of financial results, CITIC Limited holds investor and analyst presentations and webcasts the meetings along with accompanying presentations so they can be followed online at the same time as the meeting.

With the above measures in place, the board is satisfied that the Shareholders' Communication Policy has been effectively implemented.

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.

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.

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 to CITIC Limited of which contact details are set out in the section headed "Shareholders' Enquiries" of CITIC Limited's Shareholders' Communication Policy or through writing to 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

ZHU Hexin (*Executive Director and Chairman*)

Age 55: 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 has resigned as the chairman of the board and non-executive director of China CITIC Bank Corporation Limited with effect from 17 April 2023. He 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 59: 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 since 2020. Mr Xi is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited, and the chairman of CITIC Financial Holdings. 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.

LIU Zhengjun (*Executive Director*)

Age 57: an executive director of the Company since March 2023. Mr Liu has been the vice president of the Company and a member of the executive committee since 2018. Currently he is an executive director of CITIC Group Corporation and CITIC Corporation Limited. Mr Liu started working in July 1988. He formerly served as 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. Mr Liu is currently the chairman of CITIC Trust Corporation Ltd and China Huarong Asset Management Co., Ltd.. He graduated from Nankai University in finance with a Master's degree and Doctorate in economics.

WANG Guoquan (formerly known as WANG Guoquan) (*Executive Director*)

Age 50: an executive director of the Company since March 2023. Mr Wang has been the vice president of the Company and a member of the executive committee since 2020. Currently he is an executive director of CITIC Group Corporation and CITIC Corporation Limited. Since March 2021, Mr Wang has been appointed as a non-executive director of CITIC Telecom International Holdings Limited, chairman of CITIC Networks Co., Ltd., chairman of the board (redesignated as deputy chairman from January 2022 in accordance with the biennial rotation arrangement) and non-executive director of Asia Satellite Telecommunications Holdings Limited and chairman of CITIC Agriculture Technology Co., Ltd.. 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.

BOARD OF DIRECTORS

YU Yang (*Non-executive Director*)

Age 58: a non-executive director, a member of the nomination committee and the strategic committee of the Company since 2020. Ms Yu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited, and director of CITIC Financial Holdings from March 2022. She worked with several posts in Ministry of Finance 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.

ZHANG Lin (*Non-executive Director*)

Age 57: a non-executive director and a member of the remuneration committee of the Company since 2022. Mr Zhang is a non-executive director of CITIC Group Corporation and CITIC Corporation Limited from December 2021, director of CITIC Financial Holdings from March 2022 and non-executive director of CITIC Securities Company Limited from December 2022. He worked with several posts in Ministry of Finance as senior staff member at China Enterprise Division of Finance Department of Gansu Province, senior staff member, principal staff member, deputy director of the Executive Office of Gansu Supervision & Inspection Office, assistant inspector of Gansu Supervision & Inspection Office, deputy inspector, leader of Discipline Inspection and Supervision Group of Ningxia Supervision & Inspection Office, chief inspector of Shaanxi Supervision & Inspection Office, director of Shaanxi Supervision Bureau. Mr Zhang graduated from Lanzhou University with a Bachelor's degree in Business Administration. He has the qualification of Chinese certified public accountant.

LI Yi (formerly known as LI Ruyi) (*Non-executive Director*)

Age 53: a non-executive director and a member of the strategic committee of the Company since November 2022. Ms Li is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. She worked as reporter of Anyang Daily, cadre of the publicity and education department of Anyang Municipal Commission for Discipline Inspection, deputy director of *Bronze Mirror* Editorial Office, deputy director (at section chief level) of the publicity and education department of Anyang Municipal Commission for Discipline Inspection, chief officer, deputy division chief and division chief of the educational affairs department of the Beidaihe training center of the Central Commission for Discipline Inspection, division chief and division chief of the second division of the inspection leading group office of the Ministry of Finance, deputy inspector and secondary inspector of the Party committee of the Ministry of Finance, secondary inspector and deputy director of the cadre education center of the Ministry of Finance. Ms Li graduated from Henan University with a Bachelor's degree in Chinese Language and Literature Editing.

YUE Xuekun (*Non-executive Director*)

Age 56: a non-executive director of the Company since January 2023. Mr Yue is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He has successively served as the manager in charge of Beijing Tianyuanzhuang Hotel, senior staff member and principal staff member of the Property Right Registration Office of the General Department of National Administrative Bureau of the State Owned Property of the People's Republic of China, the deputy director of the Youth Work Department of the Party Committee and the secretary of the Youth League Committee (deputy director level) of National Administrative Bureau of the State Owned Property, the assistant investigator, deputy director and director of the General Department of the Party Committee of the Ministry of Finance of the People's Republic of China, the chairman (deputy director general level) of the labour union of the Ministry of Finance, and the director general of the Bureau of Retired Cadres of the Ministry of Finance. Mr Yue graduated from Jiangxi University of Finance and Economics in trade and economics with a Bachelor's degree. He also obtained a Master's degree in public management.

BOARD OF DIRECTORS

YANG Xiaoping *(Non-executive Director)*

Age 59: a non-executive director of the Company since 2015. Mr Yang has rich management experiences of conglomerates. He 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., co-chairman of the board of China Minsheng Investment (Group) Corp. Ltd., a non-executive director of Honma Golf, an independent director of Jingdong Technology Holding Co., Ltd. (formerly known as "Jingdong Digits Technology Holding Co., Ltd") and vice chairman and a non-executive director of True Corporation Public Company Limited. He was a non-executive director of Chery Holding Group Co., Ltd.. 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, deputy director of Management Committee, Institute for Global Development of Tsinghua University and president of Beijing Association of Foreign Investment Enterprises. Mr Yang Xiaoping 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 68: an independent non-executive director of the Company since 2011. Mr Siu has the relevant professional qualification and expertise in financial reporting matters. He 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 and Morgan Stanley Securities (China) Co., Ltd.; and the chairman and an independent non-executive director of BHG Retail Trust Management Pte. Ltd.. He has served as a non-executive director of the Accounting and Financial Reporting Council (formerly known as "Financial Reporting Council") since 1 October 2019 with a term up to 30 September 2023. 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 73: 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 executive director of The Chinese Society for Metals (中國金屬學會) and the former 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.

BOARD OF DIRECTORS

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

Age 76: 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 Organisation 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 was formerly the chairman of the Independent Police Complaints Council and his term of appointment ended on 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..

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

Age 74: 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 became vice chairman – Asia of Temasek International Pte. Ltd. on 1 January 2023. 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 a member of the International Advisory Council of the China Banking and Insurance Regulatory Commission. 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.

BOARD OF DIRECTORS

Toshikazu TAGAWA (*Independent Non-executive Director*)

Age 69: an independent non-executive director of the Company and a member of the strategic committee of the Company since 2021. Mr Tagawa joined Audit Firm Asahi & Co. (now known as KPMG AZSA LLC) in November 1979, where he performed audit engagements. From November 1984 to June 2008, he worked as a tax professional at Ernst & Young ("EY") New York office for 18 years, EY San Francisco office for 4 years and Arthur Andersen New York office for 2 years, and became an EY US tax partner in 1996. From July 2008 to June 2010, he was stationed as a tax partner at EY Tax Co. in Japan. From July 2010 to June 2012, Mr Tagawa was stationed as a tax partner at Shanghai office of EY China, managing tax engagements of the Japanese Business Services in China. Mr Tagawa retired from EY US in June 2012. From July 2012 to April 2015, he assumed the position of Managing Director of the Financial Services Department of Ernst & Young ShinNihon LLC. From May 2015 to December 2020, he was appointed as a director and CFO of "Japan SR Association" which managed Super Rugby Japan team. He was appointed as a member of the Audit & Supervisory Board of Sumitomo Mitsui DS Asset Management Co., Ltd. as of June 2016 and CEO of Ranzan USA Corp. as of September 2018. Mr Tagawa graduated from Kobe University of Commerce (now known as University of Hyogo) with a Bachelor degree in Business Administration in March 1977. From September 2016 to March 2019, he was a visiting professor in the Faculty of Economics at Musashi University. Mr Tagawa is a licensed Certified Public Accountant.

SENIOR MANAGEMENT

CUI Jun

Age 58: 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.

XU Zuo

Age 57: 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. He was chairman of supervisory and advisory board meeting of the KSM Castings Group GmbH in Germany. Currently he is vice president and chief engineer of CITIC Group Corporation and vice president of CITIC Corporation Limited, chairman of CITIC Dicastal Co., Ltd.. He has been appointed as chairman of CITIC Metal Group Limited since 7 September 2021. 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 56: vice president of the Company and a member of the executive committee since 2020. Currently he is vice president of CITIC Group Corporation and CITIC Corporation Limited, vice chairman of China CITIC Bank. He is also a director of CITIC International Financial Holdings Limited and CITIC Bank International Limited. Mr Fang has resigned as president of China CITIC Bank with effect from 17 April 2023 and the board of China CITIC Bank elected Mr Fang as the chairman of the board (his appointment will be effective from the date when the banking regulatory authority of China approves his qualification). Mr Fang joined CITIC Bank in December 1996, he successively served as vice president of Hangzhou Branch, president of Suzhou Branch, head of financial market business of head office, vice president and chief financial officer of China CITIC Bank, etc. Mr Fang is a senior economist. He graduated from Hunan University of Finance and Economics with a Bachelor Degree in Finance, and later obtained an Executive Master of Business Administration from Peking University.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2022.

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 countries of incorporation, principal activities and shares issued are set out in note 63 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 87 of this annual report. An account of the principal risks and uncertainties facing the Group is provided in the "Risk Management" section on pages 88 to 93 of this annual report. Particulars of important events affecting CITIC Limited that have occurred since the end of the financial year 2022 (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 152 to 220 of this annual report.

Dividends

On 30 August 2022, the directors declared an interim dividend of HK\$0.20 per share (2021: HK\$0.15 per share) for the year ended 31 December 2022 which was paid on 11 November 2022. At the board meeting held on 31 March 2023, the directors recommended a final dividend ("2022 Final Dividend") of HK\$0.451 per share (2021: HK\$0.456 per share) in respect of the year ended 31 December 2022. Subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Limited to be held on 21 June 2023 (the "2023 AGM"), the proposed 2022 Final Dividend will be paid on Tuesday, 22 August 2023 to shareholders on CITIC Limited's register of members at the close of business on Friday, 30 June 2023. This represents a total distribution for the year of HK\$18,938 million.

The proposed 2022 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 2022 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 21 June 2023 (inclusive), being the date of the 2023 AGM. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders in early July 2023 as soon as practicable after the record date of 30 June 2023 to determine shareholders' entitlement to the proposed 2022 Final Dividend, and return it to CITIC Limited's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 24 July 2023.

REPORT OF THE DIRECTORS

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, 22 August 2023 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, 24 July 2023, such shareholder will automatically receive the 2022 Final Dividend in HKD. All dividend payments in HKD will be made in the usual way on Tuesday, 22 August 2023. If shareholders wish to receive the 2022 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 49 to the consolidated financial statements.

Fixed Assets

Movements in fixed assets during the year are set out in note 34 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 2022 are set out in notes 46 and 47 to the consolidated financial statements.

Equity-linked Agreements

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 (*Chairman*)

Mr Xi Guohua (*Vice Chairman and President*)

Ms Li Qingping (*resigned on 21 October 2022*)

Mr Liu Zhengjun (*appointed on 15 March 2023*)

Mr Wang Guoquan (*appointed on 15 March 2023*)

(formerly known as Wang Guoquan)

Non-executive Directors

Mr Song Kangle (*resigned on 30 November 2022*)

Mr Peng Yanxiang (*resigned on 30 November 2022*)

Ms Yu Yang

Mr Zhang Lin (*appointed on 4 January 2022*)

Ms Li Yi (formerly known as Li Ruyi) (*appointed on 30 November 2022*)

Mr Yue Xuekun (*appointed on 9 January 2023*)

Mr Yang Xiaoping

Mr Tang Jiang (*appointed on 4 January 2022;
passed away on 26 March 2023*)

Independent Non-executive Directors

Mr Francis Siu Wai Keung

Dr Xu Jinwu

Mr Anthony Francis Neoh

Mr Gregory Lynn Curl

Mr Toshikazu Tagawa

Ms Li Qingping, Mr Song Kangle and Mr Peng Yanxiang have confirmed that they have no disagreement with the board and there is no matter relating to their resignation that need to be brought to the attention of the shareholders of CITIC Limited.

Mr Zhang Lin and Mr Tang Jiang who were appointed by the board as directors of CITIC Limited on 4 January 2022 were re-elected as directors at the annual general meeting held on 14 June 2022. Pursuant to Article 95 of the articles of association of CITIC Limited, Mr Liu Zhengjun, Mr Wang Guoquan, Ms Li Yi and Mr Yue Xuekun who were appointed by the board as directors of CITIC Limited since the last annual general meeting 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 Zhu Hexin, Mr Xi Guohua, Ms Yu Yang, Dr Xu Jinwu and Mr Toshikazu Tagawa who have been the longest in office since their last election shall retire by rotation at the 2023 AGM and, all being eligible, have offered themselves for re-election at the 2023 AGM. With a view of enhancing a culture of good corporate governance, starting from the annual general meeting in 2023, all directors of CITIC Limited shall retire from office at each annual general meeting. Accordingly, all the remaining directors, namely, Mr Zhang Lin, Mr Yang Xiaoping, Mr Francis Siu Wai Keung, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl will retire voluntarily at the 2023 AGM and all being eligible for re-election.

The bio data of current directors and senior management are set out in the "Board of Directors" and "Senior Management" sections on pages 131 to 136 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 section headed "Non-Exempt Continuing Connected Transactions" below and "Material related parties" in note 53 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/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 53 to the consolidated financial statements of CITIC Limited. Some of these transactions also constituted "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.

Non-Exempt Continuing Connected Transactions

During the year under review, the Group engaged in the following non-exempt continuing connected transactions with CITIC Group Corporation (“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 (including in the form of entrusted loans and financing guarantee) and commercial loans provided by the Group to the Connected Persons

The Financial Assistance Framework Agreement dated 20 November 2019 (“2019 Financial Assistance FA”) ended on 31 December 2022. 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 17 November 2022 under which the Group would continue to provide financial assistance (including in the form of entrusted loans and financing guarantee) and commercial loans to the Connected Persons. Details of the above were set out in CITIC Limited’s announcement dated 17 November 2022.

2019 Financial Assistance FA

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

Maximum *for the year ended 31/12/2022*

Daily Balance: RMB12,000,000,000

New Financial Assistance FA

Period: commencing from 1 January 2023 and ending on 30 June 2023

Maximum *for the period from 01/01/2023 to 30/06/2023*

Daily Balance: RMB9,000,000,000

The maximum daily balance of the financial assistance under 2019 Financial Assistance FA for the year ended 31 December 2022 was approximately RMB7,830,884,749.38.

REPORT OF THE DIRECTORS

2. Aluminum Alloy Hub and Raw Materials Procurement Framework Agreement (“Aluminum Alloy Hub and Raw Materials Procurement FA”) – procurement of aluminum alloy hubs and the raw materials by the Group from the Connected Persons

The Aluminum Alloy Hub and Raw Materials Procurement FA was entered into on 1 April 2021 between CITIC Limited and CITIC Group, details of which were set out in CITIC Limited’s announcement dated 1 April 2021. As a result of, amongst other factors, the increase in the average market price of aluminium raw materials and the demand for the aluminium alloy hubs to be procured by the Group from the Connected Persons is expected to further increase, CITIC Limited entered into the supplemental agreement to Aluminum Alloy Hub and Raw Materials Procurement FA (“Supplemental Agreement”) with CITIC Group on 1 April 2022 for the adjustment of the annual caps for the continuing connected transactions contemplated under the Aluminum Alloy Hub and Raw Materials Procurement FA. Details of the above were set out in CITIC Limited’s announcement dated 1 April 2022.

Period: commencing from 1 April 2021 and ending on 31 December 2023

Adjusted Annual Caps:	<i>for the year ended 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
– Aluminum Alloy Hubs	RMB680,000,000	RMB680,000,000
– Raw Materials	RMB1,200,000,000	RMB1,200,000,000
Total Annual Caps:	RMB1,880,000,000	RMB1,880,000,000

The transaction amounts under the Supplemental Agreement for the year ended 31 December 2022 were approximately RMB478,332,575.24 for Aluminum Alloy Hubs and approximately RMB807,412,511.81 for the Raw Materials.

3. Asset Transfer Framework Agreement and Financial Consulting Service and Asset Management Service Framework Agreement

Reference is made to the announcement dated 27 August 2020 and the circular dated 12 October 2020 issued by China CITIC Bank Corporation Limited (“CITIC Bank”, a non wholly-owned subsidiary of the Company), with respect to, among other things, the asset transfer framework agreement (the “Asset Transfer FA”) in relation to the transfer of loans and other related assets, and the financial consulting service and asset management service framework agreement (the “Financial Consulting Service and Asset Management Service FA”) in relation to the entrusted disposal of overdue personal credit assets and written-off overdue corporate assets, both entered into on 27 August 2020 between CITIC Bank and CITIC Group (the Asset Transfer FA together with the Financial Consulting Service and Asset Management Service FA, the “Agreements”). The Asset Transfer FA was a renewal of the asset transfer framework agreement dated 24 August 2017, and the Financial Consulting Service and Asset Management Service FA was a renewal of the financial consulting service and asset management service framework agreement dated 24 August 2017. The transactions contemplated under the Agreements entered into between CITIC Bank and the Group are intra-group transactions not constituting continuing connected transactions of CITIC Limited, while those entered into between CITIC Bank and CITIC Group and its associates (excluding the Group) constitute continuing connected transactions of CITIC Limited. Details of the above were set out in CITIC Limited’s announcement dated 9 June 2021 and its half-year report 2021.

Asset Transfer FA

Period: commencing from 1 January 2021 and ending on 31 December 2023

	<i>for the year ended 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
Annual Cap:	RMB6,600,000,000	RMB6,600,000,000

The transaction amount under the Asset Transfer FA for the year ended 31 December 2022 was approximately RMB635,723,199.14.

REPORT OF THE DIRECTORS

Financial Consulting Service and Asset Management Service FA

Period: commencing from 1 January 2021 and ending on 31 December 2023

	<i>for the year ended 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
Annual Cap: (Service Fees)	RMB400,000,000	RMB400,000,000

The service fees under the Financial Consulting Service and Asset Management Service FA for the year ended 31 December 2022 was approximately RMB10,326,000.

The independent non-executive directors of CITIC Limited have reviewed the above continuing connected transactions numbered 1 to 3 for the year ended 31 December 2022 (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 141 to 143 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”).

4. On 17 November 2022, the Company entered into a financial assistance framework agreement (the “2022 Financial Assistance Framework Agreement”) with CITIC Group with a term from 1 January 2023 to 30 June 2023. The 2022 Financial Assistance Framework Agreement will expire on 30 June 2023. Considering the business development needs of the Group and CITIC Group, on 31 March 2023, the Company entered into a new financial assistance framework agreement (the “2023 Financial Assistance Framework Agreement”) with CITIC Group with a term from 1 July 2023 to 31 December 2025 under which members of the Group would continue to provide financial assistance (including in the form of entrusted loans and financing guarantee) and commercial loans to CITIC Group and/or its associates in the ordinary and usual course of business. CITIC Group is the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Thus, the transactions entered into between members of the Group with CITIC Group and/or its associates under the 2023 Financial Assistance Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the transactions contemplated under the 2023 Financial Assistance Framework Agreement on an annual basis is more than 5% but is less than 25%, the transactions contemplated under the 2023 Financial Assistance Framework Agreement would constitute discloseable transaction and non-exempt continuing connected transactions of the Company under the Listing Rules, and are subject to, among other things, approval by the independent shareholders of the Company at the forthcoming annual general meeting to be held on 21 June 2023. Details of the above were set out in CITIC Limited’s announcement dated 31 March 2023.

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 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.

REPORT OF THE DIRECTORS

Particulars of the outstanding share options granted under the CITIC Telecom Share Option Plan and their movements during the year ended 31 December 2022 are as follows:

Date of grant	Number of share options	Exercise period	Exercise price per share HK\$
24.03.2015	43,756,250	24.03.2017 – 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 share options granted on 24 March 2015 have expired at the close of business on 23 March 2022. 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 2022, options for 30,275,250 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2022, options for 5,268,000 CITIC Telecom Shares were exercised, options for 6,068,750 CITIC Telecom Shares have lapsed. No share options were granted nor cancelled in 2022. As at 31 December 2022, options for 18,938,500 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 2022 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 01.01.2022	Exercised during the year ended 31.12.2022 (Note 1)	Lapsed during the year ended 31.12.2022 (Note 2)	Balance as at 31.12.2022
24.03.2015	24.03.2017 – 23.03.2022	8,010,250	2,205,000	5,805,250	–
24.03.2017	24.03.2018 – 23.03.2023	8,847,500	1,204,500	109,500	7,533,500
24.03.2017	24.03.2019 – 23.03.2024	13,417,500	1,858,500	154,000	11,405,000

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.82.
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 2022.

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 in attaining 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 2022.

Directors' Interests in Securities

As at 31 December 2022, 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 (the "Model Code") as set out in the Listing Rules.

On 9 January 2023, Mr Yue Xuekun was appointed as director of CITIC Limited. Mr Yue is deemed to be interested in 181,435 A shares of CITIC Securities Company Limited (an associated corporation of CITIC Limited within the meaning of Part XV of the SFO) which are beneficially owned by his spouse. Such interest was recorded in the register required to be kept by CITIC Limited pursuant to section 352 of the SFO and notified to the Hong Kong Stock Exchange pursuant to the Model Code 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 2022, 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 and the Hong Kong Stock Exchange, 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) 5,818,053,363 (Short position)	78.13% (Long 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) 5,818,053,363 (Short position)	78.13% (Long 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) 5,818,053,363 (Short position)	78.13% (Long 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) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)

REPORT OF THE DIRECTORS

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 2022:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	3,873	57.149
1,001 to 10,000	2,237	33.008
10,001 to 100,000	607	8.957
100,001 to 1,000,000	54	0.797
1,000,001 to 100,000,000	0	0.000
100,000,001 to 500,000,000	1	0.015
500,000,001 to 2,000,000,000	1	0.015
2,000,000,001 above	4	0.059
Total:	6,777	100

REPORT OF THE DIRECTORS

As at 31 December 2022, 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 9,820,331,204 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.76% of the total number of ordinary shares in issue of CITIC Limited.

Purchase, Sale or Redemption of Listed Securities

On 28 February 2022, CITIC Limited fully redeemed the USD500 million 3.125% notes under the Medium Term Note Programme upon maturity. These notes were issued on 28 February 2017 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 2022.

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.

By Order of the Board,
Zhu Hexin
Chairman
Hong Kong, 31 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT



Board Statement

The Board of Directors of our company adheres to the requirements of the Hong Kong Stock Exchange and continuously explores and improves the organisational structure and system of ESG management, strengthening the Board's involvement in the company's ESG management. The Board and all Directors confirm that this report does not contain any false records, misleading statements or major omissions, and make the following statement regarding the Board's ESG supervision and management work:

Roles of the Board of Directors

The Board of Directors at CITIC Limited takes ultimate responsibility for the company's ESG strategy and reporting. To ensure the company's commitment to and performance on key ESG issues, the board's Audit and Risk Committee works alongside other specialized committees and functional departments to incorporate ESG management into internal control, risk management, strategic planning, and other areas. In 2022, the Board proposed several constructive suggestions to the management regarding ESG work, including strengthening top-level design, increasing workforce, paying attention to climate change risks, and conducting roadshows and reverse roadshows for investors. The management has carefully studied and implemented these suggestions.

ESG Management Policy

Our company regularly discusses and assesses ESG risks and opportunities in alignment with our reform, development, operational, and management practices, as well as the concerns of our stakeholders. We remain unwavering in our commitment to improving relevant ESG strategies and policies. Given the significant impact that ESG issues may have on our organisation, we employ various communication channels such as information disclosure, workshops, dialogues, industry conferences, performance releases, and questionnaires to enhance communication among all parties. In addition, we conduct an annual analysis of the importance of ESG issues that are of concern to our stakeholders to ensure that we can effectively respond to their expectations and meet their needs.

Review of ESG Objectives

Our company and its subsidiaries have established annual, mid-term, or long-term management objectives for key ESG issues, such as carbon peaking and carbon neutrality, comprehensive risk management system development, clean technology investment, and R&D investment. These objectives have been reviewed by the Board of Directors, and progress toward them will be reviewed on regular basis. In 2022, we conducted multiple training sessions for management and employees on various topics related to ESG, including climate change risks, ESG ratings in capital markets, ESG development trends, and anti-corruption. Our goal is to continuously enhance our accountability and improve our performance in fulfilling our ESG responsibilities.



About this Report

This report is the 9th annual ESG report released by CITIC Limited, which details the company's ESG management and performance in areas such as compliant operations, green development, technological innovation, employee management, customer service, and community outreach in 2022. The company is committed to the truthfulness, accuracy, and completeness of the report's content. To ensure the scientific and credible nature of ESG performance indicators, the company has engaged KPMG Huazhen LLP to conduct limited assurance procedures on selected key data in this report and issue an independent assurance report.

Scope and Period of the Report

Unless otherwise specified, the scope of disclosure in this report is consistent with the annual report and the *2021 Environmental, Social and Governance Report*. The statistical time frame for key performance indicators presented in this report ranges from January 1st, 2022 to December 31st, 2022, with some content extending to March 31st, 2023. This report has been reviewed and approved by the Board of Directors on March 31st, 2023.

Reporting Principles

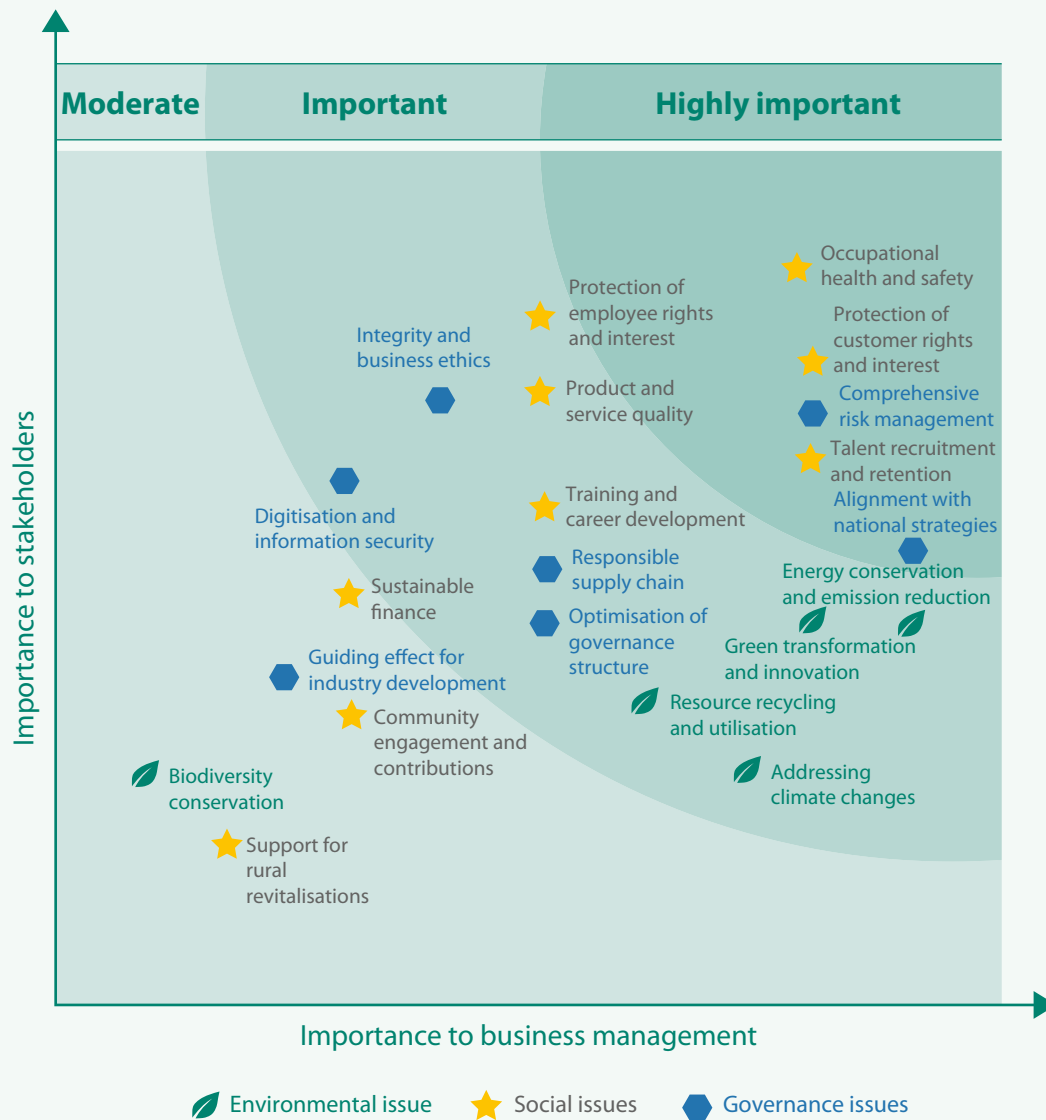
This report follows the principles of importance, quantification, consistency, and balance set forth by the Hong Kong Stock Exchange in its preparation.

Importance

We have identified 20 key ESG issues by engaging in regular communications with stakeholders, following HKEX ESG guidelines, and monitoring global ESG priorities. We assessed the relative importance of these issues to our key stakeholders through questionnaires and other means. Based on these evaluations, we have identified the key issues, including occupational health and safety, customer rights protection, comprehensive risk management, and talent recruitment and retention. This report addresses these key ESG issues in response to stakeholders' concerns.



2022 CITIC Limited ESG Issue Importance Matrix



Quantification

This report provides quantified disclosure on the applicable ESG key indicators, and discloses the statistical standards, methods, assumptions and/or calculation tools, as well as the sources of conversion factors for emissions/energy consumption.

Consistency

Unless otherwise specified, this report maintains consistency in the statistical methods or key performance indicators presented, without any significant changes or factors that may affect meaningful comparisons.

Balance

This report adheres to the principle of balance and presents the ESG management performance during the reporting period in an objective manner.

Honors and Awards

Award Type	Honors and Awards Received
 Comprehensive awards	CITIC Bank ranked 21st in the Top 500 World Banking Brands Leaderboard and its Tier 1 capital ranked 19th in the Top 1000 World Banks as published by the British financial magazine <i>The Banker</i>. CITIC Dicastal was awarded “Top 100 Comprehensive Enterprises in the Chinese Foundry Industry”. It ranked 50th on the 2022 Top 100 Global Auto Parts Suppliers list published by <i>Automotive News</i>.
 Corporate governance awards	CITIC Bank was awarded the “Most Socially Responsible Bank of the Year” by Stock Star, recognized as an “Outstanding ESG Practice Case of Listed Companies” by the China Association for Public Companies, and received the “ESG Pioneer Award” from Cailian Press. It was also selected as an “Excellent Corporate ESG Case for Inclusive Finance” by Xinhua Net and the China Enterprise Reform and Development Society. CITIC Securities was awarded the “Best Investment Bank for ESG Practices” and “Best Investment Bank for New Energy Industry” at the The 15th New Fortune Best Investment Bank Selection, the “Best ESG Practice Case of A-share Listed Companies” by the China Association for Public Companies, the “Green Development Award” at the 17th People’s Corporate Social Responsibility Awards, and the “Best ESG Listed Company” at the 12th China Securities Golden Bauhinia Awards. CITIC Securities was also named one of the “Top 100 Most Valuable Listed Companies” and “Top 100 Listed Companies for ESG Practices” by <i>Securities Times</i> for the 16th Most Valuable Listed Companies in China. China Securities has won the <i>China Securities Journal</i> Golden Bull Award for Social Responsibility Practices, by the Chinese Securities Industry. CITIC Trust was awarded the “Best Social Responsibility Practice Enterprise for 2022” by Finance. China.com.cn and also won the “ESG Pioneer Award” at the 2022 Cailian Press. CITIC Resources was honored with the “ListCo Excellence Awards 2022”, which was co-organized by Am730 and PR ASIA with the full support of iFeng.com Hong Kong Stock. CITIC Environment has been recognized by <i>China Environmental News</i> as a “China Environmental Protection Social Responsibility Enterprise” for seven consecutive years and was selected as one of the “10 Best Corporate Public Welfare Cases” by Sina.

Award Type	Honors and Awards Received
 Environmental awards	CITIC Limited was awarded as the “Leader in China’s Industrial Carbon Peaking”, ranking on the top of the list. CITIC Bank has been honored with the “Top Performer in Green Bank Evaluation” by the China Banking and Insurance Regulatory Commission and the China Banking Association. CITIC Carbon Account has been selected as a brand for the Brand Power programme by CCTV, a case study for “Global Corporate Social Responsibility”. It has also received the “Global Green Finance Award-Innovation Award” at the 3rd International Financial Forum (IFF), and the “Green Finance Pioneer Innovation Award” from Shenzhen SEZ Society for Finance and Banking. CITIC Bank (International) was awarded the “Outstanding Lead Bank in Green and Sustainable Bond with Visionary Sustainable development Bond Framework (in the category of urban construction and investment sector)” by the Hong Kong Quality Assurance Agency. The renovation project of Capital Mansion by CITIC Heye has won the “RICS Awards China 2022” in Urban Renovation category. CITIC Environment has been awarded the “Outstanding Environmental Practice Case for Enterprise ESG in 2022” by Xinhua Net.
 Social awards	CITIC Limited was selected as the “Best Employment Partner” by the School of Economics, Fudan University; CITIC Securities was named the “Best Employer” by the Guanghua School of Management, Peking University. CITIC Bank received the “Small and Medium-sized Investor Relations Interaction Award” from p5w.net and “Annual Pension Financial Services Bank” from Securities Times. Its rural revitalisation case was selected as an “Innovative Case of Rural Revitalisation” by the People’s Daily Economic Research Institute. China Securities was awarded the “Top 10 Securities Companies for Serving the Listing of Science Innovation Enterprises” and the “2022 China Securities Industry Fintech Golden Bull Award”. CITIC Pacific was awarded the “Outstanding Award for Public Welfare” and “Annual Honor Award” by the Community Chest of Hong Kong. The company received the “Caring Company Logo” from the Hong Kong Council of Social Service for seven consecutive years, for its commitment to caring for the community as a business entity for 5 years or more. CITIC Pacific also received the Bronze Award for “Excellence in Early Career Development” and “Excellence in Leadership Development” from Human Resources Online. CITIC Pacific Special Steel has 14 products that were listed on the physical quality brand cultivation product list of China Iron and Steel Association. Among these products, one was awarded as “Gold Cup Supreme Quality Product” and 12 others were awarded “Gold Cup High Quality Product”. Two projects undertaken by Xingcheng Special Steel, a subsidiary of CITIC Pacific Special Steel, have won the first prize in Metallurgical Science and Technology from the China Iron and Steel Association and the Chinese Society for Metals. CITIC Heavy Industries has won 12 technology awards and approved with two innovation platforms above provincial level CITIC Dicastal has won the China Machinery Industry Science Progress Award, the third prize in the Science Progress Category, and the “Outstanding Innovative Achievements in China’s Automotive Supply Chain in 2022” by the China Association of Automobile Manufacturers for its “High-Strength Lightweight Spun-forged Aluminum Alloy Wheel” project. It was also named the “2021 Lighthouse Case for Digital Transformation” at the 8th China Industry Internet Conference.

Award Type

Honors and Awards Received

Social
awards

CITIC Construction was awarded the AAA enterprise credit grade, which is the highest certificate of enterprise credit grade in the construction industry for 2022 and was named a “Leading Enterprise for Social Responsibility Practices” by the China International Contractors Association. The Maysān combined-cycle power plant in Iraq was successfully put into operation and praised by the Iraqi Prime Minister Mustafa al-Kadhimi as a shining example of cooperation between China and Iraq.

CITIC Engineering’s Intelligent Construction Platform Project was selected as a pilot demonstration for the integration and development of new-generation information technology and manufacturing by the Ministry of Industry and Information Technology in 2022. Seven projects won the Achievement Award from the Green Building Work Committee of the China Association of Construction Enterprise Management, and three projects won the China Steel Structure Gold Award. The EPC project of Grushu waterplant Phase II in Shenzhen was shortlisted for the FIDIC Project Awards.

CITIC Tower received one of the first batch of the China Installation Project Quality Awards (China Installation Star) from the China Association for Installation and the first batch of the National Quality Engineering Gold Award from the China Association of Construction Enterprise Management.

CITIC Press has won 252 significant awards from the publishing and media industry.



ESG Management

As a comprehensive enterprise with a global reach and diversified business portfolio, CITIC Limited is confronted with ever more complicated ESG risks and challenges, which underscores the need for higher ESG management standards. In 2022, the company conducted a thorough analysis of its reform, development, and operational management practices, as well as the key concerns of its stakeholders, to determine the risks and opportunities in the ESG field. Through the implementation of a sound organisational structure, robust institutional framework, and detailed targets and measures, the company promoted ESG work at all levels of the organisation and made significant strides in improving ESG management and practices.

Organisational Structure

The company has set up a three-tier ESG management system, comprising the Board of Directors, management, and implementation. The Board of Directors provides guidance for the company's ESG work, while also supervising and evaluating the performance of the management. The management is in charge of coordinating all ESG-related work and for guiding and overseeing the implementation process. The functional departments at the headquarters and the subsidiaries are responsible for implementing specific ESG tasks.

Board of Directors

- The Board of Directors has the responsibility to fulfill the statutory ESG supervisory duties in compliance with national laws, regulations, and regulatory requirements. This includes evaluating and determining the company's ESG risk preferences, conducting an annual review of the sufficiency of ESG-related resources and training, assessing the ESG risk situation, and reviewing the work scope and the company's annual ESG report.

Board of Directors

Management

Implementation

Implementation

- The General Department leads all ESG-related work throughout the organisation and is responsible for overall coordination.
- The headquarters' functional departments are responsible for the centralized management of ESG work. They manage ESG work in their respective areas, adhering to relevant respective and practical needs.
- Each subsidiary is responsible for implementing ESG work within its own organisation and guiding affiliated companies to follow suit.

Management

- Study and develop ESG plans, major projects, and comprehensive systems, and present them to the Board of Directors for review.
- Examine and approve ESG reports and assessments of the importance of ESG issues, and submit them to the Board of Directors for review.
- Approve ESG special regulations, annual work plans, and other important documents related to ESG management.
- Provide regular reports to the Board of Directors on the status of ESG work, including compliance with national and regulatory requirements, progress on work objectives and plans, and responses to investor demands.
- Deliberate on other important matters related to ESG management as needed.

✦ Incorporating ESG into Our Strategy

In 2022, we introduced our company's "14th Five-Year Plan", covering all five major business sectors as well as talent development, business collaboration and synergy, digitalisation, technological advancements, and risk management. We've incorporated ESG concepts such as compliance, green and low-carbon development, anti-corruption, and shared prosperity into all of these plans. In the *14th Five-Year Plan for the New-Type Urbanisation Sector*, we have clearly stated our commitment to an ecological-oriented model, which aims to promote human-centeredness, low-carbon development, as well as efficacy and efficiency in the construction of smart cities. We have integrated climate change risk management into our comprehensive risk management system, with particular emphasis on addressing climate-related transformation risks in the *14th Five-Year Plan for Risk Management*, thus actively assessing and managing relevant risks through environmental risk analysis.

✦ Comprehensive Management Systems

We have established comprehensive management systems in various areas such as energy conservation and emissions reduction, green finance, clean technology development, overall risk management, protection of employee rights and interests, supply chain management, anti-corruption, consumer rights protection, and charitable donations, both for our company and subsidiaries. To ensure effective implementation, our headquarters have issued the *Compilation of Important Company Systems*. This compilation includes 157 important systems covering 12 aspects such as corporate governance, strategic and investment management, financial management, personnel management, and risk and compliance management. We review the implementation of these systems on a regular basis to ensure their effectiveness. In March 2023, we made revisions to the compilation by adding and updating 36 important systems. We intend to make these management systems available on our official website to facilitate better supervision by all stakeholders.

✦ Corporate Accountability Requirements

In 2023, we issued the *CITIC Limited ESG Guidelines*, which provide a clear framework for our ESG work principles, organisational structure, management responsibilities, ESG issues management and practical requirements, stakeholder management, as well as assessment and supervision. In particular, we have benchmarked international standards such as the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDGs), and combined them with the actual situation of our five major sectors to propose more rigorous, advanced, and targeted accountability requirements.

✦ ESG Research and Publicity

CITIC Bank, CITIC Securities, and China Securities, among other subsidiaries, have conducted extensive research on green finance, ESG investment, and related topics (please refer to the sustainability or ESG reports of relevant subsidiaries for more details). In 2022, CITIC Press planned and published several books on the "Dual Carbon strategy", including *Carbon Neutrality and Green Financial Innovation*, *Financial Support for Carbon Peaking and Carbon Neutrality*, *Speed & Scale: A Global Action Plan for Solving Our Climate Crisis Now*, and *Green Growth under Dual Carbon Goals*. Furthermore, CITIC press partnered with Sina to organize the "2022 ESG Global Leaders Summit". This summit attracted 135 scholars, experts, and entrepreneurs from 20 countries, representing top organisations, companies, academia, finance, and investment institutions in the global ESG industry. The summit's video garnered over 90 million views on the internet.



Compliance and Risk Control: Our Commitment to Prudent Operation

To effectively prevent and resolve major risks, we have implemented comprehensive risk management and coordinated planning, while continuously improving our risk management practices. We attach great importance to anti-corruption and have established a comprehensive supervision system as well as a sound anti-corruption system to strictly crack down on all kinds of corruption issues and behaviors that violate business ethics. With the support of a rigorous supervision system, a sound auditing mechanism, as well as continuous cross-checks through employee code of conduct reviews and special inspections on fund utilisation, we are able to achieve a full supervision coverage of all employees at least once every three years to ensure that they adhere to integrity, honesty, and ethical business practices.

Comprehensive Risk Management

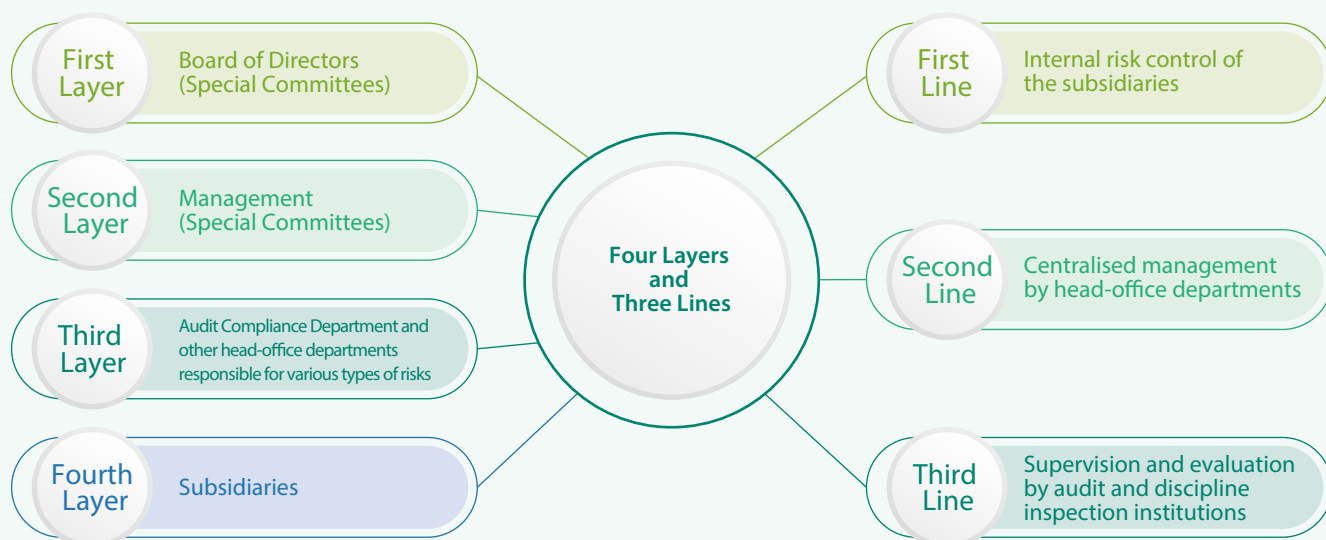
We have created a strategic framework for risk management, which serves as the basis for establishing a comprehensive risk management system that covers five key areas: organisation, policies, processes, technology, and culture. In addition, we have planned out three implementation stages in a systematic manner.

Stag 1: Establishment & Implementation 2021-2022	Stage 2: Consolidation & Improvement 2023-2024	Stage 3: Comprehensive Deepening 2025
Complete the construction of a comprehensive risk management system in accordance with the strategy of "Prioritizing Financial Sectors and Following up with Industry Sectors". The goals set for this stage have been successfully accomplished: ✓ Put in place a sound risk management organisational structure and establish a comprehensive risk management system ✓ Achieve standardized risk management throughout CITIC Financial Holdings, with a focus on deepening risk management in financial subsidiaries and strengthening risk management in the industrial sector ✓ Conduct a trial run of our risk preference strategy ✓ Ensure that the capital adequacy ratio of financial subsidiaries reaches the industry average level ✓ Establish a sound risk management system for the industrial sector ✓ Establish a unified mechanism for credit extension and risk management of major customers	Continue to improve the risk management system: ✓ Continue to enhance risk governance by reviewing and improving management systems and processes ✓ Enhance risk preference management, the unified mechanism for credit extension, and risk management of major customers while strengthening the capability of early warning ✓ Ensure the capital adequacy ratio of financial subsidiaries meets or exceeds the industry standard ✓ Further improve the risk management organisational structure of industrial subsidiaries to strengthen risk control in critical areas ✓ Strengthen risk management for overseas operations ✓ Expand the functions and management scope of the risk management system	Deepen the construction of the risk management system: ✓ Achieve stable operation of risk management policies, systems, and processes, forming a good risk and compliance culture ✓ Achieve comparable industry-leading levels in corporate governance, capital adequacy, and non-performing asset ratio while establishing a financial service system that meets the requirements of high-quality economic development at financial subsidiaries ✓ Improve risk warning and risk handling capabilities, while ensuring sufficient and effective risk monitoring at industrial subsidiaries ✓ Enhance the supporting technical capabilities for the risk management system

Risk Management Model

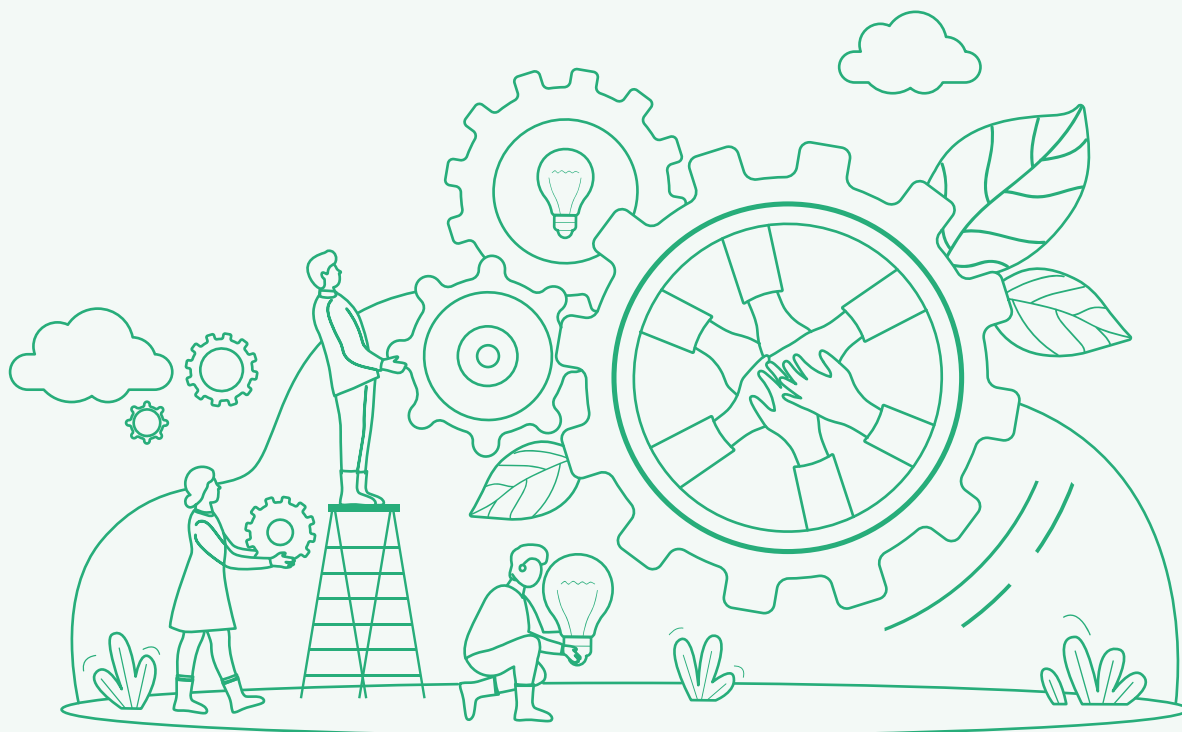
We have established a risk management organisation structure based on “Four layers and Three lines”. We have also developed a comprehensive risk management model that involves “centralised management by head office departments + institutionalised management by subsidiaries”.

“Four layers and Three lines” of Risk Management Model



Institutional Framework for Risk Management

Our institutional framework for risk management follows a layered approach and is guided by risk preferences. It includes comprehensive risk management guidelines, risk identification and evaluation system, and special risk management rules and operation rules, in an aim to specify the management requirements, maintain the standards, methodology and process of risk management, and enhance the application and effectiveness of the system.



Technical Systems

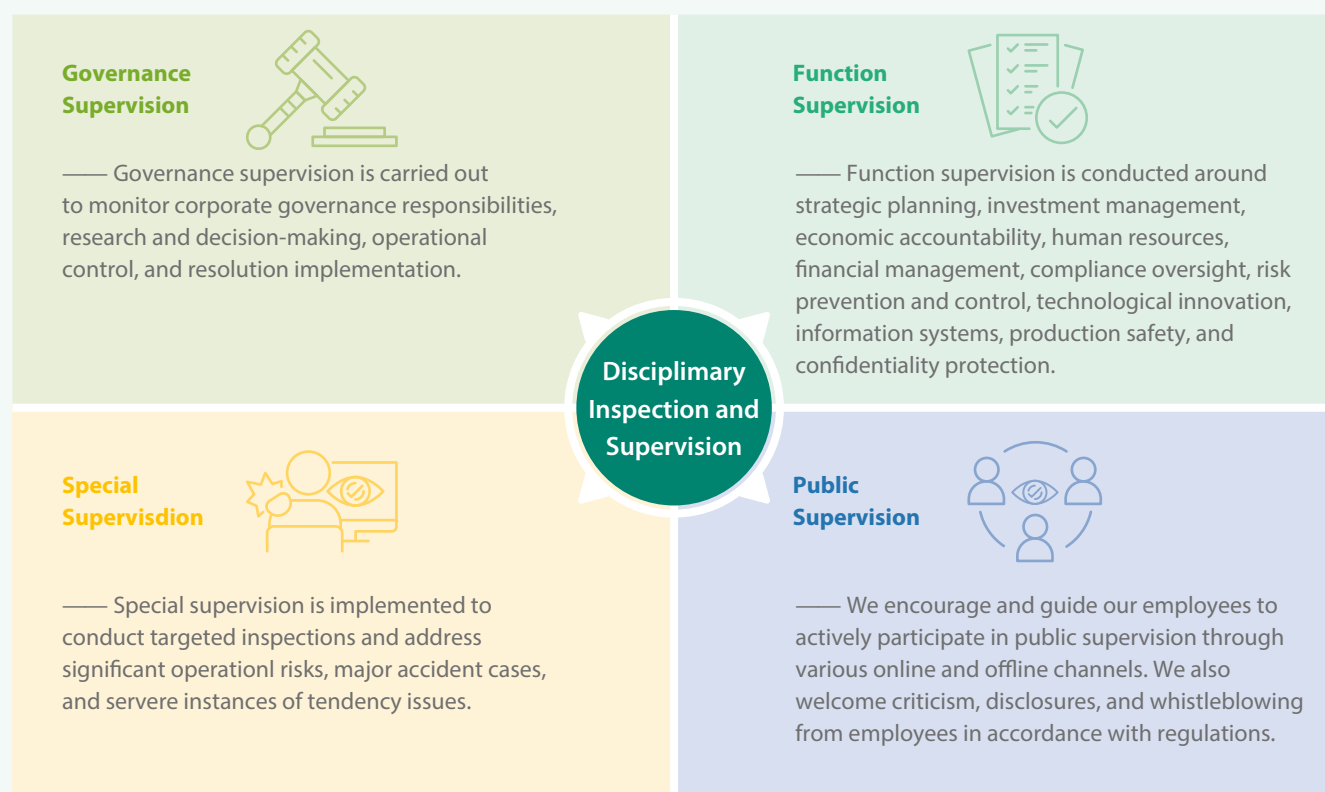
We have established an intelligent risk management platform that enables us to achieve a unified visualisation of risks, unified credit extension, risk preferences, early risk warning, and special risk management. This platform provides robust support for managing different types of risks, and allows us to conduct in-depth analysis and application of risk information, thereby improving the accuracy of our risk analysis and enabling proactive risk management.

Anti-corruption and Business Ethics

We strictly adhere to the laws and regulations of the countries and regions in which we operate, including the *Oversight Law*, *Anti-money Laundering Law*, and *Anti-Unfair Competition Law of the People's Republic of China*. This is to prevent corruption and unethical behavior such as bribery, extortion, fraud, money laundering, and unfair competition.

Building a Comprehensive Supervision System

We have established a comprehensive supervision system that is led by disciplinary inspection and supervision. This system coordinates various types of supervision, including regulatory supervision, functional supervision, special supervision, and public supervision. We have also developed a complete, closely-knit work mechanism that involves consultation, research, collaborative rectification, problem clue transfer, and warning notification, so as to enhance the systemic, continuous, and effective internal supervision.



Disciplinary Inspection and Supervision

We have an internal disciplinary and inspection mechanism in place to promote clean governance and combat corruption. This mechanism supervises and inspects the performance of duties, impartiality, integrity, and moral conduct of managers and all employees in accordance with the law. It investigates illegal and criminal activities such as embezzlement, bribery, abuse of power, rent-seeking, tunneling, and favoritism. Violators of the law will be punished accordingly, and managers who fail to fulfill their duties or demonstrate dereliction of duty will be held accountable. Those suspected of crimes will have their cases transferred to the prosecutor's office for investigation and prosecution. We also provide suggestions to the organisation of the relevant personnel for improving their regulatory systems and mechanisms.

In 2022, a total of 298 cases were filed and 327 people were held accountable throughout the system. Among them, serious violations of discipline and law, such as those committed by Wu Xuewen, Lin Zhengyue, and Zhu Yanchen, were jointly investigated and dealt with by local supervisory agencies. Breakthroughs were made in investigating corruption cases of top executives in subsidiary companies, non-financial fields, and "fleeing resignation" cases, as well as urging corrupt individuals to hand themselves in voluntarily.

Disciplinary inspection and supervision agencies adhere to the established regulations for dealing with clues and materials related to disciplinary violations or illegal activities. They provide suggestions for handling relevant issues and categorise the received clues for proper processing. If evidence of disciplinary violations or illegal activities is found that requires investigation for disciplinary or legal responsibility, the agency files a case and collects evidence in accordance with regulations. Following the completion of the investigation, an internal review is carried out, and the agency proposes suggestions for approval and implementation based on specified limits of authority and procedures.

We have established an internal inspection and supervision institution. The inspection institution at the headquarters sets up inspection teams on a regular basis to monitor the compliance and performance of senior management personnel in both the headquarters departments and subsidiaries. The primary focus of these inspections is to identify issues such as abuse of power for personal gain, embezzlement, bribery, and corruption. Typically, all departments and subsidiaries receive a full inspection every five years.

To institutionalise and standardise anti-corruption efforts, we have compiled various anti-corruption systems involving fundamental regulations, guiding principles, and work standards, creating a rigorous institutional framework. In 2022, we made improvements to 19 anti-corruption systems, including the petition reporting and integrity filing systems, compiled five tool manuals, and achieved full coverage of the business process from petition reporting acceptance to case filing. We formulated and published *CITIC Limited Anti-Corruption Code of Conduct*, which is based on strict adherence to the *Prevention of Bribery Ordinance* of Hong Kong. The code specifies key areas such as bribery and embezzlement, abuse of power and company assets, conflicts of interest, and procurement and bidding procedures, with clear punitive measures for its violations.

Audit Supervision

The company strictly adheres to laws and regulations such as the *Corporate Governance Code* of the Hong Kong Stock Exchange, and actively promotes the construction of the internal audit system. The Audit and Risk Committee is established under the Board of Directors, and audit agencies are set up in the headquarters and important subsidiaries with about 600 audit personnel. Upholding the principle of "Thorough and Rigorous Auditing", the audit agencies at all levels independently supervise the company's risk management and internal control, aiming to assist the company in improving its management, achieving development goals, and fully leveraging the crucial role of internal audit in the corporate governance and supervision system.

The company has implemented a number of internal audit systems, including the *Internal Audit Regulations*, *Management Regulations for Internal Audit Agencies of Subsidiaries*, and *Code of Ethics for Internal Audit Personnel*. The headquarters' audit agency reports to the Audit and Risk Committee on a quarterly basis regarding system-wide audit activities, audit findings and rectification, as well as internal audit personnel resources. Furthermore, an annual evaluation of internal audit work is conducted to assess subsidiary audit management, audit quality, audit performance, communication and coordination, and to provide specific guidance and suggestions.

Strengthening Overseas Compliance Operations to Guard Against Integrity Risks

In 2022, we undertook a specialised study to enhance our compliance operations overseas, which has yielded significant advancements in mitigating integrity risks in our foreign investments and operations.

 Organisational structure	✓ We've established a leadership group for overseas compliance management at the company's headquarter, which is composed of the chairman, vice-chairman, senior executives, and some mid-level management personnel. ✓ Subsidiaries with substantial overseas operations, including CITIC Securities, China Securities, CITIC Metal, and CITIC Heavy Industries, have each established integrity and compliance management bodies headed by their respective responsible persons.
 Institutional building	✓ We have issued the <i>Guiding Opinions on Strengthening Overseas Integrity and Compliance Management</i>, which puts forward specific requirements for financial management and control, procurement of materials, commissions, and hospitality expenses within our overseas institutions. By doing so, we aim to enhance the management and control of integrity and compliance risks. ✓ We have developed eight regulatory documents covering critical areas, including risk, investment, finance, and security management, to refine the requirements for integrity operations. Overseas project managers are now required to sign an <i>Integrity Commitment Letter</i>, and we have included overseas integrity risk indicators in the performance assessment of management personnel at our headquarters and subsidiaries such as CITIC Bank, and CITIC Environment. CITIC Metal has also established mechanisms for reclaiming and withholding the compensation of leaders of overseas institutions in case of integrity violations. ✓ We have compiled the Overseas Risk Management Manual (5 volumes and 7 books), which combs through relevant policies, laws and regulations, international treaties, and practical tools related to overseas business for use by our various overseas institutions. ✓ 15 subsidiaries, including CITIC Construction, CITIC Dicastal, and CITIC Heavy Industries, have made improvements to 220 relevant institutional documents. Four subsidiaries, including CITIC Bank, have set integrity requirements for overseas operations in 44 institutional documents.
 Learning and training	✓ We have organised special training for all overseas employees in eight areas, including overseas business strategy and investment management, key personnel management, hospitality expenses, and performance compensation. ✓ We have offered lectures and training sessions on overseas integrity and compliance management for a total of 111 times in 8 subsidiaries including CITIC Metal.

Integrity Education

We place a high value on anti-corruption training for everyone involved in our organisation. This includes the board of directors, management, as well as all employees, including third-party staffing. We educate our staff on the importance of maintaining good behavior standards and moral norms by offering warning education conferences, integrity education lectures, business training sessions, and integrity education videos, as well as reporting typical cases of violations of discipline, law and dereliction of duty. Our aim is to actively guide the entire company towards building a solid defense against corruption by creating a culture where it is impossible, unthinkable, and unacceptable to engage in corrupt practices.

In 2022, the company's headquarters released a number of online courses on integrity and compliance training via the internal learning platform and procured books on anti-corruption and clean governance policies for its staff. In addition to these efforts, the headquarters also continued to carry out integrity education in various forms.

Types of Training	Employee Coverage
Organised the board of directors, management to learn about relevant policies and regulations	covering about 3,000 person-times
Organised all employees to learn about warning education	Covering over 220,000 person-times
Invited senior executives and internal and external experts to give lectures on anti-corruption education	Covering about 2,000 person-times
Provided training courses for full-time discipline inspection and supervision personnel	Covering 1,106 people
Organised all employees to learn about relevant policies and regulations	Covering about 10,000 person-times
Daily Integrity Education	Played educational videos such as "Integrity Classroom" in public places such as elevators
	Reminded all employees to maintain integrity on a regular basis through notifications, text messages, and other forms covering 180,000 person-times

CITIC Bank has offered nearly 60,000 compliance training sessions and over 6,000 inspection visits at all levels throughout its organisation. They distributed articles on regulatory environment, policy interpretations, and experience sharing through their corporate WeChat account.

CITIC Securities has rolled out anti-commercial bribery and integrity policies, established a sound commitment system for integrity practice, and offered multiple online training sessions on integrity operations covering over 20,000 people.

CITIC Trust has been organizing the "Integrity Culture Month" event for nine consecutive years, and has also released 24 issues of the "Discipline Inspection Classroom".

Whistleblower Protection

We've established an accessible reporting channel and follow the *Rules for Handling Reports and Accusations by Disciplinary Inspection and Supervision Organisations*. We've developed *Management Methods for Disciplinary Inspection, Supervision, and Reporting*, *Management Measures for Petition*, and *Measures for Encouraging Real-name Reporting and Punishing False Accusations and Framing*. We've created *Reporting Policies* and *Guidelines for Handling Reports* for our operations in Hong Kong. We've defined the scope, channels, and processes for handling reports and petitions, while protecting the information of whistleblowers and safeguarding their legitimate rights and interests.

Reporting Channels	Whistleblower Protection
✓ Disciplinary inspection, supervision, and petition institutions at all levels have publicly disclosed their scope of acceptance for handling reporting and complaints, mailing address, reception address, reporting hotline, fax number, email address, and reporting mailbox. ✓ The headquarters have established a mailbox for the Chairman and CEO (chairman-president@citic.com) which is monitored by a dedicated person who forwards these emails to the disciplinary inspection, supervision, or petition institutions for processing.	✓ We encourage whistleblowers to leave their names and contact information. We ensure strict protection of their information, and prohibit any threats, attacks, or retaliation against them. ✓ We accept anonymous reporting through any channel. ✓ We treat whistleblowers with courtesy and respect, without subjecting them to harassment or discrimination in any manner.
Beijing Headquarter:	Hong Kong Headquarter:
Fax: 86-10-64661186 Email: g-contact@citic.com Petition Hotline: 010-64665166 Petition Email: xinfang@citic.com Address: CITIC Tower, No. 10 Guanghai Road, Chaoyang District, Beijing	Email: zxgfb@citic.com Address: 31st Floor, CITIC Tower, 1 Tim Mei Avenue Central, Hong Kong

Employee Conduct Management

We've developed and implemented an *Employee Code of Conduct* in accordance with the *Corporate Governance Code* of the Hong Kong Stock Exchange. This code outlines requirements for directors and employees regarding personal behaviors, such as bribery, illegal gifts and commissions, acceptance and provision of hospitality, as well as relationships with suppliers and contractors, customers and consumers, employment regulations, compliance supervision, and enforcement methods. It stipulates that employees must comply with relevant laws, regulations, and company policies during work and related business activities. The company summarises and reports on its compliance performance twice a year across the entire system, and submits it for review by the Board's Audit and Risk Committee. In the event of non-compliance, the company takes appropriate corrective measures and makes prompt rectification in accordance with relevant regulations.

We, along with all subsidiaries have put in place management systems for the use of funds, including *Regulations on Official Hospitality Management*, *Implementation Rules for the Remuneration and Business Expenses of Enterprise Leaders*, *Measures for the Management of Business Hospitality Expenses*, and *Administrative Fund Management Measures*. These systems ensure comprehensive management of budgeting, planning, approval, use, reimbursement, supervision, and accountability for funds. In addition, a special inspection team for fund use has been established by relevant departments, which carries out inspections across all departments and subsidiaries every three years.

CITIC Bank has formulated the Anti-fraud Audit Management Measures and conducts annual audits on employee behavior. By leveraging digital technology, they continuously improve their monitoring methods for employee behavior and focus on monitoring instances of malfeasance and violations of duty by employees in areas such as credit access, credit approval, asset disposal, centralised procurement, and salary expenses. In 2022, CITIC Bank integrated employee behavior audits into their special and economic responsibility audit work, with a focus on key positions and higher-level leadership. In addition, CITIC Bank has also established the *Implementation Measures for Supervision and Discipline Enforcement Work*, which provides clear regulations on the acceptance, processing, feedback mechanisms, and time limits for employees who wish to appeal disciplinary decisions and contest their penalties.

CITIC Securities has established an authorisation management system to effectively manage critical permissions within appropriate levels. This system comprises management authorisation, contract agreement authorisation, and special authorisation, and has proven effects in preventing and detecting risks related to integrity. Furthermore, the company has implemented a system to monitor employee communication behavior in order to comprehensively regulate their professional conduct.

Supplier Management

We have established a procurement management mechanism and formulated the *Procurement Management Regulations* in accordance with the *Bidding Law of the People's Republic of China* and the *Ministry of Finance Interim Provisions on the Centralised Purchasing Management of State-owned Financial Enterprises*. This ensures full-process management of procurement work throughout our organisation. By the end of 2022, the headquarter of the company had a total of 187 qualified suppliers registered, among which 176 are domestic and 11 are overseas.

In 2022, we identified weaknesses in the overall management, supervision, and inspection of our procurement processes. To address these issues, we have launched a special rectification session that is scheduled to be completed in 2023. As part of this effort, we have developed a Reform Program on Centralised Procurement Management Mechanism, which identified 10 reform measures and key tasks including the establishment of management agencies, clear division of powers and responsibilities, optimisation of procurement systems and workflows, enhancement of professional talent, and strengthened supervision and inspection, with the following key measures being taken to mitigate integrity risks:

 Strengthening supplier management	✓ Urge all levels to establish and strictly adhere to supplier admission standards. When selecting new suppliers, important factors such as commercial bribery, fraud and malicious bidding, should be taken into consideration. The admission of suppliers for products and services that do not meet the requirements should be strictly restricted. ✓ Establish a <i>Ethical Cooperation Agreement</i> with suppliers that promotes transparency, fairness, and open competition in the procurement processes. Strengthen anti-corruption education and supervision for personnel involved in procurement work.
 optimising institutional system	We have implemented additional measures under the newly revised <i>Procurement Management Regulations</i> to further enhance the integrity management of our registered suppliers, procurement departments, and relevant personnel: ✓ Any supplier who engages in the following behaviors will be removed from the supplier pool and, generally, will not be recommended for inclusion in the registered supplier database for a period of one year: serious illegal or unethical behavior, such as commercial bribery or fraud; actions that disrupt the procurement processes, such as malicious bidding, collusion, false reporting, or malicious complaints; serious issues related to their business reputation or product quality; and any illegal or unethical conduct that causes negative consequences for our company. ✓ Procurement departments and personnel must maintain high ethical standards and avoid any personal interest relationship with suppliers or illicit activities that result in personal gain from suppliers during the procurement process. These activities may include holding a part-time position or receiving compensation from an enterprise with a vested interest in the procurement, engaging in paid intermediary activities using job-related advantages, and accepting or soliciting intermediary fees, rebates, commissions, gifts, securities, or consumer services provided by suppliers. Procurement personnel must proactively recuse themselves from the procurement process when they have a personal interest relationship with relevant suppliers.
 Enhancing audit and control	✓ Prioritising procurement management in internal auditing, establishing a supervisory system that covers all levels of the organisation, carrying out regular audits and supervision of bidding and procurement processes as a standard practice, and dealing with any illegal and violating activities such as fraudulent procurement, bid-rigging, and bribery in centralised procurement severely.

Anti-money Laundering

CITIC Limited has established the Anti-money Laundering Management Measures, which defines the management structure and devision of duties, and requires strict compliance with relevant laws and regulations. In the meanwhile, the company has built up and upgraded the Anti-money laundering screening system. CITIC Financial Holdings has developed the Anti-money Laundering and Anti-Terrorist Financing Management Measures, promoting the establishment of a clear and well-defined Anti-money laundering management system. The board of directors fulfill their management responsibilities in accordance with CITIC Financial Holdings' articles of association and relevant regulatory requirements. Meanwhile, the management team is responsible for implementing Anti-money laundering risk management. CITIC Financial Holdings' Compliance and Risk Management Department is in charge of centralized management of Anti-money laundering and implements Anti-money laundering policy. It also researches, implements, and guides the Anti-money laundering efforts of CITIC Financial Holdings and its financial subsidiaries.

CITIC Bank		CITIC Securities
 Institutional building	✓ Established a three-tiered anti-money laundering internal control system consisting of "top-level system + special system + line system" and an anti-money laundering system library. ✓ This comprises two top-level systems, <i>Basic Regulations for anti-money Laundering Internal Control Management</i> and <i>Anti-money Laundering Risk Management Policy</i>, which cover the entire process of anti-money laundering from risk identification, assessment, monitoring, control, and reporting, along with 28 specialised systems for money laundering inspection and assessment, and 32 line systems targeted at combating money laundering.	✓ Formulated the <i>Implementation Rules for Anti-money Laundering Inspection and Rectification</i>, revised the <i>Performance Evaluation and Reward/Punishment Guidelines for Anti-money Laundering</i>, and continuously strengthened the supervision and management of anti-money laundering work. ✓ Revised the <i>Anti-money Laundering Compliance Manual</i> to improve employees' Anti-money laundering capabilities during their daily work.
 Anti-money laundering training	✓ Provided regular anti-money laundering training to directors, supervisors, and senior management personnel; continued to offer both online and offline anti-money laundering training sessions to all employees, with a total of 1,110 Anti-money laundering training sessions organized in 2022.	✓ Provided 13 anti-money laundering training sessions to employees with a coverage rate of 100%. ✓ Provided 22 anti-money laundering training sessions to the board of directors with a participation rate of 100%.
 Anti-money laundering advocacy	✓ Integrated Anti-money laundering advocacy with consumer rights protection and other initiatives, and organised four social advocacy campaigns under relevant themes such as "Crackdown on Online Gambling and Scams to Protect Financial Security" and "Guard Against Illegal Fundraising and Combat Telecom Fraud". ✓ Utilised various internal platforms such as the enterprise intranet, "CITIC Bank Anti-money Laundering" public account, and short videos to promote financial knowledge about anti-money laundering to all employees and enhance the overall awareness of the bank about this issue.	✓ Conducted anti-money laundering advocacy campaigns at the banking hall, which reached 120,000 employees and customers. ✓ Conducted 317 on-site advocacy activities, reaching an audience of 15,000 people. ✓ Posted 41 Anti-money laundering advocacy articles on WeChat public account and other platforms, with a total of more than 170,000 views.

Intellectual Property Management

We've put in place a specialised department that oversees the day-to-day management of legal affairs related to intellectual property right. In accordance with laws and regulations such as the *Civil Code*, *Trademark Law*, *Copyright Law*, and *Patent Law of the People's Republic of China*, we have developed the *Intellectual Property Management Measures* to safeguard the rights of patents, works, trademarks, process flows, technical secrets, and other legally owned rights that arise from our business activities. In 2022, we focused on various initiatives such as "Protecting Proprietary Intellectual Property", "Strengthening Brand Management", and "Combating Intellectual Property Infringement".



Protecting
proprietary
intellectual property

- ✓ We organised our subsidiaries to sort out their intellectual property achievements, including invention patents, utility model patents, and software copyrights. In 2022, we published one international standard and 17 national standards, and obtained 1,203 authorised patents, of which 424 were invention patents.



Combating
intellectual
property
infringement

- ✓ We have developed the *Guidelines for Dealing with Intellectual Property Infringement*. Based on the precondition of respecting the intellectual property of others, these guidelines outline a four-stage process for investigating and managing infringement, including preserving relevant evidence, verifying and reporting the findings, taking necessary actions, and reporting the results. We also pay close attention to six frequently occurring types of infringement and provide corresponding measures to address them.
- ✓ CITIC Dicastal has established a non-profit organisation — Wheel Hub (Auto Parts) Intellectual Property Protection and Anti-Counterfeiting Center, which specialises in industry-specific intellectual property protection.
- ✓ CITIC Press has set up a specialised Intellectual Property Protection Center that serves as an exclusive channel for readers and copyright holders to report and resolve intellectual property disputes. It collaborates with governmental entities, industry association to combat intellectual property infringement.



Strengthening
brand
management

- ✓ We've updated our *Trademark Management Measures* to impose strict requirements on brand usage and management, and to reduce risks associated with renting or selling the CITIC brand. We've also created the *CITIC Trademark Registration and Usage Management Guidelines* to refine our trademark management. Additionally, we've conducted a "negative list" investigation of the CITIC brand in Hong Kong and launched an investigation into accounts on new media platforms that infringe on our trademark. We push ahead with making necessary rectifications and update the positive list for brand usage.



Green Development: Our Commitment to Building a Beautiful China

Special Report:



“Dual Carbon” Strategy and Climate Change Risks Management

Responding to climate change risks and implementing the “Dual Carbon” strategy is a shared responsibility of society, including businesses. At CITIC, we have taken proactive measures to align with the green and low-carbon transformation trend, and we have been exploring the CITIC approach of providing comprehensive enterprise services for green development. Thanks to our efforts, we were recognized as a “Leading Enterprise in Industrial Carbon Peaking” and ranked first on the list in 2022.

2021	2022	Short-term goals	Long-term goals
✓ Proposed the “Two Increases and One Reduction”¹ low-carbon development strategy ✓ Our “Dual Carbon” goals were set in several phases including 2023, 2030 and 2060	✓ Released the <i>White Paper for Carbon Peaking and Carbon Neutrality Actions</i> and announce CITIC’s roadmap for carbon neutrality ✓ Began the compilation of the carbon profit and loss statement for the previous year ✓ Initiated four major scientific research projects on Carbon Peaking and Carbon Neutrality	✓ Complete the compilation of carbon profit and loss statement ✓ Establish a “Dual Carbon” assessment framework ✓ Achieve an 18% reduction in carbon emissions per unit of output by 2025, compared to 2020 levels	✓ Achieve significant results in comprehensive green and low-carbon transformation by 2030 ✓ Become a pioneer in green and low-carbon development by fully integrating into a green, low-carbon, and circular development industrial system, as well as a clean, efficient, and safe energy system by 2060

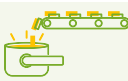
¹ The first “Increase” involves providing financing solutions for low-carbon industry transformation through green finance; the second “Increase” involves enhancing corporate responsibility and amplifying the low-carbon effect of the industrial chain and ecosystem; the “Reduction” involves promoting low-carbon transformation of high-carbon businesses and investments with high environmental impact, while prioritising low-carbon emissions and low environmental impact in new business layouts.

“Carbon Neutrality” Roadmap

In 2022, we released the *White Paper on Carbon Peaking and Carbon Neutrality Actions*, which disclosed our revised roadmap for achieving carbon neutrality.

The Roadmap Towards “Carbon Neutrality”

Stage 1: Carbon Reduction	Stage 2: Carbon Neutrality
We will vigorously promote energy conservation and carbon reduction in key areas such as power generation, steel production, building operations and data centers. We will identify potential opportunities for efficiency improvement, structural optimisation, and technology-based emissions reduction to effectively reduce carbon emissions.	We will introduce offsetting plans for the remaining carbon emissions through the purchase of verified emissions reductions, green electricity certificates, and investing in green projects outside the company. By doing this, we can offset the carbon emissions that cannot be further reduced through carbon neutrality, ultimately achieving net-zero carbon emissions.

Five Major Sectors		CITIC Carbon Neutrality Pathway				
1	Advanced Materials	key Emission Areas  Electricity Supply	 Steel Production	 Building Operations	 Data Center	
2	Advanced Intelligent Manufacturing	Carbon Reduction Stage	Energy-saving transformation for coal-fired power	Technology/processes upgrade	Building renovation	Energy conservation and Consumptions reduction of IT equipment
			Development of new energy	Enhancing environmental sustainability of facilities	Operational upgrade	Technology upgrade of power equipment
			Technology breakthrough and application	Breakthroughs in carbon capture technology	Technology integration	Efficiency improvement of refrigeration systems
Green electricity						
3	New-type Urbanisation	Neutralisation Stage	Verified administrative emission reductions purchased from external sources			
4	Comprehensive Financial Service		Green electricity certificates purchased from external sources			
			Direct investment in off-site green projects			
5	New Consumption	Capacity Building	Institutional management system			
		Industry Empowerment	Green finance			

Compiling the Carbon Profit and Loss Statement

We have taken a leading position in addressing the issue of “Carbon Asset Operation and Management” by proposing and compiling an industry-leading carbon profit and loss statement. This statement reflects the dynamic performance of our company’s carbon emissions and reductions over a certain period, providing a clear and intuitive view of accounting subjects such as carbon emissions, carbon reductions, and adjusted net carbon emissions. By doing so, we can effectively trace, monitor, and evaluate the implementation of our Dual Carbon strategy.

We have set up a preliminary carbon asset management system that centers on the carbon profit and loss statement and the practical actions we take to manage and operate our carbon assets. Starting from October 2022, we have been compiling the carbon profit and loss statement for the previous year. This statement will help us summarize, collect, organize, and evaluate our carbon assets based on the cost and revenue information, providing a reliable basis for effectively managing and operating our carbon assets.

Dealing with Climate Change Risks

Through our extensive “Dual Carbon” management efforts, we have fully recognized the risks and opportunities that climate change poses to our business operations. As a result, we have made the implementation of the TCFD disclosure framework as a key priority for our work in 2023. In doing so, we will lead all five major business sectors to identify and evaluate climate change risks, align our operations with sustainable development principles, improve our adaptability to climate change, and address the imminent threat it poses.

Implemented measures:	Planned measures:
✓ “Dual Carbon” management ✓ Provide detailed opinions on climate risks for investment projects in risk analysis reports ✓ CITIC Bank committed to support TCFD	✓ Hire specialized agencies to assist with the implementation of the TCFD disclosure framework ✓ Incorporate climate change risks management into the comprehensive risk management system and take these factors into consideration during risk preference development ✓ Continue to improve the monitoring and management mechanisms related to climate change risks

CITIC Bank has developed a *Green Bank Construction Plan*, recognizing the importance of climate change risks prevention and response in green banking. The plan analyzes the transmission mechanism between climate risk and six types of banking risks, including credit risk, market risk, and liquidity risk. The bank has conducted several stress tests, including solvency, real estate, and internal capital assessment stress tests. CITIC Bank is dedicated to enhancing its environmental and climate change risks management capabilities continuously.

CITIC Securities has incorporated climate change into its risk management system, actively identifying, assessing, and managing the physical risks, transition risks, and opportunities of climate change on its operations and business, and has developed specific response measures.

China Securities has incorporated climate change risks management into its overall risk management framework. The company assesses the potential risks and opportunities of climate change in the short, medium, and long term, identifies the sources and magnitude of climate-related risks, analyzes the risks and opportunities that arise from climate change, and develops appropriate response measures on a regular basis.

CITIC Telecom International evaluates climate-change risks on a regular basis to mitigate the impact of climate change on its operations. For instance, in the event of a potential power failure caused by a typhoon, the company’s backup power generators will activate automatically to support core business operations and uphold the promise of providing uninterrupted telecommunications services to customers 24/7.

Environmental Performance

Unless otherwise specified, the statistical scope of environmental performance results in this section covers the main operating locations of the headquarters and subsidiaries in the Chinese mainland, Hong Kong, Macau, and Taiwan. Additional operating locations will be included in the statistical scope in the future.²

Headquarter	Indicators	2022
	 WASTE GAS	
	Nitrogen oxide (NO _x) emissions (tonnes)	0.01
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.0007
	 GREENHOUSE GASES	
	Total greenhouse gas emissions (Scope 1 and Scope 2) (tonnes)	2,118.08
	Per capita greenhouse gas emissions from headquarters (tonnes/person)	4.39
	Direct greenhouse gas emissions (Scope 1) (tonnes)	100.86
	Gasoline	100.86
	Indirect greenhouse gas emissions (Scope 2) (tonnes)	2,017.22
	Purchased electricity	2,017.22
	 WASTE	
	Total amount of hazardous waste (tonnes)	0.24
	Per capita hazardous waste emissions from headquarters (tonnes/person)	0.0005
	Total amount of non-hazardous waste (tonnes)	243.78
	Per capita non-hazardous waste emissions from headquarters (tonnes/person)	0.51
	 ENERGY CONSUMPTION	
	Total energy consumption (MWh)	2,693.16
	Per capita energy consumption from headquarters (MWh/person)	5.59
	Direct energy consumption (MWh)	412.01
	Gasoline	412.01
	Indirect energy consumption (MWh)	2,281.15
	Purchased electricity	2,281.15
	Electricity consumption per capita at headquarters (MWh/person)	4.73
	Gasoline consumption per capita at headquarters (Litre/person)	98.42
	 RESOURCE CONSUMPTION	
	Total water consumption (m ³)	18,299.00
	Water consumption per capita at headquarters (m ³ /person)	37.96
	Total paper consumption at headquarters (tonnes)	16.70

² The statistical scope used for greenhouse gas accounting includes carbon dioxide, methane, and nitrous oxide, primarily from purchased electricity, purchased steam and fuel. We presented and conducted greenhouse gas accounting in terms of carbon dioxide equivalent using the *2011 and 2012 Baseline Emission Factors for Regional Power Grids in China* published by the National Development and Reform Commission of the People's Republic of China. We also used the latest emission coefficient data released by the Hong Kong Electric Company, CLP Power Hong Kong, and Companhia de Electricidade de Macau, as well as the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Refinement) released by the Intergovernmental Panel on Climate Change (IPCC). The statistical scope of greenhouse gas emissions does not include purchased electricity from operating locations in Tibet because there is no baseline emission factor for the Tibet power grid, and the impact of purchased electricity data from operating locations in Tibet is small and of low importance.

Comprehensive Financial Services	Indicators	2022
	 WASTE GAS	
	Nitrogen oxide (NO _x) emissions (tonnes)	0.49
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.02
	 GREENHOUSE GASES	
	Total greenhouse gas emissions (Scope 1 and Scope 2) (tonnes)	236,624.99
	Greenhouse gas emissions per RMB100 million of revenue (tonnes/RMB100 million)	85.41
	Direct greenhouse gas emissions (Scope 1) (tonnes)	6,925.20
	Gasoline	3,041.25
	Diesel	77.57
	Coal gas	29.37
	Liquefied petroleum gas	94.75
	Natural gas	3,682.25
	Indirect greenhouse gas emissions (Scope 2) (tonnes)	229,699.79
	Purchased electricity	229,699.79
	 WASTE	
	Hazardous waste total (tonnes)	347.55
	Hazardous waste per RMB100 million of revenue (tonnes/RMB100 million)	0.13
	Non-hazardous waste total (tonnes)	18,648,633.01
	Non-hazardous waste per RMB100 million of revenue (tonnes/RMB100 million)	6,731.53
	 ENERGY CONSUMPTION	
	Total energy consumption (MWh)	348,895.23
	Energy consumption per RMB100 million of revenue (MWh/RMB100 million)	125.94
	Direct energy consumption (MWh)	32,195.94
	Gasoline	12,423.57
	Diesel	295.02
	Coal gas	218.65

³ In addition to related subsidiaries, the statistical scope of this section also includes China Securities Co., Ltd. and CITIC-Prudential Life Insurance Co., Ltd.

Comprehensive Financial Services	Indicators	2022
	Liquefied petroleum gas	427.13
	Natural gas	18,831.57
	Indirect energy consumption (MWh)	316,699.29
	Purchased electricity	316,699.29
	 RESOURCE CONSUMPTION	
	Total water consumption (m ³)	2,365,837.53
	Water consumption per RMB100 million of revenue (m ³ /RMB100 million)	853.99
	Paper consumption at headquarters (tonnes)	1,426.71

Advanced Intelligent Manufacturing	Indicators	2022
	 AIR EMISSIONS	
	Nitrogen oxide (NO _x) emissions (tonnes)	113.86
	Sulphur dioxide (SO ₂) emissions (tonnes)	10.21
	Particulate matter emissions (tonnes)	55.82
	Chemical oxygen demand (COD) emissions (tonnes)	77.73
	Ammonia nitrogen emissions (tonnes)	5.54
	Total phosphorus emissions (tonnes)	0.79
	Wastewater discharge (m ³)	621,067.86
	 GHG EMISSIONS	
	Total GHG emissions (Scope 1 and 2) (tonnes)	728,458.49
	GHG emissions per 100 million RMB of income (tonnes /100 million RMB)	288.99
	Direct GHG emissions (Scope 1) (tonnes)	227,090.91
	Gasoline	382.62
	Diesel	1,734.73
	Liquefied petroleum gas	276.66
	Natural gas	224,696.90
	Indirect GHG emissions (Scope 2) (tonnes)	501,367.58
	Purchased electricity	478,599.45
	Purchased steam	22,768.13

Advanced Intelligent Manufacturing	Indicators	2022
	 WASTE	
	Total hazardous waste (tonnes)	17,451.74
	Total hazardous waste per 100 million RMB of income (tonnes /100 million RMB)	6.92
	Total non-hazardous waste (tonnes)	4,406.44
	Total non-hazardous waste per 100 million RMB of income (ton/100 million RMB)	1.75
	 ENERGY USE	
	Total energy consumption (MWh)	1,882,453.50
	Energy consumption per 100 million RMB of income (MWh/100 million RMB)	746.81
	Direct energy consumption (MWh)	1,158,540.12
	Gasoline	1,563.01
	Diesel	6,597.65
	Liquefied petroleum gas	1,247.26
	Natural gas	1,149,132.20
	Indirect GHG emissions (Scope 2) (tonnes)	723,913.39
	Purchased electricity	666,418.11
	Purchased steam	57,495.28
	 USE OF RESOURCES	
	Total water consumption (m ³)	2,713,455.45
	Water consumption per 100 million RMB of income (m ³ /100 million RMB)	1,076.48
	Total paper consumption (tonnes)	43.28
	 PACKAGING MATERIAL	
	Total packaging material used for finished goods (tonnes)	25,265.34
	Amount of packaging material used per 100 million RMB of income (tonnes/100 million RMB)	10.02

Advanced Materials ⁴	Indicators	2022
	 WASTE GAS	
	Nitrogen oxide (NO _x) emissions (tonnes)	7,285.68
	Sulphur dioxide (SO ₂) emissions (tonnes)	2,942.99
	Particulate matter emissions (tonnes)	5,244.13
	 WASTEWATER	
	Chemical oxygen demand (COD) emissions (tonnes)	517.09
	Ammonia nitrogen emissions (tonnes)	44.28
	Total phosphorus emissions (tonnes)	1.24
	Wastewater discharge (m ³)	10,101,356.12
	 GREENHOUSE GASES	
	Total greenhouse gas emissions (Scope 1 and Scope 2) (tonnes)	48,612,061.58
	Greenhouse gas emissions per RMB100 million of revenue (tonnes/RMB100 million)	19,285.34
	Direct greenhouse gas emissions (Scope 1) (tonnes)	46,749,289.33
	Gasoline	1,215.69
	Diesel	9,307.27
	Liquefied petroleum gas	1,417.20
	Natural gas	385,661.47
	Coke	1,969,568.30
	Coal	42,511,776.40
	Intermediate process emissions	1,871,760.20
	Indirect greenhouse gas emissions (Scope 2) (tonnes)	3,671,676.09
	Purchased electricity	3,538,741.23
	Purchased steam	132,934.86
	Implicit emissions of carbon sequestration product (deductible) (tonnes)	-1,808,903.84
	 WASTE	
	Hazardous waste total (tonnes)	11,188.14
	Hazardous waste per RMB100 million of revenue (tonnes/RMB100 million)	4.44
	Non-hazardous waste total (tonnes)	10,309,521.73
	Non-hazardous waste per RMB100 million of revenue (tonnes/RMB100 million)	4,089.99

⁴ In this section, CITIC Pacific Special Steel's GHG emissions and energy consumption data are calculated based on the relevant emission factors and conversion factors provided in the Methodology for Accounting and Reporting of Greenhouse Gas Emissions of Chinese Steel Producers (for Trial Implementation) issued by the National Development and Reform Commission of the People's Republic of China.

Advanced Materials	Indicators	2022
	 ENERGY CONSUMPTION	
	Total energy consumption (MWh)	140,058,396.33
	Energy consumption per RMB100 million of revenue (MWh/RMB100 million)	55,563.87
	Direct energy consumption (MWh)	134,343,684.92
	Gasoline	4,966.10
	Diesel	35,398.05
	Liquefied petroleum gas	6,389.06
	Natural gas	1,972,328.14
	Coke	5,438,663.01
	Coal	126,892,329.62
	Indirect energy consumption (MWh)	5,714,711.41
	Purchased electricity	5,321,371.51
	Renewable energy electricity	57,645.80
	Purchased steam	335,694.09
	 RESOURCE CONSUMPTION	
	Total water consumption (m ³)	60,418,399.88
	Water consumption per RMB100 million of revenue (m ³ /RMB100 million)	23,969.15
	Total paper consumption (tonnes)	106.33
	 PACKAGING MATERIALS	
	Total packaging materials used for finished products (tonnes)	10,021.60
	Packaging materials used per RMB100 million of revenue (tonnes/RMB100 million)	3.98

New Consumption	Indicators	2022
	 EMISSIONS	
	Nitrogen oxide (NO _x) emissions (tonnes)	3.75
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.02
	 GREENHOUSE GASES	
	Total greenhouse gas emissions (Scope 1 and Scope 2) (tonnes)	128,318.24
	Greenhouse gas emissions per RMB100 million of revenue (tonnes/RMB)	232.83
	Direct greenhouse gas emissions (Scope 1) (tonnes)	2,734.44
	Gasoline	1,889.93
	Diesel	771.43
	Coal gas	2.19
	Natural gas	70.89
	Indirect greenhouse gas emissions (Scope 2) (tonnes)	125,583.80
	Purchased electricity	125,583.80
	 WASTE	
	Hazardous waste generation (tonnes)	489.85
	Hazardous waste generation per RMB100 million of revenue (tonnes/RMB)	0.89
	Non-hazardous waste generation (tonnes)	10,253.18
	Non-hazardous waste generation per RMB100 million of revenue (tonnes/RMB)	18.60
	 ENERGY CONSUMPTION	
	Total energy consumption (MWh)	205,555.06
	Energy consumption per RMB100 million of revenue (MWh/RMB)	372.98
	Direct energy consumption (MWh)	11,033.18
	Gasoline	7,720.38
	Diesel	2,933.94
	Coal gas	16.32
	Natural gas	362.54
	Indirect energy consumption (MWh)	194,521.88
	Purchased electricity	194,521.88
	 RESOURCE CONSUMPTION	
	Total water consumption (m ³)	1,514,965.58
	Water consumption per RMB100 million of revenue (m ³ /RMB)	2,748.89
	Total paper consumption (tonnes)	8,263.52
	 PACKAGING MATERIALS	
	Total packaging materials used for finished products (tonnes)	4,532.08
	Packaging materials used per RMB100 million of revenue (tonnes/RMB100 million)	8.22

New-type Urbanisation	Indicators	2022
	 WASTE GAS	
	Nitrogen oxide (NO _x) emissions (tonnes)	132.27
	Sulphur dioxide (SO ₂) emissions (tonnes)	67.64
	Particulate matter emissions (tonnes)	15.15
	 WASTE WATER	
	Chemical oxygen demand (COD) emissions (tonnes)	11,733.45
	Ammonia nitrogen emissions (tonnes)	497.77
	Total phosphorus emissions (tonnes)	130.37
	Wastewater discharge (m ³)	541,019,544.32
	 GREENHOUSE GAS	
	Total greenhouse gas emissions (Scope 1 and Scope 2) (tonnes)	426,210.30
	Greenhouse gas emissions per RMB100 million of revenue (tonnes/RMB100 million)	836.20
	Direct greenhouse gas emissions (Scope 1) (tonnes)	24,418.78
	Gasoline	2,526.18
	Diesel	1,167.06
	Coal gas	7.00
	Liquefied petroleum gas	45.07
	Natural gas	20,673.46
	Indirect greenhouse gas emissions (Scope 2) (tonnes)	401,791.52
	Purchased electricity	401,791.52
	 WASTE	
	Hazardous waste total (tonnes)	56,329.36
	Hazardous Waste per RMB100 million of revenue (tonnes/RMB100 million)	110.51
	Non-Hazardous Waste Total (tonnes)	141,499.13
	Non-Hazardous Waste per RMB100 million of revenue (tonnes/RMB100 million)	277.61

New-type Urbanisation	Indicators	2022
	 ENERGY CONSUMPTION	
	Total energy consumption (MWh)	695,442.86
	Energy consumption per RMB100 million of revenue (MWh/RMB100 million)	1,364.42
	Direct energy consumption (MWh)	120,740.48
	Gasoline	10,319.47
	Diesel	4,438.66
	Coal gas	52.09
	Liquefied petroleum gas	203.20
	Natural gas	105,727.06
	Indirect energy consumption (MWh)	574,702.38
	Purchased Electricity	571,540.29
	Renewable energy electricity	3,162.09
	 RESOURCE CONSUMPTION	
	Total water consumption (m ³)	7,966,965.50
	Water consumption per RMB100 million of revenue (m ³ /RMB100 million)	15,630.70
	Total paper consumption (tonnes)	119.12
	 PACKAGING MATERIALS	
	Total packaging materials used in manufacturing (tonnes)	75.33
	Packaging materials used per RMB100 million of revenue (tonnes/RMB100 million)	0.15



Green Finance

As part of our commitment to the new development philosophy in the financial sector, we are accelerating the innovation of investment and financing products in green finance and carefully assessing the industrial value of these products under the guidance of our dual-carbon strategy. In addition, we are planning to create innovative carbon finance derivative tools that support our goals in this area. Through responsible investment and a focus on green finance, we aim to achieve positive outcomes for the economy, society and the environment.

Implemented measures	Key achievements
Green finance products	CITIC Bank has issued green loans amounting to RMB334.082 billion. It has also introduced 9 ESG/green-themed products, with 12 currently in existence, totalling RMB2.996 billion. The balance of its green leasing products currently stands at RMB27.474 billion. Additionally, 11 carbon-neutrality structured deposit products have been issued, amounting to RMB1.13 billion.
	CITIC Securities Asset Management successfully launched its first ESG/sustainable investment theme product. A total of 18 green-themed products were sold with a total amount of RMB3.1 billion. The investment scale of ESG bond and investment fund assets totaled RMB43.4 billion, with a green investment scale that reached an impressive RMB47.39 billion. The company underwrote a total of 129 green bonds (including asset-backed securities), with an underwriting size of RMB65.1 billion. The underwriting size of overseas ESG bonds reached USD1.14 billion.
	CITIC Trust has created several green trust schemes such as water and equipment replacement projects in Zhangqiu District. Other projects include a charging service for electric public buses in Foshan and power supply assistance to the southern Jiangsu region, supporting local governments in achieving eco-friendly, low-carbon development.
Green finance research	CITIC Securities has developed an ESG rating and research system and published 43 ESG-related research reports that offer valuable insights for ESG investors.
	China Securities has issued over 20 research reports on ESG topics and arranged analyst roadshows and internal researcher presentations to provide comprehensive ESG industry training for investment managers. Over 30 ESG-related training sessions have been organised by China Securities for more than 1,000 participants, including investment managers and analysts.
Supporting carbon market development	CITIC CLSA has become one of the first companies to trade on Core Climate, a new international carbon trading market platform in Hong Kong.

Clean Technology and New Energy Business Operations

As part of our “14th Five-Year Plan” development strategy, we put forward the fundamental principle of “full-process green and low-carbon development”. In the meanwhile, the company has established the “CITIC Dual Carbon Technology Innovation Initiative” and other technology innovation projects to address major technical challenges such as energy-efficient development, conservation and utilisation, environmental protection, water treatment, and resource recycling. Moreover, the company has provided research funding to its subsidiaries, enabling them to tackle difficult scientific and technological issues. In 2022, the company launched groundbreaking projects under the “CITIC Dual Carbon Technology Innovation Initiative”. These include “Research and Application of Whole Life Cycle Manufacturing Technology of Low-carbon Emission Aluminum Alloy Components for Automobile” at CITIC Dicastal, “Technology Research and Engineering Application for High-Efficiency Recovery of Sintering Flue Gas Residual Heat Using Vertical Cooling” at CITIC Heavy Industries, “Green Manufacturing Process of Chromium Compounds” at CITIC Metal, and “Key Technical System Research for Ultra-low Energy Consumption Buildings in Regions with Hot Summers and Cold Winters under the Framework of ‘Carbon Peaking and Carbon Neutrality’” at CITIC Engineering. Apart from these, CITIC Environment has launched three other green, low-carbon, and environmentally friendly technological innovation projects, including the development and application of an advanced membrane technology integrated system for sustainable and low-carbon utilisation of water resources. The total investment amount for these projects reached RMB373.21 million, with RMB171.48 million provided by the headquarters. As of the end of Q1 2023, RMB67.42 million has been allocated to research funding, with an additional RMB104.06 million to be provided in the future.

CITIC Environment

As the flagship platform of CITIC Limited in the field of environmental protection, CITIC Environment is committed to preventing and controlling pollution while safeguarding the environment. The company's primary focus lies in water treatment, solid waste treatment, energy conservation, and emission reduction. Through unwavering efforts, CITIC Environment seeks to optimise water treatment processes, ensure the safe disposal of solid waste, and enhance energy management through intelligent solutions. (For more information, please refer to relevant reports available at https://www.group.citic/en/2022/News_0628/73.html).

Work completed in 2022	
Wastewater treatment technology	✓ Shidao Wastewater Treatment Plant, operated by the project company in Rongcheng, has implemented technical upgrades to its carbon source pharmaceutical casting control system. With the full integration of an intelligent casting system, there has been a substantial decrease in the usage of carbon source pharmaceuticals, resulting in annual savings of almost RMB10 million in pharmaceutical costs. ✓ Xinji Wastewater Treatment Plant adds processed return sludge as a carbon source in the initial stage of the biochemical process. This approach not only reduces the amount of residual sludge emissions but also minimizes the amount of carbon source required. ✓ Central & Southern China Municipal Engineering Design and Research Institute has successfully completed the mid-term assessment for the Ministry of Housing and Urban-Rural Development's project "Research on the Whole-process Environmentally-friendly Green Water Purification Technology of Waterworks". Moreover, they have also launched new research projects including the "Control of Internal Source Pollution and Lake Sediment Utilisation Technology in the Yangtze River Basin". In addition, they have undertaken over 80 scientific research projects related to wastewater and sludge treatment technologies, including the "Autotrophic Denitrification Technology for Urban Wastewater". They have also compiled more than 30 standard specifications related to wastewater and sludge treatment, including the "Technical Regulations for the Treatment and Disposal of Sewage Sludge in Urban Drainage Systems".
Hazardous waste/solid waste disposal technology	✓ Central & Southern China Municipal Engineering Design and Research Institute has taken the lead in undertaking or participating in several sub-projects of the national key research and development program "Collaborative Disposal and Demonstration of Multi-Source Organic Solid Waste in Large and Medium-sized Urban Parks in the Yangtze River Economic Belt". The institute has developed two-phase anaerobic digestion equipment for collaborative treatment with high-yield biogas, achieving a 10% increase in gas production compared to traditional anaerobic fermentation systems and a resource conversion rate of over 80%. ✓ CITIC Qing Shui Ru Jiang Co., Ltd. has launched a research project titled <i>Research on Sludge Treatment and Disposal Technology of Urban Sewage Treatment Plant</i> to initiate the research and development of sludge treatment and disposal technologies. The company plans to apply for at least one utility model patent in 2023.
Clean energy technology	✓ CITIC General Institute of Architectural Design and Research has completed the geothermal heat pump engineering design for the Wuhan Bio-agricultural Industry Base project, as well as the feasibility report for the energy station in the Silicon Valley Town area. The institute has also conducted the scheme demonstration work for the smart energy station project in Huangshi Science and Technology City. ✓ CITIC Qing Shui Ru Jiang Co., Ltd. implemented a "photovoltaic + wastewater treatment plant" model at the Jiangxia Wastewater Treatment Plant by installing photovoltaic panels on various sections, including the roof, sedimentation tank, and biochemical pool. The generated electricity is used to power the plant's operations. With an annual capacity to produce 1500 MWh of electricity, the photovoltaic power generation system has produced a total of 4223.2 MWh of renewable electricity since the plant began operation in 2018.

CITIC Environment places a high value on technological innovation and is committed to ensuring and increasing investment in technology research and development. By continuing to upgrade its technological capabilities, the company aims to drive business growth and create new opportunities for profit.

R&D investment	Project revenue
✓ In 2022, CITIC Environment Technology invested RMB55.47 million in research and development, marking an increase of 23% from the previous year. The R&D spending accounted for 1.2% of the company's sales revenue, an increase of 0.4% compared to the previous year. Approximately RMB29.37 million was directed towards initiatives such as resource recovery, intensive resource utilisation, and reducing energy consumption.	✓ In 2022, Central & Southern China Municipal Engineering Design and Research Institute undertook two projects: preparing feasibility reports for a rooftop photovoltaic power generation project in Maoxian County, Sichuan Province, and an energy consumption balance integration project in the photovoltaic energy zone of Jiulongpo District, Chongqing. The total contract value for these projects was RMB770,000. In January 2023, the institute was awarded a new contract worth RMB1.976 million to provide survey and design services for the rooftop photovoltaic power generation project in Maoxian County.
✓ In 2022, Central & Southern China Municipal Engineering Design and Research Institute invested RMB285.1452 million in research and development, marking an increase of 47.74% from the previous year. The R&D spending accounted for 7.3% of its sales revenue, an increase of 4.13% compared to the previous year. Approximately RMB199.60 million was directed towards municipal wastewater treatment, industrial wastewater treatment, sludge treatment, and solid waste treatment.	✓ CITIC General Institute of Architectural Design and Research has signed contracts for 11 projects related to green building, low-carbon technology, and energy, including the <i>Consulting and Testing Project for Green Building Construction of the Cultural and Sports Activity Center for China-French Wuhan Ecological Demonstration City</i>. The collective value of these contracts is RMB4.72 million, representing a 30.41% increase from RMB3.62 million in 2021. As of the first quarter of 2023, the institute has already signed new contracts totaling RMB2.0926 million, and it is expected that the total new contract value for the year will exceed RMB5 million.
✓ In 2022, CITIC Qing Shui Ru Jiang Co., Ltd. invested RMB5.49 million to research and development for smart water service platform construction and other related areas, accounting for 3.6% of its sales revenue. The company plans to increase its R&D investment in 2023 to RMB8 million.	

In 2022, CITIC Environment held three strategic seminars, where it set its sights on the green industry environmental protection and put great efforts into developing businesses such as clean energy coupling utilisation and photovoltaic power generation. In its 2023 work plan, the company proposed to focus on cutting-edge environmental technologies, including high-efficiency microbiological treatment, high-performance membrane treatment, smart management systems for energy-saving and environmental protection in industrial parks, sewage resource recovery, and special solid waste treatment. CITIC Environment will prioritise the promotion of these technologies in the following areas:

Work priorities for 2023	
Deepening industry-university research cooperation and stepping up studies on pollution prevention	✓ Construct a sludge treatment demonstration project at the sewage treatment plant by leveraging Peking University's high-efficient and low-energy consumption carbon dioxide drying technology ✓ Optimise the pilot process and actively explore comprehensive utilisation of fly ash by cooperating with Zhejiang University in the plasma hazardous waste disposal technology research and development project
Expanding new energy business	✓ Promote the implementation of photovoltaic renewable energy generation pilots ✓ CITIC Qing Shui Ru Jiang Co., Ltd. plans to increase its investment in distributed photovoltaic power generation in the Jiangxia Wastewater Treatment Plant (Phase I). It aims to add 1.2892 MWh on the basis of the existing 1.4984 MWh. The expanded photovoltaic power generation capacity will reach 2.7876 MWh.

Work priorities for 2023	
Strengthening water management and operation transformation with technology	✓ Increase the promotion of smart water management and build more benchmark water plants ✓ Central & Southern China Municipal Engineering Design and Research Institute will continue to carry out research in the field of water and environmental protection technologies based on engineering projects and research programs. This includes high-quality drinking water technology (double membrane treatment technology for water supply), high-standard sewage treatment and reuse technology (ultra-deep denitrification treatment process for sewage recycling), new technologies for debris disposal on wasteland, and non-membrane deep treatment technology for leachate of garbage.

CITIC Pacific Energy

CITIC Pacific Energy has outlined its ambition to play a major role in the green and low-carbon energy transformation during the “14th Five-Year Plan”. The company plans to step up investment and development in new energy projects, focusing on cutting-edge technologies such as energy storage, source-network-load-storage integrated operation, and hydrogen energy. It aims to substantially increase the proportion of new energy capacity, with an average annual growth rate of 600 MW, and to reach an installed capacity of 3000 MW by 2025. This will include 1200 MW of wind power and 1800 MW of photovoltaics, along with 300 MW of energy storage capacity.

The company acquired the development rights for a 1000 MW wind power project in Xilin Gol League in December 2021, with plans for the full completion and grid connection by the end of 2023. The project’s expected static investment is RMB5.1 billion, with a total investment of RMB5.28 billion. As of the end of 2022, the project has received a cumulative investment of RMB2.587 billion, accounting for 49% of the total investment.

In 2022, CITIC Pacific Energy’s new energy business generated an operating income of RMB53.597 million. With the wind power project in Xilin Gol League and other projects being completed and connected to the grid, the new energy business is expected to generate an operating income of over RMB350 million in 2023. CITIC Pacific Energy plans to increase its investment in clean energy and accelerate green and low-carbon development, with the aim of making the new energy business a key growth driver for the company.

	2022	2023
Capital expenditure for the new energy sector	about RMB999 million	Estimated at RMB3.3 billion

CITIC Dicastal

CITIC Dicastal is carrying out a major research project for CITIC Limited—the “Research and Application of Whole Life Cycle Manufacturing Technology of Low-carbon Emission Aluminum Alloy Components for Automobile”. This involves analysing the entire life cycle of aluminum alloy parts and implementing a comprehensive carbon emission assessment model for their manufacturing process. Moreover, a low-carbon technology library covering various aspects, such as design, simulation, raw materials, smelting, die casting, heat treatment, machining, coating, packaging, logistics, waste heat utilisation, recycling, energy consumption, and carbon capture, is being developed. This results in a complete, modular low-carbon production technology solution, ensuring full coverage of lightweight, low-carbon emission green technologies for aluminum alloy parts production. The project is expected to run from August 2021 to December 2024, with a research and development budget of RMB69.81 million.

CITIC Heavy Industries

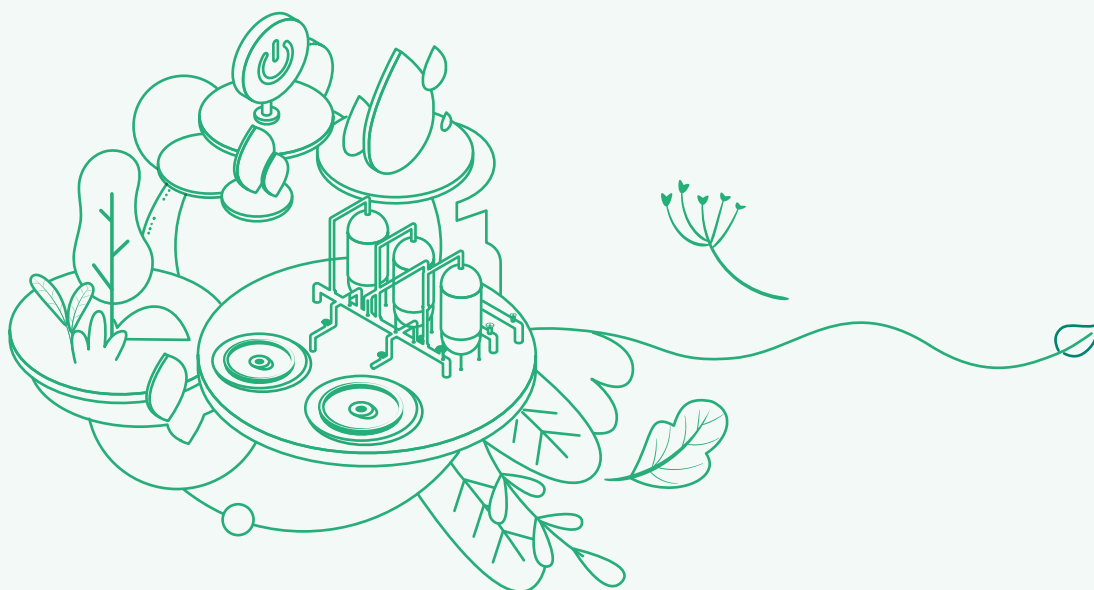
In 2022, the R&D expenses of CITIC Heavy Industries reached RMB636 million, an increase of RMB120 million compared to the previous year, with a R&D investment intensity of 7.20%. Among them, RMB28 million was allocated specifically to the R&D of new energy technology equipment as well as energy-saving and environmental protection technology equipment.

	2022	2023
New energy technology equipment	✓ Continued to collaborate with Longyuan Zhenhua, Mingyang Smart Energy, Guangdong Electric Power Design Institute, and other partners to advance its efforts in wind power technology. ✓ Completed the batch delivery of the single pile for the SPIC Jieyang Shenquan II Offshore Wind Power Project on time. This pile was the heaviest with the largest diameter in China at the time, representing a major milestone for the company's progress in the new energy equipment industry ✓ Continued to expand the range of products and services related to offshore wind power core construction equipment and intelligent operation and maintenance. These include hydraulic pile-driving hammers, floating wind power platforms, and rock-socketed drilling machines. It is worth noting that the hydraulic impact pile hammer project has recently obtained certification from China Classification Society. ✓ The new energy equipment business achieved an operating income of RMB926 million, accounting for 10.49% of the company's total revenue.	✓ Focus on developing new energy equipment businesses such as wind power host equipment and key components, while continuing to expand investment in this area.
Energy-saving and environmental protection technology equipment	✓ Completed the trial production and successful testing of China's largest GPYJ900-12W tailings disc filter, marking a significant breakthrough in energy-saving and environmental protection technology. ✓ Continued to research on dual-supercritical power generation technology for low-quality coal gas under extreme conditions, as well as tailings treatment processes and key equipment technology.	✓ Prioritise the progress in the "Technology Research and Engineering Application for High-Efficiency Recovery of Sintering Flue Gas Residual Heat Using Vertical Cooling" project with a planned R&D investment of RMB64 million. This initiative will effectively address the issue of inefficient use of waste heat from flue gas and the unregulated discharge of pollutants, thereby helping to achieve energy efficiency in the steel-making process.

Green Production

We adhere fully to national laws and regulations, including the laws on preventing and controlling atmospheric, water and solid waste pollution. In line with the concept of whole lifecycle management, we control pollution at source, in our processes and at end-of-pipe. We also promote clean production through a coordinated approach of reducing pollution and carbon emissions. In 2022, the Company was not subject to any environmental lawsuits or penalties.

Measures Implemented: Key Achievements	Measures Implemented: Key Achievements
Water pollution treatment	In 2022, CITIC Environment processed around 506.7 million tons of wastewater, supplied 46.31 million tons of water, and provided 22.09 million tons of reused, recycled water. Additionally, it disposed of about 180,000 tons of sludge, reduced COD emissions by 152,187 tons, ammonia nitrogen emissions by 9,602 tons, SS emissions by 108,247 tons, total phosphorus emissions by 1,408 tons, and total nitrogen emissions by 10,339 tons.
Pollution reduction	CITIC Pacific Mining has optimised its ore dressing and processing technology and introduced high-pressure grinding rollers on one-third of its production line. This technology is expected to lower energy consumption per ton of concentrate by about 7% and reduce greenhouse gas emissions.
	CITIC Heavy Industries has embarked on two transformation projects aimed at enhancing energy efficiency: a mechanical pump vacuum project and heat storage furnace project. Together, these initiatives will result in a yearly reduction of 7,055 tons of standard coal.
Enhancement of energy utilisation efficiency	CITIC Dicastal invested RMB750,000 for developing the new equipment project on residual heat of fuel gas, contributing to an annual maintenance fees cut of RMB30,000 and extended service life of more than 5 years.
Resource management platform construction	CITIC Heavy Industries has established an Internet + energy management platform that will analyse and control energy costs more effectively. The energy management system has passed a quality re-certification audit conducted by the China Classification Society.
	CITIC Engineering Leverages “IoT + CITIC Cloud” technology, and has developed a smart water service platform that manages its entire water service process.



Green Building and Office

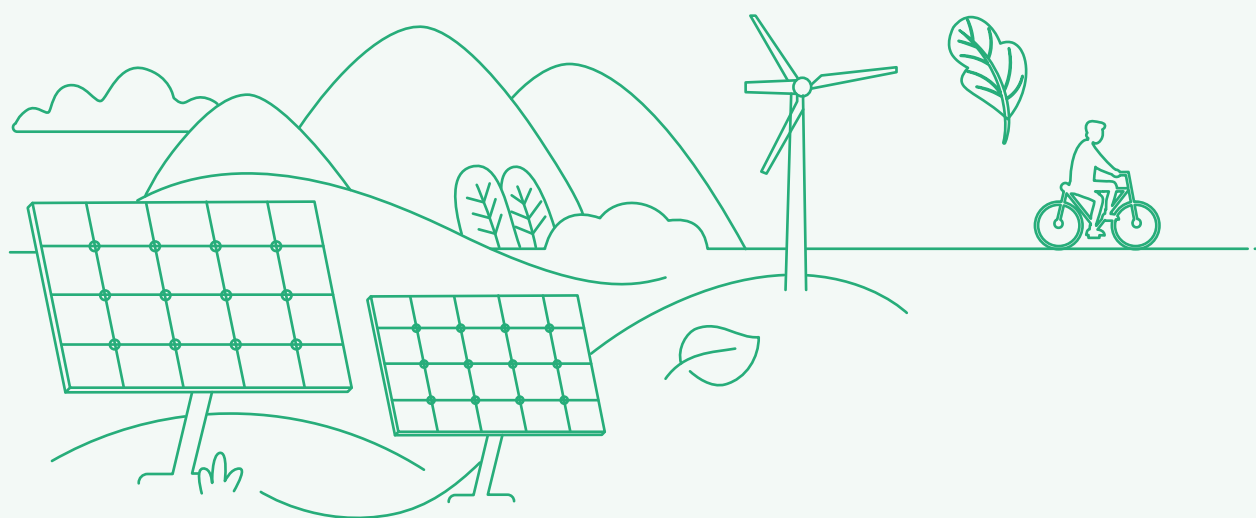
We incorporate environmental protection concepts into every aspect of the design, engineering construction, and operation and maintenance of our buildings. We also promote a green office culture among our staff and encourage our subsidiaries to find innovative ways to save water, electricity, gas, paper and fuel. We also support paperless operations, meetings and training to foster a sustainable and healthy work environment.

CITIC Tower, which is home to our Beijing headquarter, exemplifies our commitment to sustainable practices. Since its opening, we have initiated a variety of measures to reduce energy consumption, such as energy saving during the winter season, installing updated lighting fixtures and fine-grained lighting, as well as optimising water pump controls. What's more, The building team routinely collects and evaluates energy consumption and other operating data to assess equipment performance across the system. We also conduct month-over-month and year-over-year energy consumption analyses to ensure continuous improvement in energy efficiency.

Energy Saving Results and Plans for CITIC Tower (Beijing)		
	2022	2023
Electricity saving	✓ Optimized the control logic of the chilled water pumps on R3 and M6 floors of the building, controlled the operation of the pump group based on actual flow rate and set reasonable boundary frequency. The optimized water transport factor of chilled water (WTFch) was increased by 35.05% compared to the same period last year, saving 41,000 kWh of electricity and reducing carbon emissions by 25 tons year on year.	✓ Plan to conduct energy efficiency inspections and sensor calibration for the cold source to optimize its performance. By refining the control strategy of the cooling tower and formulating the operating conditions of the cold machine, we aim to achieve a 2.5% increase in overall energy efficiency and save 112,000 kWh of electricity annually.
	✓ Refined the management of public lighting in refuge areas and machine rooms by keeping the low-demand circuits closed through remote control. Despite an 8.42% increase in occupancy rate, the annual electricity consumption of the public lighting system only increased by 1.06%.	✓ As the second-largest energy-consuming subsystem in CITIC Tower, the annual electricity consumption of the public lighting system accounted for 8.53%, second only to the cold machine's 8.79%. In 2023, we will continue to tap the energy-saving potential of public lighting by optimizing the management of the lighting in the cross area and the sky lobby of the building, with an expected annual saving of 71,000 kWh of electricity.
	✓ Through measures such as thermal imaging scans and local sealing of the building envelope, as well as optimizing the anti-freezing setting for unoccupied areas, we reduced heating electricity consumption by 524,000 kWh, saved 3,238 GJ of heat, and reduced carbon emissions by 672.7 tons despite an increase in occupancy rate compared to the same period in 2021.	

Energy Saving Results and Plans for CITIC Tower (Beijing)

	2022	2023
Avoiding food waste	✓ Using the Ruijing System in our canteen for big data analysis, we have been able to calculate the precise amount of per capita food consumption and adjust ingredient purchases accordingly. ✓ We tailored the amount of food on offer according to the number of daily diners allowing us to minimise food waste substantially. ✓ We have posted slogans in prominent positions in our dining areas to encourage more rational food consumption. ✓ In 2022, monthly per capita food consumption decreased significantly compared with the previous year: grains and oils by 55%, meat and aquatic products by 50%, and fruits and vegetables by 51%. Kitchen waste also decreased by 61% (number of kitchen waste bins per month/number of diners in the same month) compared with the previous year.	✓ Optimise ingredient processing techniques to improve cutting and processing yields and maximise the use of ingredient scraps to minimise kitchen waste. ✓ Increase our understanding of staff travel and leave patterns to determine the number of daily diners and achieve less wasteful meal preparation. ✓ Utilise big data to accurately capture the dining preferences of our employees, thus enabling us to identify popular dishes, better cater to employee needs, and reduce food waste. ✓ Promote simplified meals and standardised diets; offer small dishes and combined plates so that employees can make food choices according to their needs and encourage them to take leftovers home.



Ecological Conservation

Our environmental philosophy is to promote harmonious coexistence between humans and nature, while preserving vital ecosystems, biological species and genetic resources throughout our operations, thereby safeguarding ecological and biological security.

Implemented Measures	Key Achievements
Commitment to biodiversity conservation	CITIC Bank is committed to steering its financial resources towards biodiversity conservation, as demonstrated by its participation in the Joint Declaration of Banking and Financial Institutions in Supporting Biodiversity Conservation. To that end, the Bank provided credit support to the Youran Fishermen's Professional Cooperative Society in Sansha Ganquan Island for its long-spine starfish trapping service. This initiative is critically important for improving coral reefs in the waters surrounding the Xisha and Nansha Islands and maintaining ecological balance in the South China Sea.
Enhanced environmental protection training and promotion	CITIC Pacific Mining has established a comprehensive environmental management system, under which employees receive environmental training courses on topics such as mine site clean-ups, indigenous heritage protection, weed control, waste management and animal and plant protection, before the start of work. CITIC Environment continued its River Health Check-up campaign with a series of activities that engaged local communities and primary school students. During the campaign, they became involved in testing the water quality of nearby rivers and went on virtual tours of the Chaonan Circular Industrial Park. A total of 180 events were held, involving 14,000 participants and reaching over 200,000 people. The campaign generated over 480,000 mentions on WeChat and nearly 120,000 online livestream views, with coverage from 500 media outlets.
Ecological restoration and rehabilitation	CITIC Construction identifies key flora and fauna that need protection during project environmental impact assessments, and prohibits excessive deforestation after projects commence. Prior approval is required for any temporary land occupation, deforestation or tree removals that are necessary. After the project is completed, the site will be restored and greened through plantings in accordance with the plan, thereby ensuring effective protection of the ecological environment and biodiversity.



River Health Check-up: An environmental protection public welfare initiative led by CITIC Environment



Employees: Developing Talent and Supporting Staff Growth

As of the end of 2022, CITIC Limited had a total of 161,408 official employees, with women making up 39% of our workforce and employees under the age of 35 accounting for 52% of our team.

Employment Statistics

Indicators	As of 31 December 2022
Total number of employees ⁴	161,408
Total number of labour dispatch employees	8,760
Male employees	98,792
Female employees	62,616
Number of employees aged 30 or below	43,556
Number of employees aged 31-35	40,797
Number of employees aged 36-40	30,638
Number of employees aged 41-45	16,601
Number of employees aged 46-50	13,471
Number of employees aged 51-55	10,561
Number of employees aged 56 or above	5,784
Number of employees in the Chinese Mainland	143,528
Number of employees in Hong Kong, Macau and Taiwan	10,371
Number of employees in other countries and regions	7,509
Number of employees with a PhD degree	862
Number of employees with a master's degree	33,089
Number of employees with a bachelor's degree	76,029
Number of employees with an associate degree or below	51,428

⁴ This includes official contract employees at the headquarters and subsidiaries, excluding labour dispatch employees.

Employee Turnover Statistics

	Indicators	As of 31 December 2022
Headquarters	Employee turnover rate	0.80%
	Female employee turnover rate	0.50%
	Male employee turnover rate	1.00%
	Employee turnover rate of those aged 30 and below	2.00%
	Employee turnover rate of those aged 31-40	0.60%
	Employee turnover rate of those aged 41-50	1.00%
	Employee turnover rate of those aged 51-59	0.00%
	Employee turnover rate of those aged 60 and above	0.00%
	Employee turnover rate in the Chinese Mainland	0.80%
CITIC Bank	Employee turnover rate	3.29%
	Female employee turnover rate	2.91%
	Male employee turnover rate	3.75%
	Employee turnover rate of those aged 30 and below	5.14%
	Employee turnover rate of those aged 31-40	3.28%
	Employee turnover rate of those aged 41-50	1.30%
	Employee turnover rate of those aged 51-59	0.49%
	Employee turnover rate of those aged 60 and above	0.00%
	Employee turnover rate in the eastern region	3.31%
	Employee turnover rate in the central region	3.13%
	Employee turnover rate in the western region	3.57%
	Employee turnover rate in the northeastern region	2.81%
CITIC Securities	Employee turnover rate	8.52%
	Female employee turnover rate	7.92%
	Male employee turnover rate	9.07%
	Employee turnover rate of those aged 30 and below	11.68%
	Employee turnover rate of those aged 30-50	6.42%
	Employee turnover rate of those aged 50 and above	4.07%
	Employee turnover rate in the Chinese Mainland	7.83%
	Employee turnover rate in Hong Kong, Macau and Taiwan regions	12.53%
	Employee turnover rate in other countries and regions	19.77%
China Securities	Employee turnover rate	8.17%
	Female employee turnover rate	7.79%
	Male employee turnover rate	8.23%
	Employee turnover rate of those aged 30 and below	10.30%
	Employee turnover rate of those aged 30-50	6.40%
	Employee turnover rate of those aged 50 and above	11.04%
	Employee turnover rate in the Chinese Mainland	7.92%
	Employee turnover rate in the Hong Kong	21.99%

	Indicators	As of 31 December 2022
CITIC Resources	Employee turnover rate	8.28%
	Female employee turnover rate	8.11%
	Male employee turnover rate	8.33%
	Employee turnover rate of those aged 30 and below	50%
	Employee turnover rate of those aged 31-40	5.26%
	Employee turnover rate of those aged 41-50	8.47%
	Employee turnover rate of those aged 51-59	5.17%
	Employee turnover rate of those aged 60 and above	0.00%
	Employee turnover rate in the Chinese Mainland	4.55%
	Employee turnover rate in Hong Kong, Macao, and Taiwan regions	28.00%
CITIC Telecom International	Employee turnover rate	16.70%
	Female employee turnover rate	16.99%
	Male employee turnover rate	17.14%
	Employee turnover rate of those aged 30 and below	25.16%
	Employee turnover rate of those aged 31-40	15.46%
	Employee turnover rate of those aged 41-50	12.15%
	Employee turnover rate of those aged 51-59	5.73%
	Employee turnover rate of those aged 60 and above	0.00%
	Employee turnover rate in the Chinese Mainland	12.72%
	Employee turnover rate in Hong Kong, Macau, and Taiwan regions	18.72%
	Employee turnover rate in other countries and regions	17.24%

Promoting Inclusivity, Building a Platform for Talent Growth

At CITIC, we prioritise inclusivity and fairness and fully adhere to all relevant employment laws and policies. Our labour contracts signing rate is 100%. Under our management policies, we have standardised labour contracts and mediation committees comprising both employee and company personnel to ensure balanced representation. We also have an employee complaint policy that provides a fair, efficient and equal mechanism for addressing employee grievances, with the aim of building harmonious and stable labour relations.

In our employee recruitment and career development, we emphasise job-person matching, transparency and fairness, with strict prohibitions against the employment of child labour and forced labour. In line with these policies, we do not tolerate discrimination against anyone based on their race, gender, religion, ethnicity, nationality or physical disabilities. We also provide anti-discrimination and anti-harassment training to promote a harmonious and diverse workplace culture.

We believe that listening to our employees is critical to our success and have established an employee congress so that major issues affecting the interests of employees can be reviewed. We have also advocated for collective contracts⁵ that safeguard the rights and interests of women. All financial subsidiaries and some industrial subsidiaries have already completed this process, including a collective contract at our headquarters in March 2023 that will remain in effect for three years. Our ultimate goal is to have all subsidiaries to arrange collective contracts for protecting female employees' legal rights and interests, and to advocate the gender equality in our company.

CITIC Bank set up feedback mechanisms so that employees can report problems and make suggestions. These include the President's Mailbox, a Department General Manager's Mailbox and Speak Up, a platform that has received 205,000 visits and 4,722 suggestions. The overall resolution rate of issues received through these channels is 90%, with an average satisfaction rating of 4.78 out of 5.

CITIC Mining in Australia fully respects the festivals and cultural customs of different ethnicities and races among its employees and contracted personnel, who are encouraged to participate in the activities of indigenous communities as a way to promote cultural exchange.

At CITIC Heavy Industries, the labour union signs collective contracts and wage agreements with management representatives on behalf of all employees.

Improving our Performance-based Compensation System

We have made a significant effort to improve our performance-based compensation system, bring it in line with local government policies, and benchmark it against industry standards. Employees receive competitive compensation packages and are rewarded based on their performance and contributions to the company.

Employee compensation structures align with the specific requirements of different roles, including special bonuses for positions in sales and investment. Clear rules have also been established for deferred bonuses and compensation compensation reclaiming and withholding mechanisms for our financial subsidiaries, including information disclosure, board review and regular reporting.

We have been continually upgrading our incentive and restraint mechanisms to ensure the sustainable development of the Company, as well as our medium- and long-term incentive plans. We have also continued to improve our employee insurance, welfare plans, working hours and vacation policies.

As required by the Hong Kong SAR Government, we contribute to the Mandatory Provident Fund for all employees in Hong Kong. In compliance with local regulations in the Chinese mainland, we have achieved full basic social insurance coverage for all employees. Most of our domestic subsidiaries have enterprise annuities (supplementary pension insurance) as well as supplementary medical insurance. Over 156,000 employees of CITIC, including retired employees and others, now receive insurance coverage.

In 2022, we conducted a comprehensive review of our compensation management system throughout the company. A total of 65 compensation and performance-related issues were also identified and rectified within our subsidiaries. In response to concerns raised by both employees and our company, we carried out a special initiative to improve employee satisfaction with their compensation.

⁵ The collective contract for protecting the rights and interests of female employees covers labour rights (employment opportunities, equal pay for equal work, rest and vacation, welfare benefits and opposition to gender discrimination), special interests (exemptions from certain types of work that may pose risks to female health, maternity benefits, and other related matters). Also covered are political, cultural, educational, and developmental rights (vocational education, technical training, career advancement, and participation in democratic management), as well as other matters that require negotiation.

Expanding our Training Channels

We are continuously improving our training programmes in support of our talent-driven strategy, which is reflected in our 14th Five-Year Plan for talent development. Our training now includes a focus on six key types of individuals: those with expertise in inter-disciplinary management and operations, finance, technology, international business and high-skilled areas, as well as outstanding young talent.

We have also been re-evaluating professional qualifications, which resulted in 95 employees receiving senior professional titles and 103 international and domestic professional qualifications being recognised with corresponding job titles. In addition, we recommended five individuals for the National Talent Program and assisted one person in his application for a National Technical Expert title. Moreover, we provided guidance to our subsidiary companies on how to apply for post-doctoral research centers and provided opportunities for experts to take part in professional seminars.

In 2022, we helped 45 management personnel participate in specialised training organised by higher-level units and 736 employees to take online courses in carbon neutrality. We also introduced 34 collaborative training programmes for 998 employees. Additionally, we arranged training for young and middle-aged staff as well as orientation classes for new employees, amounting to a total of 420 class hours. Seven online training programmes and 23 webinars were also offered, as well as more than 1,000 professional courses. The cumulative participation in course learning reached 120,000 person-times, with online trainee numbers continuing to hit new highs. We also improved the functionality of our online learning system, supported the diverse learning needs of employees and expanded the number of learning channels we provide.

For the management trainee programme offered at our headquarters, we have improved the learning platform and database while ensuring returnees from job rotations are placed in appropriate positions. We also set up a quarterly reporting system to monitor the progress of previous management trainees returning from job rotations. To maintain a consistent and positive employer brand for CITIC, we expanded our cooperation with key domestic universities. According to our Employee Code of Conduct, we provide courses on ethical practices for new employees and middle-aged managers. We also improved the mechanism set up for integrity reporting, clue transfer and supervision results sharing, which cover our young employees.

CITIC Heavy Industries established a dual-track approach to talent development that combines performance and ability, as well as a five-tier management system for technical talent. For our highly skilled team of blue collar workers, we made progress with our Gold-Blue-Collar Programme and set up a national model workers studio, comprising seven master craftsman studios and 16 chief employee innovation workstations. As a result of these initiatives, many exemplary industrial workers have emerged, including those who have been recognised as national model workers and top 10 craftsmen.

China Securities has supported employee development by providing reimbursements for professional and technical qualification training, such as the Chartered Global Fintech program. Over 9,800 employees participated in follow-up training for securities practice qualifications during the year, and 6,328 employees participated in follow-up training for fund management practice qualifications, while 1,372 employees received pre-exam training for fund management practice qualifications, and 666 received follow-up training for futures practice qualifications. A total of 189 staff received follow-up training for the Licensing Examination for Securities and Futures Intermediaries (Hong Kong), and 122 participated in continuing education training for accounting, and sponsored 23 employees for their Chartered Global Fintech program and other training.

Employee Training Statistics

	Indicators	As of 31 December 2022
Headquarters	Number of employee training programs	53
	Percentage of male employees participating in training (%)	95%
	Percentage of female employees participating in training (%)	94%
	Percentage of managerial employees participating in training (%)	100%
	Percentage of non-managerial employees participating in training (%)	96%
	Per capita training hours received by male employees (hours/person)	77
	Per capita training hours received by female employees (hours/person)	66
	Per capita training hours received by managerial employees (hours/person)	111
	Per capita training hours received by non-managerial employees (hours/person)	69
CITIC Bank	Percentage of male employees participating in training (%)	100%
	Percentage of female employees participating in training (%)	100%
	Percentage of managerial employees participating in training (%)	100%
	Percentage of non-managerial employees participating in training (%)	100%
	Per capita training hours received by male employees (hours/person)	235
	Per capita training hours received by female employees (hours/person)	254
	Per capita training hours received by managerial employees (hours/person)	134
	Per capita training hours received by non-managerial employees (hours/person)	429
CITIC Securities	Percentage of male employees participating in training (%)	100%
	Percentage of female employees participating in training (%)	100%
	Percentage of managerial employees participating in training (%)	100%
	Percentage of non-managerial employees participating in training (%)	100%
	Per capita training hours received by male employees (hours/person)	126
	Per capita training hours received by female employees (hours/person)	126
	Per capita training hours received by managerial employees (hours/person)	118
	Per capita training hours received by non-managerial employees (hours/person)	126

	Indicators	As of 31 December 2022
China Securities	Percentage of male employees participating in training (%)	89%
	Percentage of female employees participating in training (%)	85%
	Percentage of managerial employees participating in training (%)	100%
	Percentage of non-managerial employees participating in training (%)	87%
	Per capita training hours received by male employees (hours/person)	48
	Per capita training hours received by female employees (hours/person)	42
	Per capita training hours received by managerial employees (hours/person)	314
	Per capita training hours received by non-managerial employees (hours/person)	43
CITIC Resources	Percentage of male employees participating in training (%)	74%
	Percentage of female employees participating in training (%)	27%
	Percentage of managerial employees participating in training (%)	91%
	Percentage of non-managerial employees participating in training (%)	27%
	Per capita training hours received by male employees (hours/person)	32
	Per capita training hours received by female employees (hours/person)	18
	Per capita training hours received by managerial employees (hours/person)	22
	Per capita training hours received by non-managerial employees (hours/person)	26
CITIC Telecom International	Percentage of male employees participating in training (%)	87%
	Percentage of female employees participating in training (%)	86%
	Percentage of managerial employees participating in training (%)	100%
	Percentage of non-managerial employees participating in training (%)	90%
	Per capita training hours received by male employees (hours/person)	12
	Per capita training hours received by female employees (hours/person)	9
	Per capita training hours received by managerial employees (hours/person)	17
	Per capita training hours received by non-managerial employees (hours/person)	12

Promoting a Caring Workplace and Employee Well-being

We allocated more than RMB4.2 million to provide care and assistance to employees who are facing difficulties or worked during the holidays and participated in disaster relief efforts. We also disbursed RMB911,800 as special heatstroke prevention assistance for frontline workers at 14 branches affected by persistently high temperatures in areas such as Shanghai, Chongqing and Hangzhou. To assist confirmed COVID-19 cases and asymptomatic carriers, we disbursed RMB289,000. We also launched the Golden Autumn Education initiative, which donated RMB221,000 to 76 employees struggling to pay for their children's education. Furthermore, we collaborated with 32 grassroots labour unions to build a home for employees and allocated resources that benefited frontline employees in need.

As part of our efforts to support our female employees, we built a total of 27 women's care rooms and mother-and-baby rooms. We also provided legal education and outreach initiatives, including animated videos on the five phases of working women's lives, and distributed 1,080 legal guides and educational materials.

To help employees balance their work and family lives, we organised four summer daycare programmes for 145 employees and their children, amounting to a total of 20 working days. We also organised various parent-child education activities and offered our support to employees with disabled children.

As many of our young employees have difficulties finding affordable housing, we have set up youth apartments in Beijing and other cities in China. Our Beijing apartment currently accommodates more than 800 young employees. We also organised events for nearly 80 single employees from CITIC, including two online and offline socialising activities held by the All-China Federation of Trade Unions.

To promote a healthy lifestyle among our employees, we strongly encourage all our subsidiaries to organise group jogging activities. We also focus on our employees' mental health through initiatives such as one-on-one psychological counselling services and lectures on psychology by leading experts.

Providing a Safe and Healthy Work Environment

In accordance with health and safety regulations, we have established a safety committee headed by our Chairman and General Manager to ensure the adequacy of our emergency response capabilities. In 2022, we introduced measures that categorise the safety production risks of our subsidiary companies into three levels, based on their business activities. The measures outline the safe production methods to be followed, as well as the prevention measures, contingency plans and reporting and incentive systems to be complied with. This has improved safety at all levels of the whole system, contributed to the well-being of our employees and helped to protect our Company's physical assets.



In 2022, we undertook a one-and-a-half month safety production inspection of all our first-tier subsidiaries. The inspection focused on seven key areas: leadership responsibility, organisational structure, system construction, prevention mechanisms, emergency management, management and control of important business locations and key buildings. A simultaneous safety risk investigation was also carried out. In addition, our subsidiary companies were required to conduct self-inspections, with on-site inspections for those based in Beijing and online inspections held for those outside Beijing. Through this exercise, we were able to identify risks for each subsidiary and suggest improvements. A follow-up inspection will be carried out in 2023 to address identified weaknesses.

Employee Health and Safety Statistics

Indicators	As of December 31st, 2022
Number of employee deaths due to work-related reasons	
– Number of employee deaths due to work-related reasons in 2020 (people)	2
– Number of employee deaths due to work-related reasons in 2021 (people)	0
– Number of employee deaths due to work-related reasons in 2022 (people)	1
Proportion of work-related deaths	
– Proportion of work-related deaths in 2020 (%)	0.0015
– Proportion of work-related deaths in 2021 (%)	0
– Proportion of work-related deaths in 2022 (%)	0.0006
Number of employees who lost work time due to work-related injuries (days)	7230.40



Excellence: Our Commitment to Quality Products and Service

In our pursuit of building an outstanding corporation, we focus on earning the trust of our customers. As a customer-centred organisation, we focus on creating innovative products, services and business models to meet evolving market demand to the fullest extent possible.

Promoting Technological Innovation

To build an outstanding, technology-driven enterprise, we developed our first five-year plan for technological innovation. Under this plan, we have ten major innovation projects, including improvements in automotive manufacturing and the establishment of technological innovation and technological expert committees, as well as a scientific and technological association. We also appointed a chief engineer, created new plans for scientific research, and set up a programme to recognise technological achievements. By promoting innovative technology, we are developing new drivers and growth engines for our company's future.

Increasing Investment in Research and Development

We have implemented a policy to reinvest profits into research and development, allocating RMB1 billion for research and RMB100 million for annual R&D salaries. This policy incentivises our subsidiary companies to increase their own investments in R&D and undertake strategic, forward-looking technology projects. In 2022, we invested RMB17.8 billion in research and development and set an R&D budget of RMB22.6 billion for 2023, representing an estimated technology investment intensity of over 3%.

Making Breakthroughs in Technology

CITIC Bank is accelerating the conversion of cutting-edge technologies such as quantum computing, the Internet of Things and artificial intelligence into tangible products. It has recently developed a blockchain platform, which passed the information innovation assessment of the Ministry of Industry and Information Technology.

CITIC Heavy Industries has successfully developed a seven-axis hydraulic heavy-duty mechanical arm with autonomous and human-machine interaction functions. The technology behind this product is considered to be at the forefront of the international market.

CITIC Agriculture has formed an alliance with leading research institutions to collaborate on tackling key challenges in breeding technology in hybrid rice. Its subsidiary, Longping High-tech, has developed 85 new varieties that have been approved by the state.

Upgrading our Industrial Products

CITIC Dicastal made steady progress on its integration project for large-scale aluminium alloy structural components, including the completion of critical tasks such as the development of non-heat treatment materials, casting moulds and host equipment designs. This integration project has the potential to reduce manufacturing lead times and lower production costs for the automotive industry.

CITIC Limited has been promoting its capabilities as a lighthouse factory (an Industry 4.0 factory on the cutting edge of intelligent manufacturing), using our own platform architecture, core industrial sensors and industrial AI algorithm models. The company has forged a business layout featuring "1+1+5", which combines "Lighthouse Factory" consulting, industrial Internet platform construction, and the development of core "AI+" products through five major capacities and solutions. This approach enables the digital transformation of industries such as steel and new energy, driving high-end, intelligent, and sustainable growth in traditional manufacturing sectors.

CITIC Environment has developed the CITIC Intelligent Construction Platform based on the National BIM Project. This platform has been utilised in multiple pilot projects and was recognised by the Ministry of Housing and Urban-Rural Development as one of the first intelligent construction/innovative service cases.

CITIC Telecom International has implemented the ICT-MiiND strategy, which will accelerate its transformation from a service provider into an intelligent communications enabler. Its subsidiary, Macau Telecom, has obtained a 5G license that will support Macau's digital transformation.

Creating Support for Science, Production and Finance

We are harnessing our strengths in manufacturing, finance and innovation to provide financial support that enables specialised/sophisticated companies to produce new and unique products. Emerging industry loans extended by CITIC Bank have so far achieved a YoY increase of 37.3%. What's more, CITIC Securities and China Securities now lead the industry in the number and amount of sponsored projects on the Science and Technology Innovation Board and the Beijing Stock Exchange.

We have also established a strategic investment platform with a fund-plus-direct investment approach for innovative, early-stage small enterprises. To support industrial incubation and open up new development pathways, we helped establish the CITIC Hangzhou Science and Technology Innovation Fund, with initial funding of RMB5 billion.

We also continued to look for exchange and cooperation opportunities with major scientific research institutes. To date, we have set up 110 research and development institutions and 24 high-tech enterprises, including the National Key Laboratory for Intelligent Mining Heavy Equipment under CITIC Heavy Industries. This facility has contributed to the deep integration of innovation chains, industrial chains, fund chains and talent chains.

CITIC's Debut at the 2022 World Artificial Intelligence Conference

In June, we hosted the Smart CITIC, Beyond the Possibilities exhibition and forum, featuring technological innovations in smart finance, intelligent manufacturing, smart construction, smart living and digital infrastructure. We also launched the industry's first digital wealth advisor — Xiao Xin — which received widespread attention across all sectors.



CITIC exposition at the 2022 World Artificial Intelligence Conference



Launching the industry's first digital wealth advisor-Xiao Xin

CITIC Wins First Prize 5G Application Competition

CITIC Offshore Helicopter won the first prize in the final of the Zhanfang Cup 5G Application Competition for the 5G + satellite smart aviation solution developed with the China Academy of Information and Communications Technology and China Telecom. The solution is the first to use a self-developed 5G airborne fusion terminal to meet the needs of emergency rescue and offshore operations.



CITIC COHC won the first prize in the final of the Zhanfang Cup 5G Application Competition, organised by the Ministry of Industry and Information Technology.

Strengthening Quality Control

CITIC complies fully with all laws, regulations and relevant provisions with regard to product health and safety. To understand and control the health and safety risks we face, we have established a risk management department and incorporated information on major customers, key suppliers, safety production and reputational incidents into the risk management database. We also provide guidance to CITIC Financial Holdings on establishing risk isolation mechanisms that help to ensure the independent operation and management of the company and its subsidiaries, protect customers and prevent the spread of risks. In addition, we have a system and procedures in place that enable us to integrate major quality issues with performance assessments.

We also encourage the adoption of quality management and supervision systems. Several subsidiaries have obtained specialised certifications, such as ISO 9001, ISO 45001, and ISO 14001, to ensure our products and services meet quality, health and safety standards.

CITIC Dicastal	✓ Devised and developed error prevention methods, specialised inspection procedures, and inspection manuals for product design, process design, and quality inspection. All manufacturing facilities are required to fully utilize these outputs and provide internal training to ensure effective control over product quality. ✓ Established a first-piece/first-batch review mechanism to enable risk identification during the initial stage of mass production, thereby promoting continuous improvement and enhancement of the production line. Due to a current shortage of capacity to review the first batch of products for mass production, all affiliated companies are required to create an internal evaluation process for their first-batch products to guarantee the quality of their initial delivery. ✓ By exchanging best practices and lessons learned from factories both at home and abroad, the company promoted “globalisation and localisation” capacity building in quality management for its overseas factories.
CITIC Heavy Industries	✓ The company formulated a series of management systems, including the <i>Product Installation and Commissioning Quality Control Management System</i>, the <i>After-sales Non-conformance Report (NCR) Management Method</i>, and the <i>Product Warranty Management Regulations</i>, while also implementing a recall system for non-conforming products as part of its after-sales services. In 2022, the company revised its Q/HM 19104 <i>Product Quality Warranty Management Regulations</i> and refined the procedures for recalling non-conforming products. Throughout the year, a total of 166 sets of products were installed and commissioned at customer sites without any incidents of non-conforming product recalls. ✓ The company has designated its quality department to oversee the entire quality planning process, process monitoring, and final product acceptance. Any materials, parts, or components that fail to meet the required standards are immediately identified, recorded, reviewed, isolated, and properly disposed of. This ensures that only qualified materials and raw materials are used for production, only products that meet the criteria from previous processes are advanced to the next stage, only up-to-standard parts and components are assembled into the final product, and only products meeting the necessary specifications are delivered to customers.

Meeting the Demands of Customers

The collaborative sharing platform, CITIC Synergy+, was established in 2022 as the first group-level business operation and control platform with mobility features and intelligent capabilities. It integrates functions such as collaborative information aggregation, command and dispatch, and ecosystem development, with the goal of providing our customers with better, more comprehensive services. Since its launch, the system has attracted 100,000 activated users with a total of 400,000 logins.



Achievements in 2022	
Shared customers	11,779
Collaborative projects	497
Shared products	947
Experts	721
Excellent collaborative cases	1,164
Research reports	848

At CITIC Heavy Industries, we established a quick response mechanism and marketing services synergy management platform. require our teams to develop service plans within a half work day so that they can provide feedback to customers within two work days. For on-site solutions, we insist that our teams arrive at customer locations within 48 hours. To meet the needs of our overseas customers, we have companies, offices and spare parts service bases in countries and regions such as Australia, Brazil and Peru.

In 2022, CITIC Pacific Special Steel held a strategic user seminar to present its current management situation and future development plans to its customers. More than 660 representatives from over 320 organisations attended the event and expressed their interest in forging deeper partnerships.

Safeguarding Financial Consumers

Protecting the financial rights and interests of consumers is a critical issue for the sustainable development of the financial industry. Any significant business risk that is not adequately addressed and resolved can have a profound impact on financial institutions. At CITIC, we prioritise transparency and honesty in all our dealings with customers and continually reinforce our efforts to safeguard the interests of financial consumers. In 2022, we established CITIC Financial Holdings to oversee the initiatives of our financial subsidiaries, including CITIC Bank and CITIC Securities, and urged them to take proactive measures in customer service, private information protection and investor education. Furthermore, we remain committed to investing in financial technology to provide customers with a seamless, advanced experience that ensures their safety and protection.

Building an Institutional Framework for Consumer Protection

CITIC Bank has developed a comprehensive institutional framework consisting of system, Administrative Measures for the Protection of the Rights and Interests of Consumers, Administrative Measures on the Protection of Consumer Financial Information, Administrative Measures of Accountability for Violations of Consumer Rights and Interests Protection, and Rules of Procedure of the Working Committee on the Protection of Consumer Rights and Interests to ensure effective control and governance across all stages of its operations. Among others, these systems cover key areas such as consumer protection, information disclosure, complaint management, consumer financial information protection, and financial literacy education.

Enhancing Service Quality

CITIC Bank is committed to upholding its Customer First core value by constantly improving its customer service culture and experience models, and infusing customer relationship management and consumer protection awareness into its products and services.

 Certification training for job qualifications	✓ In 2022, we launched 1,031 new certification training courses and increased the number of available online courses to 3,992. ✓ To give all employees the opportunity to take relevant job qualification certification exams, we established examination centres in 77 cities nationwide and helped 12,198 employees complete these exams.
 Specialized Training:	✓ We developed and distributed the latest <i>Service Quality Standards Manual</i> to every frontline employee, so they are able to deliver standardised quality services to customers on a daily basis. ✓ We conduct at least one training session on consumer rights protection annually, covering all levels of management, frontline employees and new hires. In 2022, CITIC Bank launched consumer protection training and an examination programme for all employees. Topics covered included regulatory policies, consumer financial information protection and complaint handling. About 55,000 employees passed the examination. ✓ We organised 3,386 training sessions on business, products and protocols for specialised staff members, with a total attendance of 824,000 person-times.

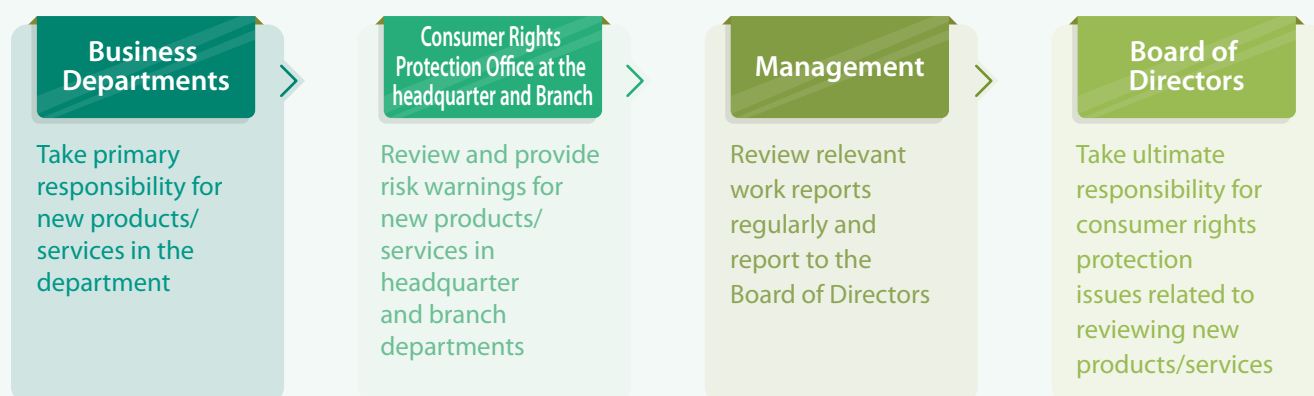
On 9 January 2023, CITIC Financial Holdings held the first CITIC Wealth Cup Wealth (Financial) Advisor Competition for its financial subsidiaries. The aim of the competition was to motivate wealth advisors to improve their professional skills and expertise.



Reviewing New Products and Services

In accordance with its commitment to responsible business practices, CITIC Bank established a dedicated Consumer Rights Protection Office that is accountable to the Board of Directors, which oversees the review of new products and services.

In 2022, the Board reviewed the Consumer Protection Work Plan for the year and made enhancements to the consumer protection reviews a top priority. The management of CITIC Bank provides semi-annual summaries of their work on consumer rights protection to the Board, covering key points on consumer protection incidents and their implementation status ahead of the review. During the year, CITIC Bank carried out 10,853 consumer protection reviews, a YoY increase of 287.05%. The review acceptance rate was 100%, an increase of nearly 4% from the previous year.



Ensuring Fair Marketing

We comply fully with laws and regulations on marketing and advertising, including Advertising Law of the People's Republic of China. We also conduct rigorous reviews of the advertising content and promotional materials of marketing campaigns to ensure we are providing customers with truthful and comprehensive information on our products.

CITIC Bank takes responsibility for financial marketing and advertising through its product, customer and channel departments. The Retail Finance Department, also known as the Consumer Rights Protection Office, oversees consumer protection-related aspects of financial marketing and advertising, including pre-review, in-process supervision and post-supervision.

To ensure its marketing practices are fair, CITIC Bank has developed management measures to strengthen the pre-review of marketing and advertising campaigns and enhance in-process and post-supervision. Inspections of existing products and services are carried out to ensure compliance with regulations. Sales of products that fail to meet our standards or infringe consumers' rights and interests are immediately suspended.

Furthermore, CITIC Bank conducts specialised education and training for marketing personnel during the launch of new products/services as well as training that improves their professional competencies with regard to consumer protection.

Improving Customer Debt Management

Post-loan Modification

CITIC Bank offers customers the option of making post-loan modifications as needed, and will conduct a risk assessment before changing eligible loan provisions or information. To improve the customer experience, the Bank makes it possible for customers to modify loan applications through its mobile banking service, personal e-banking and offline branches. For customers unable to apply for repayment plan adjustments on-site due to uncontrollable factors, the Bank allows conditional processing and provides a “make-up afterwards” option.

Credit Card Collection

CITIC Bank provides clear guidance on the strategy, process and methods for credit card collection. It has also developed operational norms for the credit card collection business to ensure it is conducted in a compliant and orderly manner.

Training is provided to both the Bank’s employees and third-party collection agency employees on credit card debt collection. These training programmes include face-to-face, video and digital sessions, covering a range of topics such as banking fundamentals, the credit card collection process, performance evaluation and management requirements, and consumer rights. The Bank’s goal with this training is to enhance employees’ professional competencies, compliance awareness and risk management capabilities.

Personal Loan Collection

CITIC Bank has established a comprehensive management system for the collection of personal loans. This system provides guidance on recovering personal loans that have gone into default as well as outsourcing to collection agencies, among other topics. To meet the evolving needs of the personal loan business, the Bank has created a management module for digital collection across the entire business.

Within this system are collection strategies for different personal loan products, risk classifications and other factors. Customers and loans are managed in a stratified manner, and outstanding loans are either collected inhouse or outsourced based on management requirements and different risk performances. We have also established a personal loan collection management and training mechanism that provides online and offline training each year to staff in the personal loan business line. The training covers multiple areas, including management regulations, business processes, system functions and operational risk prevention and control.

Third party partner institutions are routinely checked to ensure they comply with business regulations, information security protocols and consumer rights protection. Training in these areas is also provided to these organisations. This ensures all collection operations are conducted in a legal and compliant manner, while promoting the healthy and orderly development of the personal loan businesses.

Customer Complaint Management

The Consumer Rights Protection Committee under CITIC Bank’s Board of Directors regularly reviews work summaries on how customer complaints are managed. Branches with high complaint volumes are required to conduct root cause analyses and are monitored for subsequent rectification. The Bank has also established management measures for resolving personal customer complaints and ensuring compliance with the regulations of the Office of China Banking and Insurance Regulatory Commission.

Customers can file complaints through various channels of the Bank, both online and offline. Upon receiving a complaint, the relevant department will promptly handle and follow up the matter. In 2022, CITIC Bank received 322,165 customer complaints, of which 36.3% were related to the debit card business and 63.7% to the credit card business. The overall customer complaint settlement rate for the year was 99.92%, while the overall number of complaints increased by 4.04% compared with the previous year. The most common complaints in the debit card business were related to account management and usage, personal loan repayment extensions due to the pandemic, removal of credit records and early repayment. In the credit card business, the main complaints were related to account collection, interest fees and account management.

In addition to developing a customer complaint reporting and handling system, CITIC Securities conducts regular customer satisfaction surveys. In 2022, the satisfaction rates for customers who opened accounts through mobile phones, made inquiries via telephone and used online consulting services all surpassed 99%. The overall satisfaction rate was 99.4%, showing client's recognition of the company.

CITIC Trust recently revised its system for managing complaints with a focus on improving the efficiency of the complaint-handling process. It has also established a consumer rights protection committee for coordinating complaint management work. Moreover, the Market Management Department created a position dedicated to managing and tracking all consumer complaints. Complaint channels are displayed prominently on the company's platforms, including wealth centres, official websites and mobile apps, so that customers understand the procedures for filing complaints.

Investors' Education

We provide financial education and awareness through a variety of channels to give investors a better understanding of financial products such as stocks, funds and bonds. The main focus of our financial education programmes is to raise investors' risk awareness and decision-making capabilities. We also target special groups, such as migrant workers, disabled people, the elderly and students, who have specific financial education needs.

CITIC Bank organised 10,340 public education and awareness activities that reached a total of 426 million consumers and generated over 95.97 million clicks for online events. As the exclusive strategic partner bank of the China National Committee on Ageing, CITIC Bank jointly published *Financial Knowledge for the Elderly and Mastering Smartphones – A Guide to a Happy Life for the Elderly*.

CITIC Securities published 36 articles on its WeChat public account, which received a total of 86,200 views. The company also produced 13 short videos in the *Understanding Listed Company Reports* series, which generated about 163,700 views, and organised 12 investment education live-streaming events that attracted around 80,000 viewers.

China Securities hosted 25 live-streaming "Cloud Visits", with a combined online and offline attendance of 54,991 person-times. It also hosted 5,603 public educational events on investment topics that reached more than 50 million people. A total of 2,805 online investment educational materials were released, attracting a readership of over 230 million. Another public welfare event, the College Student Debate on Investor Education, reached almost 15 million people on Weibo.

During the year, CITIC-Prudential Life Insurance launched a Consumer Education Express/Consumer Protection Column, a consumer education programme featuring a quarterly newsletter Consumer Protection News as well as a consumer protection training course. Other training programmes and promotions focused on compliance through a publication called Compliance Promotions.

Safeguarding Customer Information

Our information security management framework includes a data security management strategy covering the entire data lifecycle, from management architecture, data processing and application systems to terminal services. We also formed a committee responsible for digital information security, including customer personal information. Management measures introduced under this strategy provide clear guidelines for data processing, security and legal compliance related to customer information.

Our subsidiaries, including CITIC Securities, China Securities and CITIC-Prudential Life Insurance, have all obtained ISO 27001 international information security certification.

CITIC Bank has developed an electronic banking privacy policy for regulating the collection, storage and use of customers' personal information as well as the corresponding measures to be taken for safeguarding customer privacy. The Bank's rigorous approach includes the implementation of strict network controls and deployment of security devices to detect and respond to network security threats. Regular vulnerability scans are also conducted proactively to identify high-risk issues in its internal systems, hosts, networks, applications and user passwords. By making use of a range of monitoring and protection techniques, the Bank is able to monitor and respond to both internal and external attacks and address vulnerabilities in real-time.

CITIC Securities has updated over 90 strategy documents and assembled a dedicated cybersecurity risk assessment team, which conducts daily inspections of its data centre and computer rooms. The Company also has unified backup services in accordance with national-level protection requirements.

China Securities conducts special audits not less than once a year to ensure all information technology management matters are audited within a three-year period. On top of this, the company engages external professional institutions for conducting comprehensive audits of its data security every three years.

CITIC-Prudential Life Insurance regularly reviews and investigates application system permissions, strengthens the management of personnel authorisations, and standardises customer information inquiries and usage, thereby effectively safeguarding the security of customer information.



Community Engagement: How We Create a Better Future for All

At CITIC, we believe that giving back to society and promoting community prosperity are crucial social responsibilities. We have integrated ourselves into the community, in accordance with national policies, by assisting with rural revitalisation projects, participating in public welfare activities, supporting community development and providing volunteer services. Our goal is to promote high-quality social development according to our philosophy of contributing to people's prosperity.

In 2022, we followed government legal guidance on public welfare and our own external donation policies. We not only donated RMB107.0582 million to charitable causes but also organised 249 volunteer activities that involved around 12,000 employees providing 50,000 hours of community service.

Contributing to Rural Revitalisation and Common Prosperity

We offer our resources, including financial assistance, to promote community development. In collaboration with the local governments of Yuanyang County, Pingbian County, Qianjiang District and Xainza County, we invested a total of RMB6194.43 million in non-repayable funds and RMB832 million in repayable funds. Furthermore, we raised RMB1.8876 million in non-repayable funds and RMB231 million in repayable funds to support local businesses. Over the course of the year, we supported 49 community assistance projects with aid to the local populace. Our case study, *Promoting Consumption as a New Engine for Common Prosperity*, was selected as an excellent national example of empowering consumers in the rural revitalisation drive.

Driving Industrial Revitalisation

During the year, we invested RMB10.63 million in 11 projects aimed at industries that benefit the local population, including the farming and specialty breeding sectors. In addition to providing financial assistance, the projects also improve production and logistics in these industries.

In particular, we asked CITIC Bank to provide Qianjiang District with a credit line of RMB1.216 billion and RMB10.94 million in financing for agriculture-related small and micro-size businesses in Yuanyang County, which was experiencing financing difficulties as a result of the pandemic. We also launched 12 Insurance + Futures projects, for which we provided RMB3.13 million in risk compensation to 83 livestock farmers and secured the entire industry chain, from breeding costs to sales prices. Furthermore, we have advocated for CITIC Consumer Finance to implement the Dawn Plan, a convenient, efficient and inclusive financial service that caters to the needs of farmers.



Qianjiang District livestock farmer, Huang Kejun, is benefiting from our Insurance + Futures project for live pigs.



Our Insurance + Futures project is contributing to the development of the sugarcane industry in Yuanyang County.

Developing a Strong Talent Pool

In 2022, we invested RMB1.93 million in training programmes for grassroots managers, technical personnel and leaders of the rural revitalisation campaign. A total of 5,265 people attended these programmes.

In collaboration with CITIC Securities, China Securities and CITIC Futures, we organised training sessions on modern agricultural development models and Insurance + Futures projects. We also provided financial literacy education and medical service training to 255 local doctors. Our donations for this latter initiative included portable B-ultrasound machines, electrocardiograms and other medical supplies to help improve rural medical conditions.

Supporting Cultural Revitalisation

We invested RMB2.3 million during the year to build cultural walls and squares, create educational posters and support cultural literacy. In our Love Packages project with the China Rural Development Foundation, we donated art supplies worth RMB1 million to 10,000 rural elementary school students in Yuanyang County. We also joined CITIC Press to set up Dream Libraries in 20 schools and donated nearly 10,000 books to enrich the cultural lives of local residents.

Promoting Ecological Revitalisation

We invested RMB17.28 million for the construction of sewage pipelines, public toilets and garbage disposal stations, and installed 527 streetlights in local communities. We also established three rural revitalisation demonstration sites, which helped to improve the overall living environment and contributed to the development of a more liveable countryside.



CITIC Press's Dream Classroom takes root in Qianjiang District, Chongqing City.

Building a Better Society through Public Welfare

We are committed to supporting public welfare projects, including financial donations for education, sports and health facilities, assistance to disadvantaged groups, and improvements to community infrastructure. We also use our industry expertise to provide a range of public welfare activities that embody CITIC's distinctive qualities.

Advancing the Livelihoods of Hong Kong and Macau Residents

At CITIC, we support our employees in serving the local community through their participation in volunteer activities. In 2022, they took part in a variety of events, such as the Hong Kong SAR government's campaign of distributing anti-pandemic materials. Our volunteers also participated in the CITIC Cares: Community Warmth Programme of home visits to the elderly and underprivileged families. For Orbis World Sight Day 2022, we organised a fundraising event in support of their campaign to prevent blindness.



CITIC Metal employees in Hong Kong participate in the CITIC Cares: Community Warmth Programme.

Empowering Education through Public Donations

For the past 13 years, CITIC Bank's Love-Trust-Remit credit card public welfare platform has supported the improvement of education in underdeveloped rural areas of China. By the end of 2022, the platform had received credit card point donations from over 1.3 million users, allowing for the establishment of 200 Dream Centres in schools throughout the country. These centres feature multimedia classrooms and accompanying curricula that have benefited 160,000 teachers and students each year across 28 provinces and autonomous regions.



Achievement of CITIC Bank's "Love Trust Remit" credit card public welfare platform

CITIC Press has donated books to nearly 100 primary and secondary schools, as well as special needs reading groups, across China. Over 4,000 volumes have been donated to schools in remote, impoverished areas and special needs reading groups such as individuals with disabilities. Furthermore, CITIC Press has set up book stalls in hospital corridors, offering children and patient families a richer selection of books to choose from.

Caring for Children and Youth

Our headquarters organised two “One Piece of Paper, One Act of Love” public welfare events and donated the proceeds from recycled paper sales to the China Charity Federation. All these funds will be used to provide medical treatment for children with congenital heart disease from impoverished families in remote minority areas, such as Xinjiang and Tibet.



One Piece of Paper, One Act of Love public welfare event held by CITIC Limited.

Supporting Public Services

CITIC Offshore Helicopter (COHC) provides a wide range of government social and public management services, including maritime search and rescue and emergency response operations across the country. For 14 years in a row, CITIC Offshore Helicopter (COHC) has successfully completed flight missions in support of Antarctic scientific investigations. In 2022, the company played a crucial role in the rescue efforts for the China Eastern Airlines plane crash in Wuzhou, Guangxi Province, as well as the search and rescue of the Fujing 001 ship in Yangjiang. In addition, COHC proactively responded to the Luding earthquake relief efforts and provided strong support for the “9.5 Luding County earthquake relief” mission. COHC also collaborated with ground teams to conduct personnel rescue operations in the Lingshan Scenic Area.



CITIC Offshore Helicopter completes a mission for an Antarctic science project.

Promoting Community Development Through Collaboration



The Little Athletes sports promotion programme was supported by the CITIC Pacific Mining Community Assistance Fund.

One focus of our public welfare activities is promoting integrated urban-rural development across China, such as helping low-income farmers sell their peaches through online and offline channels to increase their earnings.

CITIC Pacific Mining has several management systems guiding its community responsibilities. These include community relations, external communication management, on-site mine visits, local procurement and participation in indigenous communities.

In support of community development, the company has produced an annual community relations and stakeholder work plan. In 2022, the CITIC Pacific Mining Community Assistance Fund helped to promote Chinese language in remote areas, children's sports programmes, male health initiatives, barista training programmes, youth gymnastics clubs and outdoor running events in the project area.

Protecting the Environment

Since 2016, CITIC Bank Shanghai Branch has been participating in the Wild Bird Environmental Conservation Volunteer programme. This programme was set up to monitor and protect wild birds, remove illegal bird nets and rescue trapped birds. By the end of 2022, the programme had conducted 151 patrols with the participation of 657 volunteers over 1,865 kilometres of forest. A total of 1,788 illegal bird nets were dismantled and 269 residual nets removed. The programme has also rescued and released 309 live birds, such as Chinese spotted doves, mountain spotted doves, pale thrushes, Siberian rubythroat, and Oriental scops owls (a national second-level protected species).

Overseas Public Welfare Projects

CITIC Agriculture is providing agricultural technology assistance to countries such as Ethiopia, The Gambia, the Philippines, Senegal and Dominica, primarily through experimental demonstrations, variety breeding and promotion of rice and vegetable technologies. These efforts have helped increase local agricultural production capacity and create new employment opportunities.

Spreading Love and Warmth Through Volunteer Service

We fulfil our corporate social responsibilities by helping our subsidiary companies establish volunteer service organisations. As a result, we now have a large youth volunteer organisation with over 30 teams and more than 12,500 volunteers. During the past year, our volunteer organisation has provided its services in over 20 cities and regions, including Beijing, Shanghai, Guangdong, Hebei and Fujian. Activities have included pandemic prevention and control, voluntary blood donations, caring for disadvantaged families, low-carbon development and environmental protection.



Voluntary service to protect clean coastal area



Voluntary blood donation service



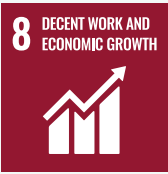
Voluntary service in communities



Voluntary service for children care in rural areas

ESG Index

HKEX Requirements on ESG Reporting		GRI Standards	UN SDGs	
Level	Content	No.	Corresponding Goals	Disclosure Chapter
A1 Emissions	General Disclosure Items	GRI: 103-2(c-i), 305, 306, 307-1		Green Development: Our Commitment to Building a Beautiful China
	A1.1	GRI: 305-1, 305-2, 305-4, 305-6, 305-7		Environmental Performance
	A1.2	GRI: 360-2(a)		
	A1.3	GRI: 360-2(b), 306-3		Special Report: "Dual Carbon" Strategy & Climate Change Risks Management
	A1.4	GRI: 103-2, 305-5		
	A1.5	GRI: 103-2, 306-2, 306-4		
	A1.6			Clean Technology & New Energy
A2 Resource Consumption	General Items	GRI: 103-2(c-i), 301, 302, 303		Green Production
	A2.1	GRI: 302-1, 302-3, 302-3		Green Building & Green Office
	A2.2	GRI: 303-1, 303-3, 303-4, 305-5		
	A2.3	GRI: 103-2, 302-4, 302-5		Environmental Performance
	A2.4	GRI: 103-2, 303-3, 303-4, 303-5		
	A2.5	GRI: 301-1		
				Clean Technology & New Energy
A3 Environment & Natural Resources	General Disclosure Items	GRI: 103-2(c-i), 301, 302, 303, 304, 305, 306		Green Production
	A3.1	GRI: 103-1, 103-2, 303-1, 303-2, 304-2, 306-3(c), 306-5		Green Building & Green Office
				Environmental Performance
A4 Climate Change	General Items	GRI: 201-2		Green Finance
	A4.1	GRI: 201-2		Ecological Conservation
				"Dual Carbon" Strategy & Climate Change Risks Management
				Green Finance

HKEX Requirements on ESG Reporting		GRI Standards	UN SDGs	
Level	Content	No.	Corresponding Goals	Disclosure Chapter
B1 Employment	General Disclosure Items	GRI: 103-2(c-i), 202, 401, 405, 406, 419-1		Employee Development: Fostering Talent and Supporting Staff Growth
	B1.1	GRI: 102-8, 405-1(b)		Employee Status Statistics
	B1.2	GRI: 401-1		Employee Turnover Statistics
B2 Health & Safety	General Items	GRI: 103-2(c-i), 403, 419-1		Ensuring Safety and Creating a Healthy Working Environment
	B2.1	GRI: 403-9		Ensuring Safety and Creating a Healthy Working Environment
	B2.2	GRI: 403-9		Ensuring Safety and Creating a Healthy Working Environment
	B2.3	GRI: 103-2, 103-3(a-i), 403-1		Ensuring Safety and Creating a Healthy Working Environment
B3 Development & Training	General Disclosure Items	GRI: 103-2(c-i), 404-2(a)		Expanding Selection and Training Channels for Talent Development
	B3.1	GRI: 404-1		Employee Training Statistics
	B3.2	GRI: 404-1		Employee Training Statistics
B4 Labor Standards	General Disclosure Items	GRI: 103-2(c-i), 408, 409, 419-1		Fostering Inclusivity and Building a Fair Platform for Talent Growth
	B4.1	GRI: 103-2, 408, 409		Fostering Inclusivity and Building a Fair Platform for Talent Growth
	B4.2	GRI: 103-2, 408, 409		Fostering Inclusivity and Building a Fair Platform for Talent Growth
B5 Supply Chain Management	General Disclosure Items	GRI: 103-2(c-i), 204, 308, 414		Supplier Management
	B5.1	GRI: 102-9		Supplier Management
	B5.2	GRI: 103-2, 308-1, 308-2, 414-1, 414-2		Supplier Management
	B5.3	GRI: 308-2, 414-2		Supplier Management
	B5.4	GRI: 103-2, 308-1		Supplier Management

HKEX Requirements on ESG Reporting		GRI Standards	UN SDGs	
Level	Content	No.	Corresponding Goals	Disclosure Chapter
B6 Product Responsibility	General Disclosure Items	GRI: 103-2(c-i), 416-2, 417-2, 417-3, 418-1, 419-1		Strengthening Quality Control Customer Demand Management Safeguarding the Financial Rights & Interests of Consumers
	B6.1			Service Excellence: Our Commitment to Quality Products and Services
	B6.2	GRI: 102-43, 102-44, 103-2(c-vi), 418-1		Customer Complaint Management
	B6.3			Intellectual Property Management
	B6.4			Strengthening Quality Control
	B6.5	GRI: 103-2, 103-3(a-i), 418		Safeguarding the Security of Customer Information
B7 Anti-corruption	General Disclosure Items	GRI: 103-2(c-i), 205, 205-3, 419-1		Anti-corruption and Business Ethics
	B7.1	GRI: 205-3		Disciplinary Inspection & Supervision
	B7.2	GRI: 102-17, 103-2, 103-3(a-i), 205		Building a Comprehensive Supervision System Disciplinary Inspection & Supervision Audit Supervision Guard Against Integrity Risks Overseas Integrity Education Whistleblower Protection Employee Conduct Management
	B7.3	GRI: 205-2		Integrity Education



HKEX Requirements on ESG Reporting		GRI Standards	UN SDGs	
Level	Content	No.	Corresponding Goals	Disclosure Chapter
B8 Community Investment	General Items	GRI: 103-2(c-i), 413		Community Engagement: Our Responsibility to Create a Better Future for All
	B8.1	GRI: 203-1(a), 413-1		Contributing to Rural Revitalization and Advancing Common Prosperity Engaging in Public Welfare Undertakings and Building a Better Society Together Spreading Love and Warmth Through Volunteer Service
	B8.2	GRI: 201-1(a-ii), 413-1		Community Engagement: Our Responsibility to Create a Better Future for All
				Contributing to Rural Revitalization and Advancing Common Prosperity
				Engaging in Public Welfare Undertakings and Building a Better Society Together
				Spreading Love and Warmth Through Volunteer Service
				

Verification Statement



Independent Limited Assurance Report

To the Board of Directors of CITIC Limited:

We were engaged by the Board of Directors of CITIC Limited to perform limited assurance on the selected key data in the *2022 Environmental, Social and Governance Report* (the "ESG report") prepared by CITIC Limited. This English version is a translation, should there be inconsistency between the English edition and the Simplified Chinese edition, the Simplified Chinese edition shall prevail.

I. Key data

This Report covers the limited assurance procedures performed on the following 2022 selected key data in the ESG Report:

- Number of volunteer activities (number)
- Total number of employees (persons)
- Proportion of female employees (%)
- Labor contract signing rate (%)
- Number of employee training programs (number)
- Electricity consumption per capita at headquarters (MWh/person)
- Water consumption per capita at headquarters (m³/person)
- Gasoline consumption per capita at headquarters (Liters/person)
- Green credit balance (RMB hundred million)
- Customer complaint settlement rate (%)

Our assurance work was limited to the 2022 selected key data as of 31 December 2022 and for the year then ended in the ESG Report. Other data disclosed in the ESG Report or data of 2021 and previous years was not included in our work scope.

II. Criteria

The criteria adopted by CITIC Limited for preparing the ESG Report are described in the basis of key data preparation (the "Basis of Preparation") attached hereto.

III. The Board of Directors' responsibility

It is the Board of Directors' responsibility to prepare the key data in the 2022 ESG Report according to the basis of preparation, including designing, implementing, and maintaining internal controls relevant to the preparation of key data for the ESG Report to ensure that the data are free from material misstatement, whether due to fraud or error.



IV. Our independence and quality control

We comply with the independence and other ethical requirement of the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which has been founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies the *International Standard on Quality Control No. 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

V. Auditors' responsibility

Our responsibility is to express a conclusion on the key data in the ESG Report based on our assurance work.

We conducted our work in accordance with the *International Standard on Assurance Engagements 3000 (Revised)*, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which requires us to plan and conduct our work to form an assurance conclusion.

VI. Summary of work performed

The procedures performed in a limited assurance engagement vary in nature and timing from a reasonable assurance engagement, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The extent of procedures selected depends on our judgment, including our assessment of risk of major discrepancy between the selected key data and the basis of preparation. We do not conduct our work to express an opinion on the effectiveness of CITIC Limited's internal controls.

Within our work scope, the assurance procedures were implemented at the Headquarters of CITIC Limited, China CITIC Bank Corporation Limited, and CITIC Securities Company Limited.

Our work mainly included:

- 1) Interviewing the related departments engaged to provide the selected key data for the ESG Report;
- 2) Implementing analytical procedures;
- 3) Carrying out sampling inspection on the selected key data in the ESG Report; and
- 4) Performing recalculation.

**VII. Inherent limitation**

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

VIII. Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the 2022 selected key data in the 2022 ESG Report of CITIC Limited is not prepared, in all material respects, in accordance with the Basis of Preparation.

IX. Restriction on use

This Report can only be used by the Board of Directors to prepare its ESG Report, and is not applicable and shall not be used for other purposes. We shall not be liable to any third party other than the Board of Directors of CITIC Limited.

KPMG Huazhen LLP

Beijing, China

18 April 2023

Appendix: Basis of Key Data Preparation

Number of volunteer activities (number): The term disclosed herein refers to the total number of volunteer activities undertaken by CITIC Limited's headquarters and subsidiaries during the reporting period.

Total number of employees (persons): The term disclosed herein refers to the total number of all formal employees in-service at CITIC Limited's headquarters and subsidiaries at the end of the reporting period, excluding dispatched employees.

Proportion of female employees (%): The term disclosed herein refers to the percentage of all formal female employees in-service over the total number of employees of CITIC Limited's headquarters and subsidiaries at the end of the reporting period.

Labor contract signing rate (%): The term disclosed herein refers to the percentage of formal employees in-service who have signed labor contracts with CITIC Limited's headquarters and subsidiaries as of the end of the reporting period.

Number of employee training programs (number): The term disclosed herein refers to the total number of training programs, including online and face-to-face training, carried out by CITIC Limited's headquarters during the reporting period.

Electricity consumption per capita at headquarters (MWh/person): The term disclosed herein refers to the average electricity consumption per formal employee in-service at CITIC's headquarters during the reporting period, which is the total electricity consumption of CITIC Limited's headquarters during the reporting period over the total number of formal employees in-service of CITIC Limited's headquarters at the end of the reporting period.

Water consumption per capita at headquarters (m³/person): The term disclosed herein refers to the average water consumption per formal employee in-service at CITIC Limited's headquarters during the reporting period, which is the total water consumption of CITIC Limited's headquarters during the reporting period over the total number of formal employees in-service of CITIC Limited's headquarters at the end of the reporting period.

Gasoline consumption per capita at headquarters (Liters/Person): The term disclosed herein refers to the average gasoline consumption per formal employee in-service at CITIC Limited's headquarters during the reporting period, which is the total gasoline consumption of CITIC Limited's headquarters during the reporting period over the total number of formal employees in-service of CITIC Limited's headquarters at the end of the reporting period.

Green credit balance (RMB hundred million): The term disclosed herein refers to the aggregate amount of the loans balance of CITIC Bank Co., Ltd. as of the end of the reporting period, for the investment made in energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure, green services, offshore projects that adopt international practices or international standards, green trade financing, and green consumer financing fields.

Customer complaint settlement rate (%): The term disclosed herein refers to the proportion of the customer complaints settled by CITIC Bank Co., Ltd. to the total customer complaints during the reporting period.

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.

CONTENTS OF FINANCIAL STATEMENTS AND NOTES

223	Consolidated Income Statement	321	34	Fixed assets
224	Consolidated Statement of Comprehensive Income	327	35	ROU assets and lease liabilities
225	Consolidated Balance Sheet	329	36	Intangible assets
227	Consolidated Statement of Changes in Equity	331	37	Goodwill
229	Consolidated Cash Flow Statement	333	38	Income tax in the balance sheet
		335	39	Deposits from banks and non-bank financial institutions
231	Notes to the Consolidated Financial Statements	336	40	Placements from banks and non-bank financial institutions
231	1 General information	336	41	Financial liabilities at fair value through profit or loss
231	2 Significant accounting policies	337	42	Customer brokerage deposits
261	3 Critical accounting estimates and judgements	337	43	Trade and other payables
275	4 Taxation	338	44	Financial assets sold under repurchase agreements
276	5 Revenue	339	45	Deposits from customers
278	6 Costs of sales and services	340	46	Bank and other loans
279	7 Other net income	342	47	Debt instruments issued
279	8 Expected credit losses	353	48	Provisions
280	9 Impairment losses	353	49	Share capital and reserves
281	10 Net finance charges	355	50	Movement of allowances for impairment losses
282	11 Profit before taxation	357	51	Contingent liabilities and commitments
283	12 Income tax expense	360	52	Financial risk management and fair values
285	13 Benefits and interests of directors	385	53	Material related parties
287	14 Individuals with highest emoluments	390	54	Structured entities
288	15 Dividends	392	55	Supplementary information to the consolidated cash flow statement
288	16 Earnings per share	393	56	Major transactions with non-controlling interests
289	17 Other comprehensive (loss)/gain	394	57	Balance sheet and reserve movement of the Company
290	18 Segment reporting	396	58	Major business combinations
295	19 Cash and deposits	399	59	Post balance sheet events
297	20 Cash held on behalf of customers	399	60	Comparative amounts
297	21 Placements with banks and non-bank financial institutions	399	61	Approval of the consolidated financial statements
298	22 Derivative financial instruments	399	62	Possible impact of amendments, new standards and interpretations issued but not yet adopted
299	23 Trade and other receivables	400	63	Principal subsidiaries, associates and joint ventures
302	24 Contract assets and contract liabilities			
303	25 Inventories			
304	26 Financial assets held under resale agreements			
305	27 Loans and advances to customers and other parties			
308	28 Margin accounts			
309	29 Investments in financial assets			
313	30 Refundable deposits			
314	31 Subsidiaries			
316	32 Interests in associates			
319	33 Interests in joint ventures	404		Independent Auditor's Report

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

For the year ended 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Interest income		384,322	371,808
Interest expenses		(201,025)	(189,835)
Net interest income	5(a)	183,297	181,973
Fee and commission income		85,978	55,949
Fee and commission expenses		(10,069)	(6,229)
Net fee and commission income	5(b)	75,909	49,720
Sales of goods and services	5(c)	466,823	452,163
Other revenue	5(d)	45,104	25,080
		511,927	477,243
Total revenue		771,133	708,936
Cost of sales and services	6,11	(413,422)	(397,524)
Other net income	7	19,005	7,747
Expected credit losses	8	(91,905)	(103,094)
Impairment losses	9	(8,822)	(1,704)
Other operating expenses	11	(131,922)	(103,320)
Net valuation loss on investment properties		(758)	(66)
Share of profits of associates, net of tax		7,554	12,787
Share of profits of joint ventures, net of tax		5,312	4,776
Profit before net finance charges and taxation		156,175	128,538
Finance income		1,364	2,036
Finance costs		(9,700)	(9,433)
Net finance charges	10	(8,336)	(7,397)
Profit before taxation	11	147,839	121,141
Income tax	12	(24,828)	(20,863)
Profit for the year		123,011	100,278
Attributable to:			
– Ordinary shareholders of the Company		75,481	70,222
– Non-controlling interests		47,530	30,056
Profit for the year		123,011	100,278
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic earnings per share (HK\$)	16	2.59	2.41
Diluted earnings per share (HK\$)	16	2.59	2.41

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

For the year ended 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Profit for the year		123,011	100,278
Other comprehensive (loss)/gain 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		(9,784)	2,883
Loss allowance on financial assets at fair value through other comprehensive income		480	39
Cash flow hedge: net movement in the hedging reserve		1,272	869
Share of other comprehensive (loss)/income of associates and joint ventures		(5,845)	237
Exchange differences on translation of financial statements and others		(115,936)	29,142
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on owner-occupied property reclassified as investment property		27	245
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		258	444
Other comprehensive (loss)/gain for the year		(129,528)	33,859
Total comprehensive (loss)/income for the year		(6,517)	134,137
Attributable to:			
– Ordinary shareholders of the Company		4,935	92,842
– Non-controlling interests		(11,452)	41,295
Total comprehensive (loss)/income for the year		(6,517)	134,137

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

As at 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Assets			
Cash and deposits	19	757,865	720,235
Cash held on behalf of customers	20	275,083	–
Placements with banks and non-bank financial institutions	21	243,324	173,754
Derivative financial instruments	22	90,529	27,958
Trade and other receivables	23	236,516	172,837
Contract assets	24	21,837	13,407
Inventories	25	122,079	113,403
Financial assets held under resale agreements	26	51,175	112,227
Loans and advances to customers and other parties	27	5,645,252	5,809,296
Margin accounts	28	119,758	–
Investments in financial assets	29		
– Financial assets at amortised cost		1,258,965	1,435,823
– Financial assets at fair value through profit or loss		1,271,604	667,206
– Debt investments at fair value through other comprehensive income		977,719	793,188
– Equity investments at fair value through other comprehensive income		10,464	10,645
Refundable deposits	30	77,421	–
Interests in associates	32	116,856	154,181
Interests in joint ventures	33	66,158	60,599
Fixed assets	34	178,897	177,306
Investment properties	34	39,638	40,006
Right-of-use assets	35	46,145	38,503
Intangible assets	36	18,716	18,404
Goodwill	37	28,684	21,590
Deferred tax assets	38	99,430	82,619
Other assets		40,084	42,334
Total assets		11,794,199	10,685,521

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

As at 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Liabilities			
Borrowing from central banks		133,690	231,479
Deposits from banks and non-bank financial institutions	39	1,234,900	1,422,328
Placements from banks and non-bank financial institutions	40	121,728	107,799
Financial liabilities at fair value through profit or loss	41	106,177	5,685
Customer brokerage deposits	42	312,337	–
Funds payable to securities issuers		17,076	–
Derivative financial instruments	22	81,043	30,043
Trade and other payables	43	423,468	184,939
Contract liabilities	24	33,132	33,488
Financial assets sold under repurchase agreements	44	526,691	122,452
Deposits from customers	45	5,766,198	5,852,701
Employee benefits payables		61,502	38,548
Income tax payable	38	17,606	16,184
Bank and other loans	46	172,528	145,362
Debt instruments issued	47	1,323,385	1,250,325
Lease liabilities	35	21,861	20,762
Provisions	48	19,490	24,903
Deferred tax liabilities	38	20,322	14,480
Other liabilities		20,997	18,453
Total liabilities		10,414,131	9,519,931
Equity	49		
Share capital		381,710	381,710
Reserves		355,541	369,697
Total ordinary shareholders' funds		737,251	751,407
Non-controlling interests		642,817	414,183
Total equity		1,380,068	1,165,590
Total liabilities and equity		11,794,199	10,685,521

Approved and authorised for issue by the board of directors on 31 March 2023.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Note	Share	Capital	Investment		General	Retained	Exchange	Non-controlling		Total
	capital	reserve	Hedging	related	reserve	earnings	reserve	Total	interests	equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	Note 49(a)	Note 49(b)(i)	Note 49(b)(ii)	Note 49(b)(iii)	Note 49(b)(iv)		Note 49(b)(v)			
Balance at 1 January 2022	381,710	(60,312)	2,073	4,527	62,105	344,891	16,413	751,407	414,183	1,165,590
Profit for the year	-	-	-	-	-	75,481	-	75,481	47,530	123,011
Other comprehensive income/(loss) for the year	17	-	-	1,275	(11,605)	-	(60,216)	(70,546)	(58,982)	(129,528)
Total comprehensive income for the year	-	-	1,275	(11,605)	-	75,481	(60,216)	4,935	(11,452)	(6,517)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	130	130
Transfer of profits to general reserve	-	-	-	-	5,018	(5,018)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	(19,083)	-	(19,083)	-	(19,083)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(22,021)	(22,021)
Issue of other equity instruments by subsidiaries	55(d)	-	-	-	-	-	-	-	5,417	5,417
Acquisition of subsidiaries	58	-	-	-	-	-	-	-	256,520	256,520
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(43)	(43)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	52	-	(52)	-	-	-	-
Others	-	(8)	-	-	-	-	-	(8)	83	75
Other changes in equity	-	(8)	-	52	5,018	(24,153)	-	(19,091)	240,086	220,995
Balance at 31 December 2022	381,710	(60,320)	3,348	(7,026)	67,123	396,219	(43,803)	737,251	642,817	1,380,068

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Share capital	Capital reserve	Hedging reserve	Investment related reserves	General reserve	Retained earnings	Exchange reserve	Non-controlling Total	Non-controlling interests	Total equity
	Note	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
		Note 49(a)	Note 49(b)(i)	Note 49(b)(ii)	Note 49(b)(iii)	Note 49(b)(iv)		Note 49(b)(v)			
Balance at 1 January 2021		381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642
Profit for the year		-	-	-	-	-	70,222	-	70,222	30,056	100,278
Other comprehensive income for the year	17	-	-	873	2,788	-	-	18,959	22,620	11,239	33,859
Total comprehensive income for the year		-	-	873	2,788	-	70,222	18,959	92,842	41,295	134,137
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	167	167
Transfer of profits to general reserve		-	-	-	-	3,891	(3,891)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	-	(15,651)	-	(15,651)	-	(15,651)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(11,211)	(11,211)
Redemption of other equity instruments by subsidiaries	55(d)	-	-	-	-	-	-	-	-	(4,003)	(4,003)
Issue of other equity instruments by subsidiaries	55(d)	-	-	-	-	-	-	-	-	52,813	52,813
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(48)	(48)
Transactions with non-controlling interests		-	(26)	-	-	-	-	-	(26)	827	801
Disposal of equity investments at fair value through other comprehensive income		-	-	-	(18)	-	18	-	-	-	-
Others		-	(34)	-	-	-	-	-	(34)	(23)	(57)
Other changes in equity		-	(60)	-	(18)	3,891	(19,524)	-	(15,711)	38,522	22,811
Balance at 31 December 2021		381,710	(60,312)	2,073	4,527	62,105	344,891	16,413	751,407	414,183	1,165,590

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

For the year ended 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Cash flows from operating activities			
Profit before taxation		147,839	121,141
Adjustments for:			
– Depreciation and amortisation	11(b)	23,544	21,220
– Expected credit losses	8	91,905	103,094
– Impairment losses	9	8,822	1,704
– Net valuation loss on investment properties		758	66
– Net valuation loss/(gain) on investments		16,627	(297)
– Share of profits of associates and joint ventures, net of tax		(12,866)	(17,563)
– Interest expenses on debts instruments issued	5(a)	35,399	31,453
– Finance income	10	(1,364)	(2,036)
– Finance costs	10	9,700	9,433
– Net gain on investments in financial assets		(50,220)	(19,508)
– Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures		(12,769)	(1,393)
		257,375	247,314
Changes in working capital			
Decrease in deposits with central banks and non-bank financial institutions		6,764	3,870
Increase in placements with banks and non-bank financial institutions		(100,557)	(24,368)
Increase in trade and other receivables		(52,024)	(4,967)
(Increase)/decrease in contract assets		(8,430)	212
Increase in inventories		(8,587)	(33,208)
Decrease in financial assets held under resale agreements		89,735	34,417
Increase in loans and advances to customers and other parties		(407,930)	(499,357)
Decrease/(increase) in investments in financial assets held for trading purposes		12,417	(20,280)
Decrease in cash held on behalf of customers		26,986	–
Decrease/(increase) in other operating assets		7,260	(47,721)
(Decrease)/increase in deposits from banks and non-bank financial institutions		(68,780)	9,780
(Decrease)/increase in placements from banks and non-bank financial institutions		(7,740)	31,230
Increase/(decrease) in financial liabilities at fair value through profit or loss		15,658	(8,895)
Increase in trade and other payables		3,401	21,946
(Decrease)/increase in contract liabilities		(776)	5,397
Increase in financial assets sold under repurchase agreements		141,960	24,785
Increase in deposits from customers		391,773	261,103
Decrease in borrowing from central banks		(80,438)	(42,459)
Increase in customer brokerage deposits		8,158	–
Increase in other operating liabilities		4,123	11,360
Increase in employee benefits payables		3,874	2,372
(Decrease)/increase in provisions		(6,506)	9,731
Cash generated from/(used in) operating activities		227,716	(17,738)
Income tax paid		(33,697)	(22,956)
Net cash generated from/(used in) operating activities		194,019	(40,694)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

For the year ended 31 December			
	Note	2022 HK\$ million	2021 HK\$ million
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		3,031,389	3,788,827
Proceeds from disposal of fixed assets, intangible assets and other assets		1,232	2,204
Proceeds from disposal of associates and joint ventures		1,574	2,355
Net cash payment for from disposal of subsidiaries		(1)	(242)
Dividends received from equity investments, associates and joint ventures		7,246	7,103
Payments for purchase of financial investments		(3,146,053)	(4,041,787)
Payments for additions of fixed assets, intangible assets and other assets		(23,576)	(24,494)
Net cash received/(payment) for acquisition of subsidiaries		192,638	(289)
Payment for acquisition of associates and joint ventures		(8,532)	(3,065)
Net cash generated from/(used in) investing activities		55,917	(269,388)
Cash flows from financing activities			
Capital injection received from non-controlling interests		130	167
Transaction with non-controlling interests		(6)	801
Proceeds from new bank and other loans	55(c)	199,159	168,251
Proceeds from new debt instruments issued	55(c)	1,057,373	1,092,327
Repayment of bank and other loans and debt instruments issued	55(c)	(1,275,180)	(1,028,186)
Issue of other equity instruments by subsidiaries	55(d)	5,417	52,813
Principal and interest elements of lease payment	55(c)	(6,277)	(5,978)
Interest paid on bank and other loans and debt instruments issued	55(c)	(48,701)	(41,084)
Dividends paid to non-controlling interests		(22,021)	(11,302)
Dividends paid to ordinary shareholders of the Company	15	(19,083)	(15,651)
Redemption of other equity instruments by subsidiaries	55(d)	–	(4,003)
Net cash (used in)/generated from financing activities		(109,189)	208,155
Net increase/(decrease) in cash and cash equivalents		140,747	(101,927)
Cash and cash equivalents at 1 January		360,953	457,975
Effect of exchange changes		(23,166)	4,905
Cash and cash equivalents at 31 December	55(a)	478,534	360,953

The notes on pages 231 to 403 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2021: 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 or interpretations 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.

- (i) COVID-19-Related Rent Concessions beyond 30 June 2021 – HKFRS 16 (Amendments)
- (ii) Property, Plant and Equipment: Proceeds before intended use – HKAS 16 (Amendments)
- (iii) Reference to the Conceptual Framework – HKFRS 3 (Amendments)
- (iv) Onerous Contracts – Cost of Fulfilling a Contract – HKAS 37 (Amendments)
- (v) Annual Improvements to HKFRS Standards 2018-2020
- (vi) Merger Accounting for Common Control Combinations – Accounting Guideline 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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(m));
- 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(i)(j)).

(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 2022

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 2022

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 2022

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(t)).

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 2022

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. 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(t)). 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(t)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 cannot 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 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Debt instruments (Continued)

– 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment (Continued)

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.

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 recognising 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 2022

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(4) Modification of investment in financial assets (Continued)

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 asset 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).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(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.

(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 recognising 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 2022

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(j) Hedging (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(l) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers, for which the customers provide the Group with collateral.

The Group recognises margin accounts at initial recognition, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial assets, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

For impairment of financial assets arising from margin financing and securities lending, refer to Note 2(i).

(m) 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 2022

2 Significant accounting policies (Continued)

(n) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(t)).

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(bb)).

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. Depreciation 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	4 – 50 years
– Machinery and equipment	2 – 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.

(o) Land use rights

Land use rights are presented under right-of-use ("ROU") assets.

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2(t).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(p) Intangible assets (other than goodwill)

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and if any, impairment losses (see Note 2(t)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

– Mining assets	Over the estimated useful lives using the unit-of-production method
– Franchise rights	Over the estimated useful lives of the Franchise right
– Software and others	Over the estimated useful lives of the Software

Both the period and method of amortisation are reviewed annually.

An intangible asset with an indefinite useful life shall not be amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(q) 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 realisable 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 realisable 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 realisable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(q) Inventories (Continued)

(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(bb)). 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.

(r) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(r) Leases (Continued)

(i) Lease liabilities (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(r) Leases (Continued)

(ii) ROU assets (Continued)

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.

(s) 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 realisable value, the amount of any write-down of inventories to net realisable value shall be recognised as an expense in the period the write-down occurs.

(t) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(t) Impairment of non-financial assets (Continued)

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.

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 2022

2 Significant accounting policies (Continued)

(u) 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 Mainland China are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in Mainland China 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 2022

2 Significant accounting policies (Continued)

(u) 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.

(v) 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 Financial Instruments ("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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(v) Financial guarantees issued, provisions and contingent liabilities (Continued)

(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(v)(iii).

(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.

(w) 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 2022

2 Significant accounting policies (Continued)

(w) 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 recognising 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 recognising 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 recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognized as revenue on expiry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(w) 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 2022

2 Significant accounting policies (Continued)

(x) 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 and does not give rise to equal taxable and deductible temporary differences; 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.

(y) 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.

In 2022, the Group includes deposit held at call with banks with contractual obligation to use for specified purposes as a component of cash and cash equivalents by adopting related accounting standard interpretation for better information disclosure. The comparative figures were restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies *(Continued)*

(z) 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 2022

2 Significant accounting policies (Continued)

(aa) 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.

(bb) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 Significant accounting policies *(Continued)*

(cc) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(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 52(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 52(a).

(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 realisable value. The Group estimates the net realisable 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(t), assets such as fixed assets, intangible assets, goodwill, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(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, foreign currency exchange rates, etc. 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(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.

(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 2022

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.

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes

Each of Sino Iron Pty Ltd. ("Sino Iron"), Korean Steel Pty Ltd. ("Korean Steel") and Balmoral Iron Pty Ltd. ("Balmoral Iron"), 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, Korean Steel and Balmoral Iron the right to develop and operate the Group's Sino Iron project in Western Australia ("Sino Iron Project") and to take and process one billion tonnes each of magnetite ore for that purpose. Before Balmoral Iron can exercise its one billion tonne mining right, it will need to submit and have approved by the State of Western Australia project proposals for its project, among other things.

There are a number of ongoing disputes between the Company, Sino Iron and Korean Steel ("CITIC Parties") on the one hand, and Mineralogy and Mr. Clive Palmer on the other hand, arising from the MRSLAs and other project agreements. Set out below are the details of those disputes considered to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes

Mineralogy and Mr. Palmer have commenced 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, 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 AUD1,800,438,000). The amount claimed is alleged to represent the diminution in the value of the nickel and cobalt refinery business located at Yabulu in North Queensland, which was carried on by the Queensland Nickel group of companies controlled by Mr. Palmer ("Yabulu Refinery").

After commencing this proceeding, Mr. Palmer joined Mineralogy as a second plaintiff and Sino Iron and Korean Steel as second and third defendants.

On 14 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 25 March 2022, the CITIC Parties filed an application for a permanent stay or dismissal of the proceeding on the grounds of abuse of process and Anshun estoppel. Determination of the CITIC Parties' permanent stay application has been reserved to the final trial of the proceeding.

On 2 September 2022, Mineralogy and Mr. Palmer filed their fifth amended statement of claim. That Statement of Claim alleges that if the CITIC Parties had paid to Mineralogy royalty on products produced by Sino Iron and Korean Steel ("Royalty Component B") when it was due for payment under the MRSLAs, then in about November 2015 Mineralogy would have paid Queensland Nickel Pty Limited ("QNI") AUD28,000,000. Mineralogy and Mr. Palmer claim that because the CITIC Parties did not pay amounts of Royalty Component B to Mineralogy, including for the period ended 30 September 2015 and/or 31 December 2015, Mineralogy did not provide QNI with the funds to enable it to continue managing and operating the Yabulu Refinery business. Later, in January 2016, QNI was placed in administration, followed by liquidation in April 2016. Mineralogy and Mr. Palmer claim that the liquidation of QNI led to the diminution in value of the Yabulu Refinery, and that the CITIC Parties are liable for that loss pursuant to the indemnity in the FCD.

On 14 October 2022, the CITIC Parties filed their further re-amended defence. The CITIC Parties plead a number of defences, including construction arguments, causation, mitigation, abuse of process and Anshun estoppel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(i) **Queensland Nickel FCD Indemnity Claim** (Continued)

On 11 November 2022, Mineralogy and Mr. Palmer filed a further re-amended reply. The reply contains allegations that certain conduct of the CITIC Parties, specifically alleged activities of the Fulcrum Group, has the effect of disentitling the CITIC Parties from obtaining relief claimed in the form of a permanent stay of the proceeding on grounds of Anshun estoppel or abuse of process ("Fulcrum Allegations"). The CITIC Parties have applied to strike out the paragraphs of the reply which contain the Fulcrum Allegations.

On 23 January 2023, Mineralogy and Mr. Palmer filed a chamber summons seeking leave to amend their statement of claim, discovery orders and orders to strike out certain paragraphs of the CITIC Parties' defence. A directions hearing was held on 25 January 2023, during which the parties made submissions in relation to the matters raised in Mineralogy and Mr. Palmer's chamber summons.

On 10 February 2023, the CITIC Parties filed a chamber summons seeking to vacate the order made on 14 September 2020 that damages be determined separately and subsequently to liability.

On 17 February 2023, Justice K Martin delivered his decision from the directions hearing held on 25 January 2023. Justice K Martin noted that Justice Lundberg will be the new case manager and will hear Mineralogy and Mr. Palmer's applications filed on 23 January 2023, as well as the CITIC Parties' application to vacate the order made on 14 September 2020.

On 8 and 9 March 2023, Justice Lundberg heard the CITIC Parties' strike out application in this proceeding and in Proceeding CIV 1267/2018, and reserved his decision.

A hearing of Mineralogy and Mr. Palmer's application for leave to further amend their statement of claim in this proceeding and Mineralogy's application for leave to further amend its statement of claim in Proceeding CIV 1267/2018 has been listed for 4 April 2023.

The remaining applications referred to above have not yet been programmed to a hearing.

Issues relating to Mineralogy and Mr. Palmer's application seeking discovery orders will await determination of their application for leave to further amend their statement of claim in this proceeding and Mineralogy's application for leave to further amend its statement of claim in Proceeding CIV 1267/2018.

No trial date has been set for this proceeding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim

On 16 February 2018, Mineralogy commenced a 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. That amount is alleged to represent the diminution in the value of Mineralogy's shares in a subsidiary of Mineralogy arising from the cancellation of a petroleum prospecting licence in the Gulf of Papua held by that subsidiary, or, alternatively, the diminution in value of another subsidiary of Mineralogy arising from that subsidiary having been delayed or impaired from developing the relevant petroleum prospecting licence.

On 14 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.

On 25 March 2022, the CITIC Parties filed an application for a permanent stay or dismissal of the proceeding on the grounds of abuse of process and Anshun estoppel. Determination of the CITIC Parties' permanent stay application has been reserved to the final trial of the proceeding.

On 2 September 2022, Mineralogy filed its second amended statement of claim. In that statement of claim, Mineralogy alleges that Palmer Petroleum Pty Ltd. (now named (Aspenglow Pty Ltd.) ("Palmer Petroleum") was engaged in the business of owning, exploring, developing, and exploiting petroleum prospecting licences in Papua New Guinea. Mineralogy alleges that in June 2016, following the exercise of an option contained in a Funding Agreement, Palmer Petroleum transferred certain petroleum prospecting licences to Blaxcell Limited. Mineralogy is the holder and beneficial owner of all of the shares in both Palmer Petroleum and Blaxcell Limited.

Mineralogy claims that, from 31 December 2009, Palmer Petroleum was completely reliant upon Mineralogy to provide funding to meet its working capital requirements for the conduct of its business. Mineralogy claims that, if the CITIC Parties had paid Royalty Component B in accordance with their obligations under the MRSLAs and the FCD, Mineralogy would have provided such of those funds to Palmer Petroleum to meet its contractual obligations, pay the amount of a statutory demand, meet working capital requirements and operate its business, among other things. In July 2016, Palmer Petroleum became insolvent and was ordered to be wound up in insolvency.

Mineralogy pleads that Palmer Petroleum, or alternatively Blaxcell Limited, suffered a diminution in its value equivalent to the sale value of oil that allegedly would have been recoverable under rights to a Papua New Guinea petroleum prospecting licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum, or alternatively Blaxcell Limited, and that the CITIC Parties are liable for that loss pursuant to the indemnity in the FCD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) **Palmer Petroleum FCD Indemnity Claim** (Continued)

On 14 October 2022, the CITIC Parties filed their re-amended defence. The CITIC Parties plead a number of defences, including construction arguments, causation, mitigation, abuse of process and Anshun estoppel.

On 11 November 2022, Mineralogy filed its further re-amended reply, which contains the Fulcrum Allegations. The CITIC Parties have applied to strike out the paragraphs of the reply which contain the Fulcrum Allegations.

On 23 January 2023, Mineralogy filed a chamber summons seeking leave to amend its statement of claim, discovery orders and orders to strike out certain paragraphs of the CITIC Parties' defence. A directions hearing was held on 25 January 2023, during which the parties made submissions in relation to the matters raised in Mineralogy's chamber summons.

On 10 February 2023, the CITIC Parties filed a chamber summons seeking to vacate the order made on 14 September 2020 that damages be determined separately and subsequently to liability.

On 17 February 2023, Justice K Martin delivered his decision from the directions hearing held on 25 January 2023. Justice K Martin noted that Justice Lundberg will be the new case manager and will hear Mineralogy's application filed on 23 January 2023, as well as the CITIC Parties' application to vacate the order made on 14 September 2020.

On 8 and 9 March 2023, Justice Lundberg heard the CITIC Parties' strike out application in this proceeding and in Proceeding CIV 2072/2017, and reserved his decision.

A hearing of Mineralogy's application for leave to further amend its statement of claim in this proceeding and Mineralogy and Mr. Palmer's application for leave to further amend their statement of claim in Proceeding CIV 2072/2017 has been listed for 4 April 2023.

The remaining applications referred to above have not yet been programmed to a hearing.

Issues relating to Mineralogy's application seeking discovery orders will await determination of its application for leave to further amend its statement of claim in this proceeding and Mineralogy and Mr. Palmer's application for leave to further amend their statement of claim in Proceeding CIV 2072/2017.

No trial date has been set for this proceeding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Mine Continuation Proposals 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.

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 related 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;
- (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 brought claims for breach of contract, of unconscionable conduct under the Australian Consumer Law, and in estoppel. Mr. Palmer was sued as an accessory to the unconscionable conduct claim. The CITIC Parties sought orders requiring Mineralogy to take the four steps listed above, and to pay the CITIC Parties damages for its failure and refusal to do those things. Damages were also sought from Mr. Palmer. The State of Western Australia was joined to the proceeding as a necessary party, because it is a party to the State Agreement, but no relief was sought against it.

Mediation was conducted in late 2019 but was unsuccessful.

The CITIC Parties commenced a new proceeding (“Proceeding CIV 2326/2021”) on 8 December 2021. Proceeding CIV 2326/2021 sought orders for specific performance in relation to a refined tenure request addressed to Mineralogy on 29 November 2021. That tenure request was in the alternative to the tenure in respect of which relief was sought in Proceeding CIV 1915/2019. The CITIC Parties applied to the Court on 8 December 2021 to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019. That application was heard by Justice K Martin on 13 December 2021, and, on 29 December 2021, his Honour ordered that Proceeding CIV 1915/2019 and Proceeding CIV 2326/2021 be consolidated and proceed as one action (“Consolidated MCP Proceedings”). The orders required the CITIC Parties to file a consolidated further re-amended statement of claim incorporating the Proceeding CIV 1915/2019 further amended statement of claim and the Proceeding CIV 2326/2021 writ of summons and statement of claim. In accordance with those orders, the CITIC Parties filed their consolidated further re-amended statement of claim on 30 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

On 18 January 2022, Justice K Martin's decision to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019 was appealed by Mineralogy and Mr. Palmer to the Court of Appeal ("Proceeding CACV 5/2022"). On 28 July 2022, the Court of Appeal ordered that the hearing of the appeal be stayed pending delivery of judgment in the Consolidated MCP Proceedings. On 15 March 2023, Mineralogy and Mr. Palmer filed a notice of discontinuance of Proceeding CACV 5/2022.

The primary trial on liability in the Consolidated MCP Proceedings occurred before Justice K Martin from 21 February 2022 to 29 April 2022. The primary trial was to determine all issues in the Consolidated MCP Proceedings other than the quantification of any loss or damage suffered by the CITIC Parties.

On 7 March 2023, Justice K Martin delivered his reasons in the Consolidated MCP Proceedings and on 10 March 2023 made orders consequent upon his reasons. His Honour dismissed most of the CITIC Parties' claims for injunctive relief, most of the claims for monetary relief and the claims for relief under the Australian Consumer Law, including for unconscionable conduct. However, Justice K Martin made the following key findings relevant to mine continuation:

- (a) His Honour found that Mineralogy is obliged to either submit, or consent to the CITIC Parties submitting, the Programme of Works. If approved, the Programme of Works will allow the CITIC Parties to undertake investigative works necessary for the extension of the mine pit and a new tailings storage facility.
- (b) His Honour confirmed that Mineralogy has contractual obligations to provide assistance and cooperation to the CITIC Parties, including in relation to the submission of project proposals under the State Agreement over site lease areas already subleased to the CITIC Parties. However, the Court declined to require Mineralogy to submit the mine continuation proposals in the form before the Court, for reasons including that those proposals presumed the use of tenure outside the site lease areas which Mineralogy had not agreed to provide.
- (c) His Honour found that Mineralogy is required to honestly consider, and not unreasonably refuse, requests for additional tenure that are reasonably requested and reasonably required. His Honour found that the CITIC Parties' most recent tenure request lacked certain features required to meet that test, and so declined to order Mineralogy to grant the tenure the subject of that request. However, his Honour confirmed that an area outside the site lease areas, to the south of the current tailings storage facility, and that is held by Mineralogy, is necessary for future tailings and waste storage for the Sino Iron Project.
- (d) The Court declined to order Mineralogy to take steps to re-purpose the general purpose leases, including because Mineralogy had not granted the CITIC Parties tenure over all of those general purpose leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

In its orders made on 10 March 2023, the Court ordered Mineralogy to submit the Programme of Works to the State for its consideration, but has allowed Mineralogy an opportunity to apply for a stay of that order pending an appeal. The hearing of the stay application has been listed for 20 April 2023. The Court adjourned to a special appointment listed for 21 April 2023 the CITIC Parties’ claims for relief for breach of contract by Mineralogy for its failure to submit the Programme of Works and the issue of the reserved costs of the Consolidated MCP Proceedings.

The Court’s decision means that there is now a pathway that should enable the CITIC Parties to seek approval of a proposal for extension of the mine pit and expansion of waste rock and tailings storage within the existing site lease areas. While not operationally and financially optimal, this should enable continued operation of the Sino Iron Project for a further interim period, affording the CITIC Parties further time to take the necessary steps to seek to secure the additional tenure required for life-of-mine operations.

As the reasons of Justice K Martin were only published on 7 March 2023, the CITIC Parties continue to consider them and their implications.

Site Remediation Fund Disputes

(i) **2018 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 (i.e. the permanent cessation of operations at the Mine). 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”.

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 were 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. The CITIC Parties filed a defence and counterclaim in Proceeding CIV 2840/2018 which sought, among other things, orders appointing an independent trustee in place of Mineralogy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Site Remediation Fund Disputes (Continued)

(i) 2018 Site Remediation Fund Dispute (Continued)

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 trial took place between 16 and 24 November 2020. On 24 February 2021, Justice K Martin published his Honour's reasons for decision. His Honour held that Mineralogy's claim should be dismissed, and that the CITIC Parties' counterclaim should also 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.

On 10 June 2021, Mineralogy appealed Justice K Martin's decision to dismiss Mineralogy's claim in Proceeding CIV 2840/2018 ("Proceeding CACV 42/2021"). On 23 August 2021, the CITIC Parties filed a notice of contention, in which it was contended that the trial judge's decision should be upheld on the basis that, on the proper construction of clauses 20.5 and 20.6 of the MRSLAs or pursuant to an implied term, Mineralogy's determination of an annual charge must be reasonable and made reasonably, and not merely honestly, as found by the trial judge.

On 16 May 2022, the Court of Appeal heard Mineralogy's appeal. On 9 December 2022, the Court of Appeal delivered judgment, dismissing Mineralogy's appeal and the CITIC Parties' notice of contention. The Court of Appeal determined the proper construction of clause 20.6 of the MRSLAs in terms that were different, in certain respects, to the construction of Justice K Martin in the trial judgment. The Court of Appeal found that the proper construction of clause 20.6 of the MRSLAs requires that the annual charge is a sum which (taking into account amounts already in the Site Remediation Fund):

- (a) enables payment of the estimated costs of remediation anticipated to be undertaken in the forthcoming Operating Year; and
- (b) through a uniform annual payment over the number of years remaining until the permanent cessation of operations at the mine, will result in there being sufficient funds in the Site Remediation Fund to pay for the Site Remediation Work required at, and following, Mine Closure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(k) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Site Remediation Fund Disputes (Continued)

(ii) Operating Years 2021-22 and 2022-23 Site Remediation Fund Disputes

On 31 May 2021, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2021-2022 Operating Year seeking payment of AUD580,504,721 into the Site Remediation Fund by 31 December 2021 ("2021 Notices"). Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2021 Notices, but Mineralogy refused to provide the requested information.

On 16 December 2021, Sino Iron and Korean Steel commenced a proceeding against Mineralogy in the Supreme Court of Western Australia ("Proceeding CIV 2373/2021"). Sino Iron and Korean Steel sought declarations that the 2021 Notices were invalid and of no effect. Sino Iron and Korean Steel alleged that the 2021 Notices were not valid due to non-compliance with the terms of the MRSLAs. Consequently, Sino Iron and Korean Steel also alleged that the 2021 Notices did not enliven their obligations under clause 20.6 of the MRSLAs to pay an annual charge into the Site Remediation Fund.

In December 2021, without admission of liability to do so, each of Sino Iron and Korean Steel made a good faith payment of AUD7,256,309 into the Site Remediation Fund.

On 24 January 2022, Justice K Martin made orders staying Proceeding CIV 2373/2021 pending the outcome of the appeal in Proceeding CACV 42/2021.

On 26 May 2022, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2022-2023 Operating Year seeking payment of AUD618,866,793.38 into the Site Remediation Fund by 31 December 2022 ("2022 Notices"). As in 2021, Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2022 Notices, but Mineralogy again refused to provide the requested information.

On 16 December 2022, the CITIC Parties notified Justice K Martin of the outcome of the appeal in Proceeding CACV 42/2021. On 20 December 2022, Mineralogy withdrew the 2021 Notices and 2022 Notices. On 22 December 2022, Proceeding CIV 2373/2021 was discontinued by consent, with no order as to costs.

On 23 December 2022, without admission of liability to do so, each of Sino Iron and Korean Steel made a good faith payment of AUD7,934,189.66 into the Site Remediation Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 Critical accounting estimates and judgements (Continued)

(I) 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 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 these financial statements, MCC has not claimed any additional costs from 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 of 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 2022.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2022 is 16.5% (2021: 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 2022 is 25% (2021: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/ jurisdiction in which the overseas subsidiaries operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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.

(a) Net interest income

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Interest income arising from (note):		
Deposits with central banks, banks and non-bank financial institutions	16,637	10,050
Placements with banks and non-bank financial institutions	7,382	5,384
Financial assets held under resale agreements	2,658	1,562
Investments in financial assets		
– Financial assets at amortised cost	46,551	47,971
– Debt investments at FVOCI	22,798	24,310
Loans and advances to customers and other parties	280,416	282,523
Margin financing and securities lending	7,543	–
Others	337	8
	384,322	371,808
Interest expenses arising from:		
Borrowing from central banks	(5,786)	(8,195)
Deposits from banks and non-bank financial institutions	(26,870)	(33,253)
Placements from banks and non-bank financial institutions	(3,919)	(3,094)
Financial assets sold under repurchase agreements	(5,825)	(2,024)
Deposits from customers	(119,531)	(111,149)
Debt instruments issued	(35,399)	(31,453)
Customer brokerage deposits	(1,515)	–
Lease liabilities	(608)	(545)
Others	(1,572)	(122)
	(201,025)	(189,835)
Net interest income	183,297	181,973

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$537 million for the year ended 31 December 2022 (2021: HK\$610 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 Revenue (Continued)

(b) Net fee and commission income

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Bank card fees	19,171	19,840
Trustee commission and fees	18,678	19,109
Agency fees and commission	6,493	7,802
Guarantee and advisory fees	6,710	6,468
Commission on securities brokerage	11,423	–
Commission on fund management	7,139	–
Commission on investment banking	8,295	–
Settlement and clearing fees	2,484	2,313
Commission on asset management	2,563	–
Commission on futures brokerage	2,459	–
Others	563	417
	85,978	55,949
Fee and commission expenses	(10,069)	(6,229)
Net fee and commission income	75,909	49,720

(c) Sales of goods and services

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Sales of goods	408,026	385,350
Services rendered to customers		
– Revenue from construction contracts	24,532	34,589
– Revenue from other services	34,265	32,224
	466,823	452,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 Revenue (Continued)

(d) Other revenue

For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Net trading gain under financial services segment (note (i))	23,771	6,178
Net gain on financial investments under financial services segment	20,148	18,109
Others	1,185	793
	45,104	25,080

(i) Net trading gain under financial services segment

For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	(880)	3,450
– foreign currencies	(1,136)	1,326
– derivatives	25,787	1,402
	23,771	6,178

6 Costs of sales and services

For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Costs of goods sold	374,164	344,583
Costs of services rendered		
– Costs of construction contracts	16,951	31,816
– Costs of other services	22,307	21,125
	413,422	397,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 Other net income

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures (Note 58(a))	12,769	1,393
Net (loss)/gain on financial investments under non-financial services segment	(226)	2,001
Net foreign exchange gain	516	781
Others	5,946	3,572
	19,005	7,747

8 Expected credit losses

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non- bank financial institutions	2	12
– financial assets held under resale agreements	(54)	(11)
– receivables(excluded prepayments)	5,843	3,025
– loans and advances to customers and other parties	66,420	61,473
– investments in financial assets		
• financial assets at amortised cost	2,582	26,214
• debt investments at FVOCI	833	(198)
– impairment provision of credit commitments and guarantees provided	9,305	8,492
– others	6,974	4,087
	91,905	103,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 Impairment losses

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Impairment losses charged on:		
– inventories	469	814
– interests in associates	3,002	567
– interests in joint ventures	17	–
– fixed assets (note)	82	123
– intangible assets (note)	–	3
– prepayments	14	9
– goodwill (Note 37)	5,075	12
– others	163	176
	8,822	1,704

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.

As at 31 December 2022, 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 further impairment indication was identified and thus, no impairment test was undertaken for the Sino Iron Project as at 31 December 2022.

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 2022

10 Net finance charges

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Finance costs		
– Interest on bank and other loans	5,185	4,009
– Interest on debt instruments issued	4,867	5,506
– Interest and finance charges paid for lease liabilities	240	261
	10,292	9,776
Less: interest expense capitalised (note)	(846)	(630)
	9,446	9,146
Other finance charges	254	287
	9,700	9,433
Finance income	(1,364)	(2,036)
	8,336	7,397

Note:

Capitalisation rates applied to funds borrowed are 1.60% – 4.85% per annum for the year ended 31 December 2022 (2021: capitalisation rates of 1.50% – 4.92%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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	
	2022 HK\$ million	2021 HK\$ million
Salaries and bonuses	68,968	51,385
Contributions to defined contribution retirement schemes	8,196	6,072
Others	14,311	13,421
	91,475	70,878

Note:

The Group substantially completed the transfer of the management of existing retirees to external organisations in 2011. In accordance with the government requirements, the Group is also obliged to pay for certain of such retirees' post-retirement benefits in the future. This benefit plan is accounted for as a long-term defined benefits obligation and does not have any plan assets.

The Group's obligation for this benefit plan is calculated using actuarial method and recognised as a liability. The service cost amounting to HK\$63 million was recognised for the year ended 31 December 2022 (2021:HK\$43 million). Actuarial assumptions mainly include discount rate and future mortality. Reasonable changes in actuarial assumptions would not have a significant impact on the consolidated financial statements of the Group.

The Group included CITIC Securities Company Limited ("CITIC Securities") in the consolidated financial statements from 13 April 2022 onward (Note 58(a)). On a comparable basis without consolidating CITIC Securities, the staff costs of the Group is HK\$72,252 million for the year ended 31 December 2022, with a year-on-year increase of 1.94%, among which, salaries and bonuses are HK\$53,177 million, with a year-on-year increase of 3.49%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 Profit before taxation (Continued)

(b) Other items

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Amortisation	3,444	2,598
Depreciation	20,100	18,622
Lease charges	786	576
Tax and surcharges	3,929	3,357
Property management fees	1,056	1,000
Non-operating expenses	551	2,299
Professional fees (other than auditors' remuneration)	1,561	1,130
Auditors' remuneration		
– Audit services	211	159
– Non-audit services	94	36
	31,732	29,777

12 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Current tax – Mainland China		
Provision for enterprise income tax	34,349	24,592
Land appreciation tax	376	330
	34,725	24,922
Current tax – Hong Kong		
Provision for Hong Kong profits tax	197	946
Current tax – Overseas		
Provision for the year	573	154
	35,495	26,022
Deferred tax		
Origination and reversal of temporary differences	(10,667)	(5,159)
	24,828	20,863

The particulars of the applicable income tax rates are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12 Income tax expense (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Profit before taxation	147,839	121,141
Less: Share of profits of		
– associates	(7,554)	(12,787)
– joint ventures	(5,312)	(4,776)
	134,973	103,578
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	22,271	17,090
Effect of different tax rates in other jurisdictions	13,674	9,049
Tax effect of unused tax losses not recognised	280	472
Tax effect of non-deductible expenses	8,005	7,293
Tax effect of non-taxable income (note)	(18,222)	(13,079)
Others	(1,180)	38
Actual tax expense	24,828	20,863

Note:

The non-taxable income mainly contains interest income arising from PRC government bonds and local government bonds and dividends from equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022 are set out as follows:

	For the year ended 31 December 2022										
	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		Total HK\$ million
	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 paid or receivable in respect of accepting office as committee member HK\$ million			
Name of Current Directors											
Executive Directors:											
Zhu Hexin ⁽ⁱ⁾	-	0.44	0.34	-	-	0.17	0.08	-	-	1.03	
Xi Guohua ⁽ⁱ⁾	-	0.44	0.34	-	-	0.17	0.08	-	-	1.03	
Non-executive Directors											
Yu Yang	-	-	-	-	-	-	-	-	-	-	
Zhang Lin ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	-	-	-	
Li Yi (formerly known as Li Ruyi) ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	-	-	-	
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53	
Tang Jiang ^{(iii)(iv)}	-	-	-	-	-	-	-	-	-	-	
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	
Gregory Lynn Curl	0.38	-	-	-	-	-	-	0.05	-	0.43	
Toshikazu Tagawa	0.38	-	-	-	-	-	-	-	-	0.38	
Name of Former Directors											
Li Qingping ⁽ⁱⁱⁱ⁾	-	0.33	0.25	-	0.04	0.14	0.07	-	-	0.83	
SONG Kangle ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	-	-	-	
PENG Yanxiang ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	-	-	-	
	2.28	1.21	0.93	-	0.04	0.48	0.23	0.98	-	6.15	

Notes:

- (i) The emoluments for the year ended 31 December 2022 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, 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 2022:
 - (1) From 4 January 2022, Mr. Zhang Lin and Mr. Tang Jiang serve as the non-executive directors of the Company. From 30 November 2022, Ms. Li Yi (formerly known as Li Ruyi) serves as the non-executive director of the Company.
 - (2) From 21 October 2022, Ms. Li Qingping resigned as the executive director of the Company. From 30 November 2022, Mr. Song Kangle and Mr. Peng Yanxiang resigned as the non-executive directors of the Company.
- (iii) On 26 March 2023, Mr. Tang Jiang passed away.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2021 are set out as follows:

	For the year ended 31 December 2021									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	
Name of Current Directors	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 paid or receivable in respect of accepting office as committee member HK\$ million		
Executive Directors:										
Zhu Hexin ^(a)	-	0.45	0.60	-	-	0.16	0.07	-	-	1.28
Xi Guohua ^(a)	-	0.45	0.59	-	-	0.16	0.07	-	-	1.27
Li Qingping ^(a)	-	0.41	0.53	-	0.04	0.16	0.08	-	-	1.22
Non-executive Directors:										
Song Kangle	-	-	-	-	-	-	-	-	-	-
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-
Yu Yang	-	-	-	-	-	-	-	-	-	-
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
Gregory Lynn Curl	0.38	-	-	-	-	-	-	0.05	-	0.43
Toshikazu Tagawa ^(a)	0.25	-	-	-	-	-	-	-	-	0.25
Name of Former Directors										
Liu Zhuyu ^(a)	-	-	-	-	-	-	-	-	-	-
Liu Zhongyuan ^(a)	-	-	-	-	-	-	-	-	-	-
Shohei Harada ^(a)	0.13	-	-	-	-	-	-	-	-	0.13
	2.28	1.31	1.72	-	0.04	0.48	0.22	0.98	-	7.03

Notes:

- (i) The emoluments for the year ended 31 December 2021 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, and Ms. Li Qingping is restated based on the final results confirmed by the national authority.
- (ii) Changes in directors during the year ended 31 December 2021:
 - (1) On 29 December 2021, Mr. Liu Zhuyu resigned as Non-executive Director of the Company, and Mr. Liu Zhongyuan resigned as Non-executive Director of the Company.
 - (2) On 3 May 2021, Mr. Toshikazu Tagawa was appointed as Non-executive Director of the Company, and Mr. Shohei Harada resigned as Non-executive Director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13 Benefits and interests of directors (Continued)

(b) Other benefits and interests

For the year ended 31 December 2022, 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 (2021: None). No consideration was provided to or receivable by third parties for making available directors' services (2021: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: 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 2022 (2021: None).

14 Individuals with highest emoluments

For the year ended 31 December 2022, none of the five highest paid individuals are directors (2021: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these five individuals (2021: five) are as follows:

For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Salaries and other emoluments	22.83	17.34
Discretionary bonuses	46.25	67.27
Retirement scheme contributions	1.45	0.68
	70.53	85.29

The emoluments of the 5 individuals (2021: 5) with the highest emoluments are within the following bands:

For the year ended 31 December		
	2022 Number of individuals	2021 Number of individuals
HK\$11,000,001- HK\$11,500,000	2	–
HK\$11,500,001- HK\$12,000,000	–	–
HK\$12,000,001 – HK\$12,500,000	–	1
HK\$12,500,001 – HK\$13,000,000	–	1
HK\$13,000,001- HK\$13,500,000	1	–
HK\$14,000,001- HK\$14,500,000	1	–
HK\$14,500,001- HK\$15,000,000	–	1
HK\$18,000,001- HK\$18,500,000	–	–
HK\$20,500,001- HK\$21,000,000	1	–
HK\$21,000,001- HK\$21,500,000	–	1
HK\$24,000,001- HK\$24,500,000	–	1
HK\$27,000,001- HK\$27,500,000	–	–
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15 Dividends

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
2021 Final dividend paid: HK\$0.456 (2020 Final: HK\$0.388) per share	13,265	11,287
2022 Interim dividend paid: HK\$0.20 (2021 Interim: HK\$0.15) per share	5,818	4,364
2022 Final dividend proposed: HK\$0.451 (2021 Final: HK\$0.456) per share	13,120	13,265

16 Earnings per share

Basic earnings per share for the year ended 31 December 2021 and 2022 is calculated by dividing profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares.

In 2019, China CITIC Bank Corporation Limited ("CITIC Bank"), a subsidiary of the Group, issued convertible bonds, the specific terms of which are disclosed in Note 47(f). The Group has subscribed 65.97% of the convertible bonds, which is the same as the Group's interest in CITIC Bank's common shares. Therefore, the convertible bonds issued by CITIC Bank has no dilutive effect on earnings per share of the Company.

In 2022, CITIC Pacific Special Steel Group Co., Ltd. ("CITIC Special Steel"), a subsidiary of the Group, issued convertible bonds, the specific terms of which are disclosed in Note 47(f). The convertible bonds issued by CITIC Special Steel has a dilutive effect on profit attributable to ordinary shareholders of the Company, the calculation results of which are listed as below:

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Profit attributable to ordinary shareholders of the Company	75,481	70,222
Less: impact on profit attributable to ordinary shareholders of the Company assuming above convertible bonds converted	(73)	–
Adjusted profit attributable to ordinary shareholders of the Company	75,408	70,222
Weighted average number of ordinary shares (in million)	29,090	29,090
Basic earnings per share(HK\$)	2.59	2.41
Diluted earnings per share (HK\$)	2.59	2.41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17 Other comprehensive (loss)/gain

Components of other comprehensive (loss)/gain

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gains on financial assets at FVOCI	(9,017)	5,268
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(3,329)	(1,163)
Tax effect	2,562	(1,222)
	(9,784)	2,883
Allowance change for impairment profit or loss on debt investments at FVOCI	609	(64)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	–	–
Tax effect	(129)	103
	480	39
Gains arising from cash flow hedge	1,352	803
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	(125)	61
Tax effect	45	5
	1,272	869
Share of other comprehensive (loss)/gains of associates and joint ventures	(5,845)	237
Exchange differences on translation of financial statements and others	(115,936)	29,142
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	27	271
Less: Tax effect	–	(26)
	27	245
Fair value loss on investments in equity instruments designated at FVOCI	320	505
Less: Tax effect	(62)	(61)
	258	444
	(129,528)	33,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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. 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, commercial aviation 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

For the year ended 31 December 2022

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 2022 and 2021 is set out below:

	For the year ended 31 December 2022							
	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	310,135	60,023	282,185	61,697	57,060	33	-	771,133
Inter-segment revenue	2,155	252	681	132	1,556	141	(4,917)	-
Reportable segment revenue	312,290	60,275	282,866	61,829	58,616	174	(4,917)	771,133
Disaggregation of revenue:								
- Net interest income (Note 5(a))	185,315	-	-	-	-	134	(2,152)	183,297
- Net fee and commission income (Note 5(b))	75,962	-	-	-	-	5	(58)	75,909
- Sales of goods (Note 5(c))	5,828	58,872	280,924	46,635	16,764	-	(997)	408,026
- Services rendered to customers-construction contracts (Note 5(c))	-	516	-	-	24,880	-	(864)	24,532
- Services rendered to customers-others (Note 5(c))	-	887	1,942	15,194	16,972	31	(761)	34,265
- Other revenue (Note 5(d))	45,185	-	-	-	-	4	(85)	45,104
Share of profits/(losses) of associates, net of tax	3,150	(7)	1,557	(108)	2,924	38	-	7,554
Share of profits/(losses) of joint ventures, net of tax	1,347	60	1,060	(11)	2,802	54	-	5,312
Finance income (Note 10)	-	231	614	81	1,003	310	(875)	1,364
Finance costs (Note 10)	-	(427)	(2,217)	(543)	(1,550)	(7,111)	2,148	(9,700)
Depreciation and amortisation (Note 11(b))	(10,043)	(1,542)	(7,625)	(2,323)	(1,918)	(93)	-	(23,544)
Expected credit losses (Note 8)	(84,890)	(158)	(116)	(23)	(6,752)	34	-	(91,905)
Impairment losses (Note 9)	(297)	(236)	(432)	(679)	(7,133)	(45)	-	(8,822)
Profit before taxation	121,004	1,559	20,114	1,940	1,379	2,862	(1,019)	147,839
Income tax (Note 12)	(19,605)	(184)	(3,289)	(645)	(477)	(610)	(18)	(24,828)
Profit for the year	101,399	1,375	16,825	1,295	902	2,252	(1,037)	123,011
Attributable to:								
- Ordinary shareholders of the Company	55,803	618	15,127	619	2,095	2,256	(1,037)	75,481
- Non-controlling interests	45,596	757	1,698	676	(1,193)	(4)	-	47,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	As at 31 December 2022							
	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	11,159,455	65,999	262,199	62,016	371,368	57,288	(184,126)	11,794,199
Including:								
Interests in associates (Note 32)	30,000	947	25,631	7,723	51,414	1,141	–	116,856
Interests in joint ventures (Note 33)	15,616	589	8,101	1,954	38,235	1,663	–	66,158
Reportable segment liabilities	9,990,801	44,675	117,952	27,668	170,967	227,565	(165,497)	10,414,131
Including:								
Bank and other loans (Note 46) (note)	14,235	14,374	46,809	6,348	53,377	106,119	(69,424)	171,838
Debt instruments issued (Note 47) (note)	1,211,159	–	5,610	3,503	–	97,258	(2,049)	1,315,481

Note:

The amount is the principal excluding interest accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	For the year ended 31 December 2021							
	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	256,760	47,694	282,422	65,564	56,366	130	-	708,936
Inter-segment revenue	635	137	356	120	848	101	(2,197)	-
Reportable segment revenue	257,395	47,831	282,778	65,684	57,214	231	(2,197)	708,936
Disaggregation of revenue:								
- Net interest income (Note 5(a))	182,527	-	-	-	-	101	(655)	181,973
- Net fee and commission income (Note 5(b))	49,747	-	-	-	-	5	(32)	49,720
- Sales of goods (Note 5(c))	-	46,929	279,775	50,937	8,185	-	(476)	385,350
- Services rendered to customers- construction contracts (Note 5(c))	-	727	-	-	34,091	-	(229)	34,589
- Services rendered to customers-others (Note 5(c))	-	175	3,003	14,747	14,938	102	(741)	32,224
- Other revenue (Note 5(d))	25,121	-	-	-	-	23	(64)	25,080
Share of profits/(losses) of associates, net of tax	7,543	29	857	179	4,656	(477)	-	12,787
Share of profits of joint ventures, net of tax	2,108	24	1,138	43	1,408	55	-	4,776
Finance income (Note 10)	-	114	439	73	1,737	525	(852)	2,036
Finance costs (Note 10)	-	(346)	(1,827)	(529)	(1,473)	(6,627)	1,369	(9,433)
Depreciation and amortisation (Note 11(b))	(7,997)	(1,396)	(7,643)	(2,418)	(1,580)	(186)	-	(21,220)
Expected credit losses (Note 8)	(100,984)	(132)	(103)	(18)	(2,339)	482	-	(103,094)
Impairment losses (Note 9)	(123)	(163)	(448)	(117)	(562)	(291)	-	(1,704)
Profit/(loss) before taxation	89,302	1,528	24,967	3,059	10,548	(7,734)	(529)	121,141
Income tax (Note 12)	(11,109)	(154)	(3,830)	(693)	(2,268)	(2,792)	(17)	(20,863)
Profit/(loss) for the year	78,193	1,374	21,137	2,366	8,280	(10,526)	(546)	100,278
Attributable to:								
- Ordinary shareholders of the Company	52,075	632	19,162	1,610	7,810	(10,521)	(546)	70,222
- Non-controlling interests	26,118	742	1,975	756	470	(5)	-	30,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	As at 31 December 2021							
	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	10,050,873	67,326	272,756	65,563	352,488	115,523	(239,008)	10,685,521
Including:								
Interests in associates (Note 32)	59,880	944	25,297	9,532	55,795	2,733	–	154,181
Interests in joint ventures (Note 33)	17,135	692	8,171	1,973	30,811	1,817	–	60,599
Reportable segment liabilities	9,153,238	45,128	134,216	27,977	161,069	232,018	(233,715)	9,519,931
Including:								
Bank and other loans (Note 46) (note)	4,865	15,823	58,887	5,966	46,938	90,837	(78,411)	144,905
Debt instruments issued (Note 47) (note)	1,167,869	–	489	3,500	372	104,713	(32,237)	1,244,706

Note:

The amount is the principal excluding interest accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Mainland China	670,407	613,228	10,780,942	9,983,955
Hong Kong, Macau and Taiwan	46,384	45,698	662,510	555,357
Overseas	54,342	50,010	350,747	146,209
	771,133	708,936	11,794,199	10,685,521

19 Cash and deposits

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Cash	6,274	7,232
Bank deposits	122,679	40,143
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	411,242	444,955
– Surplus deposit reserve funds (note (iii))	116,779	80,199
– Fiscal deposits (note (iv))	334	3,315
– Foreign exchange reserves (note (v))	1,896	–
Deposits with banks and non-bank financial institutions	96,507	143,236
	755,711	719,080
Accrued interest	2,264	1,333
	757,975	720,413
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 50)	(110)	(178)
	757,865	720,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19 Cash and deposits (Continued)

Notes:

- (i) The balances with central banks represent deposits placed with central banks by CITIC Bank and CITIC Finance Company Limited ("CITIC Finance").
- (ii) CITIC Bank and CITIC Finance place statutory deposit reserve funds with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserve funds are not available for use in their daily business.

As at 31 December 2022, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 7.5% (31 December 2021: 8%) of eligible RMB deposits for domestic branches of CITIC Bank and at 6% (31 December 2021: 8%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank was also required to deposit an amount equivalent to 6% (31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2022, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 5% (31 December 2021: 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 2022, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 5% (31 December 2021: 5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2022, CITIC Finance is also required to deposit an amount equivalent to 6% (31 December 2021: 9%) 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 (unless otherwise stipulated by the local People's Bank of China).
- (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 required to be maintained 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 maintained for in 12 months according to the notice.
- (vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK\$9,896 million (31 December 2021: HK\$6,342 million) included in cash and deposits as at 31 December 2022 were restricted in use, mainly including guaranteed pledged bank deposits and guaranteed deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20 Cash held on behalf of customers

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 42). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by relevant authorities.

21 Placements with banks and non-bank financial institutions

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Banks	63,270	63,981
Non-bank financial institutions	179,049	108,942
	242,319	172,923
Accrued interest	1,162	940
	243,481	173,863
Less: allowance for impairment losses (Note 50)	(157)	(109)
	243,324	173,754
Analysed by remaining maturity:		
– Within 1 month	49,033	35,413
– Between 1 month and 1 year	146,548	120,754
– Over 1 year	46,738	16,756
	242,319	172,923
Accrued interest	1,162	940
	243,481	173,863
Less: allowance for impairment losses (Note 50)	(157)	(109)
	243,324	173,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22 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.

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.

As at 31 December						
	2022			2021		
	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Hedging instruments						
Fair value hedge:						
– Interest rate derivatives	672	10	–	–	–	–
– Currency derivatives	2,212	197	–	2,212	35	441
Cash flow hedge:						
– Interest rate derivatives	14,582	304	103	14,982	53	1,298
– Currency derivatives	238	5	10	1,069	6	6
– Other derivatives	103	103	–	102	15	1
Non-hedging instruments						
– Interest rate derivatives	5,521,988	25,448	23,903	3,217,393	10,571	10,443
– Currency derivatives	3,727,459	37,785	37,679	2,371,579	17,040	17,421
– Equity derivatives	568,459	22,049	12,998	–	–	–
– Precious metals derivatives	39,767	280	669	20,846	180	185
– Credit derivatives	13,557	88	170	–	–	–
– Other derivatives	958,260	4,260	5,511	18,593	58	248
	10,847,297	90,529	81,043	5,646,776	27,958	30,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Within 3 months	3,809,127	2,550,773
Between 3 months and 1 year	3,573,363	1,685,430
Between 1 year and 5 years	2,853,768	1,371,127
Over 5 years	611,039	39,446
	10,847,297	5,646,776

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 2022, the credit risk weighted amount for counterparty was HK\$27,516 million (31 December 2021: HK\$27,158 million).

23 Trade and other receivables

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Account and bills receivables (note (a))	77,132	72,072
Advanced payments and settlement accounts (note (b))	25,163	28,339
Accounts due from brokers	29,925	–
Prepayments, deposits and other receivables ((note (c))	119,760	85,282
	251,980	185,693
Less: allowance for impairment losses (Note 50)	(15,464)	(12,856)
	236,516	172,837

As at 31 December 2022, 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\$3,185 million (31 December 2021: HK\$5,679 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

For the year ended 31 December 2022

23 Trade and other receivables (Continued)

(a) Account and bills receivables

(i) Account and bills receivables at amortised cost by overdue analysis

As at 31 December 2022, 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 2022		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	2%	48,582	(1,024)
Up to 3 months overdue	3%	2,095	(69)
3 months to 1 year overdue	5%	3,561	(169)
Over 1 year overdue	55%	17,513	(9,607)
		71,751	(10,869)

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	2%	43,785	(763)
Up to 3 months overdue	3%	2,009	(51)
3 months to 1 year overdue	4%	3,870	(164)
Over 1 year overdue	60%	11,166	(6,727)
		60,830	(7,705)

Note:

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23 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 2022 and 2021, 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		
	2022 HK\$ million	2021 HK\$ million
Within 1 year	48,889	46,156
Over 1 year	22,862	14,674
	71,751	60,830
Less: allowance for impairment losses (Note 50)	(10,869)	(7,705)
	60,882	53,125

(iii) As at 31 December 2022, the carrying amount of bills receivables at FVOCI was HK\$5,381 million (31 December 2021: HK\$11,242 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2022 and 2021 are disclosed in Note 50.

(b) Advanced payments and settlement accounts

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Advanced payments and settlement accounts	25,163	28,339
Less: allowance for impairment losses (Note 50)	(231)	(217)
	24,932	28,122

(c) Prepayments, deposits and other receivables

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Prepayments, deposits and other receivables	119,760	85,282
Less: allowance for impairment losses	(4,364)	(4,934)
	115,396	80,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Contract assets	21,888	13,422
Less: Allowance for impairment losses (note(a))	(51)	(15)
Total contract assets	21,837	13,407
Advances from contracts with customers	33,132	33,488
Total contract liabilities	33,132	33,488

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Expected credit loss rate (note)	0.23%	0.11%
Gross carrying amount	21,888	13,422
Loss allowance provision	(51)	(15)

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	
	2022 HK\$ million	2021 HK\$ million
Revenue from contracts with customers	22,631	19,918

(c) Revenue to be recognised in relating to unsatisfied performance obligations

As at 31 December 2022, transaction price allocated to unsatisfied contracts of the Group amounted at HK\$92,752 million (2021: HK\$100,594 million), of which HK\$30,137 million is expected to be recognised as revenue in the next year (2021: HK\$38,047 million) and the remaining HK\$62,615million is expected to be recognised after more than one year (2021: HK\$62,547 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25 Inventories

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Raw materials	11,662	8,277
Work-in-progress	8,994	10,330
Finished goods	31,274	31,829
Properties:		
– Properties under development	55,089	48,126
– Properties held-for-sale	4,413	4,549
– Others	6,597	6,728
Others	4,050	3,564
	122,079	113,403

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	
	2022 HK\$ million	2021 HK\$ million
Carrying amount of inventories sold	374,164	344,583
Write-down of inventories (Note 50)	873	1,251
Reversal of write-down of inventories (Note 50)	(404)	(437)
	374,633	345,397

As at 31 December 2022, the Group's inventories included an amount of HK\$56,685 million expected to be recovered after more than one year (31 December 2021: HK\$54,967 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26 Financial assets held under resale agreements

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Analysed by counterparties:		
– Banks	17,082	79,736
– Non-bank financial institutions	3,250	32,533
– Others	30,731	–
	51,063	112,269
Accrued interest	112	15
	51,175	112,284
Less: allowance for impairment losses (Note 50)	–	(57)
	51,175	112,227

Analysed by types of collateral:

As at 31 December 2022, the collateral of the Group's financial assets held under resale agreements are securities and stocks (31 December 2021: securities).

Analysed by remaining maturity:

As at 31 December 2022, the Group's financial assets held under resale agreements will expire between 0 month and 60 months (31 December 2021: within one month).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 Loans and advances to customers and other parties

(a) Loans and advances to customers and other parties analysed by nature

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,708,113	2,749,733
– Discounted bills	4,146	5,532
– Finance lease receivables	52,130	57,307
	2,764,389	2,812,572
Personal loans:		
– Residential mortgages	1,092,399	1,190,546
– Credit cards	572,169	646,112
– Personal consumption	291,553	304,048
– Business loans	424,082	382,318
– Finance lease receivables	414	
	2,380,617	2,523,024
	5,145,006	5,335,596
Accrued interest	19,462	16,181
	5,164,468	5,351,777
Less: allowance for impairment losses (Note 50)	(153,923)	(154,269)
Carrying amount of loans and advances to customers and other parties at amortised cost	5,010,545	5,197,508
Loans and advances to customers and other parties at FVPL		
– Loans	4,345	–
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	61,403	47,210
– Discounted bills	568,959	564,578
Carrying amount of loans and advances to customers and other parties at FVOCI	630,362	611,788
Total carrying amount of loans and advances	5,645,252	5,809,296
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 50)	(703)	(916)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses

	As at 31 December 2022				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	4,955,167	100,119	89,720	5,145,006	1.57%
Accrued interest	16,285	2,379	798	19,462	
Less: allowance for impairment losses	(68,962)	(25,354)	(59,607)	(153,923)	
Carrying amount of loans and advances at amortised cost	4,902,490	77,144	30,911	5,010,545	
Carrying amount of loans and advances at FVOCI	629,382	806	174	630,362	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,531,872	77,950	31,085	5,640,907	
Allowance for impairment losses of loans and advances at FVOCI	(585)	(30)	(88)	(703)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses (Continued)

As at 31 December 2021					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	5,136,320	107,217	92,059	5,335,596	1.55%
Accrued interest	14,392	1,519	270	16,181	
Less: allowance for impairment losses	(62,690)	(31,637)	(59,942)	(154,269)	
Carrying amount of loans and advances at amortised cost	5,088,022	77,099	32,387	5,197,508	
Carrying amount of loans and advances at FVOCI	610,500	948	340	611,788	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,698,522	78,047	32,727	5,809,296	
Allowance for impairment losses of loans and advances at FVOCI	(675)	(35)	(206)	(916)	

Notes: Loans and advances at stage 3 are credit-impaired, details are as follows:

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Secured portion	48,503	63,359
Unsecured portion	42,189	29,310
Total loans and advances that are credit-impaired	90,692	92,669
Allowance for impairment losses	(59,695)	(60,148)

As at 31 December 2022, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$47,625 million (31 December 2021: HK\$64,426 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 Loans and advances to customers and other parties (Continued)

(c) Overdue loans by overdue period

	As at 31 December 2022				
	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	19,140	10,484	1,899	313	31,836
Guaranteed loans	3,238	2,621	2,648	2,227	10,734
Secured loans					
– Loans secured by collateral	13,928	14,605	7,938	2,616	39,087
– Pledged loans	3,080	7,390	2,450	854	13,774
	39,386	35,100	14,935	6,010	95,431

	As at 31 December 2021				
	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	22,875	12,735	1,096	351	37,057
Guaranteed loans	2,636	2,699	2,560	279	8,174
Secured loans					
– Loans secured by collateral	18,696	11,539	17,520	1,213	48,968
– Pledged loans	8,842	6,729	1,371	146	17,088
	53,049	33,702	22,547	1,989	111,287

Overdue loans represent loans of which the principal or interest are overdue one day or more.

28 Margin accounts

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Margin accounts	119,758	–
Less: allowance for impairment losses	–	–
Total	119,758	–

Margin accounts are funds that the Group lends to the customers for margin financing business.

As at 31 December 2022, the Group received collateral with fair value amounted to HK\$483,387 million in connection with its margin financing business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Financial assets at amortised cost		
Debt securities	978,011	1,104,924
Investment management products managed by securities companies	44,363	61,660
Trust investment plans	253,290	290,864
Certificates of deposit and certificates of interbank deposit	4,392	1,692
Investments in creditor's rights on assets	2,127	–
Others	375	646
	1,282,558	1,459,786
Accrued interest	11,749	12,792
	1,294,307	1,472,578
Less: allowance for impairment losses (Note 50)	(35,342)	(36,755)
	1,258,965	1,435,823
Financial assets at FVPL		
Debt securities	272,000	75,792
Investment management products managed by securities companies	21,437	11,134
Trust investment plans	7,069	4,706
Certificates of deposit and certificates of interbank deposit	53,828	37,642
Wealth management products	3,383	2,677
Investment funds	622,301	517,919
Equity investment	251,694	16,876
Others	39,892	460
	1,271,604	667,206
Debt investments at FVOCI (note (i))		
Debt securities	920,639	781,923
Certificates of deposit and certificates of interbank deposit	49,845	5,267
Investment management products managed by securities companies	–	30
	970,484	787,220
Accrued interest	7,235	5,968
	977,719	793,188
Allowance for impairment losses on debt investments at FVOCI (Note 50)	(3,436)	(2,919)
Equity investments at FVOCI (note (i))		
Equity investment	10,071	10,287
Investment funds	393	358
	10,464	10,645
	3,518,752	2,906,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

- (i) Financial assets measured at FVOCI.

	As at 31 December 2022		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	10,581	977,792	988,373
Accumulative fair value change in OCI	(117)	(7,308)	(7,425)
Accrued interest	–	7,235	7,235
Carrying amount	10,464	977,719	988,183
Allowance for impairment losses (Note 50)	N/A	(3,436)	(3,436)

	As at 31 December 2021		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	10,918	783,280	794,198
Accumulative fair value change in OCI	(273)	3,940	3,667
Accrued interest	–	5,968	5,968
Carrying amount	10,645	793,188	803,833
Allowance for impairment losses (Note 50)	N/A	(2,919)	(2,919)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Issued by:		
– Government	1,300,890	1,139,453
– Policy banks	122,638	166,336
– Banks and non-bank financial institutions	1,668,193	1,408,770
– Corporates	406,358	170,293
– Public entities	1,783	3,376
	3,499,862	2,888,228
Accrued interest	18,890	18,634
	3,518,752	2,906,862
– Listed in Hong Kong	113,645	58,046
– Listed outside Hong Kong	2,837,225	2,371,165
– Unlisted	548,992	459,017
	3,499,862	2,888,228
Accrued interest	18,890	18,634
	3,518,752	2,906,862

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 2022

29 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	As at 31 December 2022			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	1,212,830	5,775	63,953	1,282,558
Accrued interest	11,460	155	134	11,749
Less: allowance for impairment losses	(3,938)	(1,605)	(29,799)	(35,342)
Carrying amount of investments in financial assets at amortised cost	1,220,352	4,325	34,288	1,258,965
Gross carrying amount of debt investments in financial assets at FVOCI	969,123	152	1,209	970,484
Accrued interest	7,209	–	26	7,235
Carrying amount of debt investments in financial assets at FVOCI	976,332	152	1,235	977,719
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,196,684	4,477	35,523	2,236,684
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,740)	(110)	(1,586)	(3,436)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses (Continued)

	As at 31 December 2021			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	1,374,977	22,108	62,701	1,459,786
Accrued interest	12,310	455	27	12,792
Less: allowance for impairment losses	(7,404)	(6,809)	(22,542)	(36,755)
Carrying amount of investments in financial assets at amortised cost	1,379,883	15,754	40,186	1,435,823
Gross carrying amount of debt investments in financial assets at FVOCI	786,296	409	515	787,220
Accrued interest	5,925	17	26	5,968
Carrying amount of debt investments in financial assets at FVOCI	792,221	426	541	793,188
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,172,104	16,180	40,727	2,229,011
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,194)	(193)	(1,532)	(2,919)

30 Refundable deposits

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Trading deposits	59,215	–
Performance deposits	16,885	–
Credit deposits	1,321	–
	77,421	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 63.

The following table lists out the information relating to CITIC Bank, CITIC Securities, 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:

	As at 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		CITIC Securities
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong		Hong Kong and Shanghai
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	42.27%	42.18%	40.50%	40.50%	81.55%
Total assets	9,568,821	9,837,187	21,833	24,924	18,186	18,382	12,440	12,703	1,468,069
Mainly including:									
Cash and deposits	622,673	664,432	1,827	2,609	1,986	1,793	2,130	1,926	125,832
Cash held on behalf of customers	-	-	-	-	-	-	-	-	275,083
Placements with banks and non-bank financial institutions	244,231	176,025	-	-	-	-	-	-	-
Derivative financial assets	49,686	27,790	-	-	-	-	103	21	40,737
Financial assets held under resale agreements	15,370	111,836	-	-	-	-	-	-	35,245
Loans and advances to customers and other parties	5,641,033	5,807,333	-	-	-	-	-	-	-
Margin accounts	-	-	-	-	-	-	-	-	119,758
Investments in financial assets	2,801,917	2,840,804	569	619	-	-	-	-	673,033
Fixed assets	38,544	41,810	4,718	5,971	2,323	2,625	3,601	3,839	10,155
ROU assets	12,117	11,919	22	57	599	654	76	83	10,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 Subsidiaries (Continued)

	As at 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		CITIC Securities
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million
Total liabilities	(8,801,045)	(9,051,197)	(13,053)	(15,460)	(7,715)	(8,206)	(4,675)	(5,780)	(1,178,583)
Mainly including:									
Borrowing from central banks	(133,690)	(231,406)	-	-	-	-	-	-	-
Deposits from banks and non-bank financial institutions	(1,280,437)	(1,436,843)	-	-	-	-	-	-	-
Placements from banks and non-bank financial institutions	(79,193)	(95,806)	-	-	-	-	-	-	(33,115)
Derivative financial instruments	-	-	-	-	-	-	-	-	(312,786)
Trade and other payables	-	-	(2,919)	(3,427)	(1,202)	(1,024)	(107)	(136)	(229,815)
Derivative financial liabilities	(49,553)	(28,018)	-	-	-	-	-	(1)	(31,483)
Financial assets sold under repurchase agreements	(286,805)	(120,277)	-	-	-	-	-	-	(239,886)
Deposits from customers	(5,774,136)	(5,858,572)	-	-	-	-	-	-	-
Bank and other loans	-	-	(4,299)	(6,229)	(949)	(1,878)	(2,583)	(3,659)	(11,277)
Lease liabilities	(11,500)	(12,006)	(16)	(32)	(454)	(496)	(62)	(68)	(2,207)
Net assets	767,776	785,990	8,780	9,464	10,471	10,176	7,765	6,923	289,486
Equity attributable to									
– Ordinary shareholders of subsidiaries	616,248	625,439	8,547	9,223	10,373	10,095	7,745	6,944	283,604
– Non-controlling interests in subsidiaries	151,528	160,551	233	241	98	81	20	(21)	5,882
Carrying amount of non-controlling interests	361,237	373,388	3,030	3,260	4,483	4,339	3,157	2,791	240,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 Subsidiaries (Continued)

	For the year ended 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		CITIC Securities
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million
Revenue	245,578	246,356	10,268	9,093	10,111	9,486	5,866	4,349	57,745
Profit for the year	73,229	67,898	192	268	1,224	1,107	1,400	1,114	19,722
Total comprehensive income for the year	68,925	69,698	206	206	1,139	1,120	1,196	1,156	21,044
Profit attributable to non-controlling interests	29,244	26,080	78	85	536	485	605	458	16,307
Dividends paid to non-controlling interests	11,966	8,719	40	41	368	343	–	–	8,556
Net cash (used in)/generated from operating activities	226,916	(90,799)	1,411	821	2,722	2,394	2,153	1,107	(15,979)
Net cash (used in)/generated from investing activities	(134,792)	(249,042)	(192)	(257)	(666)	(878)	(861)	(871)	(7,402)
Net cash generated from/(used in) financing activities	(37,852)	264,854	(1,738)	(608)	(2,197)	(1,599)	(1,557)	(1,254)	(67,816)

32 Interests in associates

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Carrying value	125,726	160,259
Less: allowance for impairment losses (Note 50)	(8,870)	(6,078)
	116,856	154,181

Notes:

As at 13 April 2022, CITIC Securities has been included in the scope of the consolidation financial statements(note(58)(a)), and CITIC Securities was an material associate before the combination date.

The particulars of the principal associates are set out in Note 63.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		China Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	1,047,000	1,088,469	570,886	553,806	40,838	35,031
Total liabilities	(604,695)	(627,202)	(466,451)	(455,951)	(8,793)	(7,071)
Net assets	442,305	461,267	104,435	97,855	32,045	27,960
Equity attributable to:						
– Associates' shareholders	421,462	444,699	104,385	97,625	31,317	28,444
– Non-controlling interests in associates	20,843	16,568	50	230	728	(484)
	442,305	461,267	104,435	97,855	32,045	27,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 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		China Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Revenue	209,765	291,739	42,426	47,009	–	–
Profit for the year	28,072	51,367	8,745	12,326	3,167	437
Other comprehensive (loss)/income for the year	(1,713)	15	(121)	443	75	(108)
Total comprehensive income/(loss) for the year	26,359	51,382	8,624	12,769	3,242	329
Dividends received from associates	1,271	1,293	339	163	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	421,462	444,699	104,385	97,625	31,317	28,444
Group's effective interest	10.01%	10.01%	9.47%	4.53%	25.92%	26.01%
Group's share of net assets of associates	42,188	44,514	9,885	4,422	8,117	7,398
Goodwill and others	1,417	1,417	4,240	(699)	(53)	(169)
Impairment of interests in associates	(3,962)	(3,962)	–	–	–	–
Carrying amounts in the consolidated balance sheet	39,643	41,969	14,125	3,723	8,064	7,229
Quoted fair value	22,569	20,224	12,581	3,000	19,155	19,736

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	55,023	66,172
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	3,575	3,712
Other comprehensive loss for the year	(435)	(757)
Total comprehensive income for the year	3,140	2,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 Interests in joint ventures

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Carrying value	67,660	62,088
Less: allowance for impairment losses (Note 50)	(1,502)	(1,489)
	66,158	60,599

The particulars of the principal joint ventures are set out in Note 63.

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	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Gross amount of the joint ventures						
Total assets	242,458	225,241	17,365	23,371	33,323	22,946
Total liabilities	(227,088)	(206,731)	(7,590)	(14,068)	(23,792)	(15,395)
Net assets	15,370	18,510	9,775	9,303	9,531	7,551
Equity attributable to:						
– Joint ventures' shareholders	14,718	17,831	9,775	9,303	9,531	7,551
– Non-controlling interests in joint ventures	652	679	–	–	–	–
	15,370	18,510	9,775	9,303	9,531	7,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 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	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Revenue	43,409	39,395	4,023	1,707	73	113
Profit for the year	1,275	3,511	1,165	460	2,722	135
Other comprehensive income for the year	(2,904)	811	–	–	–	–
Total comprehensive income for the year	(1,629)	4,322	1,165	460	2,722	135
Dividends received from joint ventures	–	476	–	–	–	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	14,718	17,831	9,775	9,303	9,531	7,551
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	7,359	8,916	4,888	4,652	4,766	3,776
Goodwill and others	1,259	1,391	88	102	298	311
Carrying amount in the consolidated balance sheet	8,618	10,307	4,976	4,754	5,064	4,087

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	47,500	41,451
Aggregate amount of the Group's share of individually immaterial joint ventures		
Profit for the year	2,683	2,688
Other comprehensive loss for the year	(51)	(21)
Total comprehensive income for the year	2,632	2,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 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 2022	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006
Exchange adjustments	(7,603)	(8,270)	(2,036)	(2,039)	(495)	(136)	(20,579)	(2,480)
Business combinations	6,739	98	1,599	565	2,682	51	11,734	1,817
Additions	1,251	1,421	10,726	3,270	559	1,434	18,661	1,373
Disposals	(975)	(2,155)	(1,172)	(2,620)	(889)	(1,115)	(8,926)	(199)
Transfers	8,510	3,633	(14,450)	728	6	1,694	121	(121)
Change in fair value of investment properties	-	-	-	-	-	-	-	(758)
At 31 December 2022	105,754	167,113	22,011	22,847	15,540	10,729	343,994	39,638
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2022	(30,565)	(106,798)	(735)	(14,782)	(7,186)	(5,611)	(165,677)	-
Exchange adjustments	1,896	4,574	19	1,201	283	181	8,154	-
Charge for the year	(2,817)	(6,691)	-	(2,583)	(578)	(1,312)	(13,981)	-
Disposals	851	2,048	141	2,454	613	382	6,489	-
Impairment losses (Note 50)	(14)	(28)	(26)	(1)	-	(13)	(82)	-
At 31 December 2022	(30,649)	(106,895)	(601)	(13,711)	(6,868)	(6,373)	(165,097)	-
Net book value:								
At 31 December 2022	75,105	60,218	21,410	9,136	8,672	4,356	178,897	39,638
Represented by:								
Cost	105,754	167,113	22,011	22,847	15,540	10,729	343,994	-
Valuation	-	-	-	-	-	-	-	39,638
	105,754	167,113	22,011	22,847	15,540	10,729	343,994	39,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 Fixed assets (Continued)

	Property, plant and equipment							
	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	Investment properties HK\$ million
Cost or valuation:								
At 1 January 2021	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
Exchange adjustments	2,247	3,095	512	630	200	9	6,693	715
Disposal of subsidiaries	-	-	-	-	-	-	-	(393)
Additions	3,214	2,167	15,582	2,864	603	3,957	28,387	378
Disposals	(1,852)	(2,328)	(771)	(1,229)	(759)	(4,746)	(11,685)	(14)
Transfers	6,128	64	(7,165)	269	14	(241)	(931)	931
Change in fair value of investment properties	-	-	-	-	-	-	-	(66)
At 31 December 2021	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2021	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	-
Exchange adjustments	(1,079)	(1,437)	(14)	(355)	(57)	(38)	(2,980)	-
Charge for the year	(2,833)	(6,673)	-	(2,096)	(317)	(1,091)	(13,010)	-
Disposals	320	1,080	260	1,108	360	(13)	3,115	-
Impairment losses (Note 50)	(11)	(51)	(6)	(4)	(46)	(5)	(123)	-
At 31 December 2021	(30,565)	(106,798)	(735)	(14,782)	(7,186)	(5,611)	(165,677)	-
Net book value:								
At 31 December 2021	67,267	65,588	26,609	8,161	6,491	3,190	177,306	40,006
Represented by:								
Cost	97,832	172,386	27,344	22,943	13,677	8,801	342,983	-
Valuation	-	-	-	-	-	-	-	40,006
	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 Fixed assets (Continued)

As at 31 December 2022, the Group was in the process of applying the ownership certificates in respect of certain premises of HK\$832 million (31 December 2021: HK\$656 million). The Group anticipates that the re 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 2022 and 2021 by the following independent professionally qualified valuers. Management of the Group had discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2022
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd. Centaline Surveyors Limited Prudential Surveyors (Hong Kong) Limited Knight Frank Petty Limited China United Assets Appraisal Group Jones Lang LaSalle Corporate Appraisal and Advisory Limited Martin Reynolds AAPI MRICS Savills
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Property valuation (Continued)

Properties located in	Valuers in 2021
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd. Centaline Surveyors Limited ZhongHe Appraisal Co., Ltd. Prudential Surveyors (Hong Kong) Limited Knight Frank Petty Limited China United Assets Appraisal Group Jones Lang LaSalle Corporate Appraisal and Advisory Limited China Appraisal Associates
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 2022

34 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

Level 3		
For the year ended 31 December		
	2022 HK\$ million	2021 HK\$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	26,875	25,061
Exchange adjustments	(2,428)	744
Business combinations	1,634	–
Additions	1,339	289
Disposal of subsidiaries	–	(393)
Disposals	(32)	(14)
Transfers	(121)	740
Change in fair value of investment properties	(606)	448
At 31 December	26,661	26,875
Investment properties – Hong Kong		
At 1 January	12,633	12,887
Exchange adjustments	(3)	–
Additions	34	89
Disposals	(162)	–
Transfers	–	191
Change in fair value of investment properties	(83)	(534)
At 31 December	12,419	12,633
Investment properties – Overseas		
At 1 January	498	507
Exchange adjustments	(49)	(29)
Business combinations	183	–
Disposals	(5)	–
Change in fair value of investment properties	(69)	20
At 31 December	558	498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 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 2022, there were no Level 1 and Level 2 fair value hierarchy (2021: Nil) and no transfers into or out of Level 3 (2021: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 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 2022	16,316	945	75	86	1,140	18,562	19,941	38,503
Exchange adjustments	(1,327)	–	(7)	(1)	(78)	(1,413)	(892)	(2,305)
Business combinations	2,219	–	–	82	1	2,302	9,542	11,844
Additions	6,039	14	46	645	243	6,987	874	7,861
Reductions	(418)	(822)	–	–	(8)	(1,248)	(492)	(1,740)
Depreciation charge	(5,437)	(69)	(26)	(172)	(190)	(5,894)	(2,124)	(8,018)
At 31 December 2022	17,392	68	88	640	1,108	19,296	26,849	46,145

	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 2021	16,727	59	72	232	968	18,058	19,857	37,915
Exchange adjustments	491	2	1	2	22	518	140	658
Additions	5,181	1,028	7	77	300	6,593	845	7,438
Reductions	(1,129)	(29)	–	(19)	(63)	(1,240)	(91)	(1,331)
Depreciation charge	(4,953)	(116)	(5)	(206)	(206)	(5,486)	(810)	(6,296)
Modifications to lease agreements	(1)	1	–	–	119	119	–	119
At 31 December 2021	16,316	945	75	86	1,140	18,562	19,941	38,503

- (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 2022 were HK\$769 million (2021: HK\$563 million).
- (ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK\$17 million (2021: HK\$13 million).
- (ii) The total cash outflow for leases for the year ended 31 December 2022 was HK\$7,063 million (2021: HK\$6,566 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
– Within 1 year	7,511	7,800
– Over 1 year	14,350	12,962
	21,861	20,762

As at 31 December 2022, the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
– Within 1 year	8,043	8,014
– Between 1 and 5 year	9,963	10,669
– Over 5 year	4,982	3,677
	22,988	22,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36 Intangible assets

	For the year ended 31 December				
	Mining assets HK\$ million	Franchise rights HK\$ million	Software HK\$ million	Others HK\$ million	Total HK\$ million
Cost:					
At 1 January 2022	21,126	8,583	9,433	5,745	44,887
Exchange adjustments	(39)	(751)	(920)	(327)	(2,037)
Business combinations	–	–	322	394	716
Additions	120	623	2,507	243	3,493
Disposals	–	(2)	(271)	(255)	(528)
At 31 December 2022	21,207	8,453	11,071	5,800	46,531
Accumulated amortisation and impairment losses:					
At 1 January 2022	(17,017)	(1,383)	(5,419)	(2,664)	(26,483)
Exchange adjustments	49	125	545	281	1,000
Charge for the year	(82)	(235)	(1,779)	(525)	(2,621)
Disposals	–	–	271	18	289
Impairment losses (Note 50)	–	–	–	–	–
At 31 December 2022	(17,050)	(1,493)	(6,382)	(2,890)	(27,815)
Net book value:					
At 31 December 2022	4,157	6,960	4,689	2,910	18,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36 Intangible assets (Continued)

	For the year ended 31 December				
	Mining assets HK\$ million	Franchise rights HK\$ million	Software HK\$ million	Others HK\$ million	Total HK\$ million
Cost:					
At 1 January 2021	20,186	7,090	7,584	5,583	40,443
Exchange adjustments	20	253	214	60	547
Additions	1,370	1,668	1,775	503	5,316
Disposals	(450)	(428)	(140)	(401)	(1,419)
At 31 December 2021	21,126	8,583	9,433	5,745	44,887
Accumulated amortisation and impairment losses:					
At 1 January 2021	(17,115)	(1,196)	(4,145)	(2,110)	(24,566)
Exchange adjustments	(31)	(37)	(126)	(40)	(234)
Charge for the year	(73)	(161)	(1,193)	(593)	(2,020)
Disposals	202	12	45	81	340
Impairment losses (Note 50)	–	(1)	–	(2)	(3)
At 31 December 2021	(17,017)	(1,383)	(5,419)	(2,664)	(26,483)
Net book value:					
At 31 December 2021	4,109	7,200	4,014	3,081	18,404

Amortisation charge is included in “cost of sales and services” and “other operating expenses” in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 Goodwill

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Cost:		
At 1 January	23,666	23,162
Additions	14,072	254
Disposals	(26)	–
Exchange differences	(2,161)	250
At 31 December	35,551	23,666
Accumulated impairment losses:		
At 1 January	(2,076)	(2,029)
Additions (Note 50)	(5,075)	(12)
Disposals	26	–
Exchange differences	258	(35)
At 31 December	(6,867)	(2,076)
Net book value:		
At 31 December	28,684	21,590

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Comprehensive financial services	14,249	1,541
Advanced intelligent manufacturing	1,115	1,298
Advanced materials	231	261
New consumption	12,366	12,427
New-type urbanisation	723	6,063
	28,684	21,590

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 Goodwill (Continued)

In this amount, for the integrated financial service segment, the Group included CITIC Securities in the consolidation scope in 2022, generating goodwill of HKD14,053 million (Note 58). As at 31 December 2022, the Group allocated such goodwill to CITIC Securities for impairment test, and evaluated whether it was impaired by adopting the present value of the expected future cash flows. In the calculation, the Group determined the growth rate based on historical experience and forecasts of market development. The growth rate of the forecast period was determined according to the budget of the management, and 2% of the growth rate of the stable period was the growth rate used after the forecast period. The Group adopted 15.47%, which could reflect the overall risk of CITIC Securities, as the pre-tax discount rate. As the calculation showed, the goodwill arising from consolidation of CITIC Securities had not been impaired.

Among the total book value of the Group's goodwill, an amount of HK\$9,710 million was from acquisition of subsidiaries by CITIC Telecom International. As at 31 December 2022, the Group assessed goodwill impairment by using discounted cash flow model, key assumptions used for the calculations are as follows:

	2022	2021
Services revenue growth rates	0.1%-7.3%	3.7% – 8.3%
Long-term growth rates	3.0%	3.0%
Pre-tax discount rates	10.5%-13.4%	9.1% – 10.4%

A reasonable possible change in the above assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered as necessary.

For the urbanisation segment, HKD5,375 million in the original carrying amount of the Group's goodwill was generated from acquisition of the subsidiary of CITIC Environment Investment Group Co., Ltd. ("CITIC Environment"). As at 31 December 2022, the Group's management evaluated whether it was impaired by adopting the present value of the expected future cash flows. The key assumptions used in the calculation include the long-term revenue growth rate that does not exceed the relevant industry average, the estimated gross margin and pre-tax discount rate of 9.49% (2021: 9.48%) based on historical experience and taking into account the impact of market development. CITIC Environment expected a decline in performance due to policy adjustment and macroeconomic trends. As the calculation showed, the goodwill suffered an impairment loss of HKD4,840 million in 2022 (2021: Nil).

For the year ended 31 December 2022, the goodwill suffered an impairment loss totalling HKD5,075 million (2021: HKD12 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Income tax payable	17,606	16,184

(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 2022 and 2021, 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 2021	14,684	4,648	49,497	888	4,432	2,060	76,209
Charged to profit or loss	(373)	278	8,175	(46)	(1,023)	630	7,641
Charged to other comprehensive income	–	8	(5)	(46)	–	29	(14)
Exchange adjustments and others	141	147	1,564	(98)	34	74	1,862
At 31 December 2021	14,452	5,081	59,231	698	3,443	2,793	85,698
At 1 January 2022	14,452	5,081	59,231	698	3,443	2,793	85,698
Charged to profit or loss	(187)	76	6,698	3,644	(493)	1,406	11,144
Charged to other comprehensive income	–	(83)	10	11	–	55	(7)
Business combinations	–	5,752	3,629	702	11	435	10,529
Exchange adjustments and others	(86)	(860)	(5,525)	(247)	(63)	(505)	(7,286)
At 31 December 2022	14,179	9,966	64,043	4,808	2,898	4,184	100,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 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 2022 and 2021, 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 2021	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
Charged to profit or loss	269	42	(359)	(2,434)	(2,482)
Charged to other comprehensive income	(1,508)	–	–	257	(1,251)
Exchange adjustments and others	(71)	(104)	(119)	(43)	(337)
At 31 December 2021	(3,676)	(1,859)	(4,712)	(7,312)	(17,559)
At 1 January 2022	(3,676)	(1,859)	(4,712)	(7,312)	(17,559)
Charged to profit or loss	(694)	(255)	140	332	(477)
Charged to other comprehensive income	2,828	–	–	71	2,899
Business combinations	(3,809)	(2,013)	–	(1,643)	(7,465)
Exchange adjustments and others	565	248	384	435	1,632
At 31 December 2022	(4,786)	(3,879)	(4,188)	(8,117)	(20,970)

For the 31 December 2022, the deferred tax assets/liabilities offset by the Group were HK\$648 million (31 December 2021: HK\$3,079 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 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	
	2022 HK\$ million	2021 HK\$ million
Deductible temporary differences	1,888	2,323
Tax losses	23,406	28,190
	25,294	30,513

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 2022, tax losses amounting to HK\$8,149 million (31 December 2021: HK\$9,957 million) that can be carried forward against future taxable income are expiring within 5 years.

39 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Banks	355,428	347,919
Non-bank financial institutions	874,880	1,068,369
	1,230,308	1,416,288
Accrued interest	4,592	6,040
	1,234,900	1,422,328
Analysed by remaining maturity:		
– On demand	651,136	909,177
– Within 3 months	216,479	92,477
– Between 3 months and 1 year	362,693	414,634
	1,230,308	1,416,288
Accrued interest	4,592	6,040
	1,234,900	1,422,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 Placements from banks and non-bank financial institutions

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Banks	115,012	97,098
Non-bank financial institutions	6,400	10,273
	121,412	107,371
Accrued interest	316	428
	121,728	107,799
Analysed by remaining maturity:		
– Within 3 months	80,472	50,149
– Between 3 months and 1 year	40,209	53,736
– Over 1 year	731	3,486
	121,412	107,371
Accrued interest	316	428
	121,728	107,799

41 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Mandatory		
Debt instruments	8,847	1,424
Stocks	10,328	–
Minority interests in consolidated structured entities and others	5,069	4,261
	24,244	5,685
Financial liabilities designated as at fair value through profit or loss		
Beneficiary certificates and structured notes	72,150	–
Minority interests in consolidated structured entities and others	9,783	–
	81,933	–
	106,177	5,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42 Customer brokerage deposits

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Customer brokerage deposits	312,337	–

Customer brokerage deposits represent the amount received from and repayable to customers arising from the ordinary course of the Group's securities brokerage activities.

43 Trade and other payables

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Trade and bills payables	100,224	98,886
Advances from leasees	237	310
Other taxes payables	7,934	9,319
Settlement accounts	34,239	6,533
Client deposits payables	151,037	–
Dividend payables	558	211
Other payables	129,239	69,680
	423,468	184,939

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	
	2022 HK\$ million	2021 HK\$ million
Within 1 year	82,557	83,039
Between 1 and 2 years	5,428	3,066
Between 2 and 3 years	1,329	616
Over 3 years	10,910	12,165
	100,224	98,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44 Financial assets sold under repurchase agreements

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
By counterparties:		
The People's Bank of China	243,888	82,402
Banks	117,327	40,044
Non-bank financial institutions	31,002	–
Others	133,850	–
	526,067	122,446
Accrued interest	624	6
	526,691	122,452
By types of collateral:		
Debt securities	345,352	55,838
Discounted bills	77,641	66,608
Stock	34,166	–
Others	68,908	–
	526,067	122,446
Accrued interest	624	6
	526,691	122,452

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2022, legal title of these collateral pledged has not been transferred to counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

45 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Demand deposits		
Corporate customers	2,162,566	2,401,056
Personal customers	390,713	379,224
	2,553,279	2,780,280
Time and call deposits		
Corporate customers	2,075,641	2,183,893
Personal customers	1,055,451	809,998
	3,131,092	2,993,891
Outward remittance and remittance payables	16,144	13,062
Accrued interest	65,683	65,468
	5,766,198	5,852,701

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Bank acceptances	390,616	303,261
Letters of credit	28,135	23,991
Guarantees	19,134	17,201
Others	62,364	99,446
	500,249	443,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46 Bank and other loans

(a) Types of loans

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Bank loans		
Unsecured loans	120,982	99,946
Loan pledged with assets (note (d))	16,302	17,638
	137,284	117,584
Other loans		
Unsecured loans	33,878	25,804
Loan pledged with assets (note (d))	676	1,517
	34,554	27,321
	171,838	144,905
Accrued interest	690	457
	172,528	145,362

(b) Maturity of loans

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Bank loans		
– Within 1 year or on demand	57,302	36,102
– Between 1 and 2 years	22,073	18,867
– Between 2 and 5 years	38,734	35,449
– Over 5 years	19,175	27,166
	137,284	117,584
Other loans		
– Within 1 year or on demand	8,608	4,517
– Between 1 and 2 years	20,000	6,400
– Between 2 and 5 years	5,885	14,599
– Over 5 years	61	1,805
	34,554	27,321
	171,838	144,905
Accrued interest	690	457
	172,528	145,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46 Bank and other loans (Continued)

(c) Bank and other loans are denominated in the following currencies

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
RMB	51,605	40,199
US\$	46,878	48,029
HK\$	68,909	50,475
Other currencies	4,446	6,202
	171,838	144,905
Accrued interest	690	457
	172,528	145,362

- (d) As at 31 December 2022, the Group's bank and other loans of HK\$16,978 million (31 December 2021: HK\$19,155 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\$81,146 million (31 December 2021: HK\$83,158 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 52(b). As at 31 December 2022, none of the covenants relating to drawn down facilities have been breached (31 December 2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Corporate bonds issued (note (a))	226,222	102,776
Notes issued (note (b))	144,088	81,075
Subordinated bonds issued (note (c))	110,746	138,390
Certificates of deposit issued (note (d))	1,159	1,480
Certificates of interbank deposit issued (note (e))	806,117	904,546
Convertible corporate bonds (note (f))	20,388	16,439
Structured notes (note (g))	6,761	–
	1,315,481	1,244,706
Accrued interest	7,904	5,619
	1,323,385	1,250,325
Analysed by remaining maturity:		
– Within 1 year or on demand	931,677	927,411
– Between 1 and 2 years	68,777	57,260
– Between 2 and 5 years	143,998	73,257
– Over 5 years	171,029	186,778
	1,315,481	1,244,706
Accrued interest	7,904	5,619
	1,323,385	1,250,325

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued for the year ended 31 December 2022 (2021: Nil).

Notes:

(a) Corporate bonds issued

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
The Company (note (ii))	60,908	57,399
CITIC Corporation Limited ("CITIC Corporation") (note (iii))	34,300	40,165
CITIC Securities (note (iii))	127,063	–
CITIC Telecom International (note (iv))	3,503	3,500
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(v))	448	1,712
	226,222	102,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) Details of corporate bonds issued by the Company

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
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%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
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 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 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%
US\$ Notes 22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes 23	US\$	700	2020-02-25	2030-02-25	2.85%
US\$ Notes 24	US\$	700	2022-02-17	2027-02-17	2.88%
US\$ Notes 25	US\$	300	2022-02-17	2032-02-17	3.50%
US\$ Notes 26	US\$	100	2022-08-02	2027-02-17	2.88%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) **Corporate bonds issued** (Continued)

(i) **Details of corporate bonds issued by the Company** (Continued)

As at 31 December 2021					
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
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 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%
US\$ Notes 22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes 23	US\$	700	2020-02-25	2030-02-25	2.85%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 31 December 2022				
	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-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%
21 CITIC bond-1	RMB	1,000	2021-11-02	2026-11-02	3.49%
21 CITIC bond-2	RMB	2,000	2021-11-02	2031-11-02	3.79%

	As at 31 December 2021				
	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%
21 CITIC bond-1	RMB	1,000	2021-11-02	2026-11-02	3.49%
21 CITIC bond-2	RMB	2,000	2021-11-02	2031-11-02	3.79%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(iii) Details of corporate bonds issued by CITIC Securities

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
13 CITIC 02	RMB	12,000	2013-06-07	2023-06-07	5.05%
15 CITIC 02	RMB	2,500	2015-06-25	2025-06-25	5.10%
18 CS G2	RMB	600	2018-06-15	2023-06-15	4.90%
19 CS G2	RMB	1,000	2019-09-10	2024-09-10	3.78%
20 CS G1	RMB	3,000	2020-02-21	2023-02-21	3.02%
20 CS G2	RMB	2,000	2020-02-21	2025-02-21	3.31%
20 CS G3	RMB	2,200	2020-03-10	2023-03-10	2.95%
20 CS G4	RMB	2,000	2020-03-10	2025-03-10	3.20%
20 CS G6	RMB	3,300	2020-04-14	2023-04-14	2.54%
20 CS G7	RMB	1,000	2020-04-14	2025-04-14	3.10%
20 CS 09	RMB	4,500	2020-06-02	2023-06-02	2.70%
20 CS 11	RMB	2,000	2020-06-19	2023-06-19	3.10%
20 CS 13	RMB	3,000	2020-07-14	2023-07-14	3.58%
20 CS 15	RMB	7,500	2020-07-28	2023-07-28	3.49%
20 CS 16	RMB	5,200	2020-08-07	2023-08-07	3.55%
20 CS 18	RMB	2,800	2020-08-24	2023-08-24	3.48%
20 CS 20	RMB	800	2020-09-11	2030-09-11	4.20%
20 CS 24	RMB	900	2020-10-28	2030-10-28	4.27%
21 CS 02	RMB	4,600	2021-01-25	2024-01-25	3.56%
21 CS 03	RMB	3,200	2021-01-25	2031-01-25	4.10%
21 CS 04	RMB	1,500	2021-03-01	2024-03-01	3.60%
21 CS 05	RMB	3,000	2021-03-01	2031-03-01	4.10%
21 CS 06	RMB	2,500	2021-03-19	2031-03-19	4.10%
21 CS 07	RMB	1,400	2021-04-13	2031-04-13	4.04%
21 CS 08	RMB	1,000	2021-06-11	2026-06-11	3.70%
21 CS 09	RMB	2,500	2021-06-11	2031-06-11	4.03%
21 CS 10	RMB	1,500	2021-07-09	2026-07-09	3.62%
21 CS 11	RMB	1,500	2021-07-09	2031-07-09	3.92%
21 CS 12	RMB	3,000	2021-08-23	2024-08-23	3.01%
21 CS 13	RMB	1,000	2021-08-23	2026-08-23	3.34%
21 CS 14	RMB	4,500	2021-09-16	2024-09-16	3.08%
21 CS 16	RMB	2,200	2021-09-28	2024-09-27	3.09%
21 CS 17	RMB	1,800	2021-09-28	2026-09-28	3.47%
21 CS 18	RMB	2,500	2021-10-19	2024-10-19	3.25%
21 CS 19	RMB	2,000	2021-10-19	2026-10-19	3.59%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(iii) Details of corporate bonds issued by CITIC Securities (Continued)

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
21 CS 20	RMB	3,000	2021-11-24	2024-11-24	3.07%
21 CS 21	RMB	3,000	2021-12-14	2024-12-14	2.97%
22 CS 01	RMB	500	2022-02-16	2027-01-29	3.20%
22 CS 02	RMB	1,000	2022-02-16	2032-02-06	3.69%
22 CS 03	RMB	1,000	2022-03-11	2025-03-11	3.03%
22 CS 04	RMB	500	2022-03-11	2027-03-11	3.40%
22 CS 05	RMB	3,000	2022-08-24	2025-08-24	2.50%
CITICSCSI03	US\$	26	2022-12-20	2023-03-20	0.00%
CITICSCSI01	US\$	100	2022-11-25	2023-02-25	0.00%
CITICSMTNECP55	US\$	60	2022-11-11	2023-11-10	0.00%
CITICSMTNECP54	US\$	20	2022-10-21	2023-01-26	0.00%
CITICSMTNECP53	US\$	120	2022-09-22	2023-09-21	4.15%
CITICSCSI02	US\$	50	2022-09-22	2023-03-22	3.90%
CITICSMTNECP52	US\$	20	2022-09-14	2023-03-16	0.00%
CITICSMTNECP51	US\$	120	2022-08-16	2023-08-15	0.00%
CITICSMTNECP50	US\$	50	2022-08-08	2023-08-07	0.00%
CITICSMTNECP49	US\$	50	2022-08-01	2023-07-31	0.00%
CITICSMTNECP47	US\$	40	2022-07-27	2023-07-26	0.00%
CITICSMTNECP48	US\$	30	2022-07-06	2023-07-05	0.00%
CITICSMTNECP44	US\$	30	2022-05-27	2023-05-22	2.82%
CITICSMTNECP46	US\$	50	2022-05-27	2023-02-27	0.00%
CITICSMTNECP41	US\$	80	2022-01-28	2023-01-28	0.00%

(iv) Details of corporate bonds issued by CITIC Telecom International

	As at 31 December 2022				
	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 2021				
	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(a) **Corporate bonds issued** (Continued)

(v) *Details of corporate bonds issued by CITIC Pacific's subsidiaries*

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
22 JLEPC SCP004	RMB	200	2022-06-16	2023-03-10	2.50%
22 JLEPC SCP005	RMB	200	2022-08-29	2023-04-19	1.90%

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
21 JLEPC SCP001	RMB	200	2021-08-10	2022-04-20	2.97%
21 JLEPC SCP002	RMB	200	2021-11-17	2022-08-04	2.98%

(b) **Notes issued**

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
CITIC Corporation (note (i))	–	5,926
CITIC Bank (note (ii))	130,245	74,761
CITIC Securities Company Limited (note (iii))	13,020	–
CITIC Offshore Helicopter Company Limited (note (iv))	–	372
CITIC Trust Co., Ltd. (note (v))	823	16
	144,088	81,075

(i) *Details of notes issued by CITIC Corporation*

As at 31 December 2022, all notes issued by CITIC Corporation had matured.

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
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 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%
Financial bonds	US\$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US\$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%
Financial bonds	US\$	500	2021-11-17	2024-11-17	1.75%
Financial bonds	RMB	30,000	2022-04-28	2025-04-28	2.80%
Financial bonds	RMB	30,000	2022-08-05	2025-08-05	2.50%
Financial bonds	US\$	270	2022-12-20	2024-11-17	1.75%

	As at 31 December 2021				
	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%
Financial bonds	US\$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US\$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%
Financial bonds	US\$	500	2021-11-17	2024-11-17	1.75%

(iii) Details of notes issued by CITIC Securities

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
CITIC SEC N2306	US\$	500	2020-06-03	2023-06-03	1.75%
CITIC SEC N2506	US\$	500	2020-06-03	2025-06-03	2.00%
CITIC SEC N2410	US\$	200	2019-10-24	2024-10-24	2.88%
CITIC SEC N2405	US\$	175	2022-12-14	2024-05-14	5.15%
CITIC SEC N2504	US\$	300	2022-04-21	2025-04-21	3.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(b) **Notes issued** (Continued)

(iv) **Details of notes issued by CITIC Offshore Helicopter Company Limited**

As at 31 December 2022, the 2020 asset-backed medium-term notes issued by CITIC Offshore Helicopter Company Limited had been terminated before maturity.

	As at 31 December 2022				
	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%

(v) **Details of notes issued by CITIC Trust Co., Ltd.**

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Participation notes	US\$	5 (Offset 4.80)	2018-01-22	2025-01-22	Non fixed interest rate
Participation notes	US\$	1.54	2021-06-25	2023-06-24	Non fixed interest rate
Participation notes	US\$	270(Offset 110)	2022-03-30	2025-03-30	Non fixed interest rate

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Participation notes	US\$	5 (Offset 4.33)	2018-01-22	2023-01-22	Non fixed interest rate
Participation notes	US\$	1.54	2021-06-25	2024-06-24	Non fixed interest rate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank, CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank, or CITIC Securities. The carrying amount of subordinated debts is as follows:

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Fixed rate notes maturing		
– In February 2029 (note (i))	3,855	3,882
Fixed rate bonds maturing		
– In March 2023 (note (ii))	2,238	–
– In February 2024 (note (iii))	3,355	–
– In July 2025 (note (iv))	558	–
– In June 2027 (note (v))	–	24,448
– In September 2028 (note (vi))	33,577	36,687
– In October 2028 (note (vii))	22,390	24,458
– In August 2030 (note (viii))	44,773	48,915
	110,746	138,390

As at 31 December 2022					
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i) Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(ii) 20 CS C1 (note)	RMB	2,000	2020-03-24	2023-03-24	3.32%
(iii) 21 CS C1 (note)	RMB	3,000	2021-02-08	2024-02-08	3.97%
(iv) 22 CS C1 (note)	RMB	500	2022-07-22	2025-07-22	3.03%
(vi) Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vii) Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(viii) Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%

Notes:

Subordinated fixed rate bonds are issued by CITIC Securities, a subsidiary of the Group.

As at 31 December 2021					
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i) Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(v) Subordinated Fixed Rate Bonds (note)	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vi) Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-9-13	4.96%
(vii) Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(viii) Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%

Notes:

The subordinated fixed rate bonds are issued by CITIC Bank and redeemed on 21 June 2022 before maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47 Debt instruments issued (Continued)

Notes (Continued):

(d) **Certificates of deposit issued**

These certificates of deposit were issued by CBI with interest rate of 2.76%-5.37% per annum (31 December 2021: 3.25%).

(e) **Certificates of interbank deposit issued**

As at 31 December 2022, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB720,081 million (approximately HK\$806,117 million) (31 December 2021: RMB739,557 million (approximately HK\$904,546 million)). The yield ranges from 1.65% to 2.68% per annum (31 December 2021: 2.60% to 3.18% per annum). The original expiry terms are between 3 month to 1 year (31 December 2021: 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), and it was transferred to CITIC Financial Holdings Co., Ltd. at nil consideration on 22 June 2022. 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 2022, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,861 million (HK\$15,517 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

As approved by the relevant regulatory authorities in China, CITIC Pacific Special Steel Group Co., Ltd. made a public offering of RMB5,000 million (HK\$6,163 million) A-share convertible corporate bonds (the “convertible bonds”) on 25 February 2022. The convertible bonds of CITIC Pacific Special Steel Group Co., Ltd. have a term of 6 years from 25 February 2022 to 24 February 2028, at coupon rates of 0.2% for the first year, 0.4% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (3 March 2022) after six months upon the completion date of the offering until the maturity date (from 3 September 2022 to 24 February 2028). As at 31 December 2022, convertible bonds were recorded as debt instruments issued of RMB4,662 million (HK\$5,219 million) and non-controlling interests of RMB693 million (HK\$776 million), respectively.

(g) **Structured notes**

The structured notes are issued by CITIC Securities. As at 31 December 2022, the balance of the outstanding structured notes issued by CITIC Securities with original maturity within one year (including accrued interest) amounted to HK\$6,747 million, with coupon rates ranging from 2.0% to 4.0% per annum, and the balance of the outstanding structured notes issued by CITIC Securities with original maturity greater than one year (including accrued interest) amounted to HK\$31 million, with coupon rates ranging from 1.6% to 3.4% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

48 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 2021	2,032	8,882	4,258	15,172
Exchange differences	(87)	347	116	376
Charge for the year	187	8,492	837	9,516
Payments made during the year	–	–	(161)	(161)
At 31 December 2021	2,132	17,721	5,050	24,903
At 1 January 2022	2,132	17,721	5,050	24,903
Exchange differences	(154)	(1,303)	(425)	(1,882)
Business combinations	–	–	1,034	1,034
Charge for the year	(81)	(3,623)	189	(3,515)
Payments made during the year	–	–	(1,050)	(1,050)
At 31 December 2022	1,897	12,795	4,798	19,490

49 Share capital and reserves

(a) Share capital

As at 31 December 2022, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2021: 29,090,262,630).

(b) 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\$286.59 billion 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

49 Share capital reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(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.

(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).

(c) 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 of 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 2022 (31 December 2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

50 Movement of allowances for impairment losses

	For the year ended 31 December 2022				
	At 1 January HK\$ million	Charge/ (reversal) HK\$ million	Write-offs/ transfer out HK\$ million	Exchange differences and others (note(i)) HK\$ million	At 31 December HK\$ million
Allowances for expected credit losses					
Deposits and placements with banks and non-bank financial institutions (Note 19 and 21)	287	2	–	(22)	267
Financial assets held under resale agreements (Note 26)	57	(54)	–	(3)	–
Receivables(excluded prepayments) (Note 23)	12,778	5,843	(2,667)	(576)	15,378
Loans and advances to customers and other parties (Note 27)	154,898	66,420	(67,508)	355	154,165
Investments in financial assets (Note 29)					
– Financial assets at amortised cost	36,630	2,582	(3,002)	(911)	35,299
– Debt investments at FVOCI	2,919	833	(161)	(155)	3,436
Credit commitments and guarantees provided (Note 48)	17,721	9,305	(12,928)	(1,303)	12,795
Others (note(ii))	5,221	6,974	(5,065)	1,106	8,236
	230,511	91,905	(91,331)	(1,509)	229,576
Allowances for impairment losses					
Inventories (Note 25)	7,388	469	(411)	(154)	7,292
Interests in associates (Note 32)	6,078	3,002	(47)	(163)	8,870
Interests in joint ventures (Note 33)	1,489	17	–	(4)	1,502
Fixed assets (Note 34)	48,473	82	(336)	(618)	47,601
Intangible assets (Note 36)	16,768	–	–	(57)	16,711
Prepayments (Note 23)	78	14	–	(6)	86
Goodwill (Note 37)	2,076	5,075	(26)	(258)	6,867
Other assets	2,245	163	(271)	27	2,164
	84,595	8,822	(1,091)	(1,233)	91,093
	315,106	100,727	(92,422)	(2,742)	320,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

50 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2021				
	At 1 January	Charge/	Write-offs/	Exchange	At 31
	HK\$ million	(reversal)	transfer out	differences	December
		HK\$ million	HK\$ million	and others	HK\$ million
				(note(ii))	
				HK\$ million	
Allowances for expected credit losses					
Deposits and placements with banks and non-bank financial institutions (Note 19 and 21)	271	12	–	4	287
Financial assets held under resale agreements (Note 26)	66	(11)	–	2	57
Receivables(excluded prepayments) (Note 23)	9,608	3,025	(520)	665	12,778
Loans and advances to customers and other parties (Note 27)	156,688	61,473	(78,898)	15,635	154,898
Investments in financial assets (Note 29)					
– Financial assets at amortised cost	17,424	26,214	(8,925)	1,917	36,630
– Debt investments at FVOCI	3,148	(198)	(85)	54	2,919
Credit commitments and guarantees provided (Note 48)	8,882	8,492	–	347	17,721
Others (note(ii))	5,239	4,087	(4,877)	772	5,221
	201,326	103,094	(93,305)	19,396	230,511
Allowances for impairment losses					
Inventories (Note 25)	6,665	814	(104)	13	7,388
Interests in associates (Note 32)	5,972	567	(486)	25	6,078
Interests in joint ventures (Note 33)	1,676	–	(191)	4	1,489
Fixed assets (Note 34)	48,121	123	(122)	351	48,473
Intangible assets (Note 36)	16,741	3	(8)	32	16,768
Prepayments (Note 23)	79	9	(12)	2	78
Goodwill (Note 37)	2,029	12	–	35	2,076
Other assets	2,343	176	(318)	44	2,245
	83,626	1,704	(1,241)	506	84,595
	284,952	104,798	(94,546)	19,902	315,106

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

51 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with 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	
	2022 HK\$ million	2021 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	18,269	16,787
With an original maturity of 1 year or above	46,617	48,616
	64,886	65,403
Credit card commitments	788,415	866,855
Acceptances	890,921	819,149
Letters of credit	303,197	262,913
Guarantees	208,915	157,615
	2,256,334	2,171,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

51 Contingent liabilities and commitments (Continued)

(b) Credit commitments analysed by credit risk weighted amount

As at 31 December		
	2022 HK\$ million	2021 HK\$ million
Credit risk weighted amount on credit commitments	605,811	576,974

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		
	2022 HK\$ million	2021 HK\$ million
Redemption commitment for treasury bonds	3,251	3,974

The original terms of the above treasury bonds range from one to five years. The Group believes that the amount of treasury bonds accepted in advance before the maturity date is insignificant. The Ministry of Finance will not timely pay the treasury bonds which are accepted in advance, but will pay the principal and interest according to the issuance agreement when the treasury bonds mature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

51 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		
	2022 HK\$ million	2021 HK\$ million
Related parties (note)	7,802	5,110
Third parties	3,582	3,743
	11,384	8,853

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		
	2022 HK\$ million	2021 HK\$ million
Related parties (note)	1,119	1,223

Note:

As at 31 December 2022, 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\$1,119 million) (31 December 2021: RMB1,000 million (approximately HK\$1,223 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 53.

(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(k).
- (ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3(l).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

51 Contingent liabilities and commitments (Continued)

(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	
	2022 HK\$ million	2021 HK\$ million
Contracted for	25,015	33,917

52 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 unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business, receivables, lease receivables, other debt investments, off-balance sheet items such as credit commitments, financing businesses including margin financing and securities lending, and also stock pledged repurchase.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

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's credit risk of securities financing transactions mainly arises from the provision of false information by customers, failure to repay liabilities at required time limit, violation of contractual agreements on size and structure of positions, violation of regulatory requirements on transactions and involvement of legal disputes on assets provided as collateral. The Company primarily adopts the risk education, credit collection, credit granting, daily marking-to-market, customer risk alert, mandatory liquidation, judicial recourse and other methods to control those credit risks.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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 a financial asset has shown signs of credit impairment from initial recognition, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

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.

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 the number of overdue days, the absolute level and relative level of the change of default probability, the change of credit risk classification and other conditions indicating significant changes in credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(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 probable 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;
- Financing financial assets are subject to mandatory liquidation measures and the collateral value is no longer sufficient for financing amounts;
- Violation grade for bond issuers or bonds in the latest external rating;
- 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.

(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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(3) Inputs for measurement of ECL (Continued)

- 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 2022, based on data accumulation, 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.

(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 semi-annually 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(4) Forward-looking information (Continued)

Macroeconomic scenario and weighting information

The Group builds its own macro-prediction model and identifies key economic indicators affecting credit risks and expected credit losses of various businesses through historical data analysis, such as consumer price index, total retail sales of consumer goods, per capita disposable income of urban residents, etc. The Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

(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	
	2022 HK\$ million	2021 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	751,591	713,003
Placements with banks and non-bank financial institutions	243,324	173,754
Trade and other receivables	214,169	147,586
Financial assets held under resale agreements	51,175	112,227
Loans and advances to customers and other parties	5,640,907	5,809,296
Refundable deposits	77,421	–
Margin accounts	119,758	–
Investments in financial assets		
– At amortised cost	1,258,965	1,435,823
– Debt investments at FVOCI	977,719	793,188
Cash held on behalf of customers	275,083	–
Contract assets	21,837	13,407
Other financial assets	5,069	6,319
	9,637,018	9,204,603
Credit commitments and guarantees provided	2,267,718	2,180,788
Maximum credit risk exposure	11,904,736	11,385,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

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	
	2022 HK\$ million	2021 HK\$ million
Derivative financial instruments	90,529	27,958
Loans and advances to customers and other parties at FVPL	4,345	–
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	900,634	610,847
Maximum credit risk exposure	995,508	638,805

(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 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	5,761,212	109,684	92,669	5,963,565
Movements:				
Net transfers out from stage 1	(128,169)	–	–	(128,169)
Net transfers into stage 2	–	28,782	–	28,782
Net transfers into stage 3	–	–	99,387	99,387
Net increase/(decrease) during the year (note (i))	438,238	(27,977)	(27,040)	383,221
Write offs	–	–	(67,508)	(67,508)
Others (note (ii))	(470,447)	(7,185)	(6,816)	(484,448)
Balance at 31 December 2022	5,600,834	103,304	90,692	5,794,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

	For the year ended 31 December 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	5,129,703	128,923	95,282	5,353,908
Movements:				
Net transfers out from stage 1	(89,335)	–	–	(89,335)
Net transfers into stage 2	–	645	–	645
Net transfers into stage 3	–	–	88,690	88,690
Net increase/(decrease) during the year (note (ii))	586,117	(20,803)	(15,983)	549,331
Write offs	–	–	(78,898)	(78,898)
Others (note (ii))	134,727	919	3,578	139,224
Balance at 31 December 2021	5,761,212	109,684	92,669	5,963,565

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 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	2,179,508	22,989	63,269	2,265,766
Movements:				
Business combinations (note 58(a))	76,735	1,931	–	78,666
Net transfers out from stage 1	(4,512)	–	–	(4,512)
Net transfers out from stage 2	–	(12,699)	–	(12,699)
Net transfers into stage 3	–	–	17,211	17,211
Net increase/(decrease) during the year (note (ii))	129,882	(4,547)	(6,610)	118,725
Write offs	–	–	(3,163)	(3,163)
Others (note (ii))	(180,991)	(1,592)	(5,385)	(187,968)
Balance at 31 December 2022	2,200,622	6,082	65,322	2,272,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

	For the year ended 31 December 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	1,994,208	5,551	34,454	2,034,213
Movements:				
Net transfers out from stage 1	(29,175)	–	–	(29,175)
Net transfers into stage 2	–	19,507	–	19,507
Net transfers into stage 3	–	–	9,668	9,668
Net increase/(decrease) during the year (note (i))	160,378	(2,473)	26,696	184,601
Write offs	–	–	(9,010)	(9,010)
Others (note (ii))	54,097	404	1,461	55,962
Balance at 31 December 2021	2,179,508	22,989	63,269	2,265,766

The following table explains the changes in the gross carrying amount for margin accounts for the year:

	For the year ended 31 December 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	–	–	–	–
Movements:				
Business combinations (note 58(a))	136,963	1,042	550	138,555
Net transfers out from stage 1	(11)	–	–	(11)
Net transfers out from stage 2	–	(424)	–	(424)
Net transfers into stage 3	–	–	435	435
Net increase/(decrease) during the year (note (i))	(6,825)	66	(529)	(7,288)
Write offs	–	–	–	–
Others (note (ii))	(11,385)	(80)	(44)	(11,509)
Balance at 31 December 2022	118,742	604	412	119,758

Notes:

(i) Net increase/(decrease) mainly includes changes in carrying amount due to newly purchased or originated credit-impaired financial assets or de-recognition excluding write-offs.

(ii) Others includes changes in interest accrual and exchange adjustment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	63,365	31,672	60,148	155,185
Movements (note (i)):				
Net transfers out from stage 1	(3,302)	–	–	(3,302)
Net transfers out from stage 2	–	(1,424)	–	(1,424)
Net transfers into stage 3	–	–	44,157	44,157
Net increase/(decrease) during the year (note (ii))	7,247	(5,353)	(16,475)	(14,581)
Write offs	–	–	(67,508)	(67,508)
Parameters change for the year (note (iii))	8,617	660	32,320	41,597
Others (note (iv))	(6,380)	(171)	7,053	502
Balance at 31 December 2022	69,547	25,384	59,695	154,626

	For the year ended 31 December 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	52,527	39,612	64,732	156,871
Movements (note (i)):				
Net transfers out from stage 1	(1,114)	–	–	(1,114)
Net transfers out from stage 2	–	(5,117)	–	(5,117)
Net transfers into stage 3	–	–	55,024	55,024
Net increase/(decrease) during the year (note (ii))	9,156	(7,048)	(12,802)	(10,694)
Write offs	–	–	(78,898)	(78,898)
Parameters change for the year (note (iii))	702	3,425	19,230	23,357
Others (note (iv))	2,094	800	12,862	15,756
Balance at 31 December 2021	63,365	31,672	60,148	155,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2022	8,598	7,002	24,074	39,674
Movements (note (i)):				
Net transfers out from stage 1	(360)	–	–	(360)
Net transfers out from stage 2	–	(4,190)	–	(4,190)
Net transfers into stage 3	–	–	9,502	9,502
Net increase during the year (note (ii))	1,659	(837)	(1,852)	(1,030)
Write offs	–	–	(3,163)	(3,163)
Parameters change for the year (note (iii))	(1,396)	66	2,871	1,541
Others (note (iv))	(2,823)	(326)	(47)	(3,196)
Balance at 31 December 2022	5,678	1,715	31,385	38,778

	For the year ended 31 December 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2021	6,200	655	13,755	20,610
Movements (note (i)):				
Net transfers out from stage 1	(1,174)	–	–	(1,174)
Net transfers into stage 2	–	4,673	–	4,673
Net transfers into stage 3	–	–	3,030	3,030
Net increase during the year (note (ii))	2,035	1,091	18,051	21,177
Write offs	–	–	(9,010)	(9,010)
Parameters change for the year (note (iii))	136	481	(2,309)	(1,692)
Others (note (iv))	1,401	102	557	2,060
Balance at 31 December 2021	8,598	7,002	24,074	39,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 newly purchased or originated credit-impaired financial assets or de-recognition excluding write-offs.
- (iii) Parameters change mainly includes the impacts to ECL due to unwinding of discount, regular update on modeling parameters resulting from changes in PD and LGD excluding 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					
	2022			2021		
	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	314,318	5%	259,605	354,659	6%	309,106
– Manufacturing	456,285	8%	191,943	419,048	7%	193,150
– Rental and business services	555,148	9%	216,689	562,752	9%	233,393
– Wholesale and retail	199,175	3%	106,351	202,827	3%	117,848
– Water, environment and public utility management	462,793	8%	145,514	467,708	8%	171,333
– Transportation, storage and postal services	167,801	3%	88,971	176,216	3%	100,559
– Construction	115,978	2%	61,225	131,142	2%	75,948
– Production and supply of electric power, gas and water	100,427	2%	46,626	103,947	2%	54,444
– Public management and social organisations	9,710	1%	2,161	9,858	1%	4,033
– Others	444,356	8%	131,295	426,093	7%	135,270
	2,825,991	49%	1,250,380	2,854,250	48%	1,395,084
Personal loans	2,380,617	41%	1,593,132	2,523,024	42%	1,671,869
Discounted bills	573,105	9%	–	570,110	9%	–
	5,779,713	99%	2,843,512	5,947,384	99%	3,066,953
Accrued interest	19,462	1%	–	16,181	1%	–
	5,799,175	100%	2,843,512	5,963,565	100%	3,066,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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					
	2022			2021		
	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	5,526,083	95%	2,734,729	5,694,343	95%	2,958,739
Hong Kong, Macau and Taiwan	214,362	3%	107,709	218,528	3%	96,407
Overseas	39,268	1%	1,074	34,513	1%	11,807
	5,779,713	99%	2,843,512	5,947,384	99%	3,066,953
Accrued interest	19,462	1%	–	16,181	1%	–
	5,799,175	100%	2,843,512	5,963,565	100%	3,066,953

(v) Loans and advances to customers and other parties analysed by type of security

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Unsecured loans	1,546,808	1,582,817
Guaranteed loans	816,288	727,504
Secured loans		
– Loans secured by collateral	2,262,650	2,395,469
– Pledged loans	580,862	671,484
	5,206,608	5,377,274
Discounted bills	573,105	570,110
	5,779,713	5,947,384
Accrued interest	19,462	16,181
Gross loans and advances	5,799,175	5,963,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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			
	2022	% of total	2021	% of total
	Gross balance	loans and	Gross balance	loans and
	HK\$ million	advances	HK\$ million	advances
Rescheduled loans and advances	16,137	0.28%	19,792	0.33%
– Rescheduled loans and advances overdue more than 3 months	7,131	0.12%	7,088	0.12%

(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 2022, 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 2021: Nil).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2022					
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)	Total HK\$ million
Total financial assets	749,017	3,873,942	2,560,139	2,446,369	1,368,930	10,998,397
Total financial liabilities	(3,997,106)	(4,735,565)	(1,297,619)	(178,736)	(23,885)	(10,232,911)
Financial asset-liability surplus/(gap)	(3,248,089)	(861,623)	1,262,520	2,267,633	1,345,045	765,486

	As at 31 December 2021					
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)	Total HK\$ million
Total financial assets	366,248	3,522,117	2,253,114	2,684,360	1,078,398	9,904,237
Total financial liabilities	(3,915,731)	(4,190,846)	(1,073,865)	(178,730)	(5,074)	(9,364,246)
Financial asset-liability surplus/(gap)	(3,549,483)	(668,729)	1,179,249	2,505,630	1,073,324	539,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022					
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)	Total HK\$ million
Total financial assets	749,017	4,149,002	3,082,131	3,041,655	1,377,616	12,399,421
Total financial liabilities	(3,997,106)	(4,860,916)	(1,425,264)	(195,105)	(23,885)	(10,502,276)
Financial asset-liability surplus/(gap)	(3,248,089)	(711,914)	1,656,867	2,846,550	1,353,731	1,897,145

	As at 31 December 2021					
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)	Total HK\$ million
Total financial assets	366,248	3,839,022	2,808,085	3,431,813	1,089,848	11,535,016
Total financial liabilities	(3,915,731)	(4,337,356)	(1,208,547)	(198,000)	(5,074)	(9,664,708)
Financial asset-liability surplus/(gap)	(3,549,483)	(498,334)	1,599,538	3,233,813	1,084,774	1,870,308

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 no fixed maturity date amount represented the balances being overdue for more than one month. Equity investments were also reported under no fixed maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

Credit Commitments include bank acceptances, credit card commitments, letters of guarantee issued, loan commitments and letters of credit issued. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2022			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	18,727	20,629	25,530	64,886
Guarantees	133,498	73,664	1,753	208,915
Letters of credit	302,140	1,057	–	303,197
Acceptances	890,921	–	–	890,921
Credit card commitments	788,415	–	–	788,415
Total	2,133,701	95,350	27,283	2,256,334

	As at 31 December 2021			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	5,011	22,844	37,548	65,403
Guarantees	98,111	57,949	1,555	157,615
Letters of credit	261,632	1,281	–	262,913
Acceptances	819,119	24	6	819,149
Credit card commitments	859,051	7,348	456	866,855
Total	2,042,924	89,446	39,565	2,171,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022				
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Total HK\$ million
Total financial assets	1,463,505	6,873,323	2,112,947	548,622	10,998,397
Total financial liabilities	(881,185)	(7,916,365)	(1,241,343)	(194,018)	(10,232,911)
Financial asset-liability surplus/ (gap)	582,320	(1,043,042)	871,604	354,604	765,486

	As at 31 December 2021				
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Total HK\$ million
Total financial assets	743,149	7,232,258	1,420,122	508,708	9,904,237
Total financial liabilities	(241,872)	(7,967,930)	(946,989)	(207,455)	(9,364,246)
Financial asset-liability surplus/ (gap)	501,277	(735,672)	473,133	301,253	539,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2022 Effective interest rate	HK\$ million	2021 Effective interest rate	HK\$ million
Assets				
Cash and deposits	1.50%-1.75%	757,865	1.49%-1.94%	720,235
Placements with banks and non-bank financial institutions	2.49%	243,324	1.90%	173,754
Financial assets held under resale agreements	1.45%	51,175	1.96%	112,227
Loans and advances to customers and other parties	4.81%	5,645,252	5.31%	5,809,296
Investments in financial assets	2.66%-3.55%	3,518,752	3.11%-3.71%	2,906,862
Others		1,577,831		963,147
		11,794,199		10,685,521
Liabilities				
Borrowing from central banks	2.94%	133,690	3.00%	231,479
Deposits from banks and non-bank financial institutions	2.09%	1,234,900	2.45%	1,422,328
Placements from banks and non-bank financial institutions	2.41%	121,728	2.39%	107,799
Financial assets sold under repurchase agreements	2.00%	526,691	2.17%	122,452
Deposits from customers	2.06%	5,766,198	2.10%	5,852,701
Bank and other loans	1.28%-7.25%	172,528	0.85%-8.00%	145,362
Debt instruments issued	2.45%-6.80%	1,323,385	2.45%-6.90%	1,250,325
Lease liabilities	3.00%-5.15%	21,861	2.46%-6.00%	20,762
Others		1,113,150		366,723
		10,414,131		9,519,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022, 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\$11,677 million (31 December 2021: decrease or increase by HK\$8,540 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022				
	HK\$	US\$	RMB	Others	Total
Total financial assets	240,608	588,695	10,086,036	83,058	10,998,397
Total financial liabilities	(293,105)	(649,505)	(9,240,326)	(49,975)	(10,232,911)
Financial asset-liability surplus/(gap)	(52,497)	(60,810)	845,710	33,083	765,486

	As at 31 December 2021				
	HK\$	US\$	RMB	Others	Total
Total financial assets	213,733	400,603	9,219,391	70,510	9,904,237
Total financial liabilities	(245,058)	(483,353)	(8,592,733)	(43,102)	(9,364,246)
Financial asset-liability surplus/(gap)	(31,325)	(82,750)	626,658	27,408	539,991

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, 100 basis points strengthening or weakening of HK\$ against US\$, RMB and other currencies as at 31 December 2022 would decrease or increase the Group's total comprehensive income before taxation by HK\$8,180 million (31 December 2021: decrease or increase by HK\$5,669 million with 100 basis points strengthening or weakening).

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: (i) 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\$; (ii) 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 (iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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: 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: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2022			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Assets				
Bills receivables at FVOCI	–	5,381	–	5,381
Loans and advances to customers and other parties at FVOCI	–	630,362	–	630,362
Loans and advances to customers and other parties at FVPL	–	–	4,345	4,345
Derivative financial assets	589	82,618	7,322	90,529
Investments in financial assets	669,833	1,434,320	155,634	2,259,787
	670,422	2,152,681	167,301	2,990,404
Liabilities				
Financial liabilities at FVPL	(20,016)	(50,925)	(35,236)	(106,177)
Derivative financial liabilities	(1,292)	(74,810)	(4,941)	(81,043)
	(21,308)	(125,735)	(40,177)	(187,220)
	As at 31 December 2021			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Assets				
Bills receivables at FVOCI	–	11,242	–	11,242
Loans and advances to customers and other parties at FVOCI	400	611,388	–	611,788
Loans and advances to customers and other parties at FVPL	–	–	–	–
Derivative financial assets	151	27,807	–	27,958
Investments in financial assets	309,480	1,121,873	39,686	1,471,039
	310,031	1,772,310	39,686	2,122,027
Liabilities				
Financial liabilities at FVPL	(775)	(4,651)	(259)	(5,685)
Derivative financial liabilities	(477)	(29,566)	–	(30,043)
	(1,252)	(34,217)	(259)	(35,728)

For the year ended 31 December 2022, there were no significant transfers between instruments in different levels (2021: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022						
	Assets				Liabilities		
	Loans and advances to customers and other parties at FVPL	Derivatives financial assets	Investments in financial assets	Total	Financial liabilities at fair value through profit or loss	Derivative Financial liabilities	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2022	–	–	39,686	39,686	(259)	–	(259)
Total gain/(losses):	–	2,631	7,043	9,674	(533)	2,960	2,427
– in profit or loss	–	2,631	7,296	9,927	(533)	2,960	2,427
– in other comprehensive income/(losses)	–	–	(253)	(253)	–	–	–
Net settlements	4,345	(1,343)	(20,005)	(17,003)	6,536	(2,540)	3,996
Business combinations (note 58(a))	–	6,034	128,910	134,944	(40,980)	(5,361)	(46,341)
At 31 December 2022	4,345	7,322	155,634	167,301	(35,236)	(4,941)	(40,177)

	For the year ended 31 December 2021						
	Assets				Liabilities		
	Loans and advances to customers and other parties at FVPL	Derivatives financial assets	Investments in financial assets	Total	Financial liabilities at fair value through profit or loss	Total	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2021	8,465	31	65,394	73,890	(5,338)	(5,338)	
Total losses:	–	(31)	(1,256)	(1,287)	(74)	(74)	
– in profit or loss	–	–	(742)	(742)	(74)	(74)	
– in other comprehensive losses	–	(31)	(514)	(545)	–	–	
Net settlements	(8,465)	–	(24,452)	(32,917)	5,153	5,153	
At 31 December 2021	–	–	39,686	39,686	(259)	(259)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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 2022				
	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	1,258,965	1,265,185	8,673	992,375	264,137
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	229,968	231,191	192,278	38,913	–
– Notes issued	146,275	157,552	12,497	145,055	–
– Subordinated bonds issued	112,367	113,629	3,876	109,753	–
– Certificates of deposit issued (non-trading)	1,172	1,172	–	–	1,172
– Certificates of interbank deposit issued	806,135	787,944	–	787,944	–
– Convertible corporate bonds issued	20,689	25,105	–	–	25,105
– Structured notes	6,779	6,779	6,779	–	–
	1,323,385	1,323,372	215,430	1,081,665	26,277
As at 31 December 2021					
	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	1,435,823	1,372,874	10,064	1,039,259	323,551
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	104,247	100,655	58,213	41,949	493
– Notes issued	82,773	87,386	11,345	76,025	16
– Subordinated bonds issued	140,624	144,271	–	144,271	–
– Certificates of deposit issued (non-trading)	1,482	1,482	–	–	1,482
– Certificates of interbank deposit issued	904,552	892,762	–	892,762	–
– Convertible corporate bonds issued	16,647	20,547	–	–	20,547
	1,250,325	1,247,103	69,558	1,155,007	22,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

52 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.

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.

53 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

53 Material related parties (Continued)

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2022			
	Parent company	Holding company's fellow entities	Associates and joint ventures	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Sales of goods	–	186	1,756	1,942
Purchase of goods	–	1,625	4,939	6,564
Interest income (note (2))	68	132	3,153	3,353
Interest expenses	71	817	625	1,513
Fee and commission income	46	2	43	91
Fee and commission expenses	–	–	14	14
Income from other services	5	118	853	976
Expenses for other services	–	84	1,198	1,282
Interest income from deposits and receivables	12	–	538	550
Other operating expenses	–	72	1,076	1,148

	For the year ended 31 December 2021			
	Parent company	Holding company's fellow entities	Associates and joint ventures	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Sales of goods	–	83	785	868
Purchase of goods	–	679	6,563	7,242
Interest income (note (2))	–	98	2,580	2,678
Interest expenses	47	389	2,331	2,767
Fee and commission income	31	3	1,074	1,108
Fee and commission expenses	–	2	170	172
Income from other services	6	148	454	608
Expenses for other services	–	232	1,116	1,348
Interest income from deposits and receivables	–	–	457	457
Other operating expenses	–	56	900	956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

53 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

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 public 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.

(ii) Outstanding balances with related parties

	As at 31 December 2022			
	Parent company	Holding company's fellow entities	Associates and joint ventures	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Trade and other receivables	71	1,170	4,303	5,544
Loans and advances to customers and other parties (note (2))	4,385	5,677	17,396	27,458
Cash and deposits	–	–	38,203	38,203
Derivative financial instruments and other assets	–	1	4,434	4,435
Investments in financial assets				
– Financial assets at FVPL	–	–	5,393	5,393
– Financial assets at amortised cost	–	–	1,030	1,030
Trade and other payables	193	12,089	3,562	15,844
Deposits from customers	10,843	6,969	14,707	32,519
Deposits from bank and non-bank financial institutions	–	–	14,769	14,769
Derivative financial instruments and other liabilities	–	–	245	245
Bank and other loans	1,666	30,666	–	32,332
Off-balance sheet items				
Guarantees provided (note (3))	–	–	7,802	7,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

53 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	As at 31 December 2021			
	Parent	Holding	Associates and	Total
	company	company's	joint ventures	
	HK\$ million	fellow entities	HK\$ million	HK\$ million
Trade and other receivables	76	1,163	4,815	6,054
Loans and advances to customers and other parties (note (2))	5,989	5,455	17,564	29,008
Cash and deposits	–	–	41,094	41,094
Derivative financial instruments and other assets	–	–	4,478	4,478
Investments in financial assets				
– Financial assets at FVPL	–	–	3,155	3,155
– Financial assets at amortised cost	–	–	1,188	1,188
Trade and other payables	189	12,247	5,182	17,618
Deposits from customers	9,679	9,354	35,118	54,151
Deposits from bank and non-bank financial institutions	–	–	50,857	50,857
Derivative financial instruments and other liabilities	–	–	534	534
Bank and other loans	1,913	24,009	–	25,922
Off-balance sheet items				
Guarantees provided (note (3))	–	–	5,110	5,110

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 2022

53 Material related parties (Continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 53 (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 2022, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK\$8.14 million (2021: HK\$8.79 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

54 Structured entities

(a) 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 2022					
	Investments in financial assets				Total HK\$ million	Maximum loss exposure HK\$ million
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million		
Wealth management products	–	1,739	–	–	1,739	1,739
Investment management products managed by securities companies	44,363	11,992	–	–	56,355	56,355
Trust investment plans	253,291	5,985	–	–	259,276	259,276
Asset-backed securities	282,697	1,606	50,038	–	334,341	334,341
Investment funds	–	517,534	–	54	517,588	517,588
Total	580,351	538,856	50,038	54	1,169,299	1,169,299

Carrying amount	As at 31 December 2021					
	Investments in financial assets				Total HK\$ million	Maximum loss exposure HK\$ million
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million		
Wealth management products	–	2,647	–	–	2,647	2,647
Investment management products managed by securities companies	61,660	11,134	30	–	72,824	72,824
Trust investment plans	290,864	4,639	–	–	295,503	295,503
Asset-backed securities	319,739	7,005	115,075	–	441,819	441,819
Investment funds	–	517,919	–	55	517,974	517,974
Total	672,263	543,344	115,105	55	1,330,767	1,330,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

54 Structured entities (Continued)

(b) 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, trust plans, investment funds and investment management products 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.

Wealth management products, trust plans, investment funds and investment management products

As at 31 December 2022, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, trust plans, investment funds and investment management products which are sponsored by the Group was HK\$7,161,832 million (31 December 2021: HK\$2,971,161 million).

During the year ended 31 December 2022, there was no placements and financial assets held under resale agreements from the Group with these wealth management sponsored by the Group (31 December 2021: HK\$24,461 million; maximum exposure in 2021: HK\$72,713 million).

During the year ended 31 December 2022, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$21,801 million (2021: HK\$15,831 million); interest income of HK\$84 million (2021: HK\$1,104 million). The amount of interest expenses was HK\$0 million (2021: HK\$684 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2022, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continue to promote net-value-based reporting of its asset management products and dispose of existing portfolios.

(c) Transfers of financial assets

The Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

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 44. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2022 totally HK\$39,798 million (2021: HK\$66,277 million) are set forth below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

54 Structured entities (Continued)

(c) Transfers of financial assets (Continued)

Securitisation transactions

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.

In 2022, the original book value of financial assets transferred by the Group through asset securitisation transactions was HK\$17,442 million (2021: HK\$58,228 million), which met the conditions for complete derecognition (2021: HK\$46,241 million for the original book value of credit asset transfer, and HK\$4,244 million for the recognition of continued assets and liabilities, and others qualified for full derecognition).

Transfer of loans and other financial assets

In 2022, the Group transferred loans and other financial assets by other means with the original book value of HK\$22,356 million (2021: HK\$8,049 million), including HK\$6,547 million of non-performing loans and HK\$15,809 million of non-performing structured investments. The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that the above financial assets meet the conditions for complete derecognition.

55 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Cash	6,274	7,232
Bank deposits on demand	110,938	35,974
Surplus deposit reserve funds	116,779	80,199
Investments in debt securities and others with original maturities of three months or less	154,216	97,792
Deposits with banks and non-bank financial institutions due within three months	49,780	82,967
Placements with banks and non-bank financial institutions due within three months	40,547	56,789
Cash and cash equivalents in the consolidated cash flow statement	478,534	360,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

55 Supplementary information to the consolidated cash flow statement

(Continued)

(b) Disposal of subsidiaries

The Group has no disposal of significant subsidiaries for the years ended 31 December 2022 and 2021.

(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 2020	163,171	968,531	5,760	18,267	1,155,729
Cash flows	(18,709)	251,101	(41,084)	(5,978)	185,330
Business combination	7	–	–	207	214
Foreign exchange adjustments	1,340	28,881	716	4,192	35,129
Other non-cash movements	(904)	(3,807)	40,684	4,074	40,047
At 31 December 2021	144,905	1,244,706	6,076	20,762	1,416,449
Cash flows	21,533	(40,181)	(48,701)	(6,277)	(73,626)
Business combination	8,374	227,820	–	2,234	238,428
Foreign exchange adjustments	(2,654)	(101,232)	1,951	(374)	(102,309)
Other non-cash movements	(320)	(15,632)	49,268	5,516	38,832
At 31 December 2022	171,838	1,315,481	8,594	21,861	1,517,774

(d) Issue and redemption of other equity instruments by subsidiaries

In 2022, subsidiaries did not repurchase any other equity instruments. (2021: Redemption of other equity instruments by subsidiaries was the redemption of RMB3,324 million (HKD4,003 million) of capital debentures without fixed terms by the Group's subsidiary China CITIC Bank).

In 2022, China CITIC Bank, a subsidiary of the Group, issued RMB3,990 million (HKD4,641 million) of capital debentures without fixed terms (2021: China CITIC Bank, a subsidiary of the Group, issued RMB43,852 million (HKD52,813 million) of capital debentures without fixed terms).

In 2022, CITIC Special Steel, a subsidiary of the Group, issued convertible bonds. For details, please refer to Note 47(f).

56 Major transactions with non-controlling interests

In 2022, the Group has no major transactions with non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

57 Balance sheet and reserve movement of the Company

	As at 31 December	
	2022 HK\$ million	2021 HK\$ million
Non-current assets		
Fixed assets	1	2
Interests in subsidiaries	460,139	456,239
Interests in associates	7,953	6,922
Interests in joint ventures	35	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	3,499	3,773
	471,627	466,971
Current assets		
Amounts due from subsidiaries	73,838	69,747
Trade and other receivables	106	14
Cash and deposits	3,005	2,609
	76,949	72,370
Total assets	548,576	539,341
Current liabilities		
Bank and other loans	28,943	12,405
Amounts due to subsidiaries and other related parties	12,610	12,205
Trade and other payables	270	301
Income tax payable	1,913	1,391
Debt instruments issued	13,231	5,141
	56,967	31,443
Non-current liabilities		
Long term borrowings	41,661	54,802
Debt instruments issued	48,402	53,071
Derivative financial instruments	58	628
	90,121	108,501
Total liabilities	147,088	139,944
Equity		
Share capital	381,710	381,710
Reserves	19,778	17,687
Total ordinary shareholders' funds	401,488	399,397
Total liabilities and equity	548,576	539,341

The balance sheet of the Company was approved and authorised for issue by the board of directors on 31 March 2023.

Director: Zhu Hexin

Director: Xi Guohua

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

57 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Share capital HK\$ million (Note 49(a))	Capital reserve HK\$ million (Note 49(b)(i))	Hedging reserve HK\$ million (Note 49(b)(ii))	Retained earnings HK\$ million	Total HK\$ million
At 31 December 2021	381,710	630	(574)	17,631	399,397
Cash flow hedges:					
– Fair value gain during the year	–	–	613	–	613
	–	–	613	–	613
Profit attributable to shareholders of the Company	–	–	–	20,561	20,561
Dividends paid to ordinary shareholders of the Company	–	–	–	(19,083)	(19,083)
At 31 December 2022	381,710	630	39	19,109	401,488

	Share capital HK\$ million (Note 49(a))	Capital reserve HK\$ million (Note 49(b)(i))	Hedging reserve HK\$ million (Note 49(b)(ii))	Retained earnings HK\$ million	Total HK\$ million
At 31 December 2020	381,710	630	(1,001)	17,602	398,941
Cash flow hedges:					
– Fair value gain during the year	–	–	427	–	427
	–	–	427	–	427
Profit attributable to shareholders of the Company	–	–	–	15,680	15,680
Dividends paid to ordinary shareholders of the Company	–	–	–	(15,651)	(15,651)
At 31 December 2021	381,710	630	(574)	17,631	399,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

58 Major business combinations

(a) Combination of CITIC Securities

The Group holds 18.45% shareholding interest of CITIC Securities, which was originally an associate of the Group. On 13 April 2022, CITIC Securities issued a resolution announcement of the interim shareholders' meeting, which approved the restructuring of the Board of Directors of CITIC Securities. The majority of the members of the Board of Directors of CITIC Securities after the restructuring were nominated by the Group. Taking into account other relevant factors, the Group consolidated CITIC Securities as business combinations achieved in stages.

The investment in CITIC Securities held by the Group were treated as a deemed disposal at the combination date (13 April 2022), resulting in a deemed disposal gain of HK\$12,677 million (RMB10,312 million) (Note 7).

The consideration paid for the acquisition and the fair value of identifiable assets, liabilities and non-controlling interests acquired at the combination date are summarised as follows:

Consideration:

	HK\$ million
Fair value of investment in CITIC Securities held by the Group at the combination date	66,366
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	201,695
Cash held on behalf of customers	331,726
Margin accounts	138,555
Refundable deposits	77,927
Trade and other receivables	14,340
Financial assets at fair value through profit or loss	623,630
Debt investments at fair value through other comprehensive income	78,666
Interests in associates and joint ventures	17,847
Intangible assets	716
Investment properties	1,817
Fixed assets	10,702
Right-of-use assets	11,844
Deferred tax assets	10,529
Others	78,643
Total identifiable assets acquired	1,598,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

58 Major business combinations (Continued)

(a) Combination of CITIC Securities (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed (Continued)

	HK\$ million
Placements from banks and non-bank financial institutions	32,879
Financial liabilities at fair value through profit or loss	72,685
Financial assets sold under repurchase agreements	298,076
Customer brokerage deposits	335,413
Trade and other payables	235,164
Employee benefits payables	24,698
Debt instruments issued	227,820
Deferred tax liabilities	7,068
Provisions	1,093
Others	57,851
Total identifiable liabilities assumed	1,292,747
Total identifiable net assets of CITIC Securities	305,890
Non-controlling interests	(253,577)
Goodwill	14,053
Total net assets acquired	66,366

Net cash paid for acquisition:

	HK\$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	192,413
	192,413

The Group's revenue and net profit attributable to ordinary shareholders of the Company during the period from 13 April 2022 to 31 December 2022 contributed by CITIC Securities were HK\$57,745 million and HK\$3,372 million respectively.

Had CITIC Securities been consolidated from 1 January 2022, the Group's consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Company of HK\$789,127 million and HK\$75,481 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

58 Major business combinations (Continued)

(b) Combination of a trust plan and Shenzhen Chengkai Xinyin Investment Co., Ltd.

On 21 June 2022, subsidiaries of the Group entered into an agreement with Kaisa Group (Shenzhen) Co., Ltd. ("Kaisa") to restructure certain projects ("underlying projects") originally held by Kaisa through a trust plan, after which the interests of the underlying projects enjoyed by the Group and Kaisa was held by Shenzhen Chengkai Xinyin Investment Co., Ltd. ("Chengkai Xinyin"), which was wholly owned by the trust plan. The Group and Kaisa hold the corresponding interests of the trust plan. In accordance with the provisions of the agreement, the Group nominated a majority of members in the decision-making departments of the trust plan and Chengkai Xinyin, and has variable returns. Therefore, the Group obtained control over the trust plan and Chengkai Xinyin, and included them in the scope of the consolidated financial statements.

The consideration paid for this business combination and the identifiable fair value of assets, liabilities and non-controlling interests acquired at the combination date (21 June 2022), adjusted based on subsequent evaluation results, are summarised as follows:

Consideration:

	HK\$ million
Fair value of the equity of the underlying projects enjoyed at the combination date	18,381
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	67
Trade and other receivables	12,313
Inventories	1,930
Interests in associates and joint ventures	7,734
Fixed assets	1,032
Others	561
Total identifiable assets acquired	23,637
Trade and other payables	1,515
Others	898
Total identifiable liabilities assumed	2,413
Total identifiable net assets of the trust plan and Chengkai Xinyin	21,224
Non-controlling interests	(2,843)
Total net assets acquired	18,381

Net cash received from acquisition:

	HK\$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	67
	67

From 21 June 2022 to 31 December 2022, the impact of the trust plan and Chengkai Xinyin on the Group's revenue and net profit attributable to ordinary shareholders of the Company was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

59 Post balance sheet events

The Group does not have any significant events after the balance sheet date that need to be disclosed.

60 Comparative amounts

Restatements have been made on some of the comparative amounts to ensure the comparability with current year's financial statements.

61 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

62 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 2022 and which have not been early adopted in these consolidated financial statements.

Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽¹⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non – current ⁽²⁾
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽³⁾

(1) Effective for the annual periods beginning on or after 1 January 2023.

(2) Effective for the annual periods beginning on or after 1 January 2024

(3) 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 2022

63 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation/ Type of legal entity	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/ Limited liability	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. (formerly known as Daye Special Steel Co., Ltd.) 中信泰富特鋼集團股份有限公司 (前稱大冶特殊鋼股份有限公司)	Mainland China/ Stock limited company (listed)	Special steel production	5,047,154,263	83.84%	0%	83.84%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100%
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 (listed)	Telecom services	3,688,280,882	57.73%	0%	57.73%
CITIC Finance Company 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/ Stock limited company (listed)	Banking industry	48,934,843,657	65.97%	0%	65.97%
CITIC Securities Company Limited (Note58(a)) 中信證券股份有限公司	Mainland China/ Stock limited company (listed)	Securities related services	14,820,546,829	18.45%	2.93%	15.52%
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/ Limited liability	Trust services	N/A	100%	0%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

63 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation/ Type of legal entity	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/ Limited liability	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/ Limited liability	Consumer finance	N/A	70%	0%	70%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda (listed)	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/ Stock limited company (listed)	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/ Limited liability	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design & Construction Co., LTD 中信工程設計建設有限公司	Mainland China/ Limited liability	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/ Limited liability	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/ Limited liability	Real estate development	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China/ Limited liability	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/ Limited liability	Real estate management	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China/ Limited liability	Infrastructure and elderly services	N/A	100%	0%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

63 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation/ Type of legal entity	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Dicastal Company Limited 中信戴卡股份有限公司	Mainland China/ Stock limited company	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/ Limited liability	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/ Limited liability	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/ Limited liability	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 中信出版集团股份有限公司	Mainland China/ Stock limited company (listed)	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/ Limited liability	Service	N/A	100%	0%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

63 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 (listed)	Real estate development	10,944,883,535	10.01%	0%	10.01%
China Securities Co., Ltd. 中信建投證券股份有限公司	Mainland China	Securities related services	7,756,694,797	9.47%	0%	9.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,216,754,579	25.92%	0%	25.92%

(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



Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

羅兵咸永道

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 223 to 403, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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

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
- Impairment of the Sino Iron Project

INDEPENDENT AUDITOR'S REPORT

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

Refer to Note 2(i), Note 3(b), Note 27 and Note 29 to the consolidated financial statements.

As at 31 December 2022, gross 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 RMB5,166.07 billion (approximately HK\$5,783.32 billion), for which management recognised an impairment allowance of RMB131.61 billion (approximately HK\$147.34 billion); total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,968.71 billion (approximately HK\$2,203.94 billion), for which management recognised an impairment allowance of RMB31.28 billion (approximately HK\$35.02 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 Hong Kong Financial Reporting Standard 9: Financial Instruments.

We understood and evaluated management's internal controls and assessment process for the measurement 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 such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

We assessed and tested the design and the operating effectiveness of the internal controls relating to the measurement of 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 on-going monitoring and optimisation of the models;
- Internal controls relating to significant management judgments and assumptions, including the assessment 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;

INDEPENDENT AUDITOR'S REPORT

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 an 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 impairment loss was incurred; • Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;	• 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. We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers, and financial investments. The substantive audit 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 test whether or not the models reflect the modelling methodologies documented by management.

INDEPENDENT AUDITOR'S REPORT

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 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.	We have examined the accuracy of data inputs for the ECL models, covering: (i) 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 the 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

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)

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.

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation 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, other available information and possible future factors together with discount rates in supporting the computation of loss allowance.

We checked and evaluated the financial statement disclosures in relation to the measurement of ECL for loans and advances to customers, and financial investments.

Based on the procedures performed above, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers, and financial investments were supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank

Refer to Note 2(e), Note 3(j) and Note 54 to the consolidated financial statements.

As at 31 December 2022, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank are structured entities that are not included in the scope of consolidation.

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 from its involvement with the structured entities and the ability to exercise its power to influence the variable returns from these structured entities.

We have identified this as a key audit matter due to the material balance of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.

We evaluated and tested the design and operating effectiveness of management's relevant internal controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included management's 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 substantive procedures as following:

- 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, gain from investments, 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;
- examined and evaluated the financial statement disclosures relating to the consolidation of structured entities.

Based on the procedures performed above, we considered that management's judgements on the consolidation of structured entities for non-principal guaranteed WMPs were supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project Refer to Note 2(t), Note 3(d), Note 3(k) 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 2022. As a result, management has determined that no impairment indication existed for the Project as at 31 December 2022. In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2022, 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 procedures performed above, we considered that management's judgements on the impairment indication of the Sino Iron Project were supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT

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

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

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 Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2023

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, 17/F, Far East Finance Centre, 16 Harcourt Road, 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 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: <i>(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)</i>	16 June 2023 to 21 June 2023 (both days inclusive)
Closure of Register: <i>(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)</i>	28 June 2023 to 30 June 2023 (both days inclusive)
Annual General Meeting:	21 June 2023 Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place, 88 Queensway Hong Kong
Dividend payment:	22 August 2023

Annual Report 2022

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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