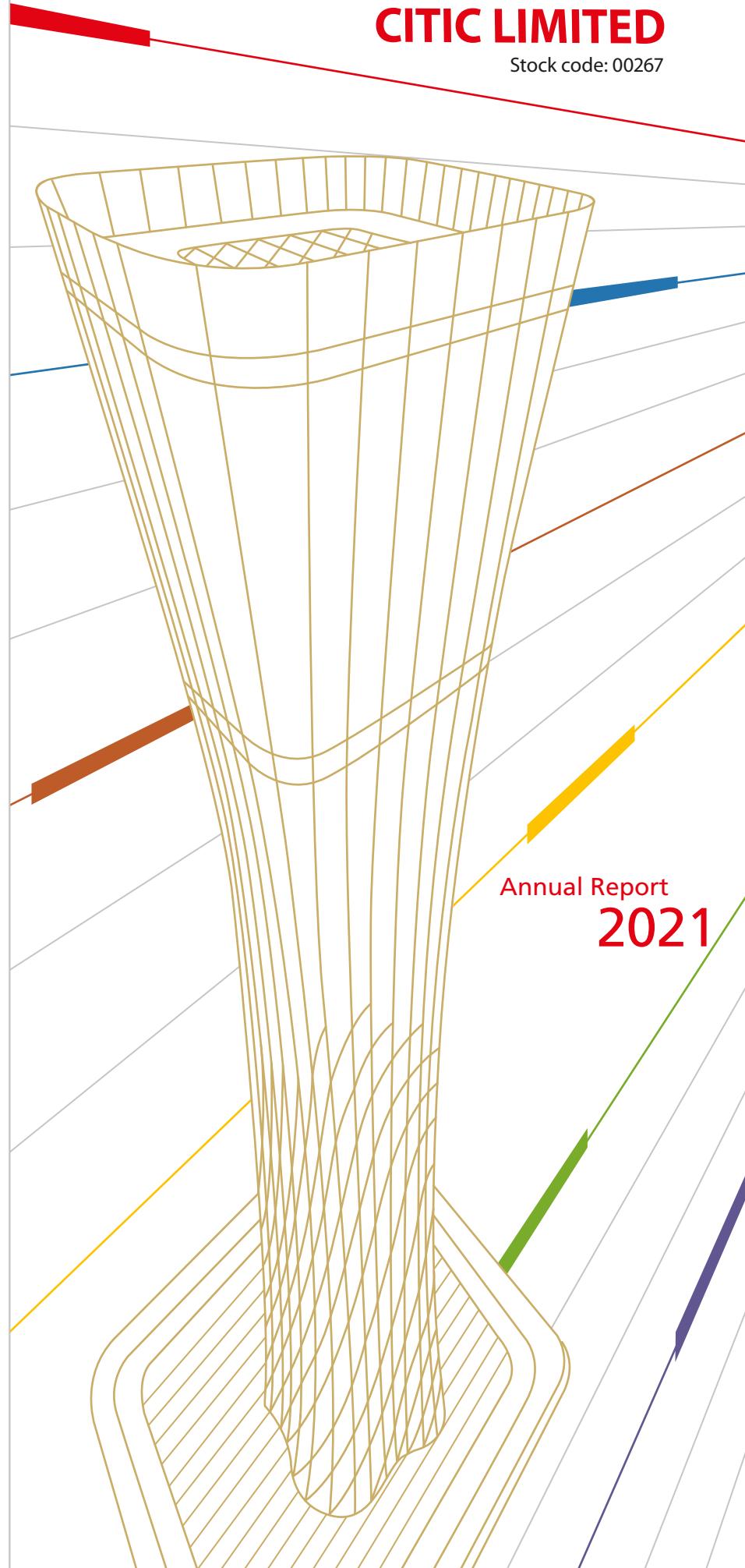


CITIC LIMITED

Stock code: 00267



中信
CITIC



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 Bank ¹ (601998.SH) (00998.HK)	65.97%			
		CITIC Securities ² (600030.SH) (06030.HK)	18.45%			
		CITIC Trust	100%			
		CITIC-Prudential Life	50%			
		China Securities ³ (601066.SH) (06066.HK)	4.53%			
		CITIC Finance	98.69%			
		CITIC Consumer Finance ⁴	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 ⁵ (01205.HK)	59.50%			
		CITIC Mining International	100%			
		CITIC Pacific Energy Investment	100%			
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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:	As at 4 March 2022, CITIC Limited's total shareholding in CITIC Securities has further increased to approximately 18.45%.					
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New Consumption						
		CITIC Telecom International (01883.HK)	57.80%			
		AsiaSat	50.50%			
		CITIC Press (300788.SZ)	73.50%			
		Dah Chong Hong	100%			
<hr/>						
						
New-Type Urbanisation						
		CITIC Agriculture	100%			
		CITIC Construction	100%			
		CITIC Engineering	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%			
<hr/>						

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: As at 4 March 2022, CITIC Limited's total shareholding in CITIC Securities has further increased to approximately 18.45%.

Note 3: CITIC Limited holds 4.53% of the shares of China Securities through Glasslake Holdings Limited, an indirect wholly-owned subsidiary.

Note 4: CITIC Limited holds 35.1% and 34.9% of the shares of CITIC Consumer Finance through CITIC Corporation, a wholly-owned subsidiary and CITIC Trust, an indirect wholly-owned subsidiary, respectively.

Note 5: 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.

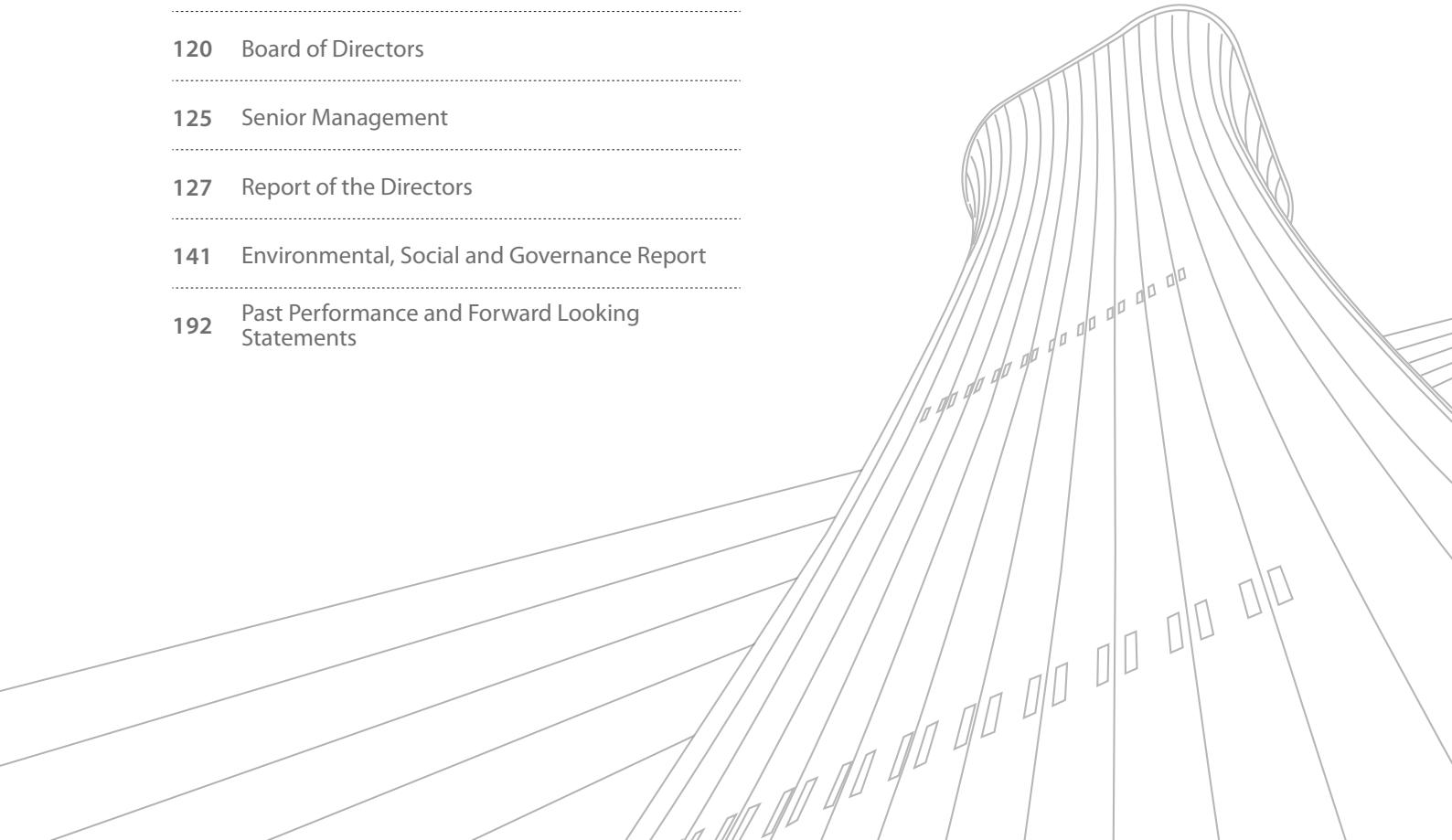
Note 6: CITIC Limited holds 3.33% of the shares of SSC (Stock code: 600871.SH) through CITIC Corporation, a wholly-owned subsidiary and 10% shares of China Overseas Land & Investment Limited (Stock code: 00688.HK) through an indirect non wholly-owned subsidiary.

CONTENTS

2	Highlights
4	Chairman's Letter to Shareholders
OUR BUSINESSES	
8	Comprehensive Financial Services
24	Advanced Intelligent Manufacturing
32	Advanced Materials
42	New Consumption
50	New-Type Urbanisation
66	Financial Review
81	Risk Management
87	Five Year Statistics
88	Corporate Governance
120	Board of Directors
125	Senior Management
127	Report of the Directors
141	Environmental, Social and Governance Report
192	Past Performance and Forward Looking Statements

FINANCIAL STATEMENTS

193	Contents of Financial Statements and Notes
194	Consolidated Income Statement
195	Consolidated Statement of Comprehensive Income
196	Consolidated Balance Sheet
198	Consolidated Statement of Changes in Equity
200	Consolidated Cash Flow Statement
202	Notes to the Consolidated Financial Statements
388	Independent Auditor's Report
399	Corporate Information



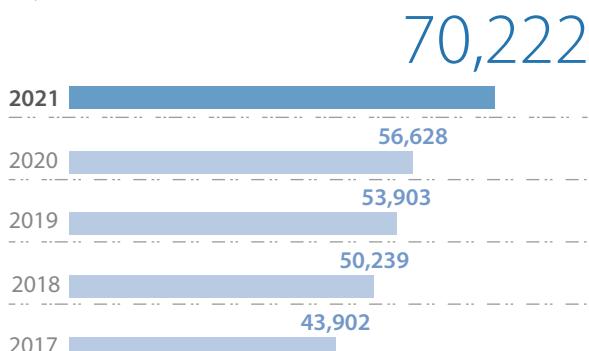
HIGHLIGHTS

HK\$ million	Year ended 31 December		
	2021	2020	Increase/ (Decrease)
Revenue	708,936	552,949	28%
Profit before taxation	121,141	97,718	24%
Net profit	100,278	80,928	24%
Profit attributable to ordinary shareholders	70,222	56,628	24%
Basic earnings per share (HK\$)	2.41	1.95	24%
Diluted earnings per share (HK\$)	2.41	1.95	24%
Dividend per share (HK\$)	0.606	0.488	24%
Net cash (used in)/generated from operating activities	(40,694)	193,225	(121%)
Capital expenditure	42,235	29,616	43%

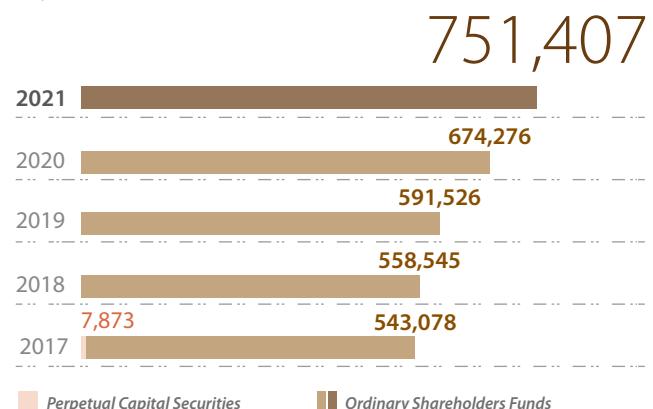
	As at 31 December 2021	As at 31 December 2020	Increase/ (Decrease)
Total assets	10,685,521	9,740,828	9.7%
Total liabilities	9,519,931	8,732,186	9.0%
Total ordinary shareholders' funds	751,407	674,276	11%
Return on total assets (%)	1.3%	1.2%	0.1pp
Return on net assets (%)	9.9%	8.9%	1pp
Staff employed	136,637	135,304	1.0%

Business	Business assets		Revenue from external customers		Profit attributable to ordinary shareholders	
	As at 31 December 2021	Increase/ (Decrease)	Year ended 31 December 2021	Increase/ (Decrease)	Year ended 31 December 2021	Increase/ (Decrease)
Comprehensive financial services	10,050,873	10%	256,760	12%	52,075	20%
Advanced intelligent manufacturing	66,837	14%	47,694	247%	632	40%
Advanced materials	272,756	14%	282,422	44%	19,162	89%
New consumption	72,055	(5.4%)	65,564	(6.4%)	1,610	80%
New-type urbanisation	349,907	13%	56,366	27%	7,810	(17%)

Profit attributable to ordinary shareholders HK\$ million

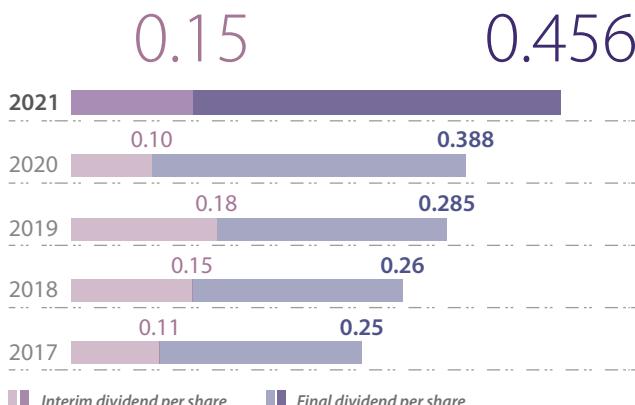


Total ordinary shareholders' funds and perpetual capital securities HK\$ million



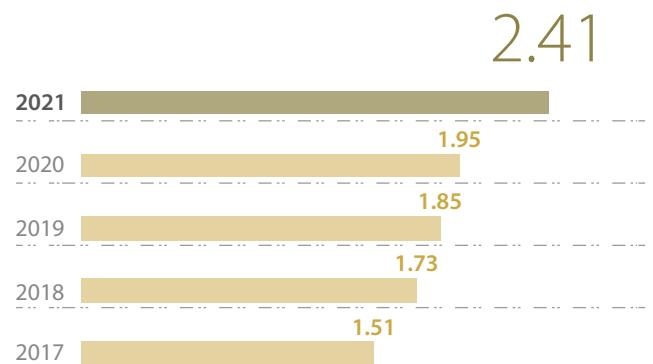
Dividend per share

HK\$



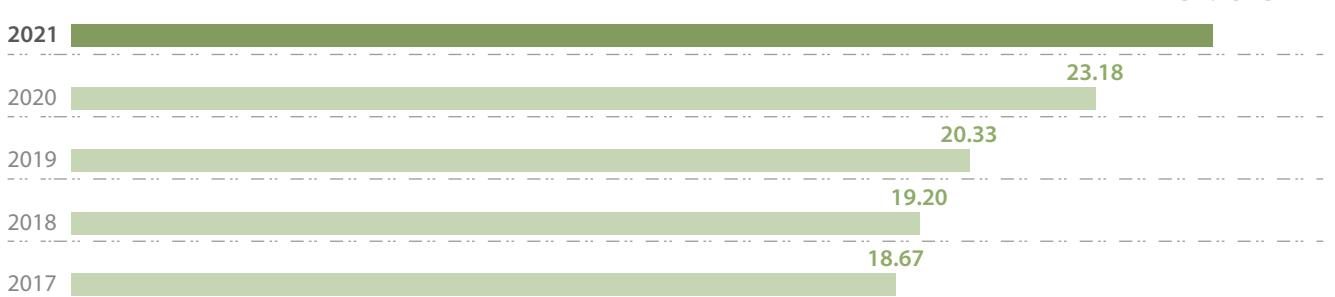
Earnings per share

HK\$



Ordinary shareholders' funds per share

HK\$



CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

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

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

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

Business review

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



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

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

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

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

Integration, collaboration and expansion

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

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

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

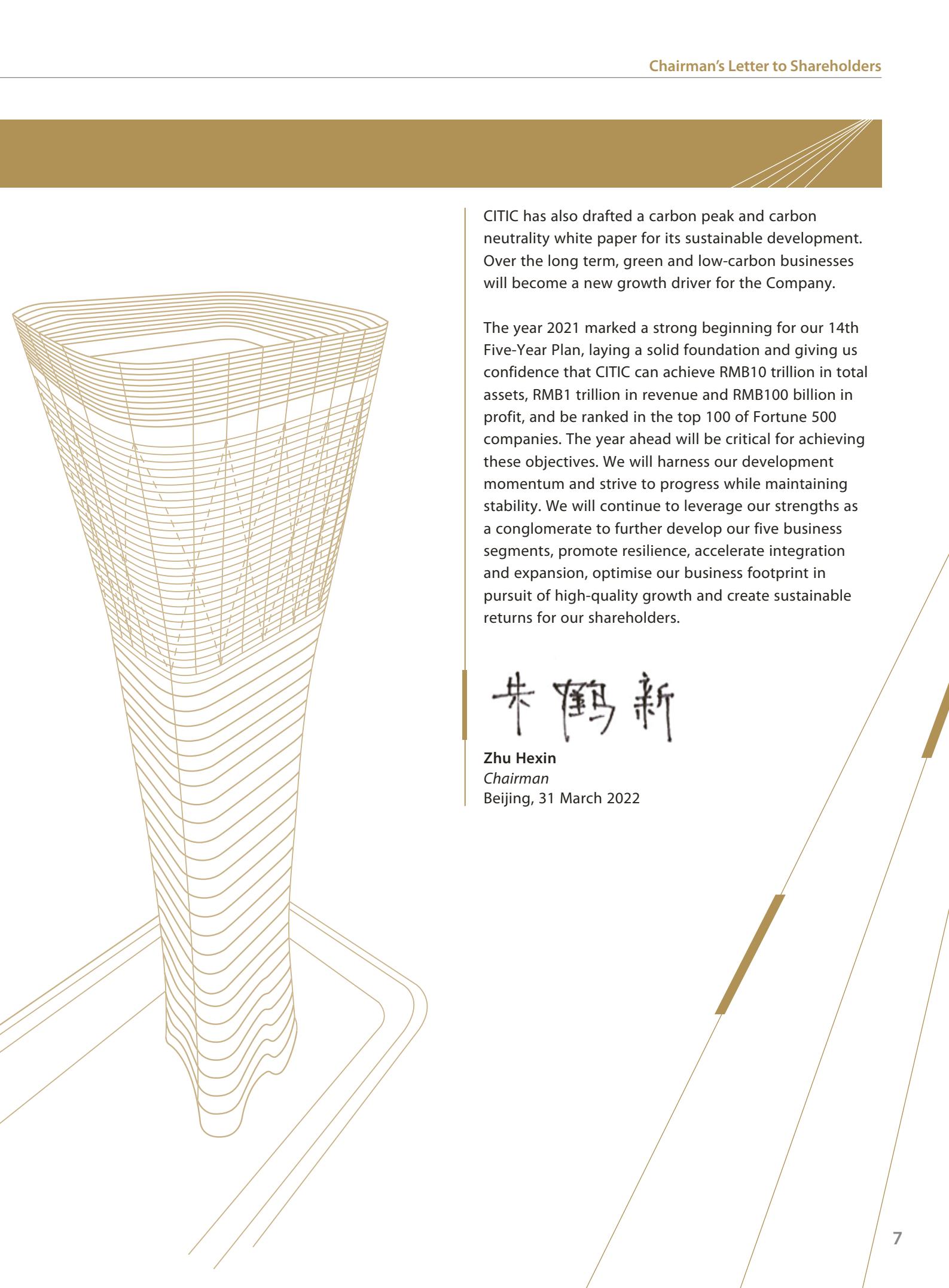
We also strengthened collaboration and synergy among our businesses in 2021. Synergies in the financial segment continued to develop in terms of scale and depth, with co-financing of RMB1.56 trillion provided by our financial subsidiaries. Through these efforts, we brought in RMB754.0 billion of corporate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

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

Pursuing sustainable development

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

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



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

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

朱鹤新

Zhu Hexin
Chairman
Beijing, 31 March 2022



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 Bank

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



CITIC Trust

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

+12%2021  256,7602020  229,103**PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

HK\$ million

+20%2021  52,0752020  43,516**TOTAL ASSETS**

HK\$ million

+10%2021  10,050,8732020  9,113,747**CAPITAL EXPENDITURE**

HK\$ million

+70%2021  13,4502020  7,909

In the comprehensive financial services segment, profit attributable to ordinary shareholders increased by 20% to HK\$52.1 billion. CITIC Bank recorded revenue over RMB200 billion for the first time and the profit attributable to shareholders increased by 13.6% to RMB55.6 billion, attaining the highest growth rate in nearly eight years. Profit attributable to shareholders of CITIC Securities increased by 55% to RMB23.1 billion, further consolidating its industry-leading position. CITIC Trust actively promoted transformation and optimisation, achieving a net profit of RMB3.5 billion and maintaining its top three ranking in the industry for fifteen consecutive years. CITIC-Prudential Life achieved double-digit growth in both premium income and profitability, realising a net profit of RMB2.9 billion and further improving its overall solvency position.



BANKING

CITIC Bank

CITIC Bank is a leading national commercial bank with highly integrated capabilities and strong brand recognition in China. With nearly 60,000 staff and total assets exceeding RMB8 trillion, its core businesses include corporate banking, retail banking and financial markets services. In 2021, CITIC Bank ranked 16th in the Top 500 World Banking Brands Leaderboard and its Tier 1 capital ranked 24th in the Top 1000 World Banks as published by the British financial magazine The Banker.

Year in Review

In 2021, CITIC Bank maintained positive momentum in its operating performance and improved profitability. During the period, it recorded operating revenue of RMB204.6 billion, a 5% increase year-on-year, of which net interest income was RMB147.9 billion, a 2% decrease year-on-year. Non-interest income increased by 26% year-on-year to RMB56.7 billion, driven by the wealth management and bank card business. The proportion of non-interest income rose by 4.7 percentage points to 27.7%, effectively compensating for the impact of narrowing net interest margins brought about by downward market interest rates. CITIC Bank achieved profit attributable to its shareholders of RMB55.6 billion, up 14% year-on-year.

<i>RMB million</i>	2021	2020	Change
Revenue	204,554	195,399	5%
Profit attributable to shareholders	55,641	48,980	14%
Total assets	8,042,884	7,511,161	7%
Return on equity (%)	10.73%	10.08%	0.65pp

During the period, CITIC Bank steadily expanded the scale of its business, improved its service quality and enhanced efficiency for the real economy. As of the end of 2021, total assets amounted to RMB8,042.9 billion, an increase of 7% compared to the previous year end, with loans to customers up 9% and customer deposits up 5% year-to-date. During the period, CITIC Bank proactively implemented national macro policies and increased credit support in key areas, resulting in positive growth momentum in green credits, loans to strategic emerging industries and inclusive finance.

CITIC Bank embraced a continual improvement in asset quality and enhancements in risk resilience. As of the end of 2021, non-performing loans (NPL) recorded “dual declines”, with the balance of NPL falling 8% compared to the beginning of the year to RMB67.5 billion and the NPL ratio declining 0.25 percentage point from the end of the previous year to 1.39%. The provision coverage ratio was 180.07%, an increase of 8.39 percentage points from the end of the previous year.

During the period, CITIC Bank maintained its focus on capital management under the guidance of “light risk-weighted assets with higher return”, so as to improve capital application efficiency at all fronts. It recorded a capital adequacy ratio of 13.53%, an increase of 0.52 percentage point from the end of the previous year; a 10.88% tier-one capital adequacy ratio, 0.70 percentage point higher than the end of the previous year; and an 8.85% core tier-one capital adequacy ratio, up 0.11 percentage point from the end of the previous year, all of which fulfilled regulatory requirements.

Business Highlights

RMB million	Operating Income 2021	By percentage 2021	Operating Income 2020	By percentage 2020
Corporate banking	94,056	46.0%	89,473	45.8%
Retail banking	82,567	40.4%	79,644	40.8%
Financial markets	26,512	13.0%	22,713	11.6%
Other	1,419	0.6%	3,569	1.8%

Corporate Banking

Our corporate banking sector recorded operating income of RMB94.1 billion, accounting for 46.0% of total revenue. Corporate loans grew by 7.64% during the year. CITIC Bank increased efforts in proactive marketing and allocated more credit resources to target areas, achieving significant growth in policy-supported areas such as the new generation of information technology, integrated circuits, green credit and strategic emerging industries. Throughout the year, new loans granted to industries falling within actively supported categories accounted for 51% of total new loans, with the rate of increase higher than the average growth rate of general bank-wide loans, resulting in a significant improvement in credit structure. CITIC Bank adhered to the principle of being customer-centric and thoroughly reviewed marketing targeted at its core customer base. As of the end of 2021, CITIC Bank recorded 926,700 corporate clients in total and maintained steady growth in 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 RMB8.3 billion with the scale of financing reaching RMB955.3 billion. CITIC Bank completed the underwriting of 1,342 debt financing instruments with an underwriting scale of RMB762 billion, ranking first in the market.

International Business: CITIC Bank adhered to its original mandate of serving the real economy and maintained steady growth. It continued to promote the FT account¹ system and its free trade businesses across the “three nodes of the country,”—Shanghai, Guangzhou and Haikou—and rolled out a comprehensive financial service platform “Free Trade Zone Financing”.

¹ Namely free trade account, which refers to local and foreign currency accounts that accord with uniform rules opened by financial institutions under the free trade accounting unit according to the needs of customers.

Transaction Banking: CITIC Bank vigorously expanded its transaction banking business, which was an important pillar for transforming its corporate banking services, and promoted capital-light development and digital transformation. As of the end of 2021, CITIC Bank served a total of 836,600 transaction banking clients, an increase of 17% year-on-year. CITIC Bank registered transaction financing volume of RMB869.6 billion, 2.6 times that of the end of the previous year. It recorded transaction turnover of RMB134 trillion, an increase of 25% over the previous year, with its business achieving rapid development.

Custody Business: During the period, CITIC Bank actively developed key businesses such as mutual funds, occupational annuities, enterprise annuities and cross-border custody, with the custody scale exceeding RMB11 trillion. It had 80 newly-raised mutual funds under custody totaling RMB133.6 billion, an increase of 1.75 times compared to the previous year. Moreover, the custody scale of occupational annuities reached a new level and the custody scale of enterprise annuities was RMB130.6 billion, ranking second among joint-stock commercial banks.

Auto Finance: The business had 6,688 customers, up by 1,637 over the prior year, setting a record high. The balance of outstanding financing was RMB160.2 billion, up 9% from the prior year-end. During the reporting period, RMB440 billion of loans were extended, growing 16% year-on-year and outperforming the market, with an overdue advance ratio of 0.03%, indicating sound asset quality.

Retail Banking

Operating income from retail banking was RMB82.6 billion, accounting for 40.4% of total revenue. CITIC Bank continued to promote the deepening of the retail operations system and achieved continuous growth in the number of customers. As end of 2021, there were 120 million individual customers, an increase of 8% from the previous year. Mainstream customers mainly operated on mobile Apps and the total number of basic mainstream customers increased by 7% year-on-year. The increase in VIP and affluent customers each surpassed 100,000 with the total number of VIP customers exceeding 1 million, ranking among the forefront of comparable peers. Private banking customers exceeded 60,000, an increase of 18% from the end of the previous year.

As of the end of 2021, the balance of personal deposits was RMB868.0 billion, an increase of 6% year-to-date. The balance of personal loans (excluding credit cards) was RMB1,477.6 billion, up 8% from the end of the previous year; the balance of mortgage loans was RMB943.7 billion, an increase of 5% from the end of the previous year. In terms of the credit card business, the bank focused on high-quality development while strictly adhering to regulatory requirements and stringent risk management to satisfy customer demand and build a considerate card brand image. As of the end of the year, a total of 101.32 million credit cards were issued, up 9% from the end of the previous year; the total credit card loan balance was RMB527.7 billion, an increase of RMB42.5 billion from the end of the previous year. During the reporting period, the total trade turnover of credit card reached RMB2,780.1 billion, representing a year-on-year increase of 14%.

Financial Markets

Operating income generated from financial markets reached RMB26.5 billion, accounting for 13% of total revenue. The Bank improved its interbank business by optimising its investment strategy, strengthening customer relationships and adjusting its business structure. The balance of interbank customer assets (including deposits and placements with banks) was RMB216.1 billion at year end, a decrease of 15% from the end of the previous year. The balance of interbank liabilities (including deposits and borrowings with banks) reached RMB1,201.2 billion, an increase of 2% from the end of the previous year. In terms of the financial markets business, the Bank achieved a record high in revenue leveraging professional advantages to seize opportunities, which led to

breakthroughs in economic benefits, management and risk control capabilities. During the reporting period, the bank retained its leading position in the interbank market-making business with transaction volumes reaching US\$2.12 trillion, an increase of 25% compared to the previous year. As of the end of 2021, the total volume of non-risk-bearing wealth management products reached RMB1,403.3 billion. Revenue from the wealth management business reached RMB6.9 billion during the year.

Innovation and Fintech

Empowered by Fintech, CITIC Bank strengthened its comprehensive digital capabilities in operations and management, striving to enhance overall competitiveness and market value, and supporting the high-quality implementation of the Strengthening Core Business Initiative. During the reporting period, the bank invested RMB7.5 billion in Fintech, a year-on-year increase of 9%.

CITIC Bank accelerated the transformation of innovation into productivity. Having largely completed independent R&D for the AI-powered “CITIC Brain” platform, the Bank’s products, sales, risk control and operations have all been comprehensively enhanced.

We also launched the “Efficiency+” platform to significantly reduce labour costs and resolve business challenges such as inefficient manual daily operations and procedural breakdowns. The platform was named “Best Process Automation Project in China” by The Asian Banker in 2021. Additionally, the Bank completed the upgrade of its Blockchain Platform 2.0 and continued to lead the industry while simultaneously implementing various new business scenarios such as supply chain finance, family trust and online provident fund loans, which was heralded as the “Best Blockchain Project in China (Capital Management Category)” by The Asian Banker in 2021.

CITIC AiBank was officially launched in November 2017. A new share issuance accepted by Canada Pension Plan Investment Board (CPP Investments) was approved by the China Banking and Insurance Regulatory Commission in November 2020; its registered capital increased from RMB4.0 billion to RMB5.634 billion with CITIC Bank holding 65.7% of the shares. In 2021, CITIC AiBank launched AI virtual brand officer AIYA, the first in the industry. It’s independent platform, AiBank Inside, obtained a regulatory license from the People’s Bank of China. At the end of 2021, CITIC AiBank had 807 employees, with total assets reaching RMB79.4 billion, an increase of 19%; total liabilities increased by 21% to RMB72.6 billion; and net assets amounted to RMB6.8 billion. During the year, total revenue reached RMB3.0 billion and the profit for the full year reached RMB263 million.





CITIC Trust

CITIC Trust is a national non-bank financial institution under the supervision of the China Banking and Insurance Regulatory Commission. It focuses principally on the trust business, complemented by a proprietary business to better manage its balance sheet and invests in subsidiaries to diversify its portfolio. CITIC Trust is the only trust company in China whose net profit attributable to the parent company has been ranked among the top three in the industry for 15 consecutive years. As a leader in its field, CITIC Trust has also been given the highest rating by Chinese regulatory authorities and has been garnered accolades including, among others, "The Best Trust Company of the Year 2021", "Outstanding China Trust Company of the Year" and "The Best Trust Company Serving Real Economy" by well-known media at home and abroad.



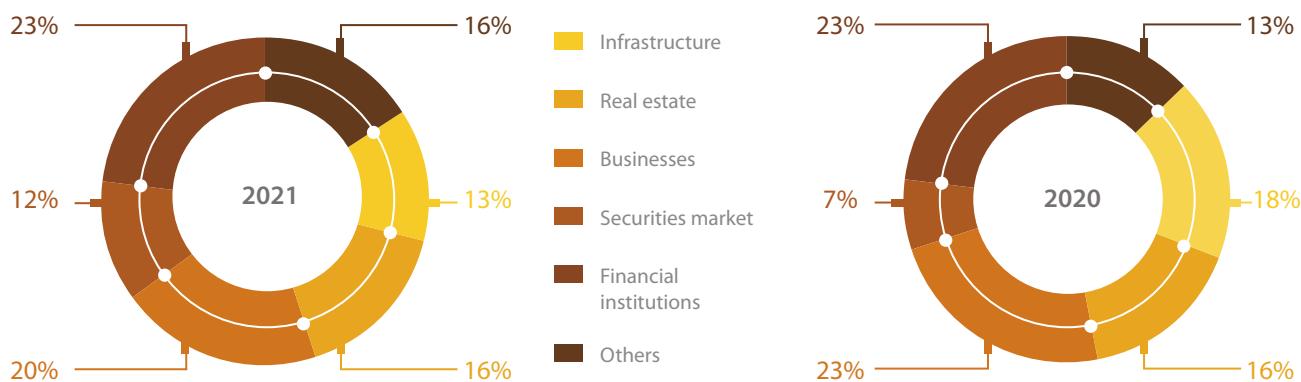
Year in Review

CITIC Trust proactively made deployments and adopted changes in 2021 as the industry braced for tougher challenges and tightening regulations in a complicated macro environment. CITIC Trust gradually reduced its trust assets under management, promoted business transformation, optimised its asset structure and enhanced profitability to maintain sustainable operating results. Total operating revenue amounted to RMB8.6 billion, revenue generated from trust fees and commissions amounted to RMB5.8 billion and net profit amounted to RMB3.5 billion. Benefiting from continuous optimisation of the revenue structure, investment income recorded solid growth of 45% during the period.

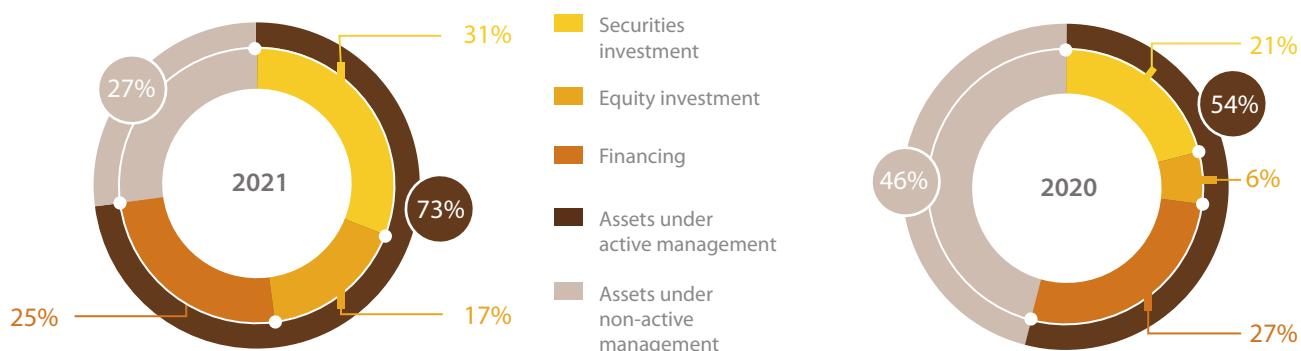
RMB million	2021	2020	Change
Revenue	8,585	8,746	-2%
Profit attributable to shareholders	3,501	3,855	-9%
Total proprietary assets	49,324	47,114	5%
Trust assets under management	978,778	1,224,659	-20%
Return on equity (%)	10.09%	11.97%	-1.88pp

CITIC Trust's mission is to "implement national strategies, serve the real economy and contribute to a better life". Adhering to this mission, it targeted new prospects amid market changes, 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 RMB45.5 billion, maintaining its position at the top in the industry, where it has ranked for many consecutive years.

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 financial solutions to clients from corporations, government departments, financial institutions and other institutional investors, especially through the use of investment and financing instruments such as debt and equity. During the reporting period, CITIC Trust leveraged the group's strength as a comprehensive platform with both "financial and industrial" elements and continued to increase efforts to serve the real economy. It made use of its asset securitisation products to support the production of coal power enterprises and power supply to southern Jiangsu. CITIC Trust actively followed CITIC Limited's green development roadmap in order to help achieve the national goals of "carbon peak" and "carbon neutrality". It implemented carbon neutral green renewable bond projects to support the construction of green and environmentally-friendly industry projects. It also issued asset-backed notes to support the development of small and medium-sized enterprises in the supply chain. Leveraging its flexible trust structure and risk isolation capability, it developed an alternative investment trust business of over RMB15 billion in scale.

To achieve the goal of inclusive finance, CITIC Trust is committed to providing clients with high quality and efficient consumer financial services through the use of financial technology and intelligent risk control, as well as by performing thorough analyses of consumption scenarios. CITIC Trust intends to cultivate high-quality, high-tech enterprises by investing in the CASIC Fund to assist businesses operating in fields including aerospace, information technology chip and 5G+industrial internet+intelligent manufacturing.

Wealth Management

CITIC Trust provides diversified dynamic wealth management services for institutional clients and high-net-worth individuals, 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 insurance trust, to different 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 continually diversifies the asset types in trust and enriches the service scenarios, maximising its advantages in differentiated asset management capabilities to meet the diverse wealth management and inheritance needs of its clients. New breakthroughs have been made in the field of non-cash assets with the successful launch of the first credit asset insurance trust. Family trust and insurance trust assets both achieved growth in scale and income during the year.

CITIC Trust continued to improve its asset allocation and management capability. Series Rui, brand of Trust of Funds (TOF), is the largest scale TOF series product independently sold in the trust industry and were awarded honors such as the “Best Securities Investment Trust Product Award” and “Outstanding Standard Trust Product Award” in 2021.

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 safe holding of trust assets.

CITIC Trust has vigorously expanded its asset securitisation business by making full use of its professional fiduciary management advantages to broaden the financing channels of enterprises and serve civil sectors. It has also actively expanded its businesses related to the annuity and pension industry and is the only trust company in the industry that has received a legal entity trustee qualification for enterprise annuity funds.

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. CITIC Trust has established Fangmei Education Charitable Trust, the only domestic charitable trust of over RMB100 million in 2021, with a filing scale of RMB200 million. As of the end of 2021, eight charitable trusts have been successfully filed, with an entrustment scale that exceeds RMB700 million.

CITIC Trust has always adhered to the public welfare actionable strategy of “financial inclusion, and capital for the people”. Over more than 10 years of practice, practical exploration and innovation, CITIC Trust has uncovered the institutional advantages and functional positioning of trust companies in the field of poverty alleviation and public welfare, forming a public welfare and charity ecosystem with company-wide participation, whole-supply-chain coverage and whole-society resonance. It has created a variety of public welfare and charitable poverty alleviation models with trust characteristics, such as co-trusteeship, investment-linked poverty alleviation, a Chinese version of the Donor-Advised Fund or DAF and investment-linked charity. With the amplification effect of the “accumulation and sharing” of trusts, the effectiveness of its charity models have been further strengthened. As a result, the social impact and cohesive power of CITIC Trust’s charitable activities were enhanced.

Proprietary Business

To support the development of businesses in CITIC Trust and its subsidiary companies and to achieve the mid-to-long-term strategic goal of achieving proprietary asset growth targets, the proprietary business abides by the principle of formulating a proper asset allocation strategy that balances return and risks according to compliance requirements in the net capital adequacy ratio and leverage ratio. As 62% of additional investments in proprietary assets went to standard assets in 2021, the previous portfolio with loans and non-standard investments which had dominated for many years in the past, has thus been changed and the investment structure of proprietary assets has been optimised. At the end of the recording period, the total proprietary assets of CITIC Trust amounted to RMB49.3 billion, up 5% from the previous year.

Professional Subsidiary Business

To enrich its asset management services, CITIC Trust established additional professional subsidiaries, including CTI Capital, CITIC Trust PE, CITIC Prudential Fund, to build a comprehensive financial service platform combining businesses in private equity funds, mutual funds and overseas asset management, among others.

As the first overseas platform of China Trust Company, CTI Capital has obtained multiple licences, including Type 1, 4, and 9 licences approved by the Securities and Futures Commission (SFC) of Hong Kong, as well as a trust licence and money lenders licence issued by the Hong Kong Companies Registry. It is recognised as a Qualified Foreign Investor (QFII/RQFII) with the approval of the China Securities Regulatory Commission. CTI Capital actively supports the development of the Greater Bay Area and enterprises from both Hong Kong and mainland China exploring cross-border markets. During the reporting period, AUM reached US\$1.357 billion and the overseas trust business made significant progress with an increase in trust assets amounting to US\$60 million.

CITIC Trust PE, a private equity and venture capital fund manager registered with the Asset Management Association of China, is mainly engaged in the management of private equity investment funds with assets under management of RMB44.8 billion at the end of the reporting period. It focused on investments in the equity market, ranging from advanced manufacturing to new energy, culture and consumption. During the reporting period, its investment fund in the advanced manufacturing division achieved remarkable results with a significant increase in the value of investment projects in the commercial aerospace and industrial software industries. It also invested in several new high-tech projects, such as microwave radio frequency, chip design and infrared equipment.

CITIC Prudential Fund, one of the first Sino-foreign joint venture fund management companies in China established by CITIC Trust and Prudential plc, is mainly engaged in the management of mutual funds and specific assets. During the reporting period, it registered significant growth in the fund management business, driving the value of its assets under management to RMB162.3 billion. In particular, the equity fund investments performed well with several products leading in this category.

Risk and Capital

CITIC Trust adheres to the concept of “leveraging risk management to serve business development and value enhancement”, paying special attention to risk prevention and safeguarding the bottom line. CITIC Trust greatly values net capital management and ensures that a balance is maintained between capital expansion and business development. By the end of 2019 its registered capital increased from RMB10 billion to RMB11.3 billion. During the reporting period, there were 532 trust projects completed with no defaults recorded and RMB466.7 billion of principal distributed. As of the end of 2021, the net capital adequacy ratio reached 189% and the balance of net capital reached RMB22.1 billion, building a solid foundation for sustainable growth.

Indicator	Year End 2021 (RMB billion)	Year End 2020 (RMB billion)	Change	Regulatory Requirement
Net capital	22.1	22.0	0.5%	≥RMB200 million
Total risk capital	11.7	11.0	6.4%	N/A
Net capital adequacy ratio (%)	189%	200%	-11pp	≥100%
Net capital/Net asset (%)	69%	72%	-3pp	≥40%



INSURANCE

CITIC-Prudential Life

CITIC-Prudential Life is a 50-50 joint venture between CITIC Limited and Prudential Corporation Holdings Limited, which offers life, health and accident insurance and reinsurance services. At the end of 2021, CITIC-Prudential Life operated a total of 23 branches in 99 cities across China. The credit rating of CITIC-Prudential Life continued to be AAA in 2021 with a stable outlook.



Year in Review

In 2021, the insurance industry faced pressure in new business growth with a slowdown in premium growth. Despite a complex and volatile environment, CITIC-Prudential Life maintained stable and satisfactory operations by implementing a diversified and differentiated channel development strategy, orienting towards high-quality development and business transformation. The revenue increased 14% year-on-year to RMB32.7 billion while the premium income grew 15% to RMB26.8 billion in 2021. Net profit rose 16% to RMB2.9 billion and total assets increased by 33% to RMB184.2 billion. It maintained a solvency adequacy ratio of 261% as it successfully issued RMB4 billion of capital supplementary bonds on 8 June 2021.

<i>RMB million</i>	2021	2020	Change
Operating revenue	32,711	28,772	14%
Profit attributable to shareholders	2,899	2,509	16%
Total assets	184,157	138,094	33%
Return on equity (%)	22%	24.5%	-2.5pp

Risk Management

Since 2016, CITIC-Prudential Life has been rated "Class A" by China Banking and Insurance Regulatory Commission (CBIRC) in every quarterly Integrated Risk Rating (IRR). It is also the only foreign-funded life insurance company that has been rated as "Class A" for 24 consecutive quarters, maintaining its consistently solid risk control status.

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. In 2021, CITIC-Prudential Life adhered to its primary mission to optimise insurance solutions and continuously improve business structure, which resulted in a year-on-year increase of 15% in premium income. 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.

By product type (RMB million)	2021	2021 proportion	2020	Change
Life insurance	20,558	77%	17,116	20%
Health insurance and accident insurance	6,269	23%	6,245	0.4%
Total premium income	26,827	100%	23,361	15%

Distribution

CITIC-Prudential Life adheres to a diversified and differentiated distribution strategy. Facing the challenges brought by manpower loss and premium income decline 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, it recorded relatively stable growth with a year-on-year increase of 11% in overall premium income. The bancassurance channel embraced its competitive advantages and continued to implement the four-wheel strategy of "channel+product+team+technology", yielding a year-on-year increase of 19% in premium income.

By distribution channel (RMB million)	2021	2021 proportion	2020	Change
Agency	12,795	48%	11,477	11%
Bancassurance	12,931	48%	10,893	19%
Others	1,101	4%	991	11%
Total premium income	26,827	100%	23,361	15%

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 and balanced asset management strategy as well as stringent risk management to provide strong support for business operations and channel transformation. By the end of 2021, the total investment of insurance funds increased by 37% to RMB174.9 billion. The performance of investment linked policy (ILP) was varied but surpassed performance benchmarks overall while the financial income of non-ILP continued to increase. In addition, 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

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

Year in Review

In 2021, CITIC Securities' investment banking, asset management, wealth management and other businesses maintained balanced and steady growth and recorded operating revenue of RMB97.324 billion, a year-on-year increase of 35.42%, while profit attributable to shareholders reached RMB23.100 billion, a year-on-year increase of 55.01%.

RMB million	2021	2020	Change
Revenue	97,324	71,869	35.42%
Profit attributable to shareholders	23,100	14,902	55.01%
Total assets	1,278,665	1,052,962	21.44%
Return on equity (%)	12.07%	8.43%	3.64pp

Investment Banking

In the domestic equity financing business, following the reform of the registration system, CITIC Securities continued to expand its IPO business on the STAR Board and the ChiNext Board, focusing on the development of private placement (for cash) business. Meanwhile, it actively explored business opportunities in convertible bonds, private placements for asset transactions and rights issues, and continued to boost quality management and risk control processes for equity financing projects to reinforce and enhance its comprehensive competitive strengths. In 2021, CITIC Securities completed a total of 194 A-share lead underwriting transactions, with an aggregate value of RMB331.92 billion (including cash and asset private placements), representing a year-on-year growth of 5.8% and a market share of 18.3%, ranking first in the market.

With respect to overseas equity financing, CITIC Securities further strengthened its integrated domestic and foreign management and continued to focus on new economic sectors, including information media, consumption, medical and health industries. On a joint bookrunner basis, the company completed 53 overseas equity transactions with a total underwriting amount of US\$7.94 billion, of which the volume of equity financing in the Hong Kong market amounted to US\$6.44 billion, ranking second among Chinese securities companies in the SAR.

The debt financing business continued to maintain a leading position in the industry with a total underwriting amount of RMB1,564.05 billion, a year-on-year increase of 20.0%, which accounted for a market share of 5.8%, ranking first in the industry. The company underwrote a total of 3,318 debentures, ranking first among its peers.

In the overseas Chinese-funded US dollar bond business, CITIC Securities completed 121 transactions with a total underwriting volume of US\$4.02 billion, ranking fourth among Chinese securities companies. The company also offered diversified services to clients, including structured and leveraged financing, risk management solutions and liquidity management.

In its financial advisory business, CITIC Securities topped the industry in the restructuring of A-share material assets, undertaking RMB95.92 billion in deals. It completed transactions totaling US\$105.32 billion in global mergers and acquisitions involving Chinese enterprises, ranking first in the industry. The company continued to expand its domestic and overseas merger and acquisition business and actively assist clients in integrating global quality resources.

By the end of the reporting period, CITIC Securities, as a nominated adviser and broker in the New OTC Market, supervised 12 listed enterprises on the New OTC Market, among which seven have entered into the higher-level Innovation Tier. It assisted two companies on their Select Tier public offerings, which have now been transferred to the Beijing Stock Exchange. CITIC Securities provided market-making services to 31 listed companies, with one company already listed on the Beijing Stock Exchange and 23 companies entered into the Innovation Tier.

Wealth Management

During the reporting period, CITIC Securities further developed its wealth management business by building a standardised, platform-based and refined customer management system and by optimising its multi-level, personalised all asset-inclusive product and service system. It introduced an overall office solution for entrepreneurs, having created a comprehensive wealth management service ecosystem targeting ultra-high-net-worth customers. CITIC Securities renamed the original brand of CITIC Securities Brokerage (HK) to CITIC Securities Wealth Management (HK) to underscore its resolve to establish a comprehensive wealth management platform that provides global asset allocation and trading services for domestic and foreign high-net-worth customers to better serve customers' needs in wealth preservation, appreciation and inheritance. In 2021, the total trading volume of stocks and funds amounted to RMB38.4 trillion, representing a year-on-year increase of 34%. As of the end of the reporting period, the number of clients exceeded 12 million and total assets under custody reached RMB11 trillion, representing an increase of 29% as compared with year-end 2020.

Financial Markets

CITIC Securities operates a comprehensive trading business with service offerings including equity derivatives, fixed-income, commodities and securities financing, in addition to proprietary trading. In the equity derivatives business, CITIC Securities' OTC derivative operations and counter products continued to expand service offering by incorporating more product portfolios and scenarios. The market-making business continued to rank at the top of the market. Trade in equity derivatives covers core international markets, providing clients with global derivatives trading services. In terms of 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 more profit models. Sales of interest rate products ranked first in scale among its peers. Through active deployments in the company's domestic and foreign financing service and securities lending business, CITIC Securities maintained a leading market share in the financing market and recorded substantial growth in securities lending.

Asset Management

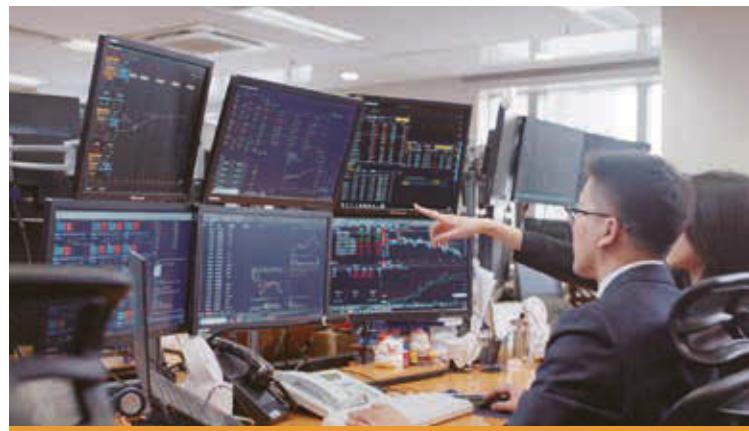
The impending deadline for implementing the “New Regulations on Asset Management” triggered continuous industry transformation and development in the macro environment. In response, CITIC Securities strengthened product innovation in its asset management business and built a strategic product-based platform for the company. As of the end of the reporting period, the asset management business continued to outperform its peers in key segments, achieving an AUM of RMB1,625.74 billion. The company’s private equity management business (excluding pension funds, public offering products and asset securitisation products) attained a market share of 15.87%, ranking first in the industry.

CITIC Securities is the largest shareholder of China Asset Management Company Limited (China AMC). By the end of 2021, the AUM of China AMC reached RMB1,661.61 billion, of which mutual funds accounted for RMB1,038.38 billion and institutional and overseas business accounted for RMB623.23 billion.

Equity Investment

CITIC Securities’ alternative investment subsidiary, CITIC Securities Investment, continued to explore investment opportunities in the fields of advanced manufacturing, information technology, innovative services, healthcare, advanced materials and industrial products, seeking to appropriately advance the stage of investment. It also invested in a number of enterprises with core competitiveness in the fields of consumption, semiconductors, healthcare, advanced materials and information technology.

GoldStone Investment is a platform conceived by CITIC Securities that raises and manages private equity funds. It continued to deepen its collaboration with large-scale industrial groups and establish new funds. As of the end of the reporting period, GoldStone Investment has managed over 20 private equity funds. In 2021, GoldStone Investment invested approximately RMB8 billion in various sectors related to advanced materials, new energy, new information technology, aerospace and healthcare, among others.





ADVANCED INTELLIGENT MANUFACTURING

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

MAJOR SUBSIDIARIES



CITIC Dicastal

is the world's largest aluminum automotive wheels manufacturer.



CITIC Heavy Industries

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



CITIC Holdings

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

REVENUE

HK\$ million

+247%**PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

HK\$ million

+40%**TOTAL ASSETS**

HK\$ million

+14%**CAPITAL EXPENDITURE**

HK\$ million

+183%

The advanced intelligent manufacturing segment achieved profit attributable to ordinary shareholders of HK\$632 million, an increase of 40% year-on-year, primarily driven by CITIC Dicastal, which captured opportunities arising from the recovery of China's automobile market in 2021, supporting growth of 7.76% and 17.87% respectively on the sales of wheels and casting products. CITIC Dicastal's net profit reached RMB1 billion, an increase of nearly 40% year-on-year. Meanwhile, CITIC Heavy Industries maintained solid performance in new business sectors, including offshore wind power and specialty robotics, with net profit growing 16% to RMB227 million.



LIGHTWEIGHT AUTOMOTIVE COMPONENTS

CITIC Dicastal

CITIC Dicastal is the world's largest producer of aluminum automotive wheels. Its products include wheels and lightweight cast components for powertrains, chassis and body systems for the automotive industry. Annual production capacity totals 75 million wheels and 120,000 tonnes of castings.

CITIC Dicastal has 26 major manufacturing facilities across China, the United States, Europe and Africa.

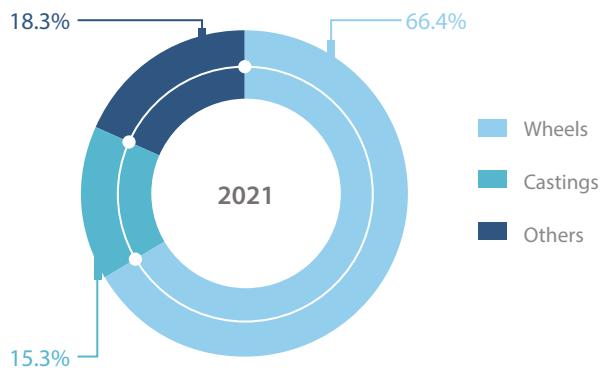
RMB million	2021	2020	Change
Revenue	31,995	26,103	22.57%
Profit attributable to shareholders	1,002	718	39.57%
Total assets	33,253	28,870	15.18%
Return on equity (%)	11.36%	8.75%	2.61pp

Year in Review

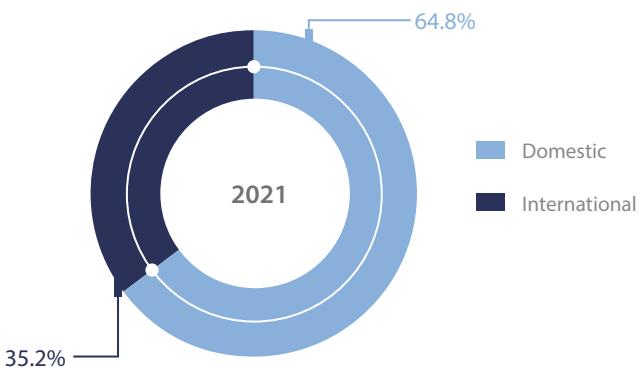
In 2021, worldwide automobile production and sales were significantly impacted by the COVID-19 pandemic and the global automobile industry declined. By contrast, according to the statistics of the China Association of Automobile Manufacturers, the annual production and sales of China's automobile market increased by 3.4% and 3.8% respectively year-on-year, ending the three consecutive years of decline since 2018. This was due mainly to precise and effective pandemic control measures in China, which led to increased production and sales of vehicles as people's lives returned to greater normalcy, shoring up the recovery of China's auto market.

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 2021, CITIC Dicastal sold 60.01 million wheels, reflecting annual growth of 7.76% and sold 97,700 tonnes of casting products, representing 17.87% year-on-year growth. Revenue increased by 22.57% to RMB31.995 billion during the reporting period while net profit increased by 39.57% to RMB1.002 billion.

Sales by Products



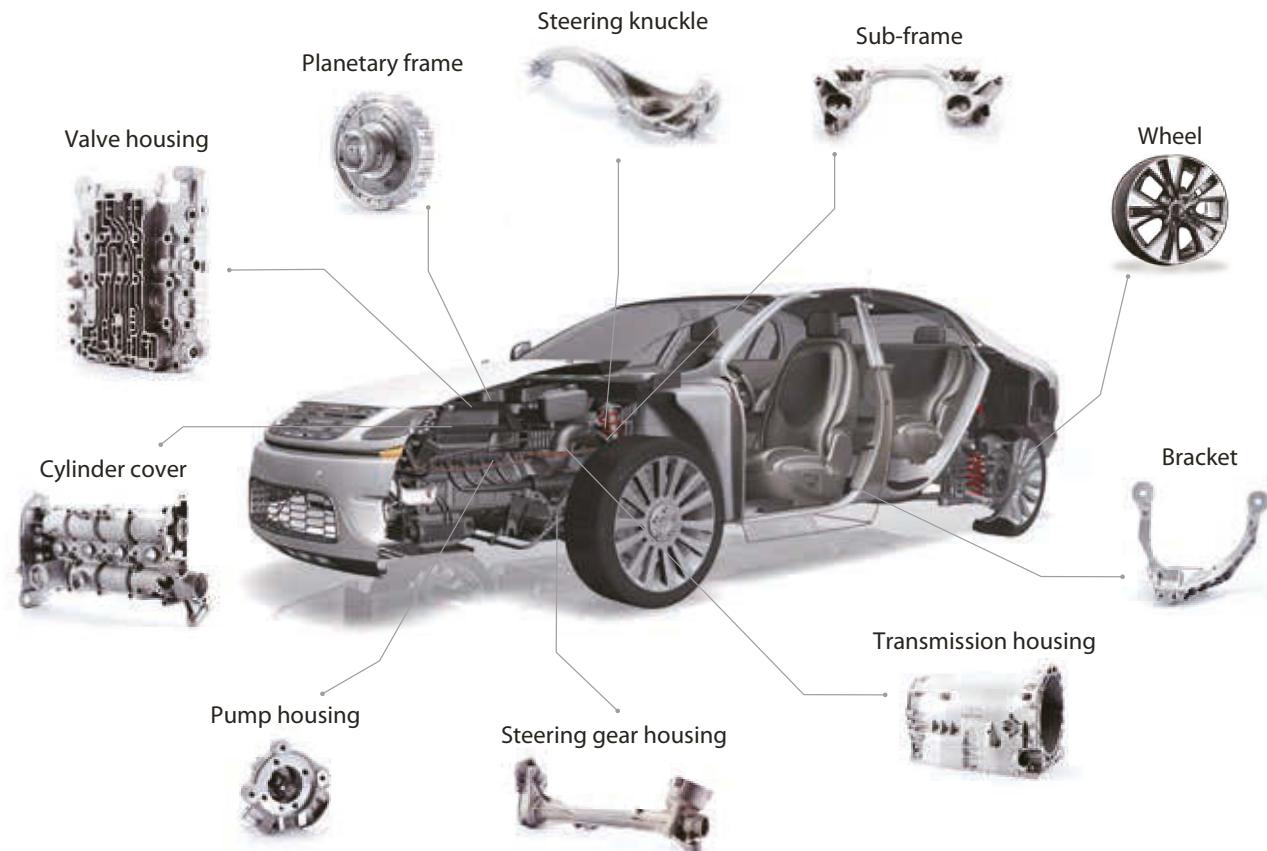
Sales by Industry



Customers

Major customers of CITIC Dicastal's aluminum wheels include 12 leading global automakers, among them Ford, General Motors and Chrysler, as well as major Chinese automakers including FAW, SAIC and Dongfeng. Major customers for lightweight aluminum cast components include Daimler, Volkswagen and parts manufacturers, including TRW, ZF and Bosch. In 2021, sales generated by the top 10 customers of CITIC Dicastal's aluminum wheels accounted for 32.66% of total product sales.

Major Products



Research and Development of Lightweight Products

CITIC Dicastal is dedicated to becoming a supplier of lightweight solutions to global automotive manufacturers in lightweight technology, systemisation and intelligent and global ecological modernisation. The company incorporates the development and application of new and advanced materials to meet the rapidly changing demands of the automotive industry and evolving new energy vehicle developmental trends. The company commences over 50 R&D projects each year, focusing on the development of the next generation of automotive lightweight components.

By developing high-pressure structural parts, the company improved the mechanical properties of its products through alloy optimisation. It achieved mass production and delivery of the modular electric battery (MEB) pack beam, the company's key mass production product in this field, realising a breakthrough from producing high-pressure shells to producing high-pressure structural parts.

The company explored the development of integrated casting for large and complex structures, while also connecting with customers to simultaneously develop integrated casting products, such as door assemblies, integrated rail structures and engine rooms.



INTELLIGENT HEAVY EQUIPMENT & SPECIALISED ROBOTICS

CITIC Heavy Industries

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

CITIC Heavy Industries' major business includes research and development and the offering of advanced industrial equipment products, services and solutions to customers. Products include mining and heavy machinery, specialised robots and intelligent equipment, new energy equipment and special materials. Its main production facilities are located in Luoyang, Henan; Tangshan, Hebei; Zhangzhou, Fujian; Beijing and Vigo, Spain.

Year in Review

RMB million	2021	2020	Change
Revenue	7,550	6,318	19.50%
Profit attributable to shareholders	227	195	16.13%
Total assets	20,337	20,196	0.90%
Return on equity (%)	3.08%	2.70%	0.38pp

In 2021, CITIC Heavy Industries actively implemented the national strategy and the "553" strategy of the Group, consolidated reforms and powered itself with innovation. CITIC Heavy Industries made tremendous achievements in industrial management, with sustained growth in its main business indicators, and ranked among the top in the industry. CITIC Heavy Industries recorded revenue of RMB7.55 billion, up 19.5% year-on-year. Profit attributable to ordinary shareholders was RMB227 million, up 16.13% year-on-year.

The Implementation of National Strategies Presented New Responsibilities

In 2021, CITIC Heavy Industries continued to participate in major national aerospace engineering projects and serviced the in-orbit construction of China's space station, safeguarding the journeys of the Shenzhou-12 and Shenzhou-13 manned spacecrafts as well as the Long March-5B carrier rocket. The large mills developed for Erdenet in Mongolia and Qinghai Yellow River Mining Co., Ltd. have been successfully delivered and the ball mills developed for Kamoa-Kakula Copper Mine reached production targets. CITIC Heavy Industries also completed the online "cloud" delivery of CSM-1500 vertical stirred mill, developed for Codelco, the National Copper Corporation of Chile and completed production of the new generation T3.20 boom-type roadheader and the largest nuclear forging "Hualong One" steam generator shell forging. We provided high-quality products for offshore wind power projects such as the Changle 500MW project of Fire Energy Group, the Xuwen 600MW project and the Shenquan 400MW project of State Power Investment Corporation. The 1:4 model of the 2GeV superconducting FFAG accelerator magnet made for the China Institute of Atomic Energy passed checks and acceptance requirements smoothly. The manufacture, delivery and commissioning of critical equipment demonstrated the comprehensive strength of CITIC Heavy Industries as a high-end equipment manufacturing enterprise.

New Breakthroughs in "Bottleneck" Fields

In 2021, CITIC Heavy Industries continued to strengthen its status as a pioneer in national strategic, scientific and technological development, focusing on making breakthroughs in major national products, industry "bottleneck" technology and significant technologies conducive to industrial development, focusing on 23 "bottleneck" projects. CITIC Heavy Industries developed the largest domestic CSM-2250 vertical stirred mill, with capabilities transcending China's current high-end ultra-fine grinding equipment. We successfully developed the hydraulic pile-driving hammer, the first domestic "bottleneck" product for marine industries, which disrupted the existing monopoly of foreign companies. We successfully finished the delivery of Asia's largest commercial-grade wind power plant product—10MW suction jacket—and successfully developed the first domestic 14-metre-diameter urban shaft boring machine and the first domestic ultra-deep shaft boring machine for hard rock construction. In addition, the 100-tonne nuclear spent fuel ductile iron container passed appraisal and was recognised as advanced among similar products in the world. The coal mine underground inspection robot and binocular vision beneficiation special robot have been applied for the first time in the industry, while the magnetic wall-climbing cleaning robot was delivered in batches, realising the goal of replacing workers with robots in special working conditions. The 125MN pre-drawing unit, the largest in Asia, also went through hot load testing successfully, following a series of project completions relating to the "Big Plane", manned space program and the construction of the 120MN stretching machine to support lunar exploration.

New Progress in Industrial Transformation

In 2021, adhering to the concept of "development driven by strategy, propelled by innovation, and enhanced by values", CITIC Heavy Industries comprehensively promoted the transformation and upgrading of traditional kinetic energy and the cultivation and development of new kinetic energy. CITIC Heavy Industries maintained steady growth in its mining and heavy machinery business, which provided stabilising and anchoring effects for the company. The cultivation of new businesses in offshore wind power, special materials and robots achieved exceptional results, with the pace of our industrial transformation continuously accelerating.

In particular, CITIC Heavy Industries realised new successes in our robots and intelligent equipment business. The company worked together with China Molybdenum Co., Ltd to promote the construction of intelligent mines and jointly contributed to the transformation and upgrading of the mining industry through intelligentisation. CITIC HIC Kaicheng Intelligence actively explored collaborations with Huawei Technologies Co., Ltd in coal mine intelligentisation, and confirmed partnerships for projects on Harmony, F5G, WIFI6, intelligent camera, and others. CITIC HIC Kaicheng worked together with China University of Mining and Technology to initiate the establishment of the “Union of the Innovative Application of Mining Robots,” and jointly served as its president. CITIC HIC Kaicheng has also been recognised as a company with emergency material production and storage capabilities among ten other reserve-base companies in Hebei province. In the new energy equipment business, CITIC Heavy Industries focused on offshore wind power equipment and other clean energy equipment, and delivered approximately 100 sets of offshore wind products as scheduled, providing a solid offshore foundation for the 627.5MW offshore wind power project, generating 1.883 billion kW per hour of clean energy and reducing carbon emissions by 1.8769 million tonnes. As for the special material business, the “Hualong One” voltage regulator contract fully demonstrated CITIC Heavy Industries’ technical capacity and industry influence in the high-end large nuclear power forging market. We provided in batches high-quality key forgings and castings for hydropower projects located in Qingyuan County (Liaoning Province), Xiamen City (Fujian Province), and Julius Nyerere (Tanzania), among others. We also provided the first batch of large mould products for new energy vehicle company Tesla, attesting to the company’s ability to provide high-end moulded material manufacturing and customisation solutions.



INDUSTRIAL INTERNET PLATFORM

CITIC Holdings

CITIC Holdings is the main force behind the digitalisation, intelligentisation and development of the industrial ecosystem of CITIC’s Advanced Intelligent Manufacturing segment. CITIC Holdings accelerates the integration of digital technology and applications and propelled the development of digital industries by building a strategic framework consisting of “one core (digitalisation) and two wings (industrial internet and industrial investment)”.

In the field of industrial internet, the company took the lead in forming an innovation alliance and cooperated with CITIC Dicastal to build the first “lighthouse factory” of CITIC Group. On 27 September 2021, Line 6 of Dicastal Qinhuangdao Aluminum Wheel was named one of the newest “lighthouse factories”, the first in the global automotive wheel manufacturing industry. At present, the application of “lighthouse” principles has already been promoted and replicated in multiple CITIC Dicastal production lines over the world.

CITIC Holding's subsidiary company, CRF Union, researched and developed an industrial intelligence platform to deeply integrate AI technology into a variety of industrial use cases. It strived to build an "AI+industry" core developmental system, consisting of components including AI+visual intelligence, AI+machine intelligence and AI+energy intelligence. It also deepened cooperation with leading enterprises in industries such as auto parts, coal chemicals, consumer electronics, cement building materials and spatial intelligence (factory and ports), in order to provide full-fledged industrial intelligent solutions that create value for customers, realise the cross-industry adoption of "lighthouse capabilities", and help to drive the superior development of enterprises.

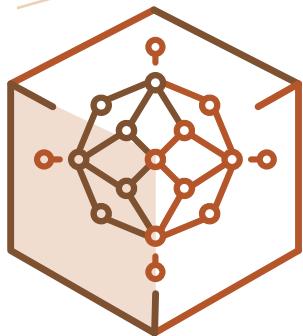


In 2021, CITIC Holdings strengthened its technological innovation capabilities and strived to build a sustainable development engine. Several technological achievements obtained national honourary certifications from the Ministry of Industry and Information Technology (MIIT). For example, the "Casting Cloud" was championed as the "Pilot Demonstration Project of Integrated Development of the New Generation Information Technology and Manufacturing Industry", and the "Metal Casting Whole-Process Quality Closed-loop Control" App won the "2021 Excellent Industrial Internet Solution App" award.

In order to drive the development of an intellectual property framework, the company accelerated the building of a "patent moat", having obtained 56 invention patent authorisations and 43 software copyrights, and published two SCI-indexed journal papers.

In the field of Industry Investment Funds, CITIC Holdings is pivoting towards technological self-reliance and self-improvement, to enhance the coordination of industry and finance, and facilitate the innovation of advanced manufacturing enterprises. CITIC New Future Investment, CITIC Holdings' subsidiary company, intends to orient its future investment towards "professionalisation and specialisation", and to seize strategic opportunities presented by the IT and Energy revolutions. The company has put forth a threefold strategy, focusing on substitution by domestic production, overtaking competitors and original innovation, in order to guide its exploration in areas of core fundamental digital technologies, key supply chains, high-end manufacturing and carbon peak and neutrality. CITIC New Future Investment's portfolio spans a number of technological arcs, including semiconductors, advanced manufacturing, new materials and new energy.

Among the investments, several "bottleneck" projects such as domestic operating systems, domestic databases, FPGA, enterprise-level SSD storage main control chips and hard disks, high-end optical films and high-performance heat sinks have generated considerable investment returns. In 2021, CITIC New Future Investment was shortlisted as one of the Top 20 PE Funds of the Year and one of the Top 10 ESG Investment Institutions of the Year by China FoF Center.



ADVANCED MATERIALS

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

MAJOR SUBSIDIARIES



CITIC Pacific Special Steel

is China's largest producer of special steel.



CITIC Metal

invests in mining and mineral projects, such as copper and ferro niobium, 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 aluminum, bauxite mining, and alumina smelting.



CITIC Mining International

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



CITIC Pacific Energy

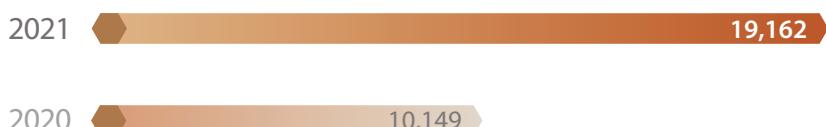
invests in and manages power plants as well as green energy businesses in China.

REVENUE

HK\$ million

+44%**PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

HK\$ million

+89%**TOTAL ASSETS**

HK\$ million

+14%**CAPITAL EXPENDITURE**

HK\$ million

+37%

The advanced materials segment realised profit attributable to ordinary shareholders of HK\$19.162 billion, a substantial increase of 89% year-on-year, resulting mainly from strong commodity prices, particularly of iron ore, and the outstanding performance of CITIC Pacific Special Steel. CITIC Pacific Special Steel further optimised its product mix and sales volume increased by 3.87% to 14.53 million tonnes compared to 2020. Additionally, the company's continuous efforts to improve operating efficiency and control costs contributed to profit attributable to the shareholders of the listed company of approximately RMB8 billion, a 32% increase year-on-year. Benefiting from the strong iron ore price, Sino Iron realised a profit of US\$950 million, an increase of 1.2 times year-on-year. CITIC Metal recorded a 14% increase in profit attributable to the parent company to RMB1,751 million by undertaking vigorous initiatives in commodity trading and by continuing to consolidate its overseas mining resources. Leveraging the opportunity emerging from the rising price of crude oil, CITIC Resources stabilised its production and realised profit attributable to ordinary shareholders of RMB916 million, accomplishing a turnaround from loss to profit compared to the prior year.

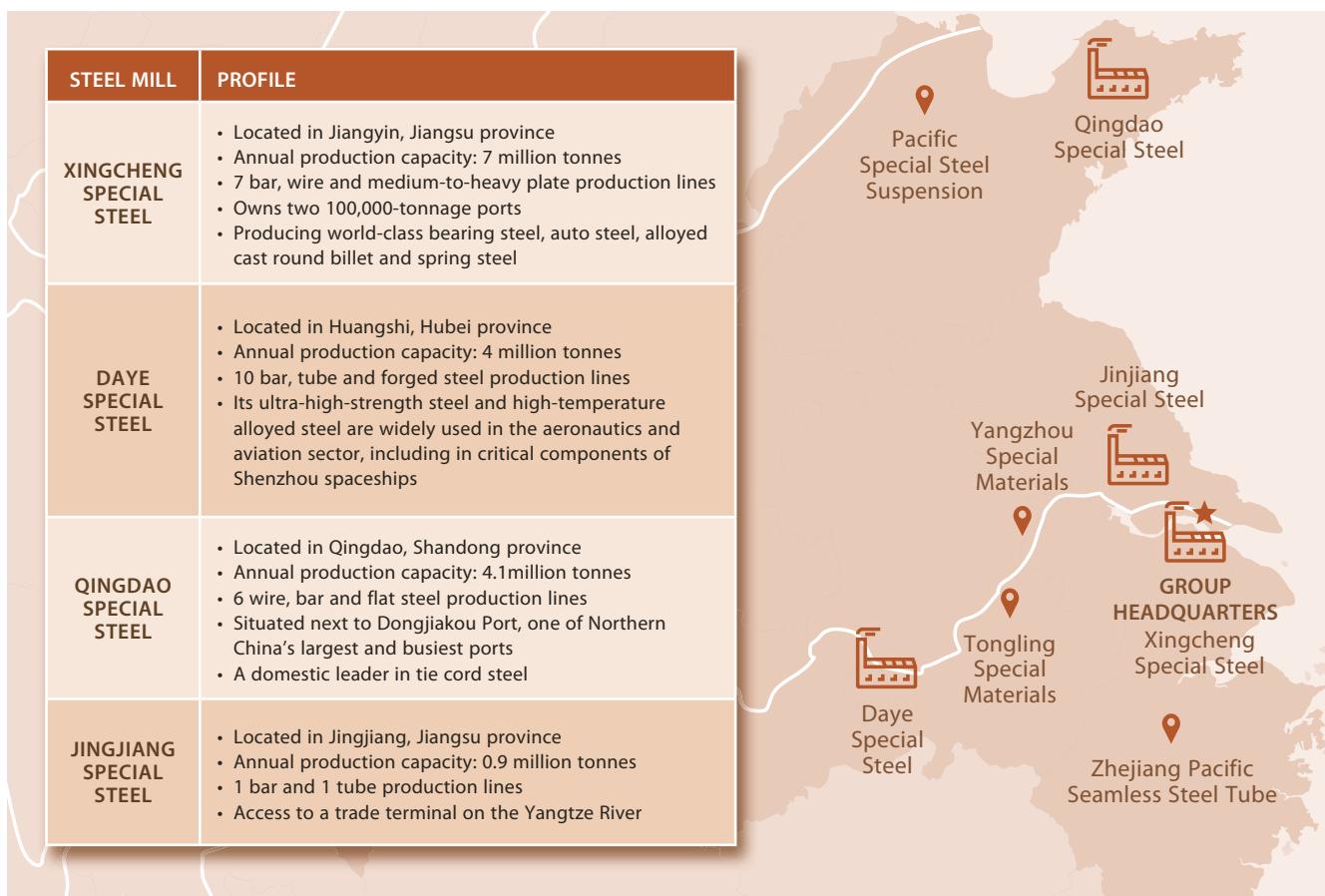


SPECIALTY NEW MATERIALS

CITIC Pacific Special Steel

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

With a total production capacity of over 16 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 Jinan. In addition, the company acquired 40% of the shares of Shanghai Electric Group Pipe Co., Ltd. and thereby obtained management rights of Tianjin Pipe Corporation in 2021.



Year in Review

<i>RMB million</i>	2021	2020	Change
Revenue	97,332	76,289	27.58%
Profit attributable to ordinary shareholders	7,953	6,032	31.84%
Total assets	84,876	77,468	9.56%
Return on equity (%)	26.78%	22.92%	3.86pp



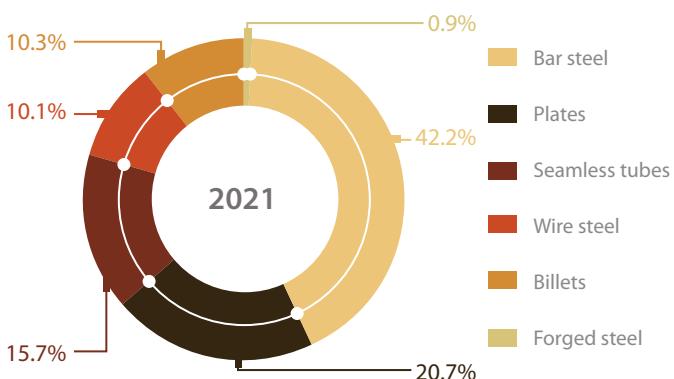
In 2021, China's "Double Control" policy on production capacity and energy consumption, the significant fluctuations of raw material prices, a downturn in the real estate industry and other contributing factors impacted the steel market in China. After a period of rapid growth in both production and sales in the first half of the year, the market began to contract in the second half of the year, causing steel prices to retreat after rallying in the first half of the year. Under the policy context of reduced crude steel production during the period, steel production for the year fell slightly year-on-year in line with the national control plan, while the overall rise in steel prices drove industry efficiency to its highest level ever.

CITIC Pacific Special Steel actively responded to the impact of various factors, including the fluctuation of raw material market prices and the "Double Control" policy on production capacity and energy consumption by optimising its product structure and adjusting product prices in a timely manner, and by following a roadmap that focuses on "internal verification and external expansion" in order to refine and strengthen high-quality special steel products. Sales increased for all four of its steel mills, and the company sold 14.53 million tonnes of special steel products during the period, an increase of 3.87% compared to the previous year. Revenue grew by 27.58% to RMB97.3 billion and profit attributable to the shareholders of the listed company improved 31.84% year-on-year to RMB7.953 billion as a result of sales volume growth and effective cost reductions.

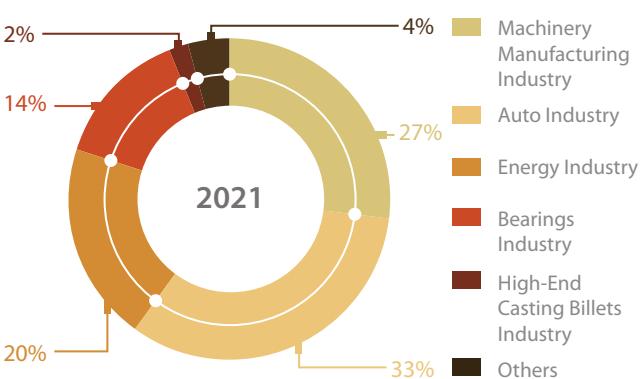
Sales and Products

CITIC Pacific Special Steel adheres to the business strategy of leveraging "domestic trade to supplement foreign trade". Xingcheng Special Steel posted record high sales volume of 6.47 million tonnes. Daye Special Steel's 300M standard steel received bulk orders from the international civil aviation industry. Bead cords and special welding steel produced by Qingdao Special Steel maintained its leading market share in China, and Jingjiang Special Steel was included in the approved supplier list for oil casings by the CNPC for the first time. Export sales amounted to 1.315 million tonnes despite the overall unfavourable export environment, accounting for 9.05% of total sales.

Sales by Product



Sales by Industry



More than half of the company's products are sold to the auto components, machinery manufacturing, and energy industries. CITIC Pacific Special Steel's primary products, bearing steel, recorded sales volume of more than 2 million tonnes in 2021, representing an increase of 17.7% year-on-year and remained the leader in global sales volume, a position it has held for 11 consecutive years. Sales volume of the company's second largest product category, steel products for auto components, amounted to 3 million tonnes, dominating the domestic market for 14 consecutive years. The annual sales of alloyed cast round billets and bead cords reached 1.5 million tonnes and 1.33 million tonnes respectively, both hitting record highs and maintaining their leading national sales position in the country. Specifically, the 1,200mm diameter super-sized round billet once again broke the world record for the largest size round billet.

During the year, the company successfully achieved cost reductions and efficiency enhancements through ongoing measures in procurement, production collaboration, finance, digital transformation and other aspects.

R&D and Innovation

In 2021, over 2.50 million tonnes of new products were developed and sold, representing 17.3% of the total sales volume and a 12% increase in sales of these products as compared to 2020. The company obtained 313 patents including 72 invention patents during the year. During the period, the company established the Technology Department to set up 29 "bottleneck" projects around strategic emerging industries, with two projects being completed within the year. For example, it participated in the "localisation of bogie bearings for high-speed EMUs" project, and successfully resolved the "bottleneck" concerning the sourcing of key materials for high speed railways, achieving "zero" imports for these materials.

In bars, the oversized round billet with a diameter of 1,200mm succeeded in one hot test, setting a new world record for the largest continuous casting round billet, which had previously also been held by the company. Moreover, gears and hot-rolled materials were fully localised and were supplied in batches for use in new energy car models at Tesla, Volkswagen, General Motors and Ford. In terms of wires, the company successfully developed the world's first 2,200MPa-class hot-rolled wire rods for ultra-high-strength bridge cables, filling a supply gap in the world. In plates, the company successfully developed the world's largest wear-resistant steel plate with a thickness of 190mm, and was able to achieve a mass supply. In seamless steel tubes, the company developed Liebherr ultra-long boom pipes for the first time and in special metallurgy forging, the company's exclusive production of high-temperature alloy spinning pipes helped to drive the manned flight of the "Shenzhou-12" and "Shenzhou-13" rockets.

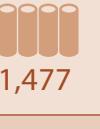
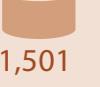
New Projects

As an experienced special steel manufacturer, CITIC Pacific Special Steel continuously invests in the special steel industry. In 2021, the company acquired 40% of the shares of Shanghai Electric Group Pipe Co., Ltd. and thereby obtained management rights of Tianjin Pipe Corporation. The actual production capacity of seamless steel tubes exceeded 5 million tonnes, ranking first in the world in this segment.

During the year, the company also completed the acquisition of 51% equity interest in Hubei Shenfeng, 20% equity interest in Xinyegang Auto Parts Company and 65% equity interest in Qingdao Sidier, which provided support for the company's transformation, upgrading and professionalisation.

The continued Qingdao Special Steel project was completed during the period, with additional production capacity expected to be realised in 2022.

Major Products

Products	Production capacity ('000 tonnes)	Examples	Industries
Bars	 6,133	<ul style="list-style-type: none"> Bearing steel Gear steel Spring steel Alloy tube billet Oilfield steel 	<ul style="list-style-type: none"> Automobile Machinery Power Petroleum & petrochemical Railway
Special Plates	 2,285	<ul style="list-style-type: none"> High-rise building steel High strength plate High strength corrosion-resistant bridge plate Special wear plate Plastic mould plate 	<ul style="list-style-type: none"> Power Construction Shipbuilding Machinery Petroleum & petrochemical
Seamless Steel Tubes	 1,477	<ul style="list-style-type: none"> Petroleum pipe Engineering pipe Ultra high strength steel pipe 	<ul style="list-style-type: none"> Petroleum & petrochemical Machinery Automobile
Wires	 3,011	<ul style="list-style-type: none"> Alloy structural steel Bearing steel Spring steel Cutting wire steel Tire cord steel High strength cable steel 	<ul style="list-style-type: none"> Automobile Metal works Machinery Construction
Casting Billets	 1,501	<ul style="list-style-type: none"> Alloy structural steel Gear steel Bearing steel 	<ul style="list-style-type: none"> Power Petroleum & petrochemical Machinery
Special Forged Steel	 127	<ul style="list-style-type: none"> Tool and die steel Ultra high strength steel Stainless steel High-temperature alloys 	<ul style="list-style-type: none"> Machinery Aerospace Automobile



SPECIALTY RAW MATERIALS

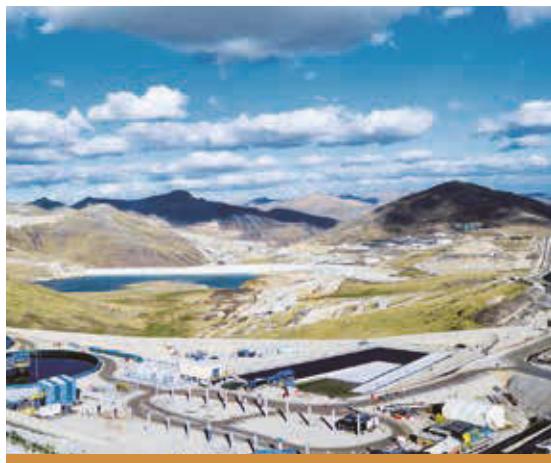
CITIC Metal Group

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 of niobium products, iron ore, non-ferrous metals, steel and aluminum, among others. The company's investment portfolio includes Ivanhoe Mines (IVN.TO; 26.01% shareholding), Las Bambas Copper Mine in Peru, Brazilian niobium miner CBMM, CITIC Titanium, Western Superconducting Technologies (688122.SH; 12.74% shareholding), South Manganese Investment (01091.HK; 5.84% shareholding) and others.

In 2021, CITIC Metal achieved revenue of RMB114.2 billion, an increase of 45% year-on-year, and profit attributable to the parent company of RMB1,751 million, an increase of 14% year-on-year.

In 2021, CITIC Metal actively developed its commodity trading business and significantly enhanced its revenue generating capability, with operating revenue of over RMB100 billion due to the active implementation of the national "going global" strategy. The company maintained its leading position in the niobium product industry, accounting for over 80% market share. It recorded trading volume of over 50 million tonnes of iron ore, maintaining a leading position in the industry. It also recorded annual trading volume of over 0.7 million tonnes of copper concentrate, ranking among the top suppliers in China. The company's steel trading business continued to achieve sustained and sound growth with domestic operating networks steadily advancing. The aluminum trading business recorded annual operating revenue of RMB10 billion.

In recent years, CITIC Metal has continued to consolidate its investments in overseas mining resources. The construction of KK Copper Mine, which is owned by its associate, Ivanhoe Mines Limited, progressed smoothly, entering production several months ahead of schedule. By October 2021, it had stabilized production and achieved production goals. CITIC Metal contracted long-term offtake agreements for 50% of the copper concentrate produced. The Las Bambas Copper Mine in Peru and Brazilian niobium miner CBMM overcame challenges posed by the epidemic and road blockages. They captured market opportunities and actively continued manufacturing, which made positive contributions to securing the stable supply of mineral resources and maintaining profits.



During the year, to fulfil the national development requirements to achieve carbon peak and carbon neutrality, CITIC Metal continuously enhanced its technological capability and increased capital investments to help the country solve bottleneck problems in the field of advanced materials. The company also focused on establishing a capital operation platform with its subsidiary, CITIC Metal Co.'s IPO application officially received by the China Securities Regulatory Commission. CITIC Metal's subsidiary, CITIC Titanium completed its new production line with a capacity of 60,000 tonnes of titanium per year and has been running trials, significantly increasing its manufacturing capacity in high-end products. The company also continued to increase its efforts in the research and development of copper, aluminum, nickel, platinum and other commodities in line with the trend of new energy R&D, contributing to the reform of the national energy production structure and the transition to green development.

Sino Iron

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

Located on the coast of Western Australia's Pilbara region, Sino Iron is a pioneer of magnetite mining and beneficiation in Australia. Since 2013, the fully integrated mining, processing and export facility has been producing a premium, low impurity, 65% Fe concentrate for a growing number of customers. In late 2021, CITIC acquired a further company from the tenement holder which has a mining right of one billion tonnes of magnetite ore, bringing the aggregate group entitlement to three billion tonnes of magnetite ore.



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 transhipment to ocean-going vessels. Supporting infrastructure includes a 480MW combined cycle gas-fired power station, 40% more efficient than open cycle equivalents and a large scale reverse osmosis desalination plant.

In 2021, despite the challenge of COVID-19, CPM's effective management of the pandemic on site enabled continued operations. The company's pandemic management committee worked closely with local health authorities and ensured all precautionary measures were in place to protect the health of all employees and contractors and maintain production. During the past 12 months precautionary measures have included reducing travel movements to and from the mine site, airport health screening of passengers, mask-wearing, social distancing and promotion of good hygiene practices.

In 2021, Sino Iron shipped more than 21 million wet metric tonnes of concentrate to CITIC's special steel plants and other steel mills and achieved a profit of US\$950 million for the reporting period, 121% more than 2020. The result was primarily due to a combination of higher iron ore prices, an ongoing focus on cost control and operating efficiencies.

Sino Iron continues to consolidate its position as Australia's pre-eminent magnetite miner. Since the start of operations, more than 100 million tonnes have now been shipped. In 2021, Sino Iron was recognised as one of Western Australia's top ten exporters by value.

Despite the solid financial results, Sino Iron still faces several challenges to long-term sustainability. There remains ongoing litigation with the tenement holder, including in relation to critical approvals and tenure required for the continuity of operations at Sino Iron. There is an increasing risk that Sino Iron may be forced into production curtailment or suspension if the necessary approvals and tenure cannot be secured, due to factors including the inability to access ore and insufficient space for waste and tailings storage. These matters require the urgent cooperation of all affected parties.

CITIC Resources

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

In 2021, CITIC Resources recorded operating revenue of RMB3.61 billion, a year-on-year increase of 53%. Profit attributable to ordinary shareholders was RMB916 million, representing a turnaround from a loss in 2020, with an increase in profit of RMB1.22 billion.

Oil and Gas Business

The oil and gas segment recorded operating revenue of RMB1.12 billion, up 67% year-on-year. The three oilfields under this segment produced a total of 17,686,000 barrels of crude oil, 5.6% increase against 2020. The steady increase in crude oil production was mainly due to the implementation of the development adjustment program in Yuedong Oilfield and the comprehensive treatment of old wells in KBM Oilfield, which realised the rapid recovery of production.

Oilfields	CITIC Resource's interest	Daily oil production in 2021 (share of the output)	Change compared to 2020	Proven oil reserve estimates as of 31 December 2021 (share of the output)
KBM Oilfield	50%	19,200 barrels	900 barrels	78.1 million barrels
Yuedong Oilfield	90%	6,330 barrels	780 barrels	29.5 million barrels
Seram Block	41%	540 barrels	-100 barrels	1.2 million barrels

Affected by COVID-19 pandemic and low oil prices, KBM Oilfield underwent a major production restriction in 2020 with peak daily production dropping to 4,713 tonnes per day, which had a significant impact on crude oil production in 2021. However, by adopting a series of refined management measures for production wells, KBM Oilfield gradually resumed production and the natural production capacity of old wells was restored to normal levels in July 2021.

In 2021, Yuedong Oilfield achieved a record production of approximately 490,000 tonnes of crude oil through the implementation of its development adjustment program. During the year, 24 new wells were put into production at Yuedong Oilfield and as of 31 December 2021, a total of 55 adjustment wells were in operation, with an average initial production of 17.7 tonnes per day from the new wells and new production capacity of 240,000 tonnes.

Seram Oilfield in Indonesia effectively controlled the decline rate of old wells during the year through measures such as optimising single well production parameters and reopening lying wells.

In order to tap the potential of old oilfields, CITIC Resources conducted five reservoir research projects during the year, which strived to further improve the recovery rate of oilfields by analysing the development status, problems and potential, and by systematically arranging pilot tests, comprehensive management plans and development conversion preparations to strengthen the material foundation for oilfield development.

In addition, CITIC Resources also implemented various measures during the year, with a focus on: 1) deepening institutional reform and improving the oil and gas management system to comprehensively enhance corporate management; 2) improving the safety management system while strengthening security and environmental protection supervision; 3) refining the management system and coordination to maintain the efficient operation

of crude oil production; 4) refining cost management to reduce costs and increase efficiency with the aim of constantly improving the operation and management system of CITIC Resources; and 5) making innovations in technology and conducting in-depth research to increase oilfield reserves to strengthen reserve asset value and further refine cost reductions and efficiency enhancement mechanisms.

Other Businesses

Despite the impact of the COVID-19 pandemic, CITIC Resources Australia Pty Ltd still recorded satisfactory performance in each business line with annual sales of aluminum ingots of 58,795 tonnes, clean coal of 709,319 tonnes and steel of 99,546 tonnes thanks to the gradual recovery of the commodities market in 2021. Alumina Limited (AWC.ASX), whose 9.6117% equity interest is held by CITIC Resources, continued to generate stable profits and cash income. Portland Aluminum Smelter signed a new power supply contract and a government funding agreement during the year, laying a foundation for the smelter to enhance its value and achieve sustainable development.

CITIC Pacific Energy

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 invests in green energy businesses including solar and wind power generation.

CITIC Pacific Energy's coal-fired power stations has a total installed capacity of 8,000MW. Among these, the Ligang Power Plant in Jiangsu Province is currently one of the largest power plants in China, with an installed capacity of 4,040MW. Ligang Power Plant provides long-term safe and reliable electricity and industrial steam to the surrounding area and has implemented an integrated strategy for its power generation business to incorporate shipping, bulk cargo terminal logistics and the coal trading business. 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 strong competitive edge in the market.

A total of 40.9 billion kWh of electricity was generated by CITIC Pacific Energy in 2021, an increase of 46% year-on-year, which was primarily due to the commencement of operation of the Inner Mongolia Shenglu Power Plant at the end of 2020 and a significant increase in power generation of power plants under the Jiangsu Province's unified management system. It supplied 15.36 million GJ of heat, which was similar to that of 2020. During the reporting period, coal-fired power projects recorded a loss, as coal prices continued to increase and hit record highs due to the rise in global commodity prices and the shortfall in domestic coal supply. The production and operation of Shandong Xin Julong coal mine was stable, with an annual production of 4.34 million tonnes of commercial coal, yielding an excellent operational result for the year benefiting from rising coking coal prices.

In 2021, CITIC Pacific Energy strengthened the development of green energy projects, including four distributed photovoltaic power generation projects with a total capacity of 57MW that have been put into production and operation, and nine energy management and consolidation contracting projects, with a total capacity of 106MW. The company also obtained the approval document for centralised wind power projects with a capacity of 1,000MW in Xilinhot City, Inner Mongolia, which will begin construction phase in 2022. During 14th Five-Year period, CITIC Pacific Energy plans to invest in the construction of 5,000MW wind power and photovoltaic projects to forge the clean, low-carbon and high-quality development of the company's energy business.





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, setting 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 associated services in China.



Dah Chong Hong

is an Asian motor and consumer products distributor.



CITIC Agriculture

focuses on the latest developments in agricultural science and technology.

REVENUE

HK\$ million

-6.4%**PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

HK\$ million

+80%**TOTAL ASSETS**

HK\$ million

-5.4%**CAPITAL EXPENDITURE**

HK\$ million

-42%

Profit attributable to ordinary shareholders of the new consumption segment increased 80% to HK\$1,610 million. CITIC Telecom International's net profit increased 5.2% to HK\$1,076 million, as the decline in enterprise solutions and mobile services divisions was offset by strong sales of mobile handsets and equipment. Online direct sales of books from CITIC Press increased while net profit of the offline business decreased 14% to RMB242 million due to fierce price competition in the book market. Dah Chong Hong's motor and yacht business recorded strong performance with a significant increase in net profit of 304% to HK\$550 million.



INFORMATION SERVICES

CITIC Telecom International

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

Since its IPO in 2007, the company has expanded its scale by successfully developing businesses in sectors including mobile, internet, international telecommunications, enterprise solutions and fixed-line services. CITIC Telecom holds a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM). CTM is an industry leader providing comprehensive telecommunications services in Macau. CITIC Telecom has branch organisations in 22 countries and regions around the world, connecting more than 600 operators worldwide with 2,500 employees. It has over 160 global network nodes with businesses spanning over 150 countries and regions provides, and services to around 3,000 multinational enterprises and more than 40,000 local enterprises.

In 2021, CITIC Telecom reported profit attributable to equity shareholders of HK\$1,076 million, up by 5.2% year-on-year. Its total revenue amounted to HK\$9,486 million, of which 83% was from telecommunications services.

The company strengthened close partnerships with telecommunications operators to jointly expand global markets and completed the construction of CITIC Telecom Tower Data Centre Phase IIIB, which was launched to the market.

CTM maintained its industry leading position in Macau and advanced the construction of its 5G network, becoming the first telecommunications operator in Macau with full 5G network coverage. The company also actively engaged in developing Digital Macau through a series of initiatives, such as enriching smart city applications to boost the development of Macau as a smart city as well as seizing development opportunities in the Guangdong-Macao In-Depth Cooperation Zone in Hengqin and other areas in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).



In addition, CITIC Telecom actively expanded its service coverage worldwide with nearly 60 SD-WAN gateways put in place. The company strived to transform into a global digital and intelligent communications solutions provider. By building its ICT-MiiND strategy and utilising advanced skills and innovative algorithms, the company optimised its service processes and improved security and productivity to assist its customers in digital transformation, and created value added products and services. The DataHOUSE™ AR Remote Hand service, co-developed in with Hong Kong Applied Science and Technology Research Institute, obtained recognition and praise from the market and industry, and won numerous international awards including The Innovation Award 2021 in the Datacloud Global Awards.

CITIC Telecom also continued to expand markets in Southeast Asia, extending its business coverage from Singapore, Malaysia, Thailand, to Indonesia, the Philippines and other untapped regions. Its outstanding

technological strength and professional services have earned trust of customers and helped to bring in several large ICT service contracts with different public and private clients, continuously gaining its market reputation.

Going forward, CITIC Telecom will continue to improve innovative capability in the fields of cloud-network integration, digital transformation and industry application. The high-quality development of the company will be guided by technological innovation and based on the “centre of professional talent and innovation” position of GBA.

Other new initiatives include a focus on mobile internet to improve the value of CITIC Telecom’s cross-border mobile communications service platform, corporate information service platform and global mobile traffic trading service platform, while also vigorously expanding IPX services, the Internet of Things and other new business areas.

CTM will launch high-quality 5G services in the market after obtaining a 5G licence in Macau to propel the construction of Digital Macau smart city to a new stage.

CITIC Telecom will expand fundamental resources and value chains, leveraging internationalisation to promote the development of businesses involving cloud, network and information security while also enriching application solutions for industries. Additionally, the company will strengthen the expansion of new customer bases and projects in Southeast Asia, enhance marketability and expand the scope of existing user bases, striving to become the most competitive one-stop and end-to-end integrated service provider for enterprises in Southeast Asia.



AsiaSat

AsiaSat is jointly owned by CITIC and The Carlyle Group and is involved in the leasing and sales of satellite transponders capacity for the provision of broadcasting, communications, 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.

AsiaSat's high-quality C-band video platforms can effectively deliver programme content to cable headends, Direct-to-Home (DTH) platforms, pay-TV platforms, digital terrestrial television, OTT networks, and hotels in Asia Pacific. With its high powered Ku-band beams positioned over high-growth markets in Asia, AsiaSat's satellites provide coverage tailored to customers' needs, which enables rapid access to target markets through the use of high-efficiency small antennas.

AsiaSat's high performance, end-to-end media solution supports broadcasters and programme providers with a broad range of services, from satellite capacity and fibre connectivity to a premium Multiple Channels per Carrier (MCPC) distribution platform, to reach audiences instantaneously while enjoying the benefits of cost saving and reduced complexity in network management. In addition, AsiaSat provides leading international 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 global and regional coverage and transmission of live sports, news and events.

Launched in July 2021, SAILAS is a new, fully integrated, end-to-end maritime communications solution customised for the maritime sector, serving all maritime sub-verticals that include merchant shipping, fishery, passenger cruise and offshore oil and gas industries. SAILAS's ability to enable high-speed and reliable communications service onboard not only helps improve vessel owners and operators' operational performance and maintenance-related decision-making capabilities, but also provides a high-speed broadband connectivity experience for passengers and improves crew welfare. Through SAILAS's smart platform, users can enjoy high-speed email communication, Internet browsing, Voice over IP and other satellite-delivered broadband applications.

In October 2021, AsiaSat completed the acquisition of a majority equity interest in One Click Go Live Limited (OCGL) to provide one-stop solutions, including broadcast-grade live streaming video and media distribution services, for live events such as concerts, award ceremonies, sports tournaments, business meetings and commercial activities. Through its stable and scalable platform, OCGL provides a time-saving and cost-effective alternative for users, leveraging the power of its satellite-enabled video distribution platform to reach a much wider audience.



LIFESTYLE CONSUMPTION

CITIC Press

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

In 2021, CITIC Press recorded operating revenue of RMB1,922 million, up by 1.6% year-on-year. Profit attributable to ordinary shareholders was RMB242 million, down by 14.35% year-on-year. The weighted average return on net assets was 12.35%.

During the reporting period, CITIC Press was recognised as an advanced publishing unit by the fifth annual Governmental Award and a key national cultural export enterprise. Despite the overall downturn in the industry, CITIC Press managed to outperform and maintained the largest retail market share of books among Chinese publishers. Among these, the company held a leading market share in economics and business, ranked first in popular sciences books and increased its market share in children's books to achieve a top three ranking in the category.

In recent years, CITIC Press has strengthened its digital transformation in integrated publishing, forming a dynamic content product structure consisting of "physical book+digital content". It has built a cross-platform integrated ecosystem with coverage spanning traditional, online and offline distribution channels, serving both enterprises and mass consumers. Cumulative digital subscribers exceeded 5.7 million, while new media MCN (multi-channel network) traffic system comprised over 39 million online fans, with video views exceeding 2.7 billion. The CITIC Academy App added nearly a million subscribers. The sales audio products increased by 29% year-on-year, with over 100 thousand followers on its Talking Literature podcasts.



Under the impact of the pandemic, CITIC Books is reimagining new store models to further enhance its asset-light collaborations with partners. It achieved a profit turnaround in 2021. The scale of its airport bookstores ranked among the top, with an annual flow of 446 million customers, while commercial stores achieved greater operational maturity and resilience. Its Chengdu Xinglong Lake branch, which was acclaimed as the “most beautiful underwater bookstore”, and the McDonald’s themed space for children, which attracted much publicity. Yukan, a CITIC Press subsidiary with flexible supply chain standards certified by Japanese Tsutaya and Nippan Groups, is providing comprehensive supply chain services to all branches of Tsutaya Books in mainland China.

Dah Chong Hong

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 leading passenger and commercial vehicle brands with over 100 dealerships 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 2021, despite the ongoing challenges of the COVID-19 pandemic, DCH’s performance recovered with a full-year profit of HK\$550 million, a 304% increase, primarily driven by a rebound in its motor business. To better position the business for the long term, DCH continued to focus on strategic growth initiatives, digital enhancements and overall operational fitness.

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 2021, the revival of the overall passenger vehicle market and incremental growth in the luxury brand business contributed to the strong annual performance. During the year, the motor business fine-tuned its dealership portfolio as part of a continuing strategy to increase exposure to the premium market and optimise its footprint, opening new 4S shops for Audi, Toyota and Honda. With an aim to deliver an unparalleled customer experience, it is focused on leveraging digital technologies, online-to-offline (O2O) capabilities and cross-functional synergies to create a seamless service platform that extends across its operations and supports the entire car ownership journey.



In Hong Kong, portfolio optimisation and the recovery of demand for passenger car sales resulted in a solid performance despite supply challenges for certain models. The commercial vehicle business also recorded an uplift in sales across the region with the resumption of infrastructure development and increased demand for local delivery. In 2021, DCH strengthened relationships with key partners and secured long-term fleet delivery contracts, maintaining its leading position in the commercial vehicle market.

Leveraging decades of motor expertise, DCH operations include independent service outlets, parts trading, motor leasing, motor financing, engineering projects, aviation support and the sales of luxury yachts. In 2021, DCH posted record sales and profits in its yacht business benefiting from sales network expansion, industry-leading service and ongoing restrictions in international travel. The used car business continued to grow following the launch of the O2O sales platform, Hong Kong Motor City, while the leasing business launched a car sharing platform to offer local drivers a flexible and convenient ownership model with the opportunity for expansion across Hong Kong.

DCH is a leading consumer products distributor in Asia representing over 1,000 domestic and international brands in the food and FMCG, healthcare and electrical products categories with operations in mainland China, Hong Kong, Macau, Taiwan, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam and Brunei. In 2021, the consumer products business recorded an increase in profit due to growth in the healthcare business and the optimisation of our logistics facilities.

DCH food and FMCG businesses include brand development, food manufacturing and trading, agency distribution and retail. While revenue recovered against the height of the pandemic, the bottom line continued to be affected by travel and dining restrictions. To counter ongoing challenges and capitalise on our unique end-to-end value chain, DCH is focused on developing in-house brands, strengthening O2O business models and expanding our portfolio with high potential principals and product categories.

DCH also distributes, retails and provides aftersales services for a wide range of multinational brands of electrical, audio-visual, lifestyle products and home appliances. Demand strengthened in 2021 but rising supply chain costs and disruptions affected the overall performance. To enhance profitability and deliver sustainable growth, DCH focused on opening new business streams, developing customer-direct platforms and driving operational efficiency through digitalisation and system upgrades.

In its logistics business, DCH operates distribution centres and in-house fleets across Greater China, serving both internal and external FMCG customers. To capture opportunities created by growing regional demand, DCH Logistics is focused on optimising its footprint, upgrading facilities and exploring new partnership models to deliver specialty services. In 2021, it completed the relocation of facilities in Shanghai and is increasing cold chain capabilities at its flagship Yuen Long distribution centre in Hong Kong.

In our healthcare business, DCH Auriga offers tailored supply chain solutions to leading healthcare companies, distributing pharmaceuticals, vaccines, over-the-counter medicine, medical devices, personal care, nutrition and hospital consumables.

Leveraging specialised infrastructure and capabilities including emergency delivery, robotic picking, real-time RFID tracking and advanced temperature management, DCH Auriga continued to grow its business across the region. This year, it opened a new sales office in Vietnam and now has operations in ten Asian economies. In 2021, DCH Auriga was

appointed as the exclusive logistics provider for the Fosun-BioNTech COVID-19 vaccine in Hong Kong and Macau. It also distributed the Sinovac vaccine in Hong Kong and supported the distribution of treatments for COVID-19 patients in Singapore. It also launched an online pharmacy, Aurigamart.com, offering home delivery and direct access to an extensive over-the-counter product portfolio.





AGRICULTURAL TECHNOLOGY

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

In 2021, CITIC Agriculture comprehensively improved its operational and managerial capabilities by focusing on integration, synergy and expansion. It also enhanced profitability and realised breakthroughs in its digital agricultural services business. CITIC Agriculture’s subsidiary, Longping High-Tech (000998.SZ; 16.54% shareholding), was nominated in the “Fourth China Quality Award” and selected as a “Champion Seed Business” of the national crop seed industry. Longping High-Tech also accomplished substantial breakthroughs in the breeding of disease-and-pest-resistant rice varieties, which improved the autonomy and controllability of its germplasm pool and further bolstered its transgenic corn product lines. Leveraging its high-quality germplasm resources and advanced breeding system, Longping Agriculture Science Co. continued to grow its market share. The company has filed its initial public offering with the Hunan Securities Regulatory Bureau and is carrying out the pre-listing mentoring process.



Higentec Biotech has obtained 18 invention patents and 26 software copyrights. It has received approval for four new plant varieties, further completing its genotyping product system.

CITIC Agri Fund has thoroughly investigated agricultural technology and consumer product verticals to effectively expand its investment portfolio in the industry. Beijing Capital Agribusiness’s new Peking duck mating line, “Jingdian Peking Duck”, received regulatory approval, strengthening China’s livestock and poultry production and breeding capacity. China Agricultural Veterinarian Biology Science and Technology Co. became one of the first cohorts of leading enterprises among the Enterprise Innovation Consortium in Gansu Province and is accelerating the commercialisation and production line construction for a new animal vaccine.



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 Engineering

is a leading, comprehensive construction firm in China.



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

+27%**PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

HK\$ million

-17%**TOTAL ASSETS**

HK\$ million

+13%**CAPITAL EXPENDITURE**

HK\$ million

+44%

In 2021, the new-type urbanisation segment achieved profit attributable to ordinary shareholders of HKD7,810 million, a decrease of 17% compared to the previous year. The decrease in profits of property development, operation and management companies was mainly due to restrictions imposed by regulatory policies, which resulted in a decline in the performance of the property industry overall. We also experienced a decrease in the share of net profit from China Overseas Land and Investment (COLI) equity for the year. Offsetting these factors, major profit channels included rental income from investment properties and the sales of projects such as Glorious Garden in Yangzhou, Optics Valley Innovation Tiandi in Wuhan, Harbour City in Shanghai, and The Entrance at Ma On Shan, Hong Kong. Net profit of the construction and engineering companies increased by 11% year-on-year to HK\$2.1 billion while net profit of urban operation companies reached HK\$1.1 billion, an increase of 36% attributable mainly to the business of water treatment and the disposal of some equity investments.



CONSTRUCTION AND ENGINEERING

CITIC Construction

CITIC Construction is a well-known integrated service provider of engineering projects at home and abroad. It engages in the construction of housing, infrastructure and industrial facilities, and proactively seeks further development in areas such as resources, energy, agriculture and ecological management. The company's domestic business mainly focuses on key national development regions such as the Jingjinji Metropolitan Region, Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing economic circle, while its overseas business mainly targets the Belt and Road countries, and has successfully penetrated developed markets such as the United Kingdom.

CITIC Engineering

CITIC Engineering is a leading innovative technological engineering company in China. It focuses on new forms of infrastructure, urbanisation and ecology, and provides integrated and digital services throughout the whole lifecycle of a project 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 two well-known design and research institutes: the Central and Southern China Municipal Engineering Design and Research Institute and CITIC General Institute of Architecture Design and Research.

In 2021, CITIC Construction was listed as one of China's National High-Tech Enterprises and ranked 63rd among the Global Top 250 International Contractors by Engineering News-Record (ENR) of the United States, the global industry authority, and ranked 14th among Chinese companies listed. The company was also awarded the National May Day Labor Certificate for its outstanding performance in the Chongli Prince Ice Town Project. With the promotion of "nationalisation" and "digitisation" strategy, CITIC Engineering has grown into an industry leader and ascended to the Top 100 Enterprises in Hubei Province, ranking 66th, and 24th among the "Top 100 Service Enterprises in Hubei Province" in 2021. CITIC Engineering's 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. And, CITIC General Institute of Architecture Design and Research continued to be listed as one of the top 60 engineering design companies in China by ENR, having received the accolade for many years running.

In 2021, CITIC Construction adhered to its strategy of advancing into both foreign and domestic markets, simultaneously consolidating its development in Belt and Road cities, while also participating in new urbanisation PPP projects in an asset-light mode and strengthening cooperation with China PPP Fund and insurance funds.

During the period, new contracts signed amounted to RMB49.961 billion. In overseas markets, the company signed a new EPC contract for the Kirkuk Refinery Project in Iraq, an EPC contract for the Hayilat Heavy Oil Power Plant Project in Iraq, an EPC contract for the Kamoza Phase II Concentration Project in the Democratic Republic of the Congo, and a service agreement for the preliminary site survey project of a deepwater port in Kyaukpyu, Myanmar. In the domestic market, the company signed a new EPC contract for the PPP project of the Ecological Technology City in the National High-Tech Industrial Development Zone of Neijiang, a supplementary EPC Agreement (V) for the Chongli Prince Ice Town, and an EPC contract for the Lot C7 project of the High-speed Railway New City in Yancheng.

In 2021, CITIC Engineering achieved significant results in digital transformation and technological innovation. In order to facilitate the full digitalisation of construction and building processes, the company promoted the establishment of a digital construction industry alliance by the Wuhan Design Capital Promotion Centre, with a focus on promoting the broader use of major BIM achievements by the Ministry of Industry and Information Technology. CITIC Intelligent Construction Platform was awarded the first prize in "The 3rd China Industrial Internet Competition-Digital Built (Construction) for New Entrants". With its technological innovation capabilities serving as a core competency, CITIC Engineering has set up two workstations for academician experts and two for post-doctoral researchers with 128 scientific and research subjects in progress, among which 8 are national. CITIC Engineering also obtained 226 authorised patents, including 15 invention patents.

During the reporting period, CITIC Engineering adhered to the national strategy and made advancements in certain projects, such as the commissioning of Water Treatment Plant I in Xiong'an New District; the completion of a PPP project to renovate roads and peripheral infrastructure around the Xi'an Sports Centre, a key maintenance project for the 14th National Games, the completion of the secondary water source supply project (Jiangnan Line) in Hangzhou, a key maintenance project for the 2022 Asian Games, and the first underground water treatment plant in Jiangdong District, Haikou.

Major Projects by CITIC Construction



AGRO-INDUSTRIAL COMPLEX PROJECT, BELARUS

Located in the Pukhovichi District of Minsk Oblast, Belarus, this agro-industrial complex processes wheat using modern biotechnology to produce essential amino acids and high-tech formula feed. The construction scope includes an amino acid factory, feed plant, silo, power plant and ancillary facilities such as a railway, highway, natural gas pipeline and electric transmission lines.

Contract value:	RMB4,290 million	Contract period:	36 months
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Progress as of the end of 2021: Area A&B for on-site silos had been in steady operation with operating grain storage; four workshops producing feed for chicken and cattle, pigs, aquatic animals and premix were tested for production; the test of the amino acid area advanced systematically, while off-site projects relating to water, expressway, railway, etc., completed national acceptance inspections.

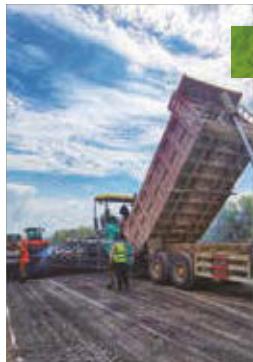


TKU NATIONAL EXPRESSWAY UPGRADE, KAZAKHSTAN

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.

Contract value:	US\$936 million	Contract period:	54 months
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Progress as of the end of 2021: 92% of the roadbed has been completed, while 79% of the upper-layer and 71% of under-layer in the pavement surface project has been completed. 600km of the line, representing 78% of the entire length, is in service.



KB EXPRESSWAY UPGRADE, KAZAKHSTAN

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, have four lanes and a speed limit of 120km/h.

Contract value:	US\$669 million	Contract period:	48 months
Progress as of the end of 2021:		95% of the roadbed has been completed, while 69% of the bedding, 64% of the foundation, 52% of the under-layer and 1% of the upper-layer in the pavement surface project has been completed. 380km of the line, representing 52% of the entire expressway, is already in service.	



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

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.

Contract value:	Approximately US\$680 million	Contract period:	36.5 months
Progress as of the end of 2021:		The roadbed construction, road surface work, concrete barriers and drainage work of the project have been completed by 99.9%, 82.5%, 87.6% and 78.1%, respectively, with the 52km priority section well positioned for opening.	



SUNSURIA HEADQUARTERS, MALAYSIA

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 project 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.

Contract value:	MYR489 million	Contract period:	36 months
Progress as of the end of 2021:		The podium in the apartment building and SOHO tower have topped out; construction of the upper part of the main tower will follow.	



THE CHONGLI PRINCE ICE TOWN PROJECT

Located in Tai Zi Cheng Cun, Sitaizui Town, Chongli District, Zhangjiakou, Hebei Province, the project occupies a total GFA of about 1,500,000m², and is divided into a cultural and creative high street, convention and exhibition center, and ambassador villa zones.

Contract value:	RMB7.029 billion	Contract period:	1,187 days
Progress as of the end of 2021:		Lots 1, 2, 3 and 5 of the project's cultural and creative high street, convention and exhibition center and ambassador villa zones have successfully passed completion requirements, marking the full achievement of the project's delivery target before the Winter Olympics. Of these, the international convention and exhibition centre, as a non-competitive venue comprising the uniform and registration sub-centre of the Zhangjiakou competition division, was the first non-competition venue officially handed over by the Zhangjiakou competition division to the Winter Olympics Organizing Committee in early November.	



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

Located in the city of Ziyang, Sichuan province, the initial five roads 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.

Contract value:	RMB7.466 billion	Contract period:	The construction period is calculated separately for each road.
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Progress as of the end of 2021:

The construction of Zonger Road, Zongsan Road, Sanxian Road, the reconstruction section of Chengzi Avenue (K0+000-K6+240), the new section of Chengzi Avenue (K6+240-K7+970) and the under-crossing tunnel of Chengziyu have all been completed and passed the staged acceptance.



CITIC BANK INFORMATION TECHNOLOGY RESEARCH AND DEVELOPMENT BASE

CITIC Bank invested in the construction of an R&D centre and a production and operation centre in Shunyi New Town, Beijing. The project involves the construction of R&D building A, R&D building B, a production and operation building and an underground garage, with a total land area of 57,000m² and GFA of 179,000m².

Contract value:	RMB2.094 billion	Contract period:	2,012 days
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Progress as of the end of 2021:

The project has successfully passed pre-acceptance, with all civil engineering construction and electromechanical installation construction of the R&D buildings completed.



CHUDA HIGHWAY EXPANSION PROJECT, YUNNAN PROVINCE, CHINA

The construction stretches 43.329km 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 K176+307.727~K219+637. The project is being constructed according to highway standards with six lanes and a speed limit of 100km/h.

Contract value:	RMB9.294 billion	Contract period:	48 months
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Progress as of the end of 2021:

Interconnection and project completion.

by CITIC Engineering



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

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 with infrastructure and facilities in the airport area.

Contract value:	RMB8.62 billion	Contract period:	November 2018
Contract period:	36 months	Commencement of construction:	July 2017
Progress as of the end of 2021:		99% of the project has been completed, among which the network security institute, exhibition centre, training centre, Dugonghu Park and roads are already in service.	



THE CLEAN WATER PROJECT IN JIANGXIA DISTRICT, WUHAN, CHINA

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.

Contract value:	RRMB5,110 million (Phase I: RMB1,050 million; Phase II: RMB650 million, Phase III: RMB3,293 million)	Contract period:	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
Progress as of the end of 2021:		95% of Phase I, 100% of Phase II, and 49% of Phase III have been completed.	



PHASE II CONSTRUCTION OF THE GUSHU WATER TREATMENT PLANT, SHENZHEN, CHINA

Located in Gushu District, Shenzhen, this plant occupies 15.14 hectares of land and is designed to purify 320,000 tonnes of wastewater per day. As a demonstration construction project in the Greater Bay Area, the Gushu water treatment plant is poised to become a world-class green and energy-conserving water treatment project.

Contract value:	RMB1.239 billion	Contract period:	December 2019
Contract period:	25 months	Commencement of construction:	December 2019
Progress as of the end of 2021:		The project has been completed.	



NEW CONSTRUCTION OF XIAOHONGSHAN SCIENTIFIC TOWN, WUHAN, CHINA

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

Contract value:	RMB1.224 billion	Contract period:	October 2021
Contract period:	36 months	Commencement of construction:	September 2021
Progress as of the end of 2021:	7% of the project has been completed.		



JIANGBEI RECLAIMED WATER PLANT, NINGBO, CHINA

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.

Contract value:	RMB964 million	Contract period:	May 2020
Contract period:	31 months	Commencement of construction:	May 2020
Progress as of the end of 2021:	68% of the project has been completed.		



URBAN OPERATION

Environmental Services

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

CITIC Environment conducts its water treatment business via its subsidiary CITIC Envirotech. By the end of 2021, CITIC Envirotech had more than 70 water plants in operation, achieving a total daily water treatment capacity of over 6 million tonnes. Memstar, CITIC's subsidiary handling the membrane technology business, continues to offer advanced membrane products, as one of the very few world-leading manufacturers and suppliers which possesses full-spectrum capabilities in R&D, production and application for membrane products including Microfiltration (MF), Ultrafiltration (UF), Nanofiltration (NF) and Reverse Osmosis (RO) membranes. Leveraging its dynamic competitive advantages in R&D, manufacturing and application



of membranes, CITIC Envirotech focuses on deploying its technology for large-scale municipal wastewater treatment, industrial wastewater treatment and reuse, seawater desalination pre-treatment and other fields to continuously expand its market share. In the circular economy business, CITIC Envirotech endeavours to reduce carbon emissions and boost local economic growth. The Shantou Chaonan Printing and Dyeing Industrial Park Project creates a six dimensional business model that channels and integrates multiple technology fields to realise an increase in profit. The industrial park, named “National Third-Party Environmental Governance Test Site”, was selected as a textbook case by the MEE. Regarding major project construction, Lanzhou Qilihe Anning Wastewater Plant Upgrading Project, the largest full-scale underground MBR wastewater plant in the northwest of China, has successfully entered operation, while the KBM Oilfield Water Treatment and Recycling Project in Kazakhstan has entered the final stages of civil construction and equipment installation. In key business expansion, CITIC Envirotech won the bid for the Zhongshan Substandard Waterbodies Improvement Project, which contributes to the ecological development of the Greater Bay Area. It also won the bid for a PPP sub-project under the Yellow River Strategic Jinan International Ecoport Project, which aims to facilitate ecological protection and high-quality development of the Yellow River Basin.

In its hazardous waste disposal business, CITIC Envirotech has built and invested in seven projects in places such as Xinjiang, Shandong, Jiangsu, Hainan, and others, with a total processing capacity of over 0.9 million tonnes per year. Half of these are currently in operation.

Regarding solid waste disposal, Sanfeng Environment (601827.SH), with 11.08% equity interest held by CITIC Environment, was listed on the Main Board of the Shanghai Stock Exchange in June 2020 and achieved growth that exceeded expectations. By the end of 2021, Sanfeng Environment ranked 8th by market value among listed companies on the main board in the environment protection segment. Its core equipment and technology have been applied in eight countries and Macau, with a total domestic waste treatment capacity of over 200,000 TPD, ranking at the forefront of the industry. Sanfeng Environment has been awarded one of the “Global Top 500 New Energy Enterprises” for the second consecutive year, and one of China’s “Top 10 Most Influential Enterprises in the Solid Waste Disposal Industry” for the fifth consecutive year.

In energy saving services, CITIC Energy Saving Technology invested in Qingdao Special Steel’s “Intelligent Transformation of Heating Furnace Project”, and won the bid for the furnace riser pipe waste heat utilisation project, entering into the field of waste heat recycling and utilisation. In addition, CITIC Energy-Saving Technology plans to develop business in the field of solid waste disposal and comprehensive utilisation of steel plants.

Infrastructure

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

The port and terminal business mainly focuses on the 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 1.2 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 so as to become an integrated logistics and warehousing service provider of liquid chemicals with distinctive advantages and influence in the domestic market.

Project	Ownership	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%	600,000m ³
Gangfa Crude Oil Port	20%	5 million tonnes
CMHI Container Port	20%	2.4 million TEU
Tunnel		
The Western Harbour Tunnel, Hong Kong	35%	Franchise until 2023

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 m². In 2021, CITIC completed the construction of roads for the reclamation area and passed acceptance checks for Phase I green land development and reclamation work. Simultaneously, CITIC initiated other supporting construction projects, such as the central landscape belt and other complementary municipal facilities and amenities. The first batch of residential land has also been successfully listed for sale, leading to continuous improvement in Xidian New Town's brand value and influence.

Healthcare

The healthcare business is operated and managed through CITIC Pacific and CITIC Industrial Elderly Care.

CITIC Pacific's health business includes medical and elderly care services, as well as healthcare distribution. The medical services business comprises four hospitals with approximately 1,200 beds including Jiangyin Lingang Hospital, as well as an investment in Hongen Medical Group which manages Hangzhou Chengdong Hospital, Shaoxing Chengdong Hospital and Shaoxing Shangyu Third Hospital.

CITIC Pacific acquired the Jiangyin Lingang Hospital, located centrally in Lingang Economic Development Zone of Jiangyin in Jiangsu Province in 2018. In 2021, Lingang Hospital was upgraded to a Grade II Level A general hospital with the opening of an ICU, the introduction of key specialties in cardiology and thoracic surgery and an increase in



the volume of high level surgeries. The hospital is constructing a news area with 650 beds, which will be built into a Grade III general hospital. The new hospital area has begun construction and is expected to be put into use by the end of 2023.

CITIC Pacific has extended its elderly care business to Jiangyin, Zhenjiang and Yancheng in Jiangsu Province. It actively promotes a business model of integrating medical and elderly care with its rich medical resources, providing diversified services including nursing home operations, as well as intensive and basic in-home care for seniors.

Medical equipment product distribution is managed by Haoan Health, a subsidiary of CITIC Pacific. Haoan Health provides supply chain management services for high-value consumables and medical equipment used across a wide range of specialty healthcare services including neurosurgery, urology and gastroenterology. It distributes more than 10,000 products into a network of nearly 300 hospitals, full coverage in Zhejiang Province, where it has become a leading medical equipment supplier and service provider.

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 with), urban comprehensive elderly care projects and chain elderly care centres. It has invested in and operates seven projects with 2,300 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 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

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 main-board listed company (000099.SZ) in the general aviation industry in China. COHC is also the only company in China that has won the General Aviation Safety Four Stars Award. 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.

Headquartered in Shenzhen, COHC owns four helicopter airports in Shenzhen, Hainan, Tianjin and Zhanjiang. Its bases and take-off and landing points form a network covering all provinces, cities and autonomous regions within the country, except Tibet and overseas in areas such as the North and South Poles and Myanmar. The company also has the largest civil helicopter fleet in Asia and operated 85 helicopters comprising 16 world-class helicopter models by the end of 2021. During the year, COHC maintained its leading market share in offshore oil helicopter flight services. It is the only supplier of helicopter pilots to ports across the country, the supplier of helicopters for China's national arctic scientific expeditions, and the only helicopter medical services provider for the Beijing 2022 Winter Olympics Games and Paralympics Winter Games. COHC is also the only general aviation company that engages in offshore oil-related flights.



PROPERTY DEVELOPMENT, OPERATION & MANAGEMENT

CITIC Pacific Properties

Positioned as a developer and manager of premier properties, CITIC Pacific 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.

CITIC Pacific Properties invests in, develops and operates properties in mainland China's growing and economically vibrant areas, with a focus on upscale and multi-purpose complexes. In 2021, it boosted sales and promoted the collection of payments to maintain stable development. During the year, Nove Mansion Phase III, residential part of Shanghai Harbour City was sold out. It copied the successful experience in Guangzhou Harbour City and its first batch of residential units from Phase I of Harbour City in Guangzhou secured satisfactory pre-sale prices, which laid a solid foundation for forthcoming development. In addition, it took serious measures to ensure construction progress was on schedule. Phase I of Jinan CBD Project's residential part as well as parts of Harbour City and Optics Valley Innovation Tiandi in Wuhan have been delivered, while the Curtilage in Chongming Island, Glorious Garden in Yangzhou and Harbour City in Shanghai have filed for completion.



CITIC Pacific Properties continues to increase its premium land reserve. In 2021, CITIC Pacific Properties acquired five new projects in Wuxi, Yangzhou, Qingdao and other cities. As of the end of 2021, its land reserve in mainland China expanded to approximately 5.72 million square metres in terms of planned aboveground gross floor area, among which the equity area accounted for approximately 4.52 million square metres, setting a new record high. Its asset management efficiency gradually improved. Commercial properties maintained a steady occupancy rate

while the scale of property management continued to expand. CITIC Square, the commercial flagship project and landmark in Shanghai, completed its upgrading and renovative work and reopened on 22 December with a fresh look. Lujiazui Harbour City, an urban complex with office, retail, residential and hotel, has become a new landmark in Shanghai, while Shipyard 1862, another popular spot in Shanghai, was transformed from an old shipyard into an urban art and retail centre, registered in the national industrial heritage list of the Ministry of Industry and Information Technology.

With nearly 30 years of property development experience in Hong Kong, past projects include commercial, industrial and residential properties such as CITIC Tower, CITIC Telecom Tower, The Paragon and Bay Villas. The residential project "The Entrance" comprising 148 units in Lok Wo Sha, Ma On Shan were sold out in 2021. Foundation work is being undertaken for the Jardine's Lookout project at Tai Hang Road, which will be developed into a high-end residential project with a gross floor area of about 11,970 square metres. The Discovery Bay development is a 50-50 joint-venture between CITIC Pacific and HKR International. During the year, development of approximately 124,000 square metres of residential gross area in the northern part of Discovery Bay commenced in phases. The current residential projects for sale are Poggibonsi and IL PICCO comprising 196 residential units and 21 garden houses, respectively. As of 31 December 2021, a total of 187 units and five houses were sold. Despite the continuing impact of the pandemic on the leasing market in 2021, the average occupancy rate of its investment portfolio remained at approximately 93% for the year.

CITIC Urban Development & Operation

CITIC Urban Development & Operation focuses on primary landing development. Its key development projects continued to progress in 2021. The second phase of Ningbo Fenghua industrial complex project advanced ahead of schedule and 350mu of land for residential development were traded successfully. Steady progress has been made in the construction of the Shantou Bay tunnel and supporting public facilities of the urban development project, CITIC Coastal City in Shantou. As part of the project, the Chaoshan History and Culture Expo Center completed its acceptance inspection, was handed over to the government and is currently open to the public.

In October 2021, Xinglong Lake CITIC Books, an investment and construction project of CITIC Urban Development operated by CITIC Books, officially opened. During the year, several high-quality residential projects targeting buyers with exacting demands have been made available for sale, including Lushan Courtyard in Chengdu, Dongchen Mansion in Changsha and Triumphal Courtyard in Shenzhen.

Key Development Projects

by CITIC Pacific Properties



Lujiazui Harbour City, Shanghai (50% owned)

Site area: 249,400m²

Gross floor area: 872,800m²

Completed area: 872,800m²

Use: Office, retail, hotel and residential

Lujiazui Harbour City is located on the south shore of the Huangpu River in central Shanghai. The project comprises eight high-end office buildings, a five-star hotel and serviced apartments, luxury residences, and recreational and commercial facilities.

Seven out of the eight office buildings in this project have been sold to China Construction Bank, the Agricultural Bank of China, United Overseas Bank, China Industrial Bank, Shanghai HY Investments Company, China Life and ICBC, respectively. One office building is self-held and operated by CITIC. The Mandarin Oriental Hotel and its serviced apartments located within this project and all of the retail and office portions were placed into operation, creating a new artistic, cultural and commercial landmark in Shanghai. In 2021, Nove Mansion Phase III, the residential part of Lujiazui Harbour City, was sold out.



T Center, Shanghai (100% owned)

Site area: 60,335m²

Gross floor area: 229,372m²

Use: Office and retail

Located in the western part of Shanghai, this office and retail development is an integrated project with a combination of elements, including high-rise office towers, street level retail shops, and an underground shopping arcade in the subway station. Construction of the project is underway.



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

Site area:	229,040m ²
Gross floor area:	1,173,000m ²
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. 600m of the project's east boundary opens onto the waterfront with uninterrupted scenic views and convenient transport. Construction is currently underway.



Optics Valley Xintiandi, Wuhan, Hubei province (50% owned)

Site area:	353,800m ²
Gross floor area:	1,197,400m ²
Use:	Office, residential, apartment, retail

This mixed-use project is being developed under a 50-50 joint venture between the company and 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:	Offices, 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 life, 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, residential, retail

The project is jointly developed by the company with a state-owned enterprise in Jinan, Shandong province. The Grade A office building in the project is located in the CBD of Jinan, adjacent to its administrative centre and high-tech district, and will be developed into a new landmark in the CBD of Jinan. Construction of the project is currently underway.



Phase I of Harbour City, Guangzhou, Guangdong province (50% owned)

Site area: 44,800m²

Gross floor area: 220,000m²

Use: Office, residential, retail

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



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

Site area: 55,900m²

Gross floor area: 234,800m²

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 residential, retail and office properties. Construction is currently underway.



Multinational Regional Headquarters Cluster Project, Northern Qingdao (80% owned)

Site area: 203,400m²

Gross floor area: 380,100m²

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 a seaview. The project is intended to be developed into a coastal city complex consisting of boutique residences, offices and retail properties.

by CITIC Urban Development & Operation



CITIC Coastal City, Shantou, Guangdong province

Project planning area: Covering 168km² of Haojiang District, Shantou

Project type: Primary land and infrastructure development

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 such as 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

Project type: Primary land and infrastructure development

The project is a demonstration project for urban renewal in the Yongjiang Science and Innovation Corridor in Ningbo, and 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 can potentially become a model for new urbanisation in the Yangtze River Delta region.



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

Site area: 84,260m²

Gross floor area: 377,780m²

Use: High-rise residential, houses

The project is located in the Tianfu New District of Chengdu, with superior regional strengths and surrounded by a full range of complementary facilities. The project is currently in the sales stage and has achieved a record of being sold out three consecutive times in four months in Tianfu New District.

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

FINANCIAL REVIEW

Highlights

Along with a good beginning of 14th Five-Year Plan and benefited from the joint efforts of financial and non-financial segments, in 2021, the Group achieved revenue of HK\$708,936 million, representing an increase of 28% year-on-year and 25% on a comparable basis^{note}. Besides, the Group recorded profit attributable to ordinary shareholders of HK\$70,222 million, representing an increase of 24% year-on-year.

The **comprehensive financial services segment** recorded a year-on-year increase of 12% and 20% in revenue and profit attributable to ordinary shareholders, respectively. Among which, **CITIC Bank**'s revenue exceeded RMB200 billion for the first time and recorded a year-on-year increase of 13.6% in profit attributable to its shareholders, achieving the highest growth rate in the past 8 years. **CITIC Securities** recorded a year-on-year increase of 55% in profit attributable to the shareholders of the parent company, further consolidating its leading advantages in the industry. **CITIC Trust** actively promoted its transformation and upgrading, and its net profit remained in the top three in the industry for fifteen consecutive years. **CITIC-Prudential Life** achieved double-digit growth in both premium income and net profit, further enhancing its comprehensive solvency margin.

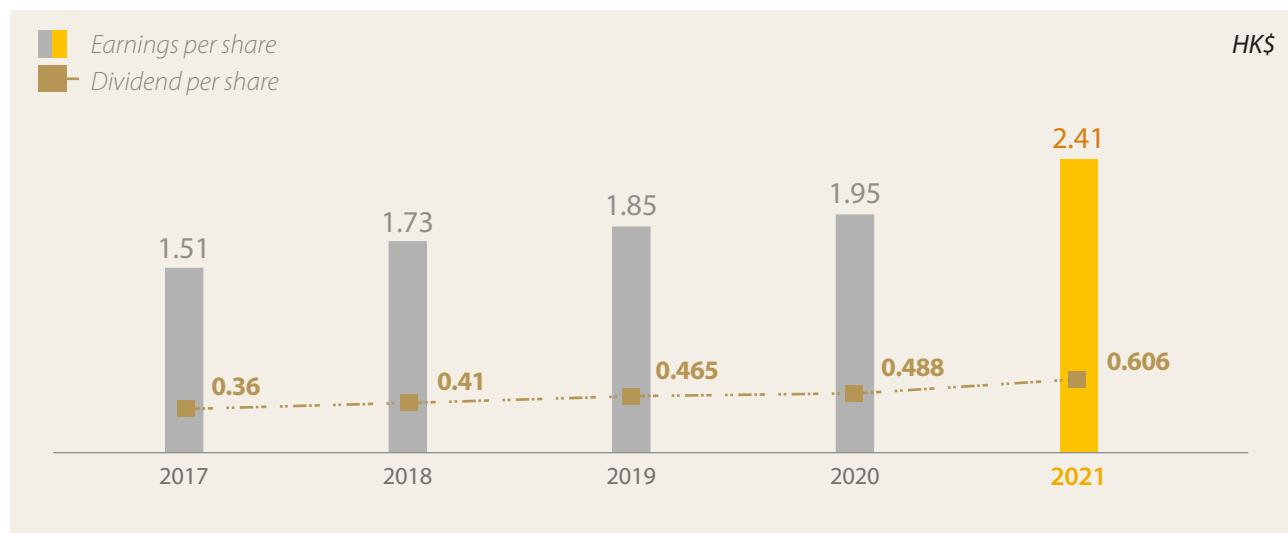
The **non-financial segments** recorded a year-on-year increase of 40% in both revenue and profit attributable to ordinary shareholders. Among which, the **advanced materials segment** continued to promote stable production and increase production while reducing costs and increasing efficiency, and thus contributed to the largest growth in performance among the non-financial segments leveraging on the favorable opportunity of rising commodity prices. The **advanced intelligent manufacturing segment** increased its investment in research and development as well as scientific and technological innovation, the **new consumption segment** seized the opportunity of demand recovery after the COVID-19 pandemic, both segments achieved a substantial increase in net profit. The **new-type urbanisation segment** has completed the construction of the Winter Olympics Project in a high-quality manner and had practical achievements in the development of overseas markets, driving a better revenue growth. However, due to the tightening of macro policies in the real estate industry, it recorded a decline in net profit.

^{note} The comparable basis refers to the assumption that CITIC Dicastal's financial statements were consolidated for the whole year of 2020, while McDonald's China's financial statements were not consolidated for the whole year of 2020.

Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK\$2.41 in 2021, an increase of 24% from HK\$1.95 in 2020. As at 31 December 2021, the number of ordinary shares outstanding was 29,090,262,630.

At the forthcoming annual general meeting, the Board will recommend a final dividend of HK\$0.456 per share to ordinary shareholders. Together with the interim dividend of HK\$0.15 per share paid in November 2021, the total ordinary dividend will be HK\$0.606 (2020: HK\$0.488 per share). This equates to an aggregate cash distribution of HK\$17,629 million.



Segment Results

Comprehensive Financial Services

HK\$ million	2021	2020	Increase/(Decrease)	
			Amount	%
Revenue from external customers	256,760	229,103	27,657	12%
Net profit	78,193	65,437	12,756	19%
Profit attributable to ordinary shareholders	52,075	43,516	8,559	20%
Business assets	10,050,873	9,113,747	937,126	10%

In 2021, this segment achieved revenue of HK\$256,760 million, with a net profit of HK\$78,193 million and profit attributable to ordinary shareholders of HK\$52,075 million, up by 12%, 19% and 20% year-on-year respectively.

CITIC Bank proactively promoted the asset-light transformation and strengthened the disposal of non-performing assets, and achieved revenue of RMB204,554 million, up 4.7% year-on-year, with a profit attributable to its shareholders of RMB55,641 million, up 13.6% year-on-year. Driven by the rapid growth of its wealth management and bank card business, non-interest income increased by 26% year-on-year, the proportion of which rose by 4.7 percentage points to 27.7%, making up the adverse impact of narrowing of net interest margin resulting from the downward impact of market interest rates. The asset quality has been improving, while the balance of non-performing loans ("NPL") fell RMB5,993 million to RMB67,459 million and the NPL ratio declined 0.25 percentage point to 1.39%. Both the NPL balance and NPL ratio decreased simultaneously for the first time in nearly eleven years. The provision coverage ratio increased by 8.39 percentage points to 180.07% compared with the beginning of the year, hitting new record highs in nearly seven years.

CITIC Trust continued to promote its transformation and upgrading by reducing the scale of channel business and financing business, as well as accelerating innovation and optimising the business structure. During the year, it achieved revenue of RMB8,585 million, slightly down 1.8% year-on-year. CITIC Trust actively strengthened asset quality and increased its provisions, and achieved profit attributable to the parent company of RMB3,501 million, a 9% decrease year-on-year, but still ranking second in the industry.

CITIC Securities, benefiting from improvements in capital market sentiment, achieved stable growth in each business and remained an industry leader in investment banking, wealth management and fixed income. It achieved revenue of RMB97,324 million^{note} for the year, up 35% year-on-year, with profit attributable to owners of the parent company of RMB23,100 million, up 55% year-on-year, creating the best result since the establishment of the company. With the total assets reached RMB1.28 trillion at the end of the year, CITIC Securities is the only domestic securities company with assets over RMB1 trillion at present. Recently, the company completed a rights issue scheme amounting to approximately RMB27,330 million, which further replenished the capital and enhanced the capacity to resist risks.

Due to the increased contribution from its bancassurance channel by increasing coordination with CITIC Bank, **CITIC-Prudential Life** achieved premium income of RMB26,827 million^{note} for the year, up 15% year-on-year. The investment return rate continued to increase as the size of assets under management represented a year-on-year increase of 37% to RMB175,300 million, contributing to a year-on-year increase of 16% in profit attributable to parent company to RMB2,899 million. CITIC-Prudential Life successfully issued a capital supplemental bond of RMB4 billion, representing an increase of the comprehensive solvency margin ratio to 261% after the issue, through taking advantage of the low market interest rates.

^{note} CITIC Securities and CITIC-Prudential Life are both associates and joint ventures of CITIC Limited, which holds 18.45% and 50% equity interests respectively, without consolidating their financial statements.

Advanced Intelligent Manufacturing

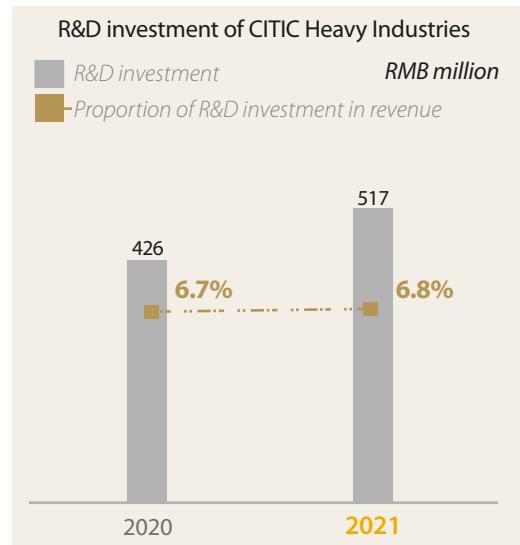
HK\$ million	2021	2020	Increase/(Decrease)		
			Amount	%	Comparable Basis %
Revenue from external customers	47,694	13,759	33,935	247%	31%
Net profit	1,374	623	751	121%	39%
Profit attributable to ordinary shareholders	632	453	179	40%	40%
Business assets	66,837	58,719	8,118	14%	14%

Note: The comparable basis refers to the calculation of fully consolidating CITIC Dicastal's financial statements for the same period last year.

In 2021, this segment achieved revenue of HK\$47,694 million, representing a year-on-year increase of 31% on a comparable basis, and net profit of HK\$1,374 million and profit attributable to ordinary shareholders of HK\$632 million, representing a year-on-year increase of 39% and 40%, respectively on a comparable basis.

By seizing the opportunity of recovery in the auto market, **CITIC Dicastal**'s sales of aluminum wheels achieved a year-on-year increase of 8%, contributing to a year-on-year increase of 23% in revenue to RMB31,995 million, with its sales ranking first in the world for thirteen consecutive years. CITIC Dicastal overcame adverse impacts of industry fluctuations and rising raw material prices and other factors and achieved profit attributable to ordinary shareholders of RMB1 billion, representing a year-on-year increase of 40%. CITIC Dicastal is dedicated to smart manufacturing for enhancing its high quality development, and strives to become the first selected company in the global vehicle wheel industry due to its Line 6 of aluminum wheels selected as "Lighthouse Factory".

CITIC Heavy Industries achieved remarkable results in expanding incremental businesses such as offshore wind power and special materials, contributing to a year-on-year increase of 19% in revenue to RMB7,550 million and a year-on-year increase of 16% in profit attributable to ordinary shareholders to RMB227 million. CITIC Heavy Industries has maintained the growth trend by filling up orders and production tasks, actively implementing national strategies with investment of more than 6% in R&D for three consecutive years, achieving a number of breakthroughs in critical areas.



Advanced Materials

HK\$ million	2021	2020	Increase/(Decrease)	
			Amount	%
Revenue from external customers	282,422	195,754	86,668	44%
Net profit	21,137	11,463	9,674	84%
Profit attributable to ordinary shareholders	19,162	10,149	9,013	89%
Total assets	272,756	239,155	33,601	14%

In 2021, this segment achieved revenue of HK\$282,422 million, with a net profit of HK\$21,137 million and profit attributable to ordinary shareholders of HK\$19,162 million, up by 44%, 84% and 89% year-on-year respectively.

In response to the significant fluctuations in raw material prices and the impact of the "Dual Control of Total Energy Consumption and Energy Intensity" policy, **CITIC Pacific Special Steel** actively optimised its product structure, adjusted product prices in a timely manner, and continued improvements in operating efficiency and ongoing cost control efforts, and was able to record a 4% year-on-year increase in sales of special steel to reach 14.53 million tonnes. CITIC Pacific Special Steel recorded revenue of RMB97,332 million with a profit attributable to ordinary shareholders of approximately RMB8 billion, representing a year-on-year growth of 28% and 32%, respectively, both hitting record highs. The company has recently issued convertible bonds with a principal amount of RMB5 billion, the proceeds of which will be used mainly for product upgrades and renovation.

In 2021, **Sino Iron** shipped more than 21 million wet metric tonnes of concentrate to CITIC's special steel plants and other steel mills and achieved a profit of US\$950 million for the reporting period, 121% more than in 2020. The result was primarily due to a combination of higher iron ore prices and an ongoing focus on cost control and operating efficiencies.

CITIC Metal recorded revenue of HK\$137,697 million with a profit attributable to ordinary shareholders of HK\$2,112 million, representing a year-on-year growth of 56% and 22%, respectively. In particular, revenue from the trading business increased by 56%, the core product Niobium continued to maintain a solid market advantage and accounted for 83% of the domestic market share, the iron ore trading amounted to 54 million tonnes, ranking at the forefront in the industry. Profit from investment business increased by 26% year-on-year, mainly due to a 2.6 times increase in profit from the Copper Mine Project in Peru driven by high copper prices and a gain of HK\$300 million from the disposal of 1.19% equity interest in Western Superconducting Technologies Co., Ltd (西部超導公司).

With rising oil prices, **CITIC Resources** actively implemented measures to stabilize production, with a 6.2% growth in interest crude oil production and a 72% increase in the average selling price, the crude oil business achieved a profit of HK\$739 million and thus turned the company's overall loss into profit. The interest-bearing debt ratio fell to a near 10-year low of 28.8% during the reporting period as a result of the repayment of interest-bearing liabilities with its own funds.

The Ligang Power Plant, in which **CITIC Pacific Energy** has an investment, grew by 18% and 7.5% in generation capacity and on-grid tariffs, respectively year-on-year. Revenue was HK\$12,058 million, an increase of 37% year-on-year. However, the sharp rise in thermal coal prices led to a deficit in the power generation business, with profit contribution falling 64% year-on-year to HK\$256 million. As the market-oriented electricity reform progresses, the company's profitability will gradually recover.

New Consumption

HK\$ million	2021	2020	Increase/(Decrease)		
			Amount	%	Comparable Basis %
Revenue from external customers	65,564	70,056	(4,492)	(6.4%)	7.6%
Net profit	2,366	1,278	1,088	85%	50%
Profit attributable to ordinary shareholders	1,610	894	716	80%	80%
Business assets	72,055	76,157	(4,102)	(5.4%)	(5.4%)

Note: The comparable basis refers to the calculation without consolidating McDonald's China's financial statements for the same period last year.

In 2021, this segment achieved revenue of HK\$65,564 million, with a net profit of HK\$2,366 million and profit attributable to ordinary shareholders of HK\$1,610 million. This represented a year-on-year increase of 7.6%, 50% and 80% respectively on a comparable basis.

CITIC Press recorded a year-on-year increase of 9.2% of net online sales revenue from self-run book publishing business, effectively compensating for the impact of increased channel discounts, and recorded revenue of RMB1,922 million for the year, which was basically the same as that of the previous year. However, the profit attributable to ordinary shareholders decreased by 14% to RMB242 million due to the impact of fierce price competition in the book market.

Dah Chong Hong achieved a strong performance of the premium brand vehicle business in mainland China and the commercial vehicle and yacht business in Hong Kong, becoming the exclusive logistics provider for COVID-19 vaccine in Hong Kong. It recorded a year-on-year increase of 8.5% in overall revenue to HK\$53,541 million and a significant increase of 304% in profit attributable to ordinary shareholders to HK\$550 million.

CITIC Telecom International recorded a year-on-year increase in revenue of HK\$636 million from mobile device sales, compensating for the impact of the decline in corporate business and mobile business and leading to a year-on-year increase of 6.3% in overall revenue to HK\$9,486 million and a year-on-year increase of 5.2% in profit attributable to ordinary shareholders to HK\$1,076 million.

New-Type Urbanisation

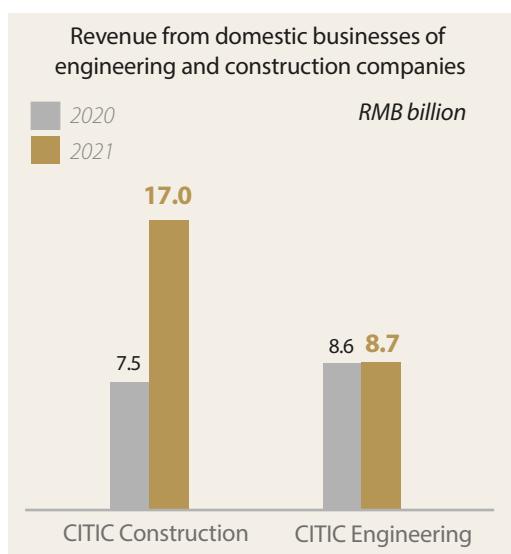
HK\$ million	2021	2020	Increase/(Decrease)	
			Amount	%
Revenue from external customers	56,366	44,224	12,142	27%
Net profit	8,280	9,920	(1,640)	(17%)
Profit attributable to ordinary shareholders	7,810	9,409	(1,599)	(17%)
Business assets	349,907	309,736	40,171	13%

In 2021, this segment realised revenue of HK\$56,366 million, up by 27% year-on-year, a net profit of HK\$8,280 million and profit attributable to ordinary shareholders of HK\$7,810 million, both down by 17% year-on-year. The increase in revenue mainly arose from the engineering construction business, while the decrease in profit was mainly due to the fell in performance of the property development business caused by the tightened regulatory policies in the property industry.

Property development, operation and management companies such as CITIC Pacific Properties and CITIC Urban Development registered total revenue of HK\$9,441 million and a profit attributable to ordinary shareholders of HK\$6,361 million for the year, decreasing by 8.2% and 4.3% year-on-year respectively. During the year, its share of net profit from COLI's equity recorded a year-on-year decrease. Apart from this, profits were mainly derived from the rental income from investment properties and the sales of projects such as Glorious Garden in Yangzhou, Optics Valley Xintiandi in Wuhan, Nove Mansion in Shanghai, and The Entrance at Ma On Shan, HK.

Construction and engineering companies such as CITIC Construction and CITIC Engineering achieved total revenue of HK\$36,726 million, up by 42% year-on-year. However, an impairment provision on receivables for some projects was made because of the economic fluctuations and overseas COVID-19 pandemic. Without taking account of the impact described above, an operating profit of HK\$2.1 billion was achieved, representing an increase of 11% year-on-year. Developing on Belt and Road markets, newly signed overseas contracts for the year were valued at US\$4.13 billion.

The urban operation companies achieved total revenue of HK\$11,044 million and a profit attributable to ordinary shareholders of HK\$1,110 million for the year, up by 17% and 36% year-on-year respectively. The increase was mainly attributable to water treatment operations and proceeds from the disposal of equity investments.

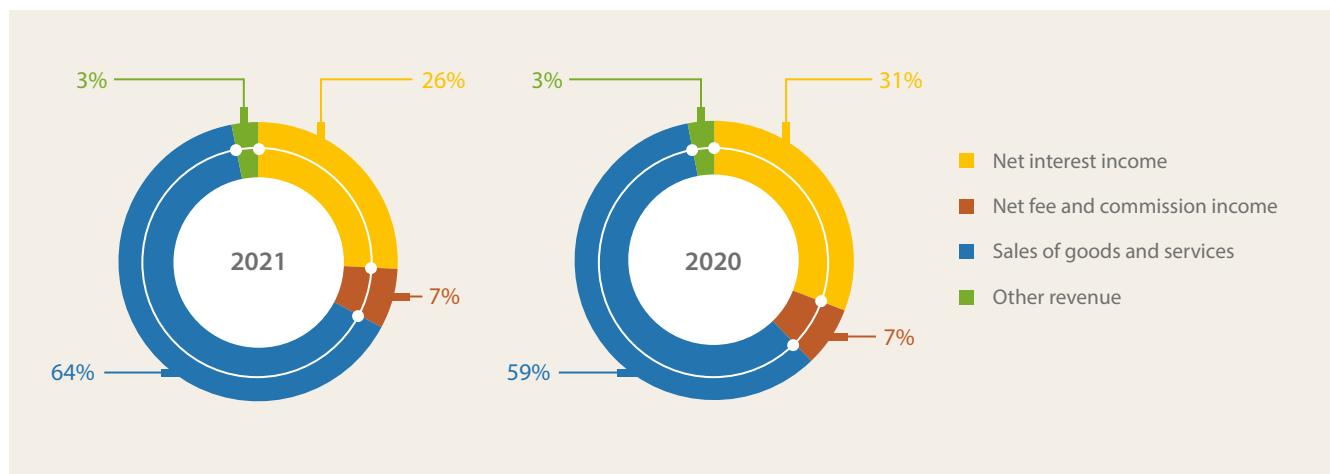


Group Financial Results

Revenue

By nature

HK\$ million	Year ended 31 December		Increase/(Decrease)	
	2021	2020	Amount	%
Net interest income	181,973	172,018	9,955	5.8%
Net fee and commission income	49,720	39,178	10,542	27%
Sales of goods and services	452,163	323,808	128,355	40%
– Sales of goods	385,350	268,964	116,386	43%
– Revenue from construction contracts	34,589	24,984	9,605	38%
– Revenue from other services	32,224	29,860	2,364	7.9%
Other revenue	25,080	17,945	7,135	40%



Expected credit losses and other impairment losses

In 2021, expected credit losses and asset impairment losses of HK\$104,798 million were recorded, an increase of 4.2% from the year before. CITIC Bank accounted for HK\$92,792 million of these losses, including HK\$60,492 million expected credited losses in its loans and advances to customers.

Net finance charges

In 2021, the finance costs of the Group amounted to HK\$9,433 million, a year-on-year decrease of HK\$1,717 million, or 15%, mainly due to the decrease in interest expenses from loans.

In 2021, the finance income of the Group amounted to HK\$2,036 million, a year-on-year increase of HK\$770 million, or 61%, mainly due to the increase in interest income from bank deposits.

Income tax

In 2021, income tax of the Group was HK\$20,863 million, an increase of HK\$4,073 million as compared with last year, this was consistent with the increase in profit before taxation.

Group Cash Flows

HK\$ million	CITIC Limited Year ended 31 December				CITIC Bank Year ended 31 December			
	2021	2020	Increase/ (Decrease)	%	2021	2020	Increase/ (Decrease)	%
Net cash (used in)/generated from operating activities	(40,694)	193,225	(233,919)	(121%)	(90,800)	176,053	(266,853)	(152%)
Net cash used in investing activities	(267,453)	(256,167)	(11,286)	(4.4%)	(249,043)	(244,948)	(4,095)	(1.7%)
Including: Proceeds from disposal and redemption of financial investments	3,790,762	3,043,255	747,507	25%	3,667,688	2,885,470	782,218	27%
Payments for purchase of financial investments	(4,041,787)	(3,292,092)	(749,695)	(23%)	(3,912,064)	(3,123,840)	(788,224)	(25%)
Net cash generated from financing activities	208,155	36,018	172,137	478%	264,856	51,596	213,260	413%
Including: Proceeds from bank and other loans and debt instruments issued	1,260,578	1,052,516	208,062	20%	1,088,538	905,749	182,789	20%
Repayment of bank and other loans and debt instruments issued	(1,028,186)	(951,030)	(77,156)	(8.1%)	(817,641)	(808,299)	(9,342)	(1.2%)
Interest paid on bank and other loans and debt instruments issued	(41,084)	(36,566)	(4,518)	(12%)	(31,616)	(25,049)	(6,567)	(26%)
Dividends paid to ordinary shareholders	(15,651)	(11,200)	(4,451)	(40%)	(19,043)	(16,941)	(2,102)	(12%)
Dividends paid to non-controlling interests	(11,302)	(9,987)	(1,315)	(13%)	-	-	-	-
Net decrease in cash and cash equivalents	(99,992)	(26,924)	(73,068)	(271%)	(74,987)	(17,299)	(57,688)	(333%)
Cash and cash equivalents at the beginning of the Period	452,702	463,038	(10,336)	(2.2%)	379,694	382,291	(2,597)	(0.7%)
Effect of exchange rate changes	4,905	16,588	(11,683)	(70%)	4,513	14,702	(10,189)	(69%)
Cash and cash equivalents at the end of the Period	357,615	452,702	(95,087)	(21%)	309,220	379,694	(70,474)	(19%)

Capital Expenditure

HK\$ million	Year ended 31 December		Increase/(Decrease)	
	2021	2020	Amount	%
Comprehensive financial services	13,450	7,909	5,541	70%
Advanced intelligent manufacturing	1,641	579	1,062	183%
Advanced materials	13,376	9,761	3,615	37%
New consumption	1,748	2,994	(1,246)	(42%)
New-type urbanisation	12,020	8,373	3,647	44%
Total	42,235	29,616	12,619	43%

Capital Commitments

As at 31 December 2021, the contracted capital commitments of the Group amounted to approximately HK\$33,917 million. Details are disclosed in note 46(f) to the financial statements.

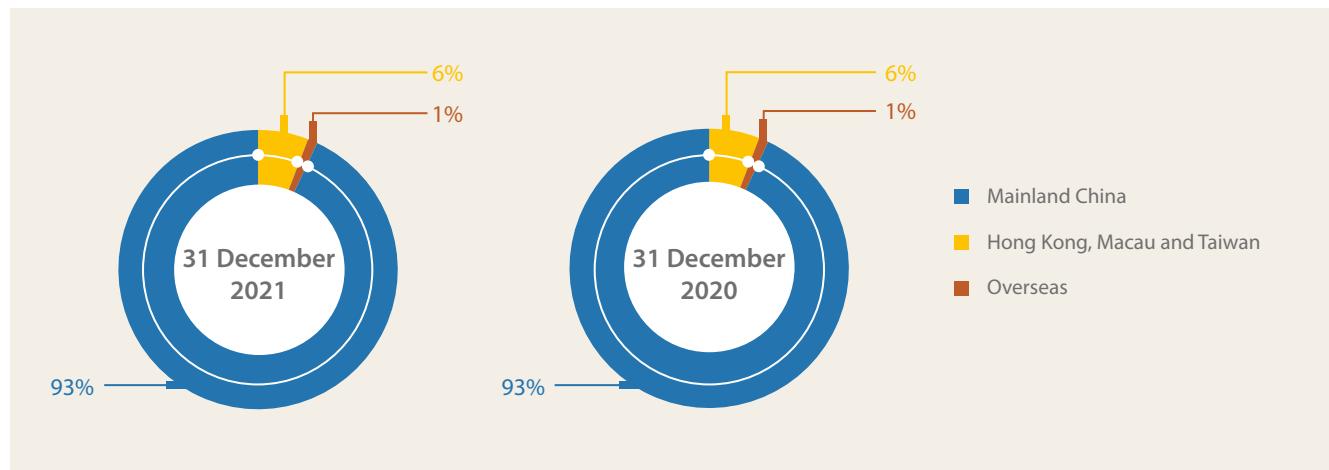
Group Financial Position

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Total assets	10,685,521	9,740,828	944,693	9.7%
Loans and advances to customers and other parties	5,809,296	5,206,155	603,141	12%
Investments in financial assets	2,906,862	2,553,067	353,795	14%
Cash and deposits	720,235	755,386	(35,151)	(4.7%)
Placement with banks and non-bank financial institutions	173,754	198,513	(24,759)	(12%)
Trade and other receivables	172,837	169,723	3,114	1.8%
Fixed assets	177,306	167,840	9,466	5.6%
Total liabilities	9,519,931	8,732,186	787,745	9.0%
Deposits from customers	5,852,701	5,427,694	425,007	7.8%
Deposits from banks and non-bank financial institutions	1,422,328	1,370,439	51,889	3.8%
Debt instruments issued	1,250,325	973,858	276,467	28%
Borrowing from central banks	231,479	266,611	(35,132)	(13%)
Bank and other loans	145,362	163,604	(18,242)	(11%)
Trade and other payables	184,939	160,943	23,996	15%
Total ordinary shareholders' funds	751,407	674,276	77,131	11%

Total assets

Total assets increased from HK\$9,740,828 million as at 31 December 2020 to HK\$10,685,521 million as at 31 December 2021, mainly attributable to an increase in loans and advances to customers and other parties as well as Investments in financial assets.

By geography



Loans and advances to customers and other parties

As at 31 December 2021, the loans and advances to customers and other parties of the Group was HK\$5,809,296 million, an increase of HK\$603,141 million or 12% compared to 31 December 2020. The proportion of loans and advances to customers and other parties to total assets was 54.37%, an increase of 0.92 percentage point compared to 31 December 2020.

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Loans and advances to customers and other parties measured at amortised cost				
Corporate loans	2,807,040	2,595,572	211,468	8.1%
Discounted bills	5,532	7,947	(2,415)	(30%)
Personal loans	2,523,024	2,246,396	276,628	12%
Accrued interest	16,181	15,182	999	6.6%
Total loans and advances to customers and other parties measured at amortised cost	5,351,777	4,865,097	486,680	10%
Impairment allowances	(154,269)	(156,218)	1,949	1.2%
Carrying amount of loans and advances to customers and other parties measured at amortised cost	5,197,508	4,708,879	488,629	10%
Loans and advances to customers and other parties at fair value through profit or loss				
Personal loans	–	8,465	(8,465)	(100%)
Loans and advances to customers and other parties measured at fair value through other comprehensive income				
Corporate loans	47,210	3,203	44,007	1374%
Discounted bills	564,578	485,608	78,970	16%
Carrying amount of loans and advances to customers and other parties measured at fair value through other comprehensive income	611,788	488,811	122,977	25%
Net loans and advances to customers and other parties	5,809,296	5,206,155	603,141	12%

Investments in financial assets

As at 31 December 2021, the investments in financial assets of the Group was HK\$2,906,862 million, an increase of HK\$353,795 million, increased 14% compared with 31 December 2020. The proportion of investments in financial assets to total assets was 27.20%, an increase of 0.99 percentage point compared with 31 December 2020.

(a) Analysed by types

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Debt securities	1,962,639	1,713,503	249,136	15%
Investment management products managed by securities companies	72,824	128,035	(55,211)	(43%)
Investment funds	518,277	368,171	150,106	41%
Trust investment plans	295,570	235,803	59,767	25%
Certificates of deposit and certificates of interbank deposit	44,601	70,127	(25,526)	(36%)
Equity investment	27,163	26,185	978	3.7%
Wealth management products	2,677	6,532	(3,855)	(59%)
Investments in creditor's rights on assets	–	96	(96)	(100%)
Others	1,106	2,109	(1,003)	(48%)
Subtotal	2,924,857	2,550,561	374,296	15%
Accrued interest	18,760	19,968	(1,208)	(6.0%)
Less: allowance for impairment losses	(36,755)	(17,462)	(19,293)	(110%)
Total	2,906,862	2,553,067	353,795	14%

(b) Analysed by measurement attribution

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Financial assets at amortised cost	1,435,823	1,156,496	279,327	24%
Financial assets at FVPL	667,206	528,293	138,913	26%
Debt investments at FVOCI	793,188	860,255	(67,067)	(7.8%)
Equity investments at FVOCI	10,645	8,023	2,622	33%
Total	2,906,862	2,553,067	353,795	14%

Deposits from customers

As at 31 December 2021, deposits from customers of the financial institutions under the Group were HK\$5,852,701 million, an increase of HK\$425,007 million or 7.8% compared to 31 December 2020. The proportion of deposits from customers to total liabilities was 61.48%, a decrease of 0.68 percentage point compared to 31 December 2020.

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Corporate deposits				
Time deposits	2,183,893	1,991,042	192,851	10%
Demand deposits	2,401,056	2,258,627	142,429	6.3%
Subtotal	4,584,949	4,249,669	335,280	7.9%
Personal deposits				
Time deposits	809,998	726,173	83,825	12%
Demand deposits	379,224	388,658	(9,434)	(2.4%)
Subtotal	1,189,222	1,114,831	74,391	6.7%
Outward remittance and remittance payables	13,062	10,763	2,299	21%
Accrued interest	65,468	52,431	13,037	25%
Total	5,852,701	5,427,694	425,007	7.8%

Bank and other loans

HK\$ million	As at 31 December 2021	As at 31 December 2020	Increase/(Decrease)	
			Amount	%
Comprehensive financial services				
4,865	2,382	2,483	104%	
Advanced intelligent manufacturing	15,823	15,867	(44)	(0.3%)
Advanced materials	58,887	53,753	5,134	9.6%
New consumption	5,966	10,301	(4,335)	(42%)
New-type urbanisation	46,938	39,217	7,721	20%
Operation management	90,837	82,529	8,308	10%
Elimination	(78,411)	(40,878)	(37,533)	(92%)
Subtotal	144,905	163,171	(18,266)	(11%)
Accrued interest	457	433	24	5.5%
Total	145,362	163,604	(18,242)	(11%)

Debt instruments issued

HK\$ million	As at 31 December	As at 31 December	Increase/(Decrease)	
	2021	2020	Amount	%
Comprehensive financial services	1,167,869	872,734	295,135	34%
Advanced intelligent manufacturing	–	–	–	–
Advanced materials	489	772	(283)	(37%)
New consumption	3,500	3,496	4	0.1%
New-type urbanisation	372	360	12	3.3%
Operation management	104,713	121,736	(17,023)	(14%)
Elimination	(32,237)	(30,567)	(1,670)	(5.5%)
Subtotal	1,244,706	968,531	276,175	29%
Accrued interest	5,619	5,327	292	5.5%
Total	1,250,325	973,858	276,467	28%

Total ordinary shareholders' funds

As at 31 December 2021, total ordinary shareholders' funds of the Group amounted to HK\$751,407 million, an increase of HK\$77,131 million as compared with 31 December 2020. This was mainly attributable to the growth in net profits.

RISK MANAGEMENT

CITIC Limited has established a risk management and internal control system covering all business segments to identify, assess and manage various risks in the Group's business activities. The business, operating results, financial position and profitability of CITIC Limited may be subject to a number of risk factors and uncertainties, directly or indirectly, relating to the Group. The risk factors set out below are not exhaustive and CITIC Limited, in addition to these risk factors, may also be exposed to other unknown risks or risks that may not be material at present but may become material in future.

Financial Risk

As a sub-committee of the Executive Committee, the Asset and Liability Management Committee ("ALCO") has been established to monitor financial risks of the Group in accordance with the relevant treasury and financial risk management policies.

Asset and liability management

CITIC Limited's sources of funds for different businesses include long-term and short-term debt and equity, of which ordinary shares, preferred shares and perpetual securities are the alternative forms of equity financing instruments. CITIC Limited manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is targeted to match the characteristics of our underlying business.

1. Debt

ALCO centrally manages and regularly monitors the existing and projected debt levels of CITIC Limited and its major non-financial subsidiaries to ensure that the Group's debt size, structure and cost are at reasonable levels.

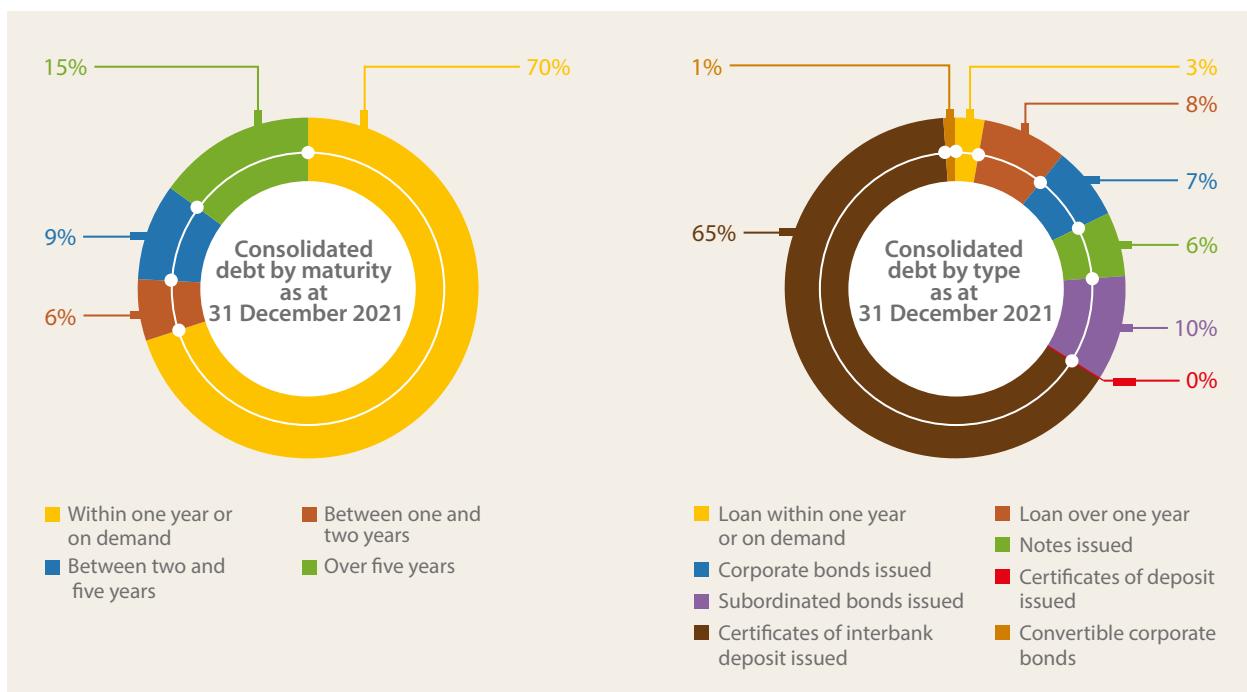
As at 31 December 2021, consolidated debt of CITIC Limited⁽¹⁾ was HK\$1,389,611 million, including loans of HK\$144,905 million and debt instruments issued⁽²⁾ of HK\$1,244,706 million. Debt of CITIC Bank⁽³⁾ accounted for HK\$1,135,618 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$2,609 million and available committed facilities of HK\$30,732 million.

The details of debt are as follows:

As at 31 December 2021	HK\$ million
Consolidated debt of CITIC Limited	1,389,611
Among which: Debt of CITIC Bank	1,135,618

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 and convertible corporate bonds excluding interest accrued;
- (3) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit issued, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued and certificates of interbank deposit issued & convertible corporate bonds that has been subscribed by another subsidiary of the group.



The debt to equity ratio of CITIC Limited as at 31 December 2021 is as follows:

HK\$ million	Consolidated
Debt	1,389,611
Total equity ⁽⁴⁾	1,165,590
Debt to equity ratio	119%

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 47(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2021 are set out in Note 46 to the consolidated financial statements.

4. Pledged loan

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary pledged as security for CITIC Limited's loan as at 31 December 2021 are set out in Note 41(d) to the consolidated financial statements.

5. Credit ratings

	Standard & Poor's	Moody's
31 December 2021	BBB+/Positive	A3/Stable

Treasury risk management

Treasury risk management essentially covers the following financial risks inherent in CITIC Limited's businesses:

- Interest rate risk
- Currency risk
- Counterparty risk for financial products
- Commodity risk
- Market price risk

CITIC Limited manages the above risks by using appropriate financial derivatives or other means, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKFRS 9 in performing treasury risk management responsibilities. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

CITIC Limited is committed to establishing a comprehensive and uniform treasury risk management system. Within the group-wide treasury risk management framework, member companies are required to, according to their respective business characteristics and regulatory requirements, implement suitable treasury risk management strategies and procedures and submit reports on a regular and ad hoc basis.

1. Interest rate risk

CITIC Limited regularly monitors current and projected interest rate changes, with each of the operating entities of the Group implementing its own interest rate risk management system covering identification, measurement, monitoring and control of market risks. Interest rate risk is managed by taking into account market conditions and controlled at a reasonable level.

For our financial subsidiaries, repricing risk and benchmark risk are the main sources of interest rate risk. Observing the principle of prudent risk appetite, they closely track changes in the macroeconomic situation and internal business structure, continue to optimise the maturity structure of deposits, make timely adjustments to the loan repricing lifecycle, and take the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value within a tolerable level of interest rate risk.

For our head office and non-financial subsidiaries, the interest rate risk arises primarily from debt. Borrowings at floating rates expose CITIC Limited to cash flow interest rate risk, while borrowings at fixed rates expose CITIC Limited to fair value interest rate risk. Based on its balance sheet and market conditions, CITIC Limited and its non-financial subsidiaries will conduct analysis and sensitivity testing on interest rate risk, adopt a flexible approach in choosing financing instruments at floating and fixed rates, or choose to employ, at the suitable time, the interest rate swaps and other derivative instruments approved for use by the ALCO to manage interest rate risk.

Details of interest rate risk management are set out in Note 47(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 47(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.

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.

COVID-19 continues spreading around the world, causing tremendous impacts on both economic and social development. In the meanwhile, as China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. The global economy is still on the way of recovery, but the performances in main economic entities and regions are divergent, and challenges from trade friction and other aspects are increasing. The growth prospect is with uncertainty. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on its operational results, financial condition and profitability.

Operational Risk

The financial services segment of the Group covers various sectors, including banking, securities, trust, insurance and asset management. As information technology is widely applied in the modern financial services industry, the reliability of computer systems, computer networks and information management software is essential to both traditional financial and innovative businesses. Unreliable information technology systems or underdeveloped network technologies may result in inefficient trading systems, business interruption, or loss of important information, thus affecting the reputation and service quality of financial institutions and even incurring economic losses and legal disputes.

CITIC Limited carries out resources and energy, manufacturing, engineering contracting, real estate, and other businesses in countries and regions across the world, and these businesses might continue to encounter a diversity of operational difficulties. Certain difficulties, if beyond the control of CITIC Limited, might result in production delays or increases in production costs. These operational risks include delay of government payments, deterioration of tax policies, labour disputes, unforeseen technical failures, various disasters and emergencies, unexpected changes in mineral, geological or mining conditions, pollution and other environmental damage, as well as potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities. Such risks would cause damage or loss to the relevant businesses of CITIC Limited, which in turn could adversely affect its operations, financial condition and profitability.

Credit Risk

With the proliferation of new market entities, innovative business models, new products, businesses and counterparties, credit risks could increase in both width and complexity. In this unpredictable economic climate, with extensive business operations and counterparties, the Group pays close attention to market developments and credit risks arising from business partners. If the Group fails to investigate and prevent such risks, they may have an adverse impact on its operations, financial condition and profitability.

Competitive Markets

CITIC Limited operates in highly competitive markets. Failure to compete in terms of product specifications, service quality, reliability or price may have an adverse impact on the Group.

- The financial services business faces fierce competition from domestic and international commercial banks and other financial institutions.
- The engineering contracting business is challenged by global peers as well as China's large state-owned enterprises and private companies.
- Resources and energy, manufacturing, real estate operations, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

Intensification of competition might result in lower product prices, narrower profit margins as well as loss of market share for CITIC Limited.

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

CITIC Limited faces local business risks in different countries and regions. Such risks might have a significant impact on the financial condition, operations and business prospects of CITIC Limited in the relevant markets. The investments of CITIC Limited in countries and regions across the world might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investment of CITIC Limited, and delay or impede its business operations and hence adversely affect revenue and profit.

Impact of new accounting standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") issues new and revised Hong Kong Financial Reporting Standards ("HKFRSs") from time to time. As the accounting standards continue to evolve, HKICPA might further issue new and revised HKFRSs in the future. The new accounting policies, if required to be adopted by CITIC Limited, could have a significant impact on its financial condition and operations.

Natural disasters or events, terrorism and diseases

The business of CITIC Limited could be affected by events such as earthquakes, typhoons, tropical cyclones, inclement weather, acts or threats of terrorism, or outbreaks of highly contagious diseases, which would directly or indirectly reduce the supply of essential goods or services or reduce economic activities on a local, regional or global scale. Any of these disasters might damage the businesses of CITIC Limited, which would have a material adverse impact on the financial condition and operations of CITIC Limited.

FIVE YEAR STATISTICS

Operating Results

HK\$ million	Year ended 31 December				
	2017	2018	2019	2020	2021
Revenue	450,536	533,285	566,497	552,949	708,936
Profit before taxation	82,783	93,969	96,015	97,718	121,141
Net Profit	65,096	75,025	78,188	80,928	100,278
Profit attributable to ordinary shareholders	43,902	50,239	53,903	56,628	70,222
Basic earnings per share (HK\$)	1.51	1.73	1.85	1.95	2.41
Diluted earnings per share (HK\$)	1.51	1.73	1.85	1.95	2.41
Dividend per share (HK\$)	0.36	0.41	0.465	0.488	0.606
Return on net assets (%)	8.6%	9.1%	9.4%	8.9%	9.9%
Dividend payout ratio (%)	24%	24%	25%	25%	25%

Financial Condition

HK\$ million	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021
Total assets	7,520,739	7,660,713	8,289,924	9,740,828	10,685,521
Total liabilities	6,727,098	6,850,053	7,395,433	8,732,186	9,519,931
Total ordinary shareholders' funds and perpetual capital securities	550,951	558,545	591,526	674,276	751,407
Ordinary shareholders' funds per share (HK\$)	18.67	19.20	20.33	23.18	25.83
Credit ratings					
– Standard & Poor's	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Positive
– Moody's	A3/Negative	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 (Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) and complied throughout the year 2021 with all code provisions set out in the Corporate Governance Code in force during the year under review.

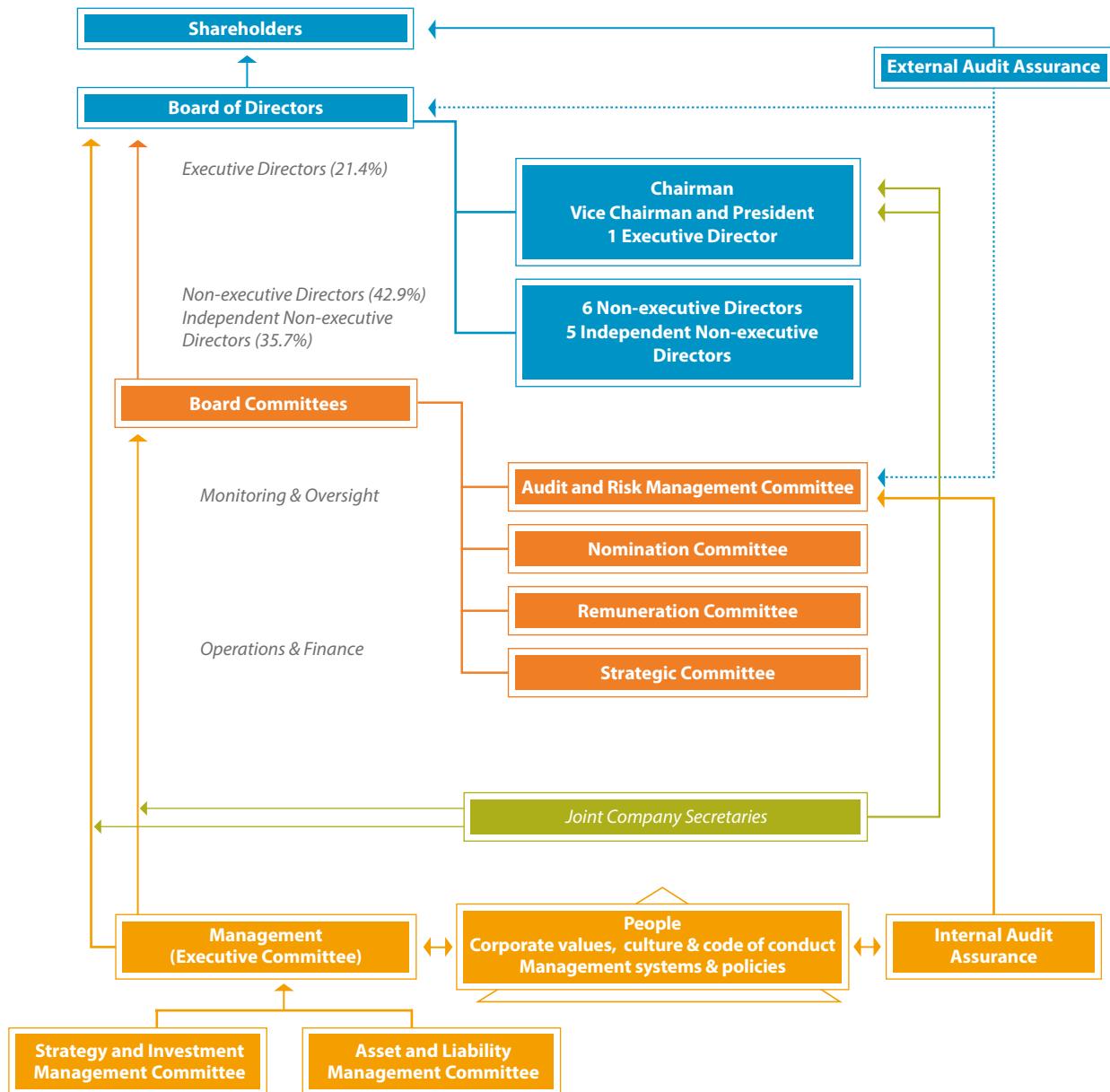
Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

Preservation of Value and Strategy

CITIC Limited is one of China’s largest conglomerates and a constituent of the Hang Seng Index. CITIC Limited has built a remarkable portfolio of businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. Our platform is unique in its diversity and scale, allowing CITIC Limited to capture emerging opportunities in China and around the world.

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

Corporate Governance Structure



Board of Directors

Overall accountability

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

During the year under review, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his/her responsibilities. The board is of the view that all directors have given sufficient time and attention to CITIC Limited's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in CITIC Limited and other public companies held by the directors.

Board composition and changes

CITIC Limited announced the following changes in board composition.

On 3 May 2021, Mr Shohei Harada resigned as an independent non-executive director and a member of the strategic committee of CITIC Limited. On the same day, Mr Toshikazu Tagawa was appointed as an independent non-executive director and a member of the strategic committee of CITIC Limited.

On 29 December 2021, Mr Liu Zhuyu resigned as a non-executive director and a member of the remuneration committee of CITIC Limited, and Mr Liu Zhongyuan resigned as a non-executive director of CITIC Limited.

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. The appointment of Mr Zhang Lin and Mr Tang Jiang as directors were recommended by the nomination committee.

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

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

CITIC Limited has received from each independent non-executive director a confirmation of his independence and considers that all independent non-executive directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Brief bio data of the directors, together with information about the relationships amongst them, are set out on pages 120 to 124.

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

Pursuant to Article 95 of the articles of association of CITIC Limited, any director appointed by the board subsequent to the last annual general meeting either to fill a casual vacancy or as an additional director shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of CITIC Limited and shall then be eligible for re-election at such meeting. Thereafter, they shall

be subject to retirement by rotation and re-election in accordance with CITIC Limited's articles of association. Induction materials will be provided to the newly appointed directors upon their appointment.

Board responsibilities and delegation

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

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

The board 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 major corporate policies such as the code of conduct and whistle-blowing policy.

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

Details of the responsibilities, membership, attendance and activities during the year under review of each board committee are set out on pages 95 to 106.

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 2021. 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.

The attendance record of each director at board meetings and general meeting in 2021 is set out below:

	Attendance		
	Board Meetings in 2021	Annual General Meeting on 9 June 2021	
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	✓	
Ms Li Qingping	4	✓	
<i>Non-executive Directors</i>			
Mr Song Kangle	3	✓	
Mr Peng Yanxiang	4	✓	
Ms Yu Yang	4	✓	
Mr Yang Xiaoping	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 ⁽⁵⁾	2	✓	
Mr Toshikazu Tagawa ⁽¹⁾	3	✓	
Resigned Directors			
<i>Non-executive Directors</i>			
Mr Liu Zhuyu ⁽²⁾	4	✓	
Mr Liu Zhongyuan ⁽³⁾	3	✓	
<i>Independent Non-executive Director</i>			
Mr Shohei Harada ⁽⁴⁾	1	N/A	

Notes:

- (1) appointed with effect from 3 May 2021
- (2) resigned with effect from 29 December 2021
- (3) resigned with effect from 29 December 2021
- (4) resigned with effect from 3 May 2021
- (5) due to COVID-19, there are issues with Mr Gregory Lynn Curl attending all of the board meetings as he is based in the USA. However, he has reviewed the board materials and has provided feedback where appropriate before the board meeting.

Chairman and the president

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

Directors' continuous professional development programme

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

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

Under the CPD Programme of CITIC Limited for the year 2021, directors were provided with the monthly business updates and other reading materials concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. Further, four non-executive directors attended a seminar titled Directors and Supervisors of Listed Companies in China and overseas and the 55th session of the Joint Membership Enhancing Continuous Professional Development Program of the Hong Kong Institute of Chartered Secretaries which was to talk about continuing obligations of directors. CITIC Limited has also invited the Privacy Commissioner for Personal Data of Hong Kong to give a presentation to directors regarding the latest developments/updates on personal data protection regime.

Directors also attended the strategic committee and board retreat meeting held in November 2021 to discuss the corporate strategy and business development of CITIC Limited.

According to the record of the directors' participation in CITIC Limited's CPD Programme kept at the company secretariat office, a summary of training received by the directors for the period from 1 January 2021 to 31 December 2021 is as follows:

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

Notes:

- (1) appointed with effect from 3 May 2021; induction materials and briefing by external legal counsel were provided in respect of his appointment
- (2) resigned with effect from 29 December 2021
- (3) resigned with effect from 29 December 2021
- (4) resigned with effect from 3 May 2021

Board Committees

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

Audit and risk management committee

The audit and risk management committee oversees the relationship with the external auditor, and reviews CITIC Limited's financial reporting, annual audit and half-year report. The committee acts on behalf of the board in providing oversight of CITIC Limited's financial reporting system, risk management and internal control systems, reviews and monitors the effectiveness of the internal audit function, and reviews CITIC Limited's policies and practices on corporate governance. The committee currently consists of two non-executive directors and three independent non-executive directors. The chairman of the committee is Mr Francis Siu Wai Keung, an independent non-executive director. Mr Siu has the relevant professional qualification and expertise in financial reporting matters. The audit and risk management committee holds four regular meetings each year (at least two of which are with CITIC Limited's external auditor). At the invitation of the audit and risk management committee, other directors, senior management and other relevant persons, as well as experts or consultants with relevant experience or expertise may also attend the meetings. The audit and risk management committee members also meet in separate private sessions with the external and internal auditors without the presence of executive directors and management at least once a year.

Duties of the audit and risk management committee

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

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

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

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

Committee composition and meeting attendance

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

Membership and Attendance

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

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

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

Work done in 2021

The audit and risk management committee performed the followings in 2021:

Financial reporting	Reviewed the 2020 annual financial statements, annual report and results announcement Reviewed the 2021 half-year financial statements, half-year report and results announcement Recommended to the board approval of the 2020 annual report and 2021 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 2020 annual financial statements and their independent review of the 2021 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 2021 half-year financial statements and their statutory audit of the 2021 annual financial statements, including the audit scope and the nature of their work Considered the independence of the external auditor of CITIC Limited
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the risk management and internal control of the Group, including adequacy of the staff resources, qualifications and experience of CITIC Limited's internal audit, risk management, accounting and financial reporting functions Approved annual internal audit plan and reviewed the overall audit work progress in each committee meeting Reviewed internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters Noted any significant changes in financial or other risks faced by CITIC Limited and reviewed management's response to them

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

At the meeting held on 29 March 2022, the audit and risk management committee reviewed and approved CITIC Limited's annual financial statements and annual report for the year ended 31 December 2021, and considered reports from the external and internal auditors. The audit and risk management committee recommended to the board for approval of the 2021 annual report.

Nomination committee

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

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

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

Director Nomination Policy

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

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

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

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

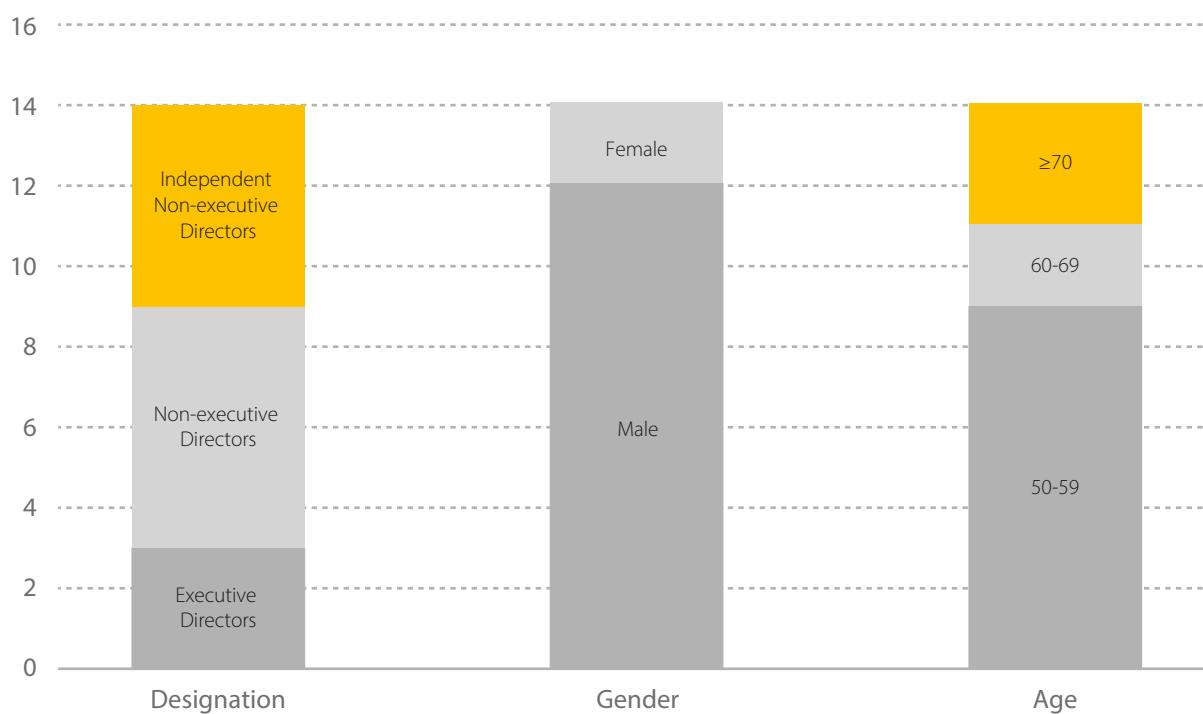
Board Diversity Policy

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

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

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

Number of Directors



The board is comprised of experienced senior management from varied backgrounds, accounting, 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.

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 two sets of written resolutions were passed by all the committee members. The joint company secretary prepared full minutes of the nomination committee meeting and the draft minutes were circulated to all committee members within a reasonable time after the meeting.

Committee composition and meeting attendance

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

Membership and Attendance

Members	Attendance/ Number of Meetings
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	1/1

Work done in 2021

The nomination committee completed the following work in 2021:

- recommended the appointment of one independent non-executive director to the board for approval;
- made recommendations to the board on re-election of the directors retiring at the annual general meeting of CITIC Limited held on 9 June 2021;
- reviewed the structure, size, composition and diversity of the board;
- reviewed the board diversity policy and discussed the measurable objectives; and
- reviewed the director nomination policy.

In early 2022, two sets of written resolutions were passed by all the committee members, one of which was to recommend to the board the appointment of two non-executive directors and the other was to recommend to the board the retiring directors for re-election at the forthcoming annual general meeting to be held in 2022.

Remuneration committee

The principal role of the remuneration committee is to determine the remuneration packages of individual executive directors and senior management including salaries, bonuses, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment). The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives, salaries paid by comparable companies, regulations promulgated by national regulatory authorities on the remuneration of directors and senior management, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholder interests.

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

During the year under review, one remuneration committee meeting was held and 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

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

Note:

On 29 December 2021, Mr Liu Zhuyu resigned as a member of the remuneration committee. On 4 January 2022, Mr Zhang Lin (a Non-executive Director) was appointed as a member of the remuneration committee in his stead.

Work done in 2021

The remuneration committee completed the following work in 2021:

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

Details of CITIC Limited's remuneration policy in respect of staff remuneration management measures at the Group and its subsidiaries are set out in the Environmental, Social and Governance Report on page 163 and directors' remuneration and retirement benefits are disclosed on pages 262 to 265.

The remuneration paid to the directors, by name, for the year ended 31 December 2021 is set out in Note 13 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2021 is set out below:

Remuneration of senior management other than directors for the full year 2021

Total Remuneration Bands	Number of Executives
Below HK\$500,000	0
HK\$500,001 – HK\$1,000,000	6
	6

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 2021.

Strategic committee

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

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

- considering the major strategic directions of CITIC Limited and making proposals to the board;
- considering the mid-to-long term development plan and 5-year development plan of CITIC Limited and making proposals to the board;
- considering the impact of the macro economic conditions on the development of various business sectors of CITIC Limited and making proposals to the board; and
- other matters in connection with strategy planning pursuant to authorisation of the board.

The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members include an executive director, Mr Xi Guohua (being vice chairman and president of CITIC Limited), three non-executive directors, Mr Song Kangle, Ms Yu Yang and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Toshikazu Tagawa (appointed as committee member in place of Mr Shohei Harada with effect from 3 May 2021). Mr Li Rucheng (being a former non-executive director of CITIC Limited) serves as a consultant to the committee. During the year under review, one strategic committee meeting was held. The Strategic Development Department prepared full minutes of the strategic committee meeting and the draft minutes were circulated to all the committee members within a reasonable time after the meeting. A joint company secretary is responsible for keeping all the minutes of the meetings.

Management Committees

Executive committee

The Executive Committee is the highest authority of the management of CITIC Limited accountable to the board.

The functions and powers of the executive committee are:

- to formulate CITIC Limited's material strategic plans;
- to formulate CITIC Limited's annual material investment and financing plans (including reviewing material investment plans, feasibility studies, proposed disposals/divestments, mergers and acquisitions and other significant transactions of CITIC Limited);
- to review CITIC Limited's annual business plan and finance plans;
- to review monthly reports of CITIC Limited, and to submit to the board before each month-end the monthly report for the previous month;
- to manage and monitor CITIC Limited's core activities;
- to appoint and remove mid-level and above key personnel (other than personnel above the rank of assistant to general manager, and those appointed and removed by the board);
- to approve internal rules on day-to-day operations of CITIC Limited;
- to review and approve proposals to establish and adjust CITIC Limited's management and organisational structure; and
- to discharge other powers and functions conferred on it by the board.

The first three items and other matters within the authority of the board should be submitted for approval by the board, and thereafter implemented by the executive committee.

The committee is chaired by Mr Zhu Hexin, the chairman of the board, and other members are Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited, and also serves as vice chairman of the committee), Mr Ren Shengjun (serving as vice chairman of the committee), Ms Li Qingping (being executive director and vice president of CITIC Limited), Mr Cui Jun, Mr Liu Zhengjun (being vice president of CITIC Limited), Mr Wang Guoquan (being vice president of CITIC Limited), Mr Xu Zuo (being vice president of CITIC Limited) and Mr Fang Heying (being vice president of CITIC Limited).

Strategy and Investment Management Committee

CITIC Limited has established the strategy and investment management committee as a sub-committee under the executive committee to enhance strategy management, to prevent investment risks and to promote high quality development. The principal responsibilities of the strategy and investment management committee are to

- study and draw up CITIC Limited's integral development, medium and long-term development plan and industries investment guideline, approve development strategies and plans of subsidiaries;
- establish a mechanism of empowered operation and management, organise and implement it; and
- organise and implement full life-circle management of investment activities within the group.

The committee is led by the chairman of the committee Mr Xi Guohua (being executive director, vice chairman and president of CITIC Limited), vice chairmen of the committee, Mr Liu Zhengjun (being vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited), and other members of the committee include Mr Zhang Youjun (being assistant president of CITIC Limited), Mr Cao Guoqiang (being Chief Financial Officer of CITIC Limited), 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 202.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2021 are set out in the Independent Auditor's Report on pages 388 to 398.

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 2021, PwC's fees were approximately as follows:

Statutory audit fee: HK\$121 million (2020: HK\$94 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK\$13 million (2020: HK\$23 million).

Other audit firms provided statutory audit services at a fee of approximately HK\$38 million (2020: HK\$65 million) as well as other services for fees of HK\$23 million (2020: HK\$43 million).

Risk management and internal control

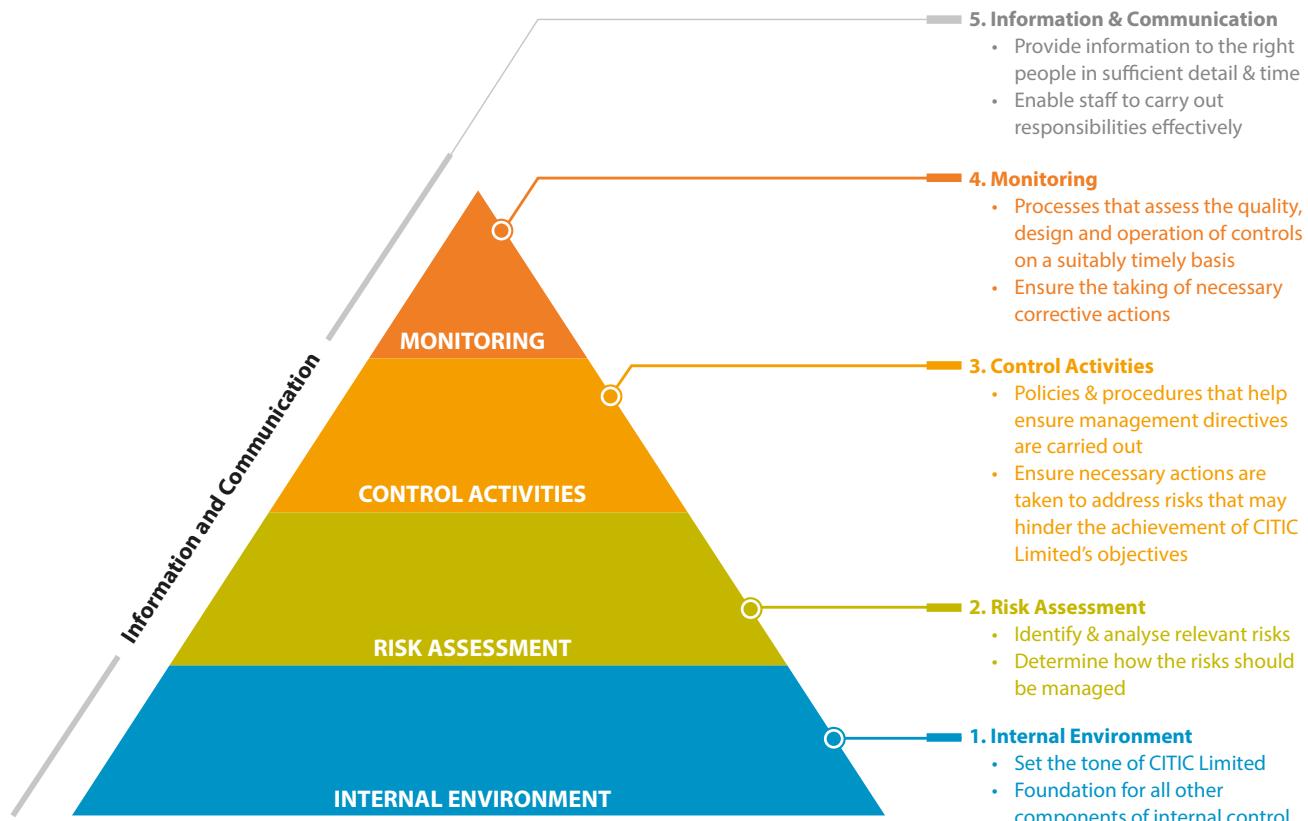
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in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

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

Overview of risk management and internal control

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

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



The risk management and internal control system of CITIC Limited comprises "Four Levels" and "Three Lines of Defence" based on the corporate governance structure. The "Four Levels" are the (i) board of directors 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.

Key control policies and measures

Control activities	<ul style="list-style-type: none"> Major control systems and processes include budgetary and cost controls, relevant reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.
Monitoring	<ul style="list-style-type: none"> Constant monitoring of compliance and review of risk management and internal control are conducted under the supervision of the audit and risk management committee. (Please refer to the section "Monitoring of risk management and internal control effectiveness"). The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements. The internal audit function reports directly to the audit and risk management committee, and is responsible for examination of risk management and internal control.
Information and communication	<ul style="list-style-type: none"> Implementation, maintenance and constant development of business and management information systems support CITIC Limited's businesses and operations, including finance, information disclosure and collaborative supervision. Corporate information is disseminated in a timely manner through the intranet, collaborative office system and corporate email system of CITIC Limited. A corporate website and shareholders communication policy ensure that shareholders receive complete and clear information about CITIC Limited and are encouraged to participate in general meetings of CITIC Limited.

Monitoring of risk management and internal control effectiveness

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

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

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Internal audit	<ul style="list-style-type: none"> Reviewed the internal audit report. Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan. 	<ul style="list-style-type: none"> Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. Reported to the board on such reviews when necessary.
Compliance assessment	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> No major non-compliance cases were noted during the year, the construction of compliance system still needs to be constantly improved.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of risk management and internal control system	<ul style="list-style-type: none"> • Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year. • Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management. • Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions. Ensured that the supporting documents of the self-assessments on risk management and internal control by the management were reviewed by the internal audit function or risk management function. • Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation. 	<ul style="list-style-type: none"> • No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement. • Management issued a positive confirmation.
Review of the internal audit, risk management, accounting and financial functions	<ul style="list-style-type: none"> • Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget. 	<ul style="list-style-type: none"> • Resources in the internal audit, risk management, accounting and finance functions were adequate. • On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory. • Training activities and budgets were given constant attention and remained satisfactory during the year.

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

Internal Audit

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

Authority

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

Responsibility

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

Internal audit staffing and tasks completed in 2021

At 31 December 2021, CITIC Limited had approximately 550 internal audit staff members in the internal audit departments of the head office and major subsidiaries, providing audit services to various business units and functions of the Company.

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

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

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

Business Ethics

Code of Conduct

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

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

We stick to core values and corporate culture & spirits with the characteristics of "CITIC SPIRIT", think highly of employees' integrity, morality and professional integrity. The company's Code of Conducts requires employees to strictly obey the laws, regulations and disciplines in their operational activities. It is a code that the employees must abide by and a standard for assessing professional conducts of employees. In 2021, we organised trainings in terms of professional integrity, anti-fraud and anti-corruption based on the types of industries and levels of posts. Various publicizing platforms including the internal network, official accounts of Wechat and APP were utilised to educate and guide employees to establish and maintain their excellent conducts and behaviors. The heads of every branches were required to conduct education, supervision and assessment regarding employees' conducts. The company developed the system of regular self-criticism to detect the risks to honesty and justice, to investigate and punish all sorts of illegal behaviors, to analyze and evaluate the effective implementation of this system, to propose advices for further improvement and correction, and to stably improve the levels of internal control management.

Whistle-blowing policy

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

Inside information/price sensitive information disclosure policy

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

Good employment practices

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

Directors' and relevant employees' securities transactions

CITIC Limited has adopted the model code for securities transactions by directors of listed issuers ("Model Code") contained in Appendix 10 to the Listing Rules. All directors and senior management confirmed that they have complied with the required standard set out in the Model Code throughout 2021. As at 31 December 2021, 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 137.

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

Joint Company Secretaries

Mr Wang Kang and Mr Ricky Choy Wing Kay (being a qualified solicitor in Hong Kong) acted as the joint company secretaries of CITIC Limited during the year 2021. 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 Wang and Mr Choy took no less than 15 hours of relevant professional training respectively during the year under review.

Mr Wang resigned as a joint company secretary on 12 January 2022. Upon his resignation, Mr Choy (the other joint company secretary of the Company) who meets the requirements of a company secretary under Rule 3.28 of the Listing Rules remains in office and acts as the company secretary of the Company. The board is in the process of identifying a suitable candidate to take up the position of joint company secretary of the Company and will issue an announcement as and when the appointment of joint company secretary of the Company is made.

Constitutional Documents

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

Communication with Shareholders

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

Information disclosure at corporate website

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

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

During the year under review, CITIC Limited has issued announcements in respect of 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.

Dividend policy

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

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

Voting by poll

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

Investor relations

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

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

Shareholders' rights

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

Convening of extraordinary general meeting on requisition by shareholders

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

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

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

Procedures for directing shareholders' enquiries to the board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

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

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

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

BOARD OF DIRECTORS

(The information of this section is updated as of 19 April 2022)

ZHU Hexin (Executive Director and Chairman)

Age 54: 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 been appointed as the chairman of the board and non-executive director of China CITIC Bank Corporation Limited with effect from 21 June 2021. Mr Zhu was vice president of Bank of Communications, executive director and vice president of Bank of China, vice governor of Sichuan Province, vice president of the People's Bank of China. He has over 20 years' extensive knowledge and experience in the financial industry. He graduated from Shanghai University of Finance and Economics with a degree of Bachelor in engineering, majored in economic information management system. He is a senior economist.

XI Guohua (Executive Director, Vice Chairman and President)

Age 58: 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, a member of the National Committee of CPPCC (Chinese People's Political Consultative Conference), chairman of CITIC Financial Holdings from March 2022. He formerly served as director of CRRC Zhuzhou Institute Co., Ltd., vice president of China Northern Locomotive & Rolling Stock Industry (Group) Corporation, executive director and CEO of China CNR Corporation Limited, executive director, vice chairman and CEO of CRRC Corporation Limited, vice chairman and president of CRRC Group Co., Ltd., chairman of Xinxing Cathay International Group Co., Ltd., director and president of China FAW Group Corporation Limited. Mr Xi has engaged in industry for more than 35 years and has accumulated a lot of practical experience. Mr Xi graduated from the Electrical Engineering Department of Shanghai Institute of Railway, majoring in electric drive for locomotives. He obtained a Master's degree in management and a Doctor's degree in engineering. He is a professorate senior engineer.

LI Qingping (Executive Director)

Age 59: an executive director of the Company since 2015. Ms Li is the vice president of the Company and a member of the executive committee. She is currently executive director and vice president of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited, and director and president of CITIC Financial Holdings from March 2022. She was formerly chairperson and executive director, president of China CITIC Bank Corporation Limited, general manager of the International Department of Agricultural Bank of China, general manager of Guangxi Branch, and director of the Retail Business Department. Ms Li is a senior economist with over 30 years' experience in the banking industry, with particular emphasis on international business and retail business. She graduated from Nankai University in International Finance Programme with a Master's degree in Economics.

SONG Kangle (Non-executive Director)

Age 58: non-executive director of the Company since 2016. Mr Song is a member of the strategic committee. Mr Song is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited, director of CITIC Financial Holdings from March 2022, and non-executive director of CITIC Securities Company Limited from April 2022. He worked with several posts in Ministry of Finance ("MOF") as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as Department of Human Resource Development, Department of External Financing, Department of External Affairs, Department of Enterprise and Department of Asset Management. He graduated from School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a Bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a Postgraduate degree holder.

PENG Yanxiang (Non-executive Director)

Age 59: a non-executive director of the Company since 2018. Mr Peng is a member of the audit and risk management committee. Mr Peng is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited, and director of CITIC Financial Holdings from March 2022. He worked with several posts in the MOF as assistant engineer, engineer, deputy director, senior engineer, director of Computing Center, deputy chief engineer (director level), deputy director general, director general of Network Information Center. He graduated from Beijing Institute of Technology. He is a senior engineer. He worked and studied at TKC Corp. in Japan from February 1987 to February 1988 and acquired bookkeeping qualification.

YU Yang (Non-executive Director)

Age 57: 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 the MOF as assistant engineer of Computing Center, engineer of Xingcai Company, deputy general manager and general manager of Zhongcaixin company, deputy director of Comprehensive Department, director of office, director of secretariat of Network Information Center Office, and chief engineer of Network Information Center (deputy director general level). Ms Yu graduated from Shandong University in computer science with a Bachelor's degree in engineering. She is a senior engineer.

ZHANG Lin (Non-executive Director)

Age 56: a non-executive director and a member of the remuneration committee of the Company with effect from 4 January 2022. Mr Zhang is a non-executive director of CITIC Group Corporation and CITIC Corporation Limited from December 2021, and director of CITIC Financial Holdings from March 2022. He worked with several posts in MOF 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.

YANG Xiaoping (Non-executive Director)

Age 58: a non-executive director of the Company since 2015. Mr Yang is a member of the audit and risk management committee and the strategic committee. He is currently the senior vice chairman of CP Group, the vice chairman and CEO of CPG China, executive director and the vice chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, a non-executive director of Ping An Insurance (Group) Company of China Ltd., Honma Golf and Chery Holding Group Co., Ltd., the co-chairman of the board of China Minsheng Investment (Group) Corp. Ltd. and an independent director of Jingdong Digits Technology Holding 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, vice president of Global Co-Development Research Institute of Tsinghua University and president of Beijing Association of Foreign Investment Enterprises. Mr Yang graduated from the School of Economics and Management of Tsinghua University with Doctoral degree and has both studying and working experiences in Japan.

TANG Jiang (Non-executive Director)

Age 56: a non-executive director of the Company with effect from 4 January 2022. Mr Tang worked with several posts in the Department of Finance of Xinjiang Uygur Autonomous Region as officer of the Executive Office, deputy director-general and director-general of Electronic Computing Center, director-general of Computing Center (Finance and Economics Technology Development Center), chairman of Xinjiang Caiyuan Co., Ltd., president of State-owned Assets Investment and Operation Company of Xinjiang Uygur Autonomous Region. He also worked with several posts with the National Council for Social Security Fund as officer of Information Research Department, division chief of Application Development Management Division and deputy director-general of Information Research Department, deputy director-general and director-general of Information Technology Department. Mr Tang graduated from Xi'an Jiaotong University in auto-control with a Master's degree in Engineering.

Francis SIU Wai Keung (Independent Non-executive Director)

Age 67: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of the audit and risk management committee and a member of the remuneration committee and the nomination committee. He is an independent non-executive director of China Communications Services Corporation Limited and China International Capital Corporation Limited. He is also the chairman and an independent non-executive director of BHG Retail Trust Management Pte. Ltd.. He has been reappointed as a non-executive director of the Financial Reporting Council for a term of two years to 30 September 2023. Mr Siu retired as an independent non-executive director of Beijing Gao Hua Securities Company Limited with effect from 27 October 2021. 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 72: 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.

Anthony Francis NEOH (Independent Non-executive Director)

Age 75: an independent non-executive director of the Company since 2014. Mr Neoh is the chairman of the remuneration committee, and a member of the audit and risk management committee, the nomination committee and the strategic committee. He has until October 2016, been a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). He also previously served as chief advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was formerly elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of Hong Kong and in 2016, he was also awarded the Degree of Doctor of Social Science, *honoris causa*, by Lingnan University. Mr Neoh is currently an independent non-executive director of Industrial and Commercial Bank of China Limited. He 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 73: an independent non-executive director and a member of the nomination committee of the Company since 2019. Mr Curl joined Temasek International as president on 1 September 2010, following his retirement from Bank of America ("BAC") in March 2010. He brings with him a banking career of over 30 years. During his time with BAC, Mr Curl served in a number of senior executive capacities including vice chairman of corporate development, and last held the position of chief risk officer. He is 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.

Toshikazu TAGAWA (*Independent Non-executive Director*)

Age 68: an independent non-executive director of the Company and a member of the strategic committee of the Company with effect from 3 May 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

(The information of this section is updated as of 19 April 2022)

REN Shengjun

Age 58: vice chairman of the executive committee of the Company since 2020. Mr Ren formerly served as a member of the business committee, general manager of the planning and financial management department (director level), president of Shanghai Branch and president of Shenzhen Branch of The Export-Import Bank of China. He also served as executive director, vice president of China Taiping Insurance Group Ltd., China Taiping Insurance Group (HK) Company Limited and China Taiping Insurance Holdings Company Limited. He is chairman of the supervisory board of CITIC Group Corporation and CITIC Corporation Limited. He graduated from Central University of Finance and Economics with a master degree in management. He is a senior accountant.

CUI Jun

Age 57: a member of the executive committee of the Company since 2018. Mr Cui currently serves as leader of Discipline Inspection and Supervision Group of CITIC Group Corporation for The Central Commission for Discipline Inspection of the CPC and The National Supervisory Commission. He formerly served as presiding judge of the second economic tribunal, presiding judge of the second civil tribunal, vice president of High People's Court of Heilongjiang Province, chief of Supervision Department of Heilongjiang Province, executive deputy secretary of CPC Party Discipline Inspection Commission and deputy director general of Supervision Commission of Heilongjiang Province, and the secretary of the CPC Party Discipline Inspection Commission of CITIC Group Corporation. He graduated from Jilin University in jurisprudence with a Master's degree and Doctorate in law.

LIU Zhengjun

Age 56: vice president of the Company and a member of the executive committee since 2018. Currently he is vice president of CITIC Group Corporation and CITIC Corporation Limited. He has been appointed as chairman of CITIC Asset Management Corporation Ltd. since September 2019, chairman of CITIC Trust Corporation Ltd since December 2020. Mr Liu formerly served as a non-executive director, vice chairman and chairman of the board of Asia Satellite Telecommunications Holdings Limited, a non-executive director of CITIC Telecom International Holdings Limited, staff member, deputy director, director of Jinan Regional Office of National Audit Office of the People's Republic of China ("CNAO"), director general of Department of Public Finance Audit of CNAO, director general of Changchun Regional Office of CNAO, director general of Department of Non-profit Government Agencies Audit of CNAO, director general of Law Department of CNAO. He graduated from Nankai University in finance with a Master's degree and Doctorate in economics.

WANG Guoquan

Age 49: vice president of the Company and a member of the executive committee since 2020. He has been appointed as a non-executive director of CITIC Telecom International Holdings Limited, chairman and a non-executive director of the board of Asia Satellite Telecommunications Holdings Limited since March 2021, and chairman of CITIC Industrial Cloud Co., Ltd. since 31 March 2021. Mr Wang previously served as the deputy general manager of China Telecom Hebei Branch; since 2012, he has successively served as the general manager of Hebei Branch of China Telecom and the general manager of marketing department of China Telecom Group Co., Ltd.; from December 2018, he served as the deputy general manager of China Telecom Group Co., Ltd. and from August 2019, he served as an executive director of China Telecom Corporation Limited. Mr Wang graduated from Renmin University of China with an Executive Master of Business Administration.

XU Zuo

Age 56: vice president of the Company and a member of the executive committee since 2019. Mr Xu started his career in Bohai Aluminum 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 of CITIC Group Corporation and 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 55: 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, executive director and president of China CITIC Bank. Mr Fang has been appointed as deputy chairman of China CITIC Bank since 21 June 2021. He is also a director of CITIC International Financial Holdings Limited and CITIC Bank International Limited. Mr Fang previously worked in Zhejiang Banking School and Shanghai Pudong Development Bank; from 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 graduated from Peking University with an Executive Master of Business Administration. He is a senior economist.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2021.

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 56 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 80 of this annual report. An account of the principal risks and uncertainties facing the Group is provided in the "Risk Management" section on pages 81 to 86 of this annual report. Particulars of important events affecting CITIC Limited that have occurred since the end of the financial year 2021 (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 141 to 191 of this annual report.

Dividends

On 27 August 2021, the directors declared an interim dividend of HK\$0.15 per share (2020: HK\$0.10 per share) for the year ended 31 December 2021 which was paid on 3 November 2021. At the board meeting held on 31 March 2022, the directors recommended a final dividend ("2021 Final Dividend") of HK\$0.456 per share (2020: HK\$0.388 per share) in respect of the year ended 31 December 2021. Subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Limited to be held on 14 June 2022 (the "2022 AGM"), the proposed final dividend will be paid on Monday, 8 August 2022 to shareholders on CITIC Limited's register of members at the close of business on Wednesday, 22 June 2022. This represents a total distribution for the year of HK\$17,629 million.

The proposed 2021 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 2021 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 14 June 2022 (inclusive), being the date of the 2022 AGM. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders in late June 2022 as soon as practicable after the record date of 22 June 2022 to determine shareholders' entitlement to the proposed 2021 Final Dividend, and return it to CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 July 2022.

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 Monday, 8 August 2022 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 Thursday, 14 July 2022, such shareholder will automatically receive the 2021 Final Dividend in HKD. All dividend payments in HKD will be made in the usual way on Monday, 8 August 2022.

If shareholders wish to receive the 2021 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 44 to the consolidated financial statements.

Fixed Assets

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

Major Customers and Suppliers

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

Borrowings and Debt Instruments Issued

Particulars of borrowings and debt instruments issued of CITIC Limited and its subsidiary companies as at 31 December 2021 are set out in notes 41 and 42 to the consolidated financial statements.

Equity-linked Agreements

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

Directors

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

Executive Directors

Mr Zhu Hexin (*Chairman*)

Mr Xi Guohua (*Vice Chairman and President*)

Ms Li Qingping

Non-executive Directors

Mr Song Kangle

(*resigned on 29 December 2021*)

Mr Liu Zhuyu

Mr Peng Yanxiang

Ms Yu Yang

Mr Zhang Lin

(*appointed on 4 January 2022*)

Mr Liu Zhongyuan

(*resigned on 29 December 2021*)

Mr Yang Xiaoping

(*appointed on 4 January 2022*)

Independent Non-executive Directors

Mr Francis Siu Wai Keung

Dr Xu Jinwu

Mr Anthony Francis Neoh

(*resigned on 3 May 2021*)

Mr Shohei Harada

Mr Gregory Lynn Curl

Mr Toshikazu Tagawa

(*appointed on 3 May 2021*)

Mr Liu Zhuyu, Mr Liu Zhongyuan and Mr Shohei Harada 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 Toshikazu Tagawa who was appointed by the board as director of CITIC Limited on 3 May 2021 was re-elected as director at the annual general meeting held on 9 June 2021. Pursuant to Article 95 of the articles of association 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 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, Ms Li Qingping, Mr Yang Xiaoping, Mr Francis Siu Wai Keung, Mr Anthony Francis Neoh and Mr Gregory Lynn Curl shall retire by rotation at the 2022 AGM and, all being eligible, have offered themselves for re-election at the 2022 AGM.

The biographical details of current directors and senior management are set out in the "Board of Directors" and "Senior Management" sections on pages 120 to 126 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 48 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to CITIC Limited's business to which CITIC Limited's subsidiaries, fellow subsidiaries or its holding company was a party or were parties and in which a director of CITIC Limited or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

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

Management Contracts

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

Permitted Indemnity

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

Related Party Transactions

CITIC Limited and its subsidiaries entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Material related parties", the details of which are set out in note 48 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 provided by the Group to the Connected Persons in the form of entrusted loans or commercial loans

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

New Financial Assistance FA

Period:	commencing from 1 January 2020 and ending on 31 December 2022	
Maximum	<i>for year ended 31/12/2021</i>	<i>for year ending 31/12/2022</i>
Daily Balance:	RMB11,000,000,000	RMB12,000,000,000

The maximum daily balance of the financial assistance under New Financial Assistance FA for the year ended 31 December 2021 was approximately RMB6,862,905,844.00.

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

Reference is made to the Aluminum Alloy Hub Procurement Framework Agreement entered into between CITIC Limited and CITIC Group on 28 March 2018 which expired on 31 December 2020. Considering the business development needs of the Group, members of the Group intend to continue to procure aluminum alloy hubs ("Aluminum Alloy Hubs") and further procure casted round al-alloy bars and aluminum alloy ingot (collectively the "Raw Materials") from the Connected Persons. CITIC Limited entered into the Aluminum Alloy Hub and Raw Materials Procurement FA with CITIC Group on 1 April 2021, details of which were set out in CITIC Limited's announcement dated 1 April 2021.

Period:	commencing from 1 April 2021 and ending on 31 December 2023		
Annual Caps:	<i>for the period from 1/04/2021 to 31/12/2021</i>	<i>for the year ending 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
– Aluminum Alloy Hubs	RMB380,000,000	RMB380,000,000	RMB380,000,000
– Raw Materials	RMB600,000,000	RMB600,000,000	RMB600,000,000
Total Annual Caps:	RMB980,000,000	RMB980,000,000	RMB980,000,000

The transaction amounts under the Aluminum Alloy Hub and Raw Materials Procurement FA for the year ended 31 December 2021 were approximately RMB289,192,372.54 for Aluminum Alloy Hubs and approximately RMB104,923,100.35 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 year ended 31/12/2021</i>	<i>for the year ending 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
Annual Cap:	RMB6,600,000,000	RMB6,600,000,000	RMB6,600,000,000

The transaction amount under the Asset Transfer FA for the year ended 31 December 2021 was approximately RMB15,850,500.00.

Financial Consulting Service and Asset Management Service FA

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

	<i>for year ended 31/12/2021</i>	<i>for the year ending 31/12/2022</i>	<i>for the year ending 31/12/2023</i>
Annual Cap: (Service Fees)	RMB400,000,000	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 2021 was approximately RMB13,762,100.00.

The independent non-executive directors of CITIC Limited have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2021 (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 131 to 132 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Limited to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Share Option Plan Adopted by CITIC Limited

CITIC Pacific Share Incentive Plan 2011

The CITIC Pacific Share Incentive Plan 2000 adopted by CITIC Limited on 31 May 2000 for a term of ten years expired on 30 May 2010. CITIC Limited adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, which was valid and effective till 11 May 2021. The major terms of the Plan 2011 are as follows:

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

The Plan 2011 was valid and effective, during the period from 12 May 2011 to 11 May 2021, being the date falling 10 years from the date on which the Plan 2011 was adopted. No share options were granted under the Plan 2011 during the period from 1 January 2021 (i.e. at the beginning of the financial year of 2021) to 11 May 2021 (i.e. upon expiry of the Plan 2011).

Share Option Plan Adopted by Subsidiaries of CITIC Limited

CITIC Telecom International Holdings Limited ("CITIC Telecom")

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

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

As approved at the annual general meeting of CITIC Telecom held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the CITIC Telecom Share Option Plan, the total number of the CITIC Telecom Shares which may be issued upon the exercise of all options to be granted under the CITIC Telecom Share Option Plan, together with all outstanding options granted and yet to be exercised under the CITIC Telecom Share Option Plan, shall not exceed 333,505,276 CITIC Telecom Shares, being 10% of the number of the CITIC Telecom Shares in issue as at the date of approval of the refreshment of the mandate limit.

Particulars of the outstanding share options granted under the CITIC Telecom Share Option Plan and their movements during the year ended 31 December 2021 are as follows:

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

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

The first 50% of the share options granted on 24 March 2015 have expired at the close of business on 23 March 2021. 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 2021, options for 58,326,317 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2021, options for 18,396,000 CITIC Telecom Shares were exercised, options for 9,655,067 CITIC Telecom Shares have lapsed. No share options were granted nor cancelled in 2021. As at 31 December 2021, options for 30,275,250 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 2021 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 01.01.2021	Exercised during the year ended 31.12.2021 (Note 1)	Lapsed during the year ended 31.12.2021 (Note 2)	Balance as at 31.12.2021
			31.12.2021 (Note 1)	31.12.2021 (Note 2)	
24.03.2015	24.03.2016 – 23.03.2021	10,017,067	789,000	9,228,067	–
24.03.2015	24.03.2017 – 23.03.2022	15,624,250	7,497,000	117,000	8,010,250
24.03.2017	24.03.2018 – 23.03.2023	13,793,500	4,801,000	145,000	8,847,500
24.03.2017	24.03.2019 – 23.03.2024	18,891,500	5,309,000	165,000	13,417,500

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK\$2.77.
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 2021.

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 2021.

Directors' Interests in Securities

As at 31 December 2021, none of the directors of CITIC Limited had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of CITIC Limited or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by CITIC Limited pursuant to section 352 of the SFO or as otherwise notified to CITIC Limited and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules.

Arrangement to Acquire Shares or Debentures

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

Interests of Substantial Shareholders

As at 31 December 2021, substantial shareholders of CITIC Limited (other than directors of CITIC Limited) who had interests or short positions in the shares or underlying shares of CITIC Limited which would fall to be disclosed to CITIC Limited under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by CITIC Limited under section 336 of the SFO, or which were notified to CITIC Limited, were as follows:

Name	Nature of interest/capacity	Number of ordinary shares held	Approximate percentage to the total number of issued shares
CITIC Group Corporation ("CITIC Group") ^(Note 1)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
CITIC Glory Limited ("CITIC Glory") ^(Note 2)	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") ^(Note 3)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position)	78.13% (Long position)
Chia Tai Bright Investment Company Limited ("CT Bright") ^(Note 4)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 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)

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 2021:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	3,908	56.876
1,001 to 10,000	2,285	33.255
10,001 to 100,000	621	9.038
100,001 to 1,000,000	50	0.728
1,000,001 to 100,000,000	1	0.015
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	0.058
Total:	6,871	100

As at 31 December 2021, the total number of ordinary shares in issue of CITIC Limited was 29,090,262,630 and based on the share register records of CITIC Limited, HKSCC Nominees Limited held 9,818,507,043 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.75% of the total number of ordinary shares in issue of CITIC Limited.

Purchase, Sale or Redemption of Listed Securities

On 15 April 2021, CITIC Limited fully redeemed the USD750 million 6.625% notes under the Medium Term Note Programme upon maturity. These notes were issued in two tranches – USD500 million issued on 15 April 2011 and USD250 million issued on 23 June 2014. On 14 December 2021, CITIC Limited also fully redeemed the USD500 million 2.80% notes issued on 14 June 2016 under the Medium Term Note Programme upon maturity. All the notes issued as mentioned above were 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 2021.

Sufficiency of Public Float

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

Auditor

The Group's consolidated financial statements for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants and registered PIE Auditor, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs PricewaterhouseCoopers as auditor of CITIC Limited is to be proposed at the 2022 AGM.

By Order of the Board,

Zhu Hexin

Chairman

Hong Kong, 31 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The year 2021 was a remarkable one for both CITIC and China, with solid progress made on delivering the 14th Five-Year Plan. We remained committed to the building of a better future as outlined in our 14th Five-Year Plan aligned with national strategies, with clear targets and a pathway set towards CITIC's ESG objectives.

With regard to corporate governance, the Board of Directors (the Board) and the management reviewed and approved the actions required to ensure our various decision-making bodies are well defined, regulated and efficient. Moreover, the Board strengthened its strategic oversight of ESG initiatives during Board sessions, communication meetings and management meetings. The aim of these sessions was to gain a consensus on the ESG work plan, review its progress, evaluate the Company's ESG reports and provide strategic advice and recommendations to management. The management of CITIC promotes ESG as a driving force for corporate development and has incorporated it into the Corporate Strategy, while encouraging all staff to put ESG into practice.

In 2021 we developed a systematic approach towards risk control at the organisational level, covering policy, process, technology and culture. This included establishing a clear and structured risk governance system with "four layers and three channels". Thirty-four risk management systems and procedures were then developed and reviewed with reference made to our risk profile. For our comprehensive financial services segment, we established a unified credit control mechanism covering key customers and concentration risk management. We also implemented a risk technology system with a unified view and data management function, which will lay a solid foundation for the digital transformation of risk management. Our culture of risk management and compliance is summarised in a new motto introduced during the year — "compliance is everyone's responsibility". The newly released *Comprehensive Risk Management Measures* incorporated descriptions of climate and environment risks and explores methods to include such risks into management.

To prevent and control pollution, we developed a "two increases, one decrease" low-carbon strategy to help us meet our carbon peaking and carbon neutrality goals. What's more, our financial services companies began providing financing solutions for low-carbon industrial transformation. Our industrial subsidiaries are also committed to reducing the carbon impacts of the industrial chain and ecosystem by promoting the low-carbon transformation of our existing high-carbon businesses; we have also committed to reducing high-environmental impact investments and disinvesting in high energy-consuming/high emissions projects. In 2021 we carried out a system-wide carbon emissions audit to identify our carbon footprint.

As innovation is critical to the future of the Company, we strengthened our commitment to science and technology under the 14th Five-Year Plan. We also identified the top 10 science and technology innovation projects and selected a first tier of technology leaders to create a culture of innovation.



CITIC Dicastal's Qinhuangdao aluminum wheels plant was named a "Lighthouse Factory" (a factory utilising advanced manufacturing and AI technology) — a first in the automotive wheels industry. CITIC Heavy Industries, CITIC Special Steel and CITIC Engineering participated in national research projects and made a number of breakthroughs in high-end manufacturing, including special materials and intelligent construction, that increase China's autonomy and control of technology related fields.

As a socially responsible company, we increased our capital investment in support of village revitalisation and made total donations of RMB120 million to community projects. During the Henan flood, CITIC Securities, China Securities and CITIC-Prudential Life contributed more than RMB30 million towards disaster relief in the province.

In September 2021, CITIC's ESG rating was upgraded from BB to BBB by MSCI — the second time in two years that CITIC's ESG rating has been upgraded, showcasing CITIC's growing brand influence and investment value.

Under the new vision, goals and strategies outlined in CITIC's 14th Five-Year Plan, we will continue striving to become a leading example of social responsibility in the years ahead.

Statement of the Board of Directors

The Board of Directors of CITIC adheres to the requirements of the Environmental, Social and Governance Reporting Guidelines of the Hong Kong Stock Exchange and continues to improve the Company's ESG governance structure and system. We have also strengthened the Board's ESG oversight and involvement and promoted the integration of ESG principles into the Corporate Strategy, major decisions and business practices.

Role of the Board of Directors

The Board has ultimate responsibility for the ESG strategy and reporting of CITIC Limited. The Risk and Audit Management Committee continuously monitors CITIC's performance on key ESG issues and works with other special committees and functional departments to incorporate ESG into internal control, risk management and strategic planning. It also advises the Board on relevant ESG matters. In 2021, CITIC's Comprehensive Risk Management system attached great importance to ESG and its related risks and is trying to include climate, environment and social responsibility risks into the risk management system, with recommendations made to the management such as hiring external consultants to suggest improvements to the Company's ESG reports and practices. The Board also made recommendations on integrating ESG principles into the Company's operations and holding reverse investor roadshows.

ESG Management Approach

CITIC has identified the key ESG issues of concern to the Company's stakeholders through surveys and regular communication with them; an analysis of ESG issues material to these stakeholders has since been prepared. The Board discussed ESG risks and opportunities important to the Company's development, operations and management, as well as the concerns of stakeholders. This exercise has enabled us to clarify the focus of our ESG efforts, make improvements to our ESG strategies, policies and systems, and promote ESG as a strong driver for the Company's development.

Targets, Indicators and Progress Review

CITIC and its relevant subsidiaries have set annual or medium- to long-term targets for their key ESG performance indicators, including greenhouse gas emissions. The Board has reviewed these targets and will continue to review progress against the targets on a regular basis. In 2021 CITIC held training sessions for its management team and staff on climate change, ESG ratings in the capital market and ESG development trends.

About This Report

This is the eighth annual ESG Report issued by CITIC, which provides details of our ESG governance structure and progress made against our environmental, staff, customer, industrial and community targets in 2021. Unless otherwise specified, the scope of disclosure of the annual report applies to the ESG report. We take responsibility for the truthfulness, accuracy and completeness of the Report. To ensure the accuracy and credibility of our ESG performance indicators, we engaged PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited to perform a limited assurance engagement on selected key data in this Report and to issue an independent assurance report. The key performance indicators (KPIs) presented in this Report cover the period from 1 January 2021 to 31 December 31 2021, with some extending to 31 March 2022. This Report was approved by the Board on 31 March 2022.

Reporting Principles

This Report has been prepared in accordance with the principles of materiality, quantitative approach and consistency recommended by Hong Kong Exchanges and Clearing Limited.



Materiality

The Company covers the 12 major ESG issues that stakeholders have identified as most important through regular communications and surveys with government authorities, regulators, shareholders and investors, clients, suppliers and partners, industry trade unions and associations, NGOs and charity or community organizations, board of directors, management and staff. Among these, anticorruption, health and safety, resource utilization, career development and training are identified as important issues that internal stakeholders care about. Anticorruption, health and safety, product responsibility and employment standards are issues external stakeholders concern about. This ESG report will respond to these material issues for a better communication with stakeholders.



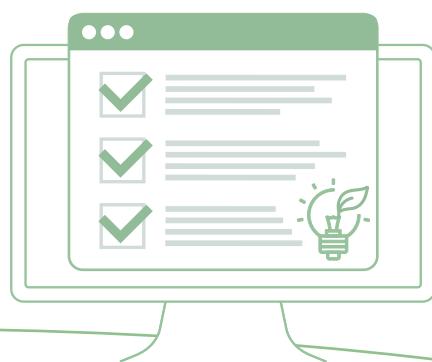
Quantitative approach

The Company discloses relevant KPIs supported by quantitative data. The statistical standards, methods, assumptions and/or calculation tools as well as conversion factors related to emissions/energy consumption are clearly disclosed. For more details, please read the Environmental Responsibility section.



Consistency

Unless otherwise stated, there have been no changes in the statistical methods employed or the key performance indicators covered in this Report, or any other relevant factors affecting meaningful comparisons.





Feature story: Contributing to a green and low-carbon future

On 22 September 2020 President Xi Jinping announced to the world that China will strive to peak its carbon emissions by 2030 and achieve carbon neutrality by 2060. This vision, which will bring about extensive and profound changes in China's economy and society, will contribute to the sustainable development of China and benefit the world at large.

In recent years, we have achieved remarkable results on our low-carbon transformation journey. **To promote green finance and financial transformation**, CITIC Bank has built up a green credit balance that by the end of 2021 stood at RMB205.425 billion, an increase of 122.80% from the year before; the Bank has committed to continue increasing the proportion of this balance in the years ahead. Currently, China Securities and CITIC Securities are among the top issuers of green bonds in the industry, with carbon neutral equity projects continuing to grow and advances made in carbon market trading and carbon financial innovation. **We have also integrated green, low-carbon changes in our global industrial chain**. CITIC Dicastal can now produce 650,000 tonnes of lightweight automotive components annually, saving 200 million litres in fuel consumption and reducing CO₂ emissions by more than 500,000 tonnes per year compared to traditional steel components. In steel production, CITIC Metals' investment in niobium resources has promoted the development of niobium-containing steels as well as the use of lightweight and low-carbon steels. **During the year, the Company continued to produce innovations in energy saving, emissions reduction and green low carbon technologies**. At CITIC Special Steel, metallurgical processes and plant efficiency have been improved through a three-pronged approach of reducing carbon emissions at source, enhancing process control and upgrading end-of-pipe management. As a result, carbon emissions intensity was lower than China's steel industry. CITIC Pacific Energy is promoting the green transformation of thermal power generation and accelerating the development of its clean energy business by improving plant efficiency, enhancing peak shaving and participating in the supporting services market.

As a state-owned enterprise and a conglomerate, CITIC is committed to carrying out the national strategy, including green and low-carbon transformation, in order to fulfil the 14th Five-Year Plan. We will also strive to become a pioneer among state-owned enterprises in contributing to our dual carbon objectives and to become an ESG role model in the capital market. On 10 May 2021 the CITIC

Group organised a seminar, The Road to Peak Carbon and Carbon Neutrality, during which we announced we will achieve peak carbon by 2025 and carbon neutrality by 2050. This will involve a *two increases*, one decrease approach. The first *increase* is about providing more green financing solutions for the low-carbon transformation of industries. The second *increase* is based on reducing the carbon impact of the industrial chain and ecosystem. Finally, the *decrease* refers to the transformation of the Group's existing high-carbon businesses from high environmental impact investments to low-carbon investments. The new businesses we launch will be done with a view to minimising their impacts on the environment.



Our commitment is to become a low-carbon, energy-efficient enterprise in all our major business segments.



Comprehensive Financial Services Segment: Our objective is to become a leader in green finance and serve the green and low-carbon transformation of the economy. This will begin by growing our green finance business, increasing our market share in this business, developing a green finance business model that promotes financial transformation, and participating in the carbon trading and carbon finance market. To achieve these goals, we will capitalise on the internal synergies of the Group, particularly with regard to CITIC's advanced manufacturing and advanced materials businesses. We will also work towards higher industry standards in green finance and participate in the establishment of a green finance rating system by the People's Bank of China and other financial regulatory authorities.



Advanced Intelligent Manufacturing Segment: To enable low-carbon technologies to thrive, we are helping to establish a new energy vehicle industrial chain. This entails promoting green transportation to help society save energy and reduce emissions. It also involves the adoption of 5GtoB and making use of this technology to develop smart mines, specialised robots and digital equipment to improve production efficiency and reduce energy consumption. Together with our strategic investment platform, we will be aiming for breakthroughs in low-carbon energy-saving technologies.



Advanced Materials Segment: Our focus with this business is to safeguard the low-carbon industrial chain by ensuring an adequate supply of key resources for green energy transformation. This will be achieved through the modification of production processes to reduce emissions and increased use of clean energy and carbon capture and carbon storage technologies. We will also seek to increase our investments in copper, aluminum, lithium and other materials such as niobium, which play a significant role in reducing carbon emissions. It is estimated that niobium can reduce the weight of steel by 10%. Between 2001 and 2021, China produced 870 million tonnes of niobium-containing steel, which helped to reduce CO₂ emissions by 170 million tonnes.



New Consumption Segment: With the aim of promoting low-carbon consumption, we are promoting digital industrialisation and industrial digitalisation by adopting 5G technology in our businesses and advocating a green, low-carbon lifestyle.



New-type Urbanisation Segment: We believe low-carbon cities are the future, with construction and design at the outset and urban management — including industrial and domestic waste treatment — at the end. Our objective in this business is to participate in the construction of smart cities and smart transportation and to become an operator of green, low-carbon cities. With CITIC Environment as an investment platform, we will increase our investment in clean technologies.

The “14th Five-Year” period is critical for China to expedite the building of a greener and higher-quality economy. CITIC is committed to being a leader in this effort to transform itself as a green and low-carbon enterprise by leveraging on its portfolio synergies and by embarking on a green and clean development path. We aim to lead our peers in the market in carbon peaking and carbon neutralization so as to contribute to our national goals.





Environmental responsibility Protecting the environment for a more beautiful China

We understand that protecting the environment is one of the key elements in helping to achieve peak carbon and carbon neutrality as well as our own sustainable development. In 2021, the first year of the 14th Five-Year Plan, we have integrated the concept of green development into our diversified portfolio by providing financial solutions for the low-carbon transformation of industry. The Company is committed to promoting low-carbon transformation through investing in clean energy and disinvesting in high-energy-consuming and high-emission projects.

Performance Summary

Unless otherwise stated, the statistical scope of environmental performance in this section includes the main operating sites of the headquarters and subsidiaries in Mainland China, Hong Kong, Macao and Taiwan. The operating sites in other regions will be added to the statistical scope in due course in the future.¹

Headquarters	Indicator	Year 2021
AIR EMISSIONS		
	Nitrogen oxide (NO _x) emissions (tonnes)	0.01
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.001
GHG EMISSIONS		
	Total GHG emissions (Scope 1 and 2) (tonnes)	2,154.91
	GHG emissions per capita at headquarters (tonnes/person)	4.60
	Direct GHG emissions (Scope 1) (tonnes)	117.18
	Gasoline	117.18
	Indirect GHG emissions (Scope 2) (tonnes)	2,037.73
	Purchased electricity	2,037.73

- 1 (1) The Company's GHG accounting includes carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased electricity, purchased steam and gasoline. The GHG accounting is presented in terms of carbon dioxide equivalents and is prepared based on the *China Regional Grid Average Carbon Dioxide Emission Factors for 2011 and 2012* published by the National Development and Reform Commission of the People's Republic of China, the latest emission factors published by the Hong Kong Electric Company Limited, the CLP Power Hong Kong Limited, the Macao Electricity Company Limited and the *2019 Refinement to the 2006 IPCC Guidelines for National GHG Inventories* published by the Intergovernmental Panel on Climate Change ("IPCC"). Considering the benchmarking emission factor for the Tibetan power grid is not found and the impact of the data on purchased electricity from the operating sites in Tibet is rather small and of lower significance, for the above reasons, the purchased electricity from the operating sites in Tibet is not included in the reporting scope of GHG emissions.
- (2) The energy consumption is calculated based on the consumption of electricity, steam and gasoline and the relevant conversion factors provided in the National Standard of the People's Republic of China *General Rules for Calculating Comprehensive Energy Consumption* (GB/T2589-2020).
- (3) The reporting scope of the total water consumption includes the water used for offices and production. There is no issue in obtaining the applicable water sources.
- (4) The total paper consumption mainly includes A4 and A3 size papers.

Headquarters	Indicator	Year 2021
 WASTE		
	Total hazardous waste (tonnes)	0.24
	Hazardous waste produced per capita at headquarters (tonnes/person)	0.0005
	Total non-hazardous waste (tonnes)	235.97
	Hazardous waste produced per capita at headquarters (tonnes/person)	0.50
 ENERGY USE		
	Total energy consumption (MWh)	2,783.03
	Energy consumption per capita at headquarters (MWh/person)	5.95
	Direct energy consumption (MWh)	478.68
	Gasoline	478.68
	Indirect energy consumption (MWh)	2,304.35
	Purchased electricity	2,304.35
	Electricity consumption per capita at headquarters (MWh/person)	4.92
	Gasoline consumption per capita at headquarters (liters/person)	117.77
 USE OF RESOURCES		
	Total water consumption (m³)	22,667.00
	Water consumption per capita at headquarters (m³/person)	48.43
	Total paper consumption at headquarters (tonnes)	15.97

Comprehensive Financial Services ²	Indicator	Year 2021
 AIR EMISSIONS		
	Nitrogen oxide (NO _x) emissions (tons)	0.59
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.04
 GHG EMISSIONS		
	Total GHG emissions (Scope 1 and 2) (tonnes)	229,134.25
	GHG emissions per 100 million RMB of income (tonnes/100 million RMB)	61.22
	Direct GHG emissions (Scope 1) (tonnes)	8,132.01
	Gasoline	4,725.72
	Diesel	39.49
	Coal gas	27.27
	Liquefied petroleum gas	104.62
	Natural gas	3,234.91
	Indirect GHG emissions (Scope 2) (tonnes)	221,002.24
	Purchased electricity	221,002.24

² In this section, the reporting scope of environmental data of CITIC Securities Co., Ltd. refers to the Company's headquarters, and the reporting scope of environmental data of China Securities Co., Ltd. refers to the Company's headquarters.

Comprehensive Financial Services ²	Indicator	Year 2021
 WASTE		
	Total hazardous waste (tonnes)	408.06
	Total hazardous waste per 100 million RMB of income (tonnes/100 million RMB)	0.11
	Total non-hazardous waste (tonnes)	1,911.40
	Total non-hazardous waste per 100 million RMB of income (tonnes/100 million RMB)	0.51
 ENERGY USE		
	Total energy consumption (MWh)	350,224.53
	Energy consumption per 100 million RMB of income (MWh/100 million RMB)	93.57
	Direct energy consumption (MWh)	36,673.37
	Gasoline	19,304.65
	Diesel	150.20
	Coal gas	203.09
	Liquefied petroleum gas	471.64
	Natural gas	16,543.79
	Indirect energy consumption (MWh)	313,551.16
	Purchased electricity	313,551.16
 USE OF RESOURCES		
	Total water consumption (m ³)	2,750,646.44
	Water consumption per 100 million RMB of income (m ³ /100 million RMB)	734.87
	Total paper consumption (tonnes)	1,641.53

Advanced Intelligent Manufacturing	Indicator	Year 2021
 AIR EMISSIONS		
	Nitrogen oxide (NO _x) emissions (tonnes)	115.49
	Sulphur dioxide (SO ₂) emissions (tonnes)	25.71
	Particulate matter emissions (tonnes)	60.78
	Wastewater	
	Chemical oxygen demand (COD) emissions (tonnes)	51.30
	Ammonia nitrogen emissions (tonnes)	5.32
	Total phosphorus emissions (tonnes)	0.37
	Wastewater discharge (m ³)	563,014.02

Advanced Intelligent Manufacturing	Indicator	Year 2021
GHG EMISSIONS		
	Total GHG emissions (Scope 1 and 2) (tonnes)	763,696.34
	GHG emissions per 100 million RMB of income (tonnes/100 million RMB)	1,922.89
	Direct GHG emissions (Scope 1) (tonnes)	250,649.70
	Gasoline	369.58
	Diesel	1,810.14
	Liquefied petroleum gas	681.98
	Natural gas	247,788.00
	Indirect GHG emissions (Scope 2) (tonnes)	513,046.64
	Purchased electricity	480,146.19
	Purchased steam	32,900.45
WASTE		
	Total hazardous waste (tonnes)	7,706.15
	Total hazardous waste per 100 million RMB of income (tonnes/100 million RMB)	19.40
	Total non-hazardous waste (tonnes)	6,146.79
	Total non-hazardous waste per 100 million RMB of income (ton/100 million RMB)	15.48
ENERGY USE		
	Total energy consumption (MWh)	2,036,608.91
	Energy consumption per 100 million RMB of income (MWh/100 million RMB)	5,127.93
	Direct energy consumption (MWh)	1,278,692.15
	Gasoline	1,509.76
	Diesel	6,884.42
	Liquefied petroleum gas	3,074.53
	Natural gas	1,267,223.44
	Indirect GHG emissions (Scope 2) (tonnes)	757,916.76
	Purchased electricity	674,834.82
	Purchased steam	83,081.94
USE OF RESOURCES		
	Total water consumption (m ³)	2,026,730.67
	Water consumption per 100 million RMB of income (m ³ /100 million RMB)	5,103.06
	Total paper consumption (tonnes)	64.90
	Packaging Material	
	Total packaging material used for finished goods (tonnes)	93,715.21
	Amount of packaging material used per 100 million RMB of income (tonnes/100 million RMB)	235.96

Advanced Materials ³	Indicator	Year 2021
AIR EMISSIONS		
Nitrogen oxide (NO _x) emissions (tonnes)		8,094.49
Sulphur dioxide (SO ₂) emissions (tonnes)		3,180.16
Particulate matter emissions (tonnes)		5,430.43
WASTEWATER		
Chemical oxygen demand (COD) Emissions (tonnes)		714.15
Ammonia nitrogen emissions (tonnes)		75.37
Total phosphorus emissions (tonnes)		1.12
Wastewater discharge (m ³)		23,067,067.63
GHG EMISSIONS		
Total GHG Emissions (Scope 1 and 2) (tonnes)		51,832,298.37
GHG emissions per 100 million RMB of income (tonnes/100 million RMB)		22,907.37
Direct GHG emissions (Scope 1) (tonnes)		49,649,886.19
Gasoline		1,541.78
Diesel		6,675.68
Coal gas		4,273.68
Natural gas		445,815.68
Coke		3,060,166.57
Coal		44,900,134.98
Intermediate process emissions		1,231,277.81
Indirect GHG emissions (Scope 2) (tonnes)		3,719,198.24
Purchased electricity		3,635,896.21
Purchased steam		83,302.03
Carbon sequestration products embodied emissions (deductions) (tonnes)		-1,536,786.06
WASTE		
Total hazardous waste (tonnes)		67,909.60
Total hazardous waste per 100 million RMB of income (ton/100 million RMB)		30.01
Total non-hazardous waste (tonnes)		10,495,638.79
Total non-hazardous waste per 100 million RMB of income (tonnes/100 million RMB)		4,638.57
ENERGY USE		
Total energy consumption (MWh)		160,057,635.60
Energy consumption per 100 million RMB of income (MWh/100 million RMB)		70,737.74
Direct energy consumption (MWh)		154,522,167.46

³ 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 ³	Indicator	Year 2021
	Gasoline	6,303.77
	Diesel	25,391.21
	Coal gas	31,813.30
	Liquefied petroleum gas	32,668.19
	Natural gas	2,239,154.12
	Coke	8,465,156.48
	Coal	143,754,348.57
	Indirect energy consumption (MWh)	5,535,468.14
	Purchased electricity	5,324,727.16
	Renewable electricity	382.32
	Purchased steam	210,358.66
 USE OF RESOURCES		
	Total water consumption (m ³)	67,257,308.62
	Water consumption per 100 million RMB of income (m ³ /100 million RMB)	29,724.48
	Total paper consumption (tonnes)	100.03
	Packaging Material	
	Total packaging material used for finished goods (tonnes)	70,999.29
	Amount of packaging material used per 100 million RMB of income (tonnes/100 million RMB)	31.38

New Consumption	Indicator	Year 2021
 AIR EMISSIONS		
	Nitrogen oxide (NO _x) emissions (tonnes)	1.48
	Sulphur dioxide (SO ₂) emissions (tonnes)	0.02
 GHG EMISSIONS		
	Total GHG emissions (Scope 1 and 2) (tonnes)	102,757.25
	GHG emissions per 100 million RMB of income (tonnes/100 million RMB)	189.40
	Direct GHG emissions (Scope 1) (tonnes)	3,139.48
	Gasoline	2,133.65
	Diesel	964.88
	Coal gas	4.39
	Natural gas	36.56
	Indirect GHG emissions (Scope 2) (tonnes)	99,617.77
	Purchased electricity	99,617.77

New Consumption	Indicator	Year 2021
WASTE		
Total hazardous waste (tonnes)		554.15
Total hazardous waste per 100 million RMB of income (tonnes/100 million RMB)		1.02
Total non-hazardous waste (tonnes)		10,204.24
Total non-hazardous waste per 100 million RMB of income (tonnes/100 million RMB)		18.81
ENERGY USE		
Total energy consumption (MWh)		193,881.68
Energy consumption per 100 million RMB of income (MWh/100 million RMB)		357.35
Direct energy consumption (MWh)		12,605.30
Gasoline		8,715.98
Diesel		3,669.69
Coal gas		32.64
Natural gas		186.99
Indirect energy consumption (MWh)		181,276.38
Purchased electricity		181,276.38
USE OF RESOURCES		
Total water consumption (m ³)		1,520,326.38
Water consumption per 100 million RMB of income (m ³ /100 million RMB)		2,802.18
Total paper consumption (tonnes)		10,372.24
Packaging Material		
Total packaging material used for finished goods (tonnes)		4,652.30
Amount of packaging material used per 100 million RMB of income (tonnes/100 million RMB)		8.57

New-type Urbanisation	Indicator	Year 2021
 AIR EMISSIONS		
Nitrogen oxide (NO _x) emissions (tonnes)		110.57
Sulfur dioxide (SO ₂) emissions (tonnes)		62.40
Particulate matter emissions (tonnes)		47.87
 WASTEWATER		
Chemical Oxygen Demand (COD) Emissions (tonnes)		10,185.63
Ammonia nitrogen emissions (tonnes)		322.15
Total phosphorus emissions (tonnes)		249.22
Wastewater discharge (m ³)		486,270,819.75
 GHG EMISSIONS		
Total GHG Emissions (Scope 1 and 2) (tonnes)		393,782.85
GHG emissions per 100 million RMB of income (tonnes/100 million RMB)		849.23
Direct GHG emissions (Scope 1) (tonnes)		17,025.42
Gasoline		2,772.93
Diesel		1,523.39
Coal gas		4.64
Liquefied petroleum gas		44.18
Natural gas		12,680.28
Indirect GHG emissions (Scope 2) (tonnes)		376,757.43
Purchased electricity		376,757.43
 WASTE		
Total Hazardous Waste (tonnes)		34,829.55
The total amount of hazardous waste per 100 million RMB of income (tonnes/100 million RMB)		75.11
Total non-hazardous waste (tonnes)		183,727.56
Total non-hazardous waste per 100 million RMB of income (tonnes/100 million RMB)		396.22
Energy Use		
Total energy consumption (MWh)		627,251.80
Energy consumption per 100 million RMB of income (MWh/100 million RMB)		1,352.72
Direct energy consumption (MWh)		82,203.74
Gasoline		11,327.40
Diesel		5,793.83
Coal gas		34.53
Liquefied petroleum gas		199.14

New-type Urbanisation	Indicator	Year 2021
	Natural gas	64,848.84
	Indirect energy consumption (MWh)	545,048.06
	Purchased electricity	541,373.79
	Renewable electricity	3,674.27
USE OF RESOURCES		
	Total water consumption (m^3)	13,063,821.04
	Water consumption per 100 million RMB of income ($\text{m}^3/100 \text{ million RMB}$)	28,173.27
	Total paper consumption (tonnes)	134.71
	Packaging Material	
	Total packaging material used for finished goods (tonnes)	129.66
	Amount of packaging material used per 100 million RMB of income (tonnes/ 100 million RMB)	0.28

Environmental Management

We comply fully with all environmental laws and regulations in China, including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and the Law of the People's Republic of China on the Promotion of a Circular Economy. CITIC Heavy Industries complies with relevant national laws and regulations and local environmental standards, such as the Regulations on Prevention and Control of Air Pollution in Henan Province and the Environmental/Occupational Health and Safety Management System Manual and Procedural Documents. CITIC Environment has developed a set of Hazardous Operations Management Regulations, a Special Equipment Management System, Chemical Management System, Emergency Response Plan for Environmental Emergencies and Waste Management System. All of these ensure the business is capable of providing systematic support for the continuous improvement of its environmental management processes. In Australia, CITIC Mining International complies with all local government environmental licensing requirements and monitors greenhouse gas emissions in accordance with the Australian National Greenhouse Gas and Energy Reporting Act 2007. Total project emissions are below the government-approved greenhouse gas emission baseline.



View of CITIC Mining International's energy-efficient gas combined cycle power plant

We are focusing on meeting our dual carbon goals and have developed measurable energy saving and emission reduction plans and targets.

	Reduction targets
	
CITIC Bank	set up a catalogue of green suppliers of office supplies and prioritised green suppliers when purchasing office supplies. When buying or renting offices, all branch banks are required to prioritise green buildings. CITIC Bank chose professional companies to dispose solid waste, among which electronic wastes were delivered to and were disposed by suppliers with green credentials.
CITIC Securities	will gradually replace traditional power supply with clean energy. By 2030, Beijing headquarter of CITIC Securities will be 100% powered by clean energy; E-documents for meetings will be promoted and will realise paperless office.
CITIC Special Steel	according to the Opinions on Promoting the Implementation of Ultra-low Emissions in the Steel Industry issued by relevant ministries, CITIC Special Steel is also promoting ultra-low emissions in steel enterprises,. This initiative is also in accordance with the Guiding Opinions on Promoting High-Quality Development of the Steel Industry by the Ministry of Industry and Information Technology, the Development and Reform Commission and the Ministry of Ecology and Environment. Our goal is to complete the transformation of steel industries by the mid-term of the 14th Five-Year Plan. During the 14th Five-Year Plan period, major steel manufacturers will strive for total energy consumption of 535kgce/t, with energy consumption in major manufacturing processes targeted to reach benchmarked energy efficiency values.
CITIC Heavy Industries	developed a detailed water saving plan along with a steam injection pump retrofit project designed to save an estimated 203,292 m ³ of water per year. This project is scheduled for completion in May 2022.



Green Production

In our production processes, we have implemented pollution prevention and control measures and developed environmental protection technology for more efficient consumption of resources and energy.

Reducing pollution with optimized treatment measures

We balance the development of the economy and environmental protection by adopting clean production measures, including the treatment of wastewater, exhaust gas, noise and solid waste, in accordance with circular economy concepts. All hazardous and non-hazardous waste were respectively delivered and properly treated by qualified professional suppliers and waste collection suppliers.

	Initiative	Achievements
CITIC Resources	Karazhanbas oil field uses microorganism and physical chemistry to treat soil contaminated by crude oil and tries to recover the ground.	3-year plan to complete waste treatment and recover soil surface ecology.
CITIC Heavy Industries	Modification of the mechanical pump vacuum completed. The steam pump was replaced with a mechanical version, and the energy source changed from steam to electricity. Power can be switched on or off at any time to avoid steam wastage. Replacement of the traditional furnace burner with a regenerative furnace was completed, which has improved heat utilisation and reduced gas consumption.	6,820 tonnes of standard coal saved, an estimated 18,760 tonnes of carbon dioxide reduced per year.
CITIC Pacific Energy	LD Group optimised and modified units to maintain smooth flue gas flow, and added a catalyst layer to Furnace No. 8. Modification and optimisation of ammonia injection adjustments are ongoing to give Phase III and IV units a short-term deep emissions reduction capability.	Nitrogen oxide emissions levels decreased compared with 2020; emissions intensity decreased by more than 30% during the emergency control period as compared with the norm.



Conservation of Resources and Energy

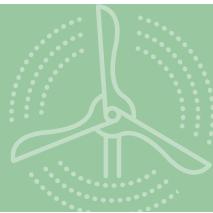
We continued to improve resource utilisation efficiency and reduce resources and energy wastage by strengthening our energy management, upgrading manufacturing equipment, eliminating outdated manufacturing capacity and introducing innovative new production technology.



	Initiative	Achievements
CITIC Mining International	Introduced advanced crushing technology that feeds materials between two metal rolls of the high-pressure mill; properties of the hard materials are utilised for efficient crushing and processing.	The addition of a high pressure grinding line will reduce total unit energy consumption per wet tonne of concentrate by approximately 7%.
CITIC Resources	Modification of the C Island natural gas utilisation project at the Yuandong Oilfield completed. By converting the C4 oil well into a gas well, natural gas production capacity was increased for the steam injection boiler; consumption of crude oil for the boiler's own use was also reduced.	The C4 well has a natural gas capacity of approximately 38,000 cubic metres per day, which saves approximately 33 tonnes of fuel oil per day by supplying it to the steam injection boiler.
CITIC Pacific Special Steel	Daye Special Steel launched a research project to improve energy use; special research projects to reduce consumption in furnaces and kilns and in refinement are under way. The upgrade of electro-hydraulic servo-hydraulic stations and energy-saving pumps has been proposed to reduce electricity consumption.	Gas consumption per tonne of steel rolling process decreased by 7.3% compared with last year's target, reducing purchased electricity by 61 million kwh.
	Qingdao Special Steel has built a new coking process rising tube waste heat recovery/100MW ultra-high temperature sub-critical power generation unit.	27,000 tonnes of standard coal saved.
CITIC Heavy Industries	An industrial wastewater treatment plant has been built with a biochemical filtration and disinfection process. The treated water will be reused for plant watering, production, dust control and other purposes.	Treatment of industrial wastewater is 220,053 tonnes per year; reuse of grey water is 186,270 tonnes, with a 99.59% grey water reuse rate.
CITIC Press	All books are packed with corrugated cardboard and unified trimmed size. Ceased to use brown papers before books are packed in cardboard box.	While keeping books intact, only 9 kinds of cardboard box are kept to minimized the packaging papers, leading the industry in terms of intensive production and purchasing cost.

**CASE
STUDY**

CITIC Environment Creates A Model Circular Economy Industrial Park



The Chaonan Textile Printing and Dyeing Integrated Environmental Protection Treatment Centre built by CITIC Environment in Shantou, Guangdong, is an excellent example of the six-in-one circular economy concept of industrial development in practice. In 2021 the second phase of this wastewater project went into operation, bringing its total wastewater treatment capacity to 155,000 tonnes per day. Operations within the printing and dyeing park include industrial production, sewage treatment, water reuse, centralised water supply and combined heat and power, as well as solid waste disposal. This provides a replicable model for third party managers of environmental pollution in national circular economy industrial parks.

Developed by CITIC Environment the highly efficient MBR technology utilised allows the dyeing and printing wastewater to be treated up to discharge standards. This technology employs Ultra Filtration + Reverse Osmosis + EDI processes to recycle over 50% of the water used, saving 24 million tonnes of fresh water annually. The technology that has been developed for this plant solves many of the environmental problems faced by the printing and dyeing industry. What's more, the combined heat and power system generates around 600,000 kWh of clean electricity per day, which can be used to treat 75,000 tonnes of printing and dyeing sludge per year.



Chaonan Textile Printing and Dyeing Integrated Environmental Treatment Centre

In 2021 the Chaonan Textile Printing and Dyeing Integrated Environmental Treatment Centre provided environmental treatment services for 102 printing and dyeing enterprises in the park. In total, this amounts to a wastewater treatment capacity of over 20 million tonnes and green power generated from waste heat of more than 150 million KWh — an economic output equivalent to around RMB7 billion. The success of this printing and dyeing park contributed to the low-carbon green transformation of the local textile printing and dyeing industry.

CITIC Green Offices

We continued to improve our office system by digitalising the printing and transmission of all non-confidential documents, presentations and other information. We have also implemented a document printing system, which includes the collection and use of consumables such as printing paper and ink cartridges. In addition, signs have been posted in the office areas of our subsidiaries to remind their staff to use water and electricity wisely and to avoid wasting food.

In line with our approach to resource sharing, CITIC Pacific has begun using the Future Business Leaders Trainee Office as a pilot location, where staff and trainees can switch to a different workstation according to their preference. Stationery, printers and other office equipment are also shared to ensure equipment is not left idle and resources are consumed efficiently.

CASE STUDY

Creating Green Buildings at CITIC HEYE



In 2021 CITIC HEYE (the developer and manager of CITIC Tower in Beijing) stepped up its efforts to conserve resources by adopting green technology measures that make this building more energy efficient and environmentally friendly.

Retrofitting the air-conditioning system for energy efficiency

CITIC HEYE identified energy saving opportunities in CITIC Tower's air-conditioning system to achieve a balance between energy saving and comfort. This has saved 4.073 million kWh of electricity per year and indirectly reduced carbon emissions by 2,459.9 tonnes.



Photovoltaic power generation system at CITIC Tower

Refining the lighting control strategy

For greater energy efficiency, we regularly communicate with our customers to refine our lighting control strategy by scenario, area and time of day, as well as overall usage requirements and energy saving needs. We subsequently adjusted the late-night lighting mode in the garage, lunch break lighting and overtime lighting in the office area, and inspection lighting mode in the lift lobby. This achieved an annual electricity saving of 1,895,000kWh and indirectly reduced carbon emissions by 1,144.7 tonnes.

Photovoltaic power generation system

The roof of CITIC Tower is equipped with a solar photovoltaic power generation system, comprising 640 CIGS of photovoltaic modules. The system covers an area of 890m², with a total capacity of 92.8kW and an annual power generation of 70,000kWh that reduces carbon emissions indirectly by 42.3 tonnes.

Energy recovery and reuse

All lifts are equipped with a system that recovers and utilises the energy generated during the operation of lifts. Electricity is generated when the traction machine moves up under light loads and down under heavy loads. This provides an overall energy saving rate of 35.91% throughout the year, with an annual energy return of 751,000kWh and an indirect reduction in carbon emissions of 453.6 tonnes.

Green Business

We are committed to putting green concepts into practice through the development of green finance and a green supply chain, as well as investing in new energy and other emerging low-carbon businesses as new growth drivers for the Company.

Green Finance

Our Comprehensive Financial Services business is in the process of developing a full range of green financial services. At CITIC Bank, we are supporting the transformation from fossil fuels to clean energy and increasing the proportion of our loans to clean energy projects that can achieve zero carbon emissions. Our financial businesses also focus on business

opportunities in areas such as new energy vehicles and energy-saving technologies. Financial support is further provided to companies that have started to reduce carbon emissions and are committed to peaking coal consumption as early as possible. Our financial businesses also support green technology innovation and clean production, as well as the green transformation of key industries.

CITIC Securities assists companies that are launching green financing projects. For the National Energy Group, Shenzhen Metro and Tiancheng Leasing in 2021, we were the underwriter of the first batch of carbon neutral green bonds, with a total issue size of RMB7 billion. We also acted as the lead underwriter for the completion of a carbon neutral green bond in the amount of RMB2 billion for the Three Gorges Group.

China Securities issued green corporate bonds for China Yangtze River Three Gorges Group, Yalong River Basin Hydropower Development Company Limited and China Railway Investment Company Limited. These bonds were for the construction of hydropower stations, green projects with reduced carbon emissions, and carbon neutral projects.

Environmental Business

Water Management

CITIC Environment invests in the construction and operation of water projects, including those utilising its advanced membrane materials. This business has a proven track record treating industrial wastewater, municipal wastewater and drinking water using a membrane bioreactor, continuous membrane filtration and reverse osmosis technology. In 2021, a total of 51 projects treating approximately 420 million tonnes of wastewater were completed.

Energy Saving Services

CITIC Energy Conservation Technology focuses on industrial energy conservation projects, including smart control systems, waste heat and pressure utilisation, waste gas recovery, and civil and municipal energy conservation. In 2021 it carried out a smart combustion control furnace system project for Daye Special Steel and Xingcheng Special Steel. This project helped save a total of 92,110,000 cubic metres of fuel consumption and 17,853 tonnes of carbon dioxide emissions, with a total fossil energy saving value of approximately RMB16,233,000.

Solid Waste Management

Chongqing Sanfeng Environment has invested in 51 waste incineration power generation projects with a design capacity of 55,800 tonnes per day. Its technology and equipment have been used in 218 waste incineration projects and 368 incineration lines in 8 countries and Macau, with a daily treatment capacity of over 200,000 tonnes of domestic waste. The company has treated more than 57.7 million tonnes of domestic waste, equivalent to a reduction in carbon dioxide emissions of about 15.11 million tonnes, and provided over 19.6 billion kWh of green electricity.

Responding to Climate Change

Recognising that climate change will have a significant impact on our customers, investments and operations, we have incorporated climate change-related risks into our overall risk management system. CITIC Limited issued Comprehensive Risk Management Measures and incorporated climate and environment risk into the watch list, which refers to financial loss or negative impact on company entailed by material changes in policy, law, technology, and market in the process of shifting to a low-carbon economy or by contingent weather conditions or long-term climate changes.

CITIC Bank follows closely with the Paris Agreement and its policy guidelines and realised the risks and opportunities for banking sector in the climate change issue. It has identified environment and social risks associated with energy consumption, pollution, and climate change.

CITIC Securities focuses on the impact of climate change (including physical and transformational risks) contributed by companies on the external environment. The investment banking business is focused on sustainable investments in the clean energy and innovation sectors, with strategic support provided to customers in their energy transformation efforts. The asset management business invests in ESG projects and sustainability-themed assets.

CITIC Resource's Yuedong Oilfield signed a marine environment forecasting agreement with National Marine Environmental Forecasting Center in response to material loss to offshore oilfields and their equipment incurred by extreme weather conditions. It reports twice daily to Tianshi Group about marine environment forecast (including, wind scale, wave, temperature and other marine climate data) for them to take precaution measures, including production suspension, equipment fastening and staff evacuation.



Staff Development Building a platform for rewarding and retaining our people

We strive to be a talent-centric company by respecting and supporting our people and focusing on human capital development. We are committed to cultivating outstanding talent and motivating them to think of innovative ways to contribute to the building of our century-long national brand.

Promoting Diversity

As of the end of 2021, CITIC had a total of 136,637 permanent employees, of whom 50.76% were under the age of 35. The proportion of female employees is 36.94%.

Employment Statistics

Indicator	As of December 31, 2021
Total number of employees ⁴	136,637
Total number of employees under the labor dispatch system	3,477
Male employees	86,164
Female employees	50,473
Number of employees aged 30 and under	33,930
Number of employees aged 31 to 35	35,424
Number of employees aged 36 to 40	24,222
Number of employees aged 41 to 45	13,760
Number of employees aged 46 to 50	12,690
Number of employees aged 51 to 55	9,309
Number of employees aged 56 and over	7,302
Number of employees in Mainland China	121,263
Number of employees in Hong Kong, Macao, and Taiwan	9,304
Number of employees in other countries and regions	6,070
Number of employees with a doctoral degree	486
Number of employees with a master's degree	21,339
Number of employees with a bachelor's degree	60,807
Number of employees with a college degree and below	54,005

⁴ Including formal incumbent contract employees at headquarters and subsidiaries, excluding dispatched labors.

Employee Turnover Rate

	Indicator	As of December 31, 2021
Headquarters	Turnover rate	2.07%
	Female employee turnover rate	2.5%
	Male employee turnover	1.58%
	Turnover rate for employees aged 30 and under	0.00%
	Turnover rate for employees aged 31 to 40	4.13%
	Turnover rate for employees aged 41 to 50	0.00%
	Turnover rate for employees aged 51 to 59	0.00%
	Turnover rate for employees aged 60 and above	0.00%
	Employee turnover rate in Mainland China	2.07%
CITIC Bank	Turnover rates	5.67%
	Female employee turnover rate	4.46%
	Male employee turnover	6.44%
	Turnover rate for employees aged 30 and under	7.30%
	Turnover rate for employees aged 31 to 40	5.12%
	Turnover rate for employees aged 41 to 50	2.00%
	Turnover rate for employees aged 51 to 59	4.75%
	Turnover rate for employees aged 60 and above	0.00%
	Employee turnover rate in the Eastern Region	5.74%
	Employee turnover rate in the Central Region	4.57%
	Employee turnover rate in the Western Region	4.65%
	Employee turnover rate in the Northeast Region	4.59%
CITIC Securities	Turnover rate	8.06%
	Female employee turnover rate	7.90%
	Male employee turnover rate	8.21%
	Turnover rate for employees aged 30 and under	10.20%
	Turnover rate for employees aged 31 to 50	6.56%
	Turnover rate for employees aged 51 to 59	4.35%
	Employee turnover rate in Mainland China	6.89%
	Employee turnover rate in Hong Kong, Macao, and Taiwan	18.90%
	Employee turnover rate in other countries and regions	20.04%
China Securities	Turnover rate	9.49%
	Female employee turnover rate	8.69%
	Male employee turnover rate	10.06%
	Turnover rate for employees aged 30 and under	12.51%
	Employee turnover rate in mainland China	9.13%

	Indicator	As of December 31, 2021
CITIC Resources	Turnover rate	4%
	Female employee turnover rate	6%
	Male employee turnover rate	3%
	Turnover rate for employees aged 30 and under	0%
	Turnover rate for employees aged 31 to 40	0%
	Turnover rate for employees aged 41 to 50	2%
	Turnover rate for employees aged 51 to 59	5%
	Turnover rate for employees aged 60 and above	1%
	Employee turnover rate in Mainland China	2%
	Employee turnover rate in Hong Kong, Macao, and Taiwan	7%
CITIC Telecom International	Turnover rate	15.24%
	Female employee turnover rate	12.93%
	Male employee turnover rate	16.54%
	Turnover rate for employees aged 30 and under	23.55%
	Turnover rate for employees aged 31 to 40	13.41%
	Turnover rate for employees aged 41 to 50	11.56%
	Turnover rate for employees aged 51 to 59	4.38%
	Turnover rate for employees aged 60 and above	40.91%
	Employee turnover rate in Mainland China	16.44%
	Employee turnover rate in Hong Kong, Macao, and Taiwan	13%
	Employee turnover rate in other countries and regions	26.34%

Incentives for Staff Development

Remuneration Policy

Our staff remuneration management measures at the Group and at our subsidiaries are constantly improved with regard to Labor Contract Law of the People's Republic of China and covers all staff. Salaries are adjusted according to the performance of individual employees and market rates in order to strike a balance between external competitiveness and internal fairness. To retain and reward staff, we provide medium- and long-term incentive plans and offer optional stock ownership plans for our core employees, as part of our philosophy of sharing benefits and risks.

Staff Benefits

We are continually improving our staff benefits schemes, insurance, working hours and leave arrangements. In the Mainland, we contribute to basic social insurance for all employees in strict accordance with Social Insurance Law of the People's Republic of China, our subsidiaries in the Mainland provide corporate pensions (supplementary pension insurance) and supplemental medical insurance to their employees with a total number of 148,000 as required by Enterprise Annuity Scheme. Contributions to the Mandatory Provident Fund are provided for all employees in Hong Kong, in accordance with the requirements of the Hong Kong SAR Government.

Talent Fostering

Talent Development Strategy

In our 14th Five-Year Plan for talent development, we have categorised our staff under four general teams: management, professional and technical, skilled personnel, and party building. We will also develop our staff in six key categories, including complex management, financial, scientific and technological, international, highly skilled and outstanding young talent.

Professional Qualifications

In 2021 we continued to assess senior management and deputy senior management classifications, with 53 employees receiving senior titles and 87 employees receiving deputy senior titles. A total of 79 employees were evaluated in the external assessment for senior and junior titles. We also recommended 10 employees for the National Major Talent Project, 5 employees for the Outstanding Talent and Outstanding Engineer Awards and 4 employees for the National Engineering Survey and Design Master Awards.

Training System



2021 Training Demonstration Course for New Employees

With the resurgence of COVID-19 during the year, we have formulated Employee Training Methods in line with relevant authority guidelines and adjusted our training modes and increased the proportion of online training. In total, we launched over 30 live online training courses in economics, finance and management for more than 70,000 online learners. We also organised live online training courses on legal, risk, compliance and finance topics and brought in external education service providers to enrich our training resources. More than 1,000 online courses have been launched on the Group's training platform, including courses on leadership, finance, artificial intelligence, marketing and operating our products. Over 40,000 participants joined these programmes. To build training synergy within the Group, we share educational resources with regard to instructors' training qualifications, training venues and learning outcomes. During the year, we organised the 24th and 25th training courses for the Group's young and middle-aged staff, as well as the Group's 2021 Training Demonstration Course for New Employees, to enhance the professionalism of our key staff and new employees.



Employee Training Statistics

	Indicator	As of December 31, 2021
Headquarters	Number of employee training programs	20
	Percentage of male employees participated in training (%)	90
	Percentage of female employees participated in training (%)	93
	Percentage of management participated in training (%)	100
	Percentage of non-management participated in training (%)	90
	Average training hours for male employees (hours/person)	98
	Average training hours for female employees (hours/person)	102
	Average training hour for management (hours/person)	138
	Average training hours for non-management (hours/person)	95
CITIC Bank	Percentage of male employees participated in training (%)	100
	Percentage of female employees participated in training (%)	100
	Percentage of management participated in training (%)	100
	Percentage of non-management participated in training (%)	100
	Average training hours for male employees (hours/person)	80
	Average training hours for female employees (hours/person)	89
	Average training hour for management (hours/person)	37
	Average training hours for non-management (hours/person)	88
CITIC Securities	Percentage of male employees participated in training (%)	100
	Percentage of female employees participated in training (%)	100
	Percentage of management participated in training (%)	100
	Percentage of non-management participated in training (%)	100
	Average training hours for male employees (hours/person)	68
	Average training hours for female employees (hours/person)	68
	Average training hour for management (hours/person)	45
	Average training hours for non-management (hours/person)	68
China Securities	Percentage of male employees participated in training (%)	90
	Percentage of female employees participated in training (%)	90
	Percentage of management participated in training (%)	93
	Percentage of non-management participated in training (%)	94
	Average training hours for male employees (hours/person)	45
	Average training hours for female employees (hours/person)	47
	Average training hour for management (hours/person)	40
	Average training hours for non-management (hours/person)	49

Indicator	As of December 31, 2021
CITIC Resources	
Percentage of male employees participated in training (%)	48
Percentage of female employees participated in training (%)	19
Percentage of management participated in training (%)	3
Percentage of non-management participated in training (%)	63
Average training hours for male employees (hours/person)	17
Average training hours for female employees (hours/person)	1
Average training hour for management (hours/person)	27
Average training hours for non-management (hours/person)	17
CITIC Telecom International	
Percentage of male employees participated in training (%)	73
Percentage of female employees participated in training (%)	59
Percentage of management participated in training (%)	77
Percentage of non-management participated in training (%)	67
Average training hours for male employees (hours/person)	15
Average training hours for female employees (hours/person)	7
Average training hour for management (hours/person)	12
Average training hours for non-management (hours/person)	13

Care For Our Staff

Caring for All Staff

We fully comply with Labour Law of PRC, Labour Contract Law of PRC and regulations and policies related to the signing, altering, cancelling and termination of labour contracts. With labour contract signing rate of 100%, we strive to protect their rights and interests. We formulated Attendance Management Measures to clarify standard work hours, paid leave, sick leave and personal leave and to make sure our staff enjoy statutory holidays so that they could have a healthy work-life balance.

We are also committed to providing equal opportunities in our recruitment and career development practices as well as hiring staff without regard to race, gender, religion, ethnicity, nationality or physical disability. Child and forced labour are strictly prohibited in accordance with Provisions on the Prohibition of Using Child Labour with precautionary and accountability mechanism put in place. CITIC Bank signed a collective labour contract with female staff to protect their lawful interest and right.

Caring for Young Staff

For younger staff who may face challenges finding housing, we provide youth residences in Beijing and other cities. The youth residences in Beijing house over 600 young staff.

Caring for Retired Staff

During New Year's Day and the Spring Festival, we visited our retired staff to express the good wishes of the Group's leadership and staff. We also provided RMB148,000 to retired staff suffering from serious illnesses. In addition, we have a medical insurance system and arrange annual medical check-ups. During the pandemic, we distributed a total of 2,750 boxes of medicine and protective items, as well as timely information on pandemic prevention, especially to the elderly.

Staff Health and Safety

We comply fully with the Law of the People's Republic of China on Safe Production, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other occupational health-related laws and regulations. All safety responsibilities are assigned to staff at every level of the Company. CITIC Special Steel has a sound organisational structure for safety management. Safety Committees have been set up at CITIC Special Steel and its subsidiaries, which are responsible for implementing the Company's safety, production and management system. CITIC Heavy Industries has revised its safety management system and five safety systems, including the Safety Production Responsibility System and the Safety Production Assessment Regulations. CITIC Dicastal improved its five management systems, including those for dust control, grid management and production safety. CITIC Mining International has a comprehensive health and safety management system in accordance with the requirements of the Western Australian Mine Safety Inspections Act. The Safety Department of the Company enforces external and internal compliance and updates the safety management system every two years to align with the latest changes in safety legislation.

We are committed to enhancing our safety measures and conducting regular health checks for our employees. CITIC Special Steel has set up a safety team and standardised its safety construction procedures. It also organises regular safety activities such as the Summer 100 Days Safety Competition and Safety Month, as well as regular meetings on safety and production management. What's more, the Company identifies safety risks in its operations and at its sites, with control measures developed for each identified risk. CITIC Construction has established a three-level control system for its Business Department and Project Department to protect the health and safety of our overseas staff as well as the property and assets of our overseas project organisations. CITIC Dicastal regularly checks for occupational hazards at its production sites and organises annual occupational health check-ups for personnel in vulnerable positions. CITIC Mining International organises safety awareness activities, including a mental health awareness seminar, a pilot body scan programme.



CITIC Construction's Iraqi Missan Combined Cycle Power Plant Project conducts a high-altitude rescue emergency drill



Directors and Executives of CITIC Mining International attend compliance training on the Occupational Health and Safety Act

Employee Health and Safety Statistics

Indicator	As of December 31, 2021
Number of employee work-related fatalities	
—— Number of work-related fatalities in 2019 (person)	2
—— The number of work-related fatalities in 2020 (person)	2
—— The number of work-related fatalities in 2021 (person)	0
Rate of work-related fatalities	
—— Rate of work-related fatalities in 2019 (%)	0.0015
—— Rate of work-related fatalities in 2020 (%)	0.0015
—— Rate of work-related fatalities in 2021 (%)	0
Lost days due to work injury (days)	11,008.67



Customer Focused We pursue excellence in our products and services

We make full use of our comprehensive advantages as a conglomerate to meet market demand. To build a world-class technologically-driven company, we have been focusing on our customers, expanding our financing businesses, and developing innovative products and services.

Awards and Recognitions

	China Securities received the IFF2021 Global Green Finance Award.
	CITIC Dicastal's Aluminum Wheel No. 6 factory in Qinhuangdao was named a world-class Lighthouse Factory by the World Economic Forum in association with McKinsey & Company.
	CITIC Construction received the National Labour Day Award for the construction of the Chongli Prince Ice Town for the 2022 Beijing Winter Olympic Games.
	CITIC Engineering won first prize in the Digital Construction (Construction Industry) Emerging Group of the Third China Industrial Internet Competition for its BIM-based CITIC Intelligent Construction Platform.
	CITIC Heye was named a three-star green building.
	CITIC Press received the Advanced Publishing Unit Award in the Fifth China Publishing Government Awards.

Providing Quality Products and Services

To improve our products and services, we constantly listen to our customers' feedback and suggestions. As a result, we have been able to achieve excellence in our products and gain customer loyalty. In 2021, there were no cases of recalls concerning product and service quality or safety by CITIC or by its subsidiaries.

CITIC Construction Signature Projects

CITIC Construction completed a number of major projects for the Beijing Winter Olympic Games, including the Chongli Prince Ice Town. It also signed contracts for projects such as the Al Khairat Heavy Oil Power Plant and Yellow River Strategic Jinan International Eco-Port. Projects under way include the Belarusian Agro-industrial Complex, Kazakhstan TKU and KB Highways, Nanjing Science and Innovation Centre and Changjiang New Town.



The Chongli Prince Ice Town

Responding to Customer Feedback

CITIC Bank has strengthened the way it handles customer complaints by referring them to relevant departments for assessment, handling and a timely resolution. A digital system has also been launched to analyse and handle complaints in real time. The early warning monitoring capability of this system helps to uncover pain points associated with CITIC Bank's products and services. Data generated from the system will help business departments make better operational decisions and increase customer satisfaction levels. As of the end of 2021, a total number of 309,661 cases of complaints were handled and processed.

CITIC Securities receives customer feedback on its business and services through various channels and has set up a mechanism for identifying which departments and persons should handle complaints. Complaints handling results are incorporated into the compliance appraisal scheme with rewards and punishments put in place. As of the end of 2021, a total number of 228 cases of complaints were handled via 12386 CSRC hotline, regulator transferring, customer hotline or by channels of branch offices.

CITIC Press has a customer service team of over 40 staff handling customer complaints through feedback channels, including 400 hotlines and an online customer service platform. Its well-developed customer feedback handling process ensures complaints are resolved in a timely and effective manner.

Improvements to Customer Service

China Securities continued to improve its advisory platform, Uwen, which analyses client feedback and provides standard answers to staff in real time, thereby optimising the customer experience. In 2021 the number of enquiries on the Uwen platform reached 2.21 million, an increase of 65% year-on-year.

CITIC Press has a department dedicated to improving the user experience through research and service management. This has enabled it to optimise product quality and business processes and meet the needs of users.

Trademarks and Advertisements

We have developed Trademark Management Regulations to guide us on the use of our trademark resources in order to protect the CITIC brand and assets. The use of trademarks and the trademark licensing process are constantly reviewed to enhance the value of the brand and the Company. We also combat trademark infringements and protect the exclusive rights of registered trademarks for CITIC and its subsidiaries.

We established The Regulations on the Management of Overseas Placement of Advertisements, specifying the content, advertising channels, approval process and method of project execution to be used in the placement of overseas advertisements.

CITIC Bank formulated Intellectual Protection Measures and Advertising Management Measures to standardize the brand management to conduct daily monitor of copycat brand and to file for legal protection.

Product Quality Check and Recall Procedures

In accordance with international, national, industrial, safety standards, enterprise and product design, acceptance and technology standards, CITIC Heavy Industrial built a sound quality measurement system that checks, verifies and monitors the product whole process from raw material entry to product deliver to ensure quality; it offers product guarantee service, including free repair, replace and refund services under the conditions that products could not meet the quality standard or the requirements from agreements within guarantee period. In 2021, there were no major complaints or product recalls.

CITIC Press sends clear requirement before each printing order and invited professionals to monitor the process; adopts strict warehouse entry check with professional inspectors; each book has a contact number with printers should our customers find any flaws with the printing. In 2021, there were no recalls concerning product and service quality.

Increasing Our Investment in Science and Technology

As a technology-focused company, we put innovation at the forefront of our operations and scientific research. With the completion of our first series of expert assessments and major scientific research projects, we are gradually improving our technological standards.

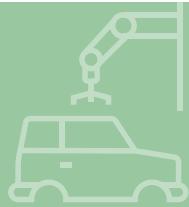
CITIC Bank has piloted a number of product lines, while maintaining its industry-leading position in blockchain technology.

At CITIC Heavy Industries, we continue to supply components to equipment of national importance. CITIC Telecom International built a research system for cloud-network integration, digital upgrades and industry applications, with the aim of becoming a global provider of intelligent digital communication solutions. CITIC Agriculture contributed to the country's farming industry in major national projects with LongPing Hi-Tech and LongPing Development. CITIC Construction was accredited as a national high-tech company, while CITIC Engineering carried out a major BIM project that has digitalised the entire engineering construction process.

On 13 January 2022, the Company held the first Science and Technology Innovation Conference and announced the first batch of the Group's top ten science and technology innovation projects. These included the Financial Full Stack Cloud Construction and Key Equipment for Auto Manufacturing Reform projects.

CASE STUDY

CITIC Dicastal: A World-class “Lighthouse Factory”



On 27 September 2021, CITIC Dicastal's Aluminum Wheel No. 6 Production Line in Qinhuangdao was recognised as a world-class “Lighthouse Factory” by the World Economic Forum in association with McKinsey & Company. A Lighthouse Factory is one that makes use of Fourth Industrial Revolution technology in the process of digital transformation to improve the overall efficiency of the industrial chain and achieve sustainable development. This not only creates a new competitive advantage, but also serves as an important model for the transformation of manufacturing.

At CITIC Dicastal, the key processes in its Aluminum Wheel No. 6 Production Line include high-tech solutions such as big data, AI deep learning and 5G technology, which help to optimise production and achieve a high degree of automation and smart production. Other improvements are a reduced dependency on personnel, accelerated mass production, better product quality and fewer raw material losses. As a result, overall production costs have fallen by 33%, equipment efficiency has increased by 21.4%, the product defect rate has decreased by 20.9%, delivery times have shortened by 37.9%, and energy usage efficiency has improved by 39%.



CITIC Dicastal's production line 6.

The key core technologies in the production line, which are controlled autonomously, and the overall digitalisation and technology are 5 to 10 years ahead of the production line's global counterparts. Furthermore, the design and construction technology used are replicable and scalable, and CITIC Dicastal is now gradually transforming all of its production lines with the intelligent solutions it has implemented.

Protecting the Legal Rights of Our Customers

We provide quality products and services to our customers, while also protecting their rights and interests in strict accordance with Law of the PRC on the Protection of the Rights and Interests of Consumers, Personal Information Protection Law of the PRC, Data Security Law of the PRC.

Protecting Customer Information Security and Privacy

CITIC Bank has formulated *Customer Information Protection Management Measures (Trial)* and protects customer information, including sensitive information such as personal data, asset records and account balances. It has also strengthened its preventive and control measures at network boundaries and critical nodes, and installed multi-layer network security facilities, while tightening control over employees' working computers to prevent illegal access and data transfer. Based on the principles of “business needs” and “minimum access”, the Company sets user permissions for application systems and data management. Sensitive data scanning and information security risk checks will continue to improve the effectiveness of its customer protection measures.

CITIC Securities has clarified its organisational structure and division of functions for data security management. The Company ensures information security by establishing a sound data lifecycle management mechanism and integrating data security management into all data processing activities. In addition, data security and compliance requirements are embedded in the system and business processes to ensure the use of data is in line with its security management level and internal control capabilities. The Company has also standardised the protection of customer information by developing an authorisation form for personal information and updating the privacy protection clause to protect customer information.

Protecting Customers' Right to Information

CITIC Securities has improved its management system and code of conduct. It has also revised policies such as the *Operational Guidelines for Professional Investor Accreditation* and the *Wealth Management Committee Implementation Rules for Investor Appropriateness Management*. This has increased the number of risk assessments and risk alert notices for customers with inappropriate risk levels within a short period of time. In addition, the Company adjusted its rating of investors, products and services in order to recommend suitable products.

Promoting Industry Knowledge

CITIC Bank and the Shanghai International Banking and Finance Institute of the Shanghai University of Finance and Economics organised the 6th National University Student Financial Innovation Competition 2021. Nearly 2,000 students and teachers from over 200 universities across China met on the cloud for the competition. A Digital Finance Business Capability Contest and Internet Finance Innovation and Operation Management Contest were held enabling universities and students to exchange ideas and showcase their talents. Since its inception, CITIC Wealth has been cultivating the concept of responsible investment and enriching investor education through multiple channels, both online and offline. In future, CITIC Wealth will continue to fulfil the national policy of common prosperity and financial inclusion. It will also continue to partner with universities and colleges to promote financial education.

CITIC Securities launched a special investor education campaign focusing on the reform of the New Third Board and establishment of the Beijing Stock Exchange. Topics covered included issuance and trading, information disclosure, corporate governance and regulatory compliance. Over 10,000 copies of the *Selected Business Rules of the Beijing Stock Exchange* were printed, and over 30,000 copies of the *System and Rules of the Beijing Stock Exchange* and *Rules for the Administration of Trading and Investor Appropriateness of the Beijing Stock Exchange (for trial use)* were distributed. The campaign organised 111 online and offline events and reached a total of 8,146 investors.

In addition to regular monthly educational campaigns, CITIC-Prudential Life organised promotions on the prevention of illegal fund raising, telephone fraud, elderly scams and the application of smart technology for important educational events.

Protection for Whistleblowers

CITIC Bank Issued a Notice on Regulating Inquiring and Using of Personal Information in Handling Complaints and reiterated the importance of compliance with relevant laws in protecting personal information and safeguarding customers' rightful interests while timely respond to complaints.

Customer Protection Training

CITIC Bank organised customer protection trainings with 54,000 staff attendees to improve clients protection awareness and enhance service quality in the business process.



Industry Development

We are working with stakeholders to promote the development of industry

We seek to deepen collaboration among government and businesses by promoting strong alliances and expanding the industry's "circle of friends" to achieve mutual benefit. We comply fully with the Anti-Unfair Competition Law of the People's Republic of China in support of the industry's healthy development.

Awards and Recognitions

	CITIC Bank was ranked 16th in the Top 500 Global Banking Brands list published by <i>The Banker magazine</i> .
	CITIC Trust received the Best Overall Trust Company Award by <i>Financial Magazine</i> .
	CITIC Heavy Industry's innovative case, Digital Construction Based on the Industrial Internet, was selected as one of the National Innovative Cases of Intelligent Enterprise Construction in 2021.
	The third waste-to-energy project in Chongqing built by Sanfeng Environment, a subsidiary of CITIC Environment, won the National Quality Engineering Award.
	CITIC Telecom International's DataHOUSE™ AR Clairvoyance Service won the Excellence in Innovation Award at the Data Cloud Global Awards.
	Longping Hi-Tech, a subsidiary of CITIC Agriculture, was nominated for the China Quality Award.

Partnering for Mutual Benefit

We attach great importance to our relationship with the government and our industry partners. We are also committed to making positive contributions to the local economy and social development, as well as to the development of industry.

In 2021 the Group's senior management held meetings with its partners and visited Sichuan, Guangdong, Qinghai and Hunan provinces to sign strategic cooperation agreements with nine provincial and municipal governments and 13 companies. Additionally, we met with our overseas counterparts to seek partnership opportunities in various areas, such as financial services, high-end manufacturing, medical care and elderly care, as well as modern agriculture. We also continued to strengthen cooperation with external think tanks and have connected with domestic and international consultancies, universities and research institutes in order to carry out in-depth cooperation in education, research and development, and the alignment of innovative projects with industry.

Promoting the Healthy Development of Industry

In addition to fulfilling our social responsibilities, we manage the upstream and downstream ends of our supply chain and work with industry associations to promote our management, brands and technology. Additionally, we combat piracy and copyright infringement to protect intellectual property and encourage innovation.

Strengthening Supply Chain Management

In accordance with Law of the PRC on Tenders and Bids and relevant regulations, we formulated Group's Purchasing Management Measure. In the process of working with our suppliers, we and our subsidiaries have embedded social responsibility principles into our corporate tendering and procurement policies, contract terms and assessment indicators. Our aim is to work together with our partners to build a fairer, more responsible industry ecosystem. As of the end of 2021, the headquarter of CITIC accredited 94 suppliers, among which 80 are domestic and 14 are overseas, taking up 85.11% and 14.89% respectively.

CITIC Limited upholds the principle of strict access, quantifiable rating, dynamic adjustment and mutually beneficial partnership in finding, introduction, selection, assessment and termination of suppliers; centralised the establishment, renewal, use and management of suppliers database and supervise the agency companies to comply with relevant regulations; set up a blacklist of suppliers with misconducts, including bribery, malicious bidding, falsification or being penalized or delicensed by regulators for their violations of laws.

CITIC Bank requires suppliers to provide ESG related content in their application files and invited consulting firm to review 521 suppliers to identify their environmental and social responsibility related risks, including compliance, social responsibility, material change and legal risk. Review feedbacks are in turn incorporated in supplier's assessment to encourage them delivering their ESG commitment.

CITIC Securities set up assessment system to conduct regular review of its suppliers in terms of product quality, service, sustainability, reputation and agreement delivery capacity to select the premium ones; built a termination mechanism to optimize the suppliers pool; uphold and advocate the principle of integrity and honesty to guard against any bribery and bidding collusion.

China Securities embedded ESG concept in the whole process of purchasing and encourages its suppliers to improve their ESG performance and conducts due diligence via public source or by third party to follow its suppliers' recent public opinion to fend off potential risks; requires new suppliers signing a Commitment Letter to reinforce their commitment to fighting against forced labour and to environment protection.

CITIC Dicatal manages its suppliers in accordance with its supplier approval procedures. Monthly performance assessments are conducted on first-tier suppliers based on quality, cost, delivery and service. The Company selects the best and eliminates the worst according to their performance reviews.

CITIC Special Steel regularly visits suppliers and communicates its philosophy to promote mutual growth and progress. The Company monitors and evaluates the compliance of its suppliers through on-site assessments and recommends timely preventive and improvement measures against potential risks. Suppliers who fail to meet the safety, quality, environmental and social responsibility requirements will be suspended or terminated.

Promoting Industry Excellence

We explore business and management models to provide reliable guidance for the development of the industry. We also participate in major national projects, discuss industry issues and set standards through our participation in industry forums and exchange activities. Our objective is to protect intellectual property rights and create a fair and equal industry environment.

- Promoting Business and Technological Progress

CITIC Engineering participated in the establishment of the Wuhan Design Capital Promotion Centre – Digital Construction Industry Alliance, which promotes the BIM achievements of the Ministry of Industry and Information Technology of China. Alliance members work together to build a framework for the development of the service industry and to create an autonomous BIM ecosystem. The Company takes advantage of its upstream and downstream resources, as well as the scale of construction in China, to bring more enterprises into pilot tests. This enables companies to digitalise rapidly, gather intelligence for pre-project planning, procurement and subcontracting, and learn best practices in construction and installation, completion and delivery, and post-operations.

Longping Hi-Tech, a subsidiary of CITIC Agriculture, participated in the first Yuelu Farming Summit during the year. At this event, we worked with several government organisations, such as the China Rural Technology Development Centre of the Ministry of Science and Technology, to discuss the implementation of the National Agricultural Revitalisation Initiative. The objective of the Summit is to accelerate the implementation of the government's agricultural strategy and promote the development of the modern farming industry.

- Protecting Intellectual Property Rights

We developed the Intellectual Property Rights Management Regulations in accordance with the Civil Code, the Trademark Law, the Copyright Law, the Patent Law and other related laws and regulations, to protect patents, trademarks, processes, technical know-how and logos.

CITIC Press has stepped up its efforts to combat copyright infringement and piracy by participating in the activities of organisations such as the Beijing Copyright 15 – Anti-Piracy Alliance. An evaluation report on suspected pirated books purchased by readers was also published. We will collect evidence, obtain notarisations and initiate legal proceedings against infringing shops and pursue criminal liability charges in cases involving 3,000 or more copies of pirated or copyright infringing books. In 2021 more than 150 books were found to be pirated. Two criminal cases were filed, and more than 20 suspects detained for copyright infringement and piracy. Thirteen shops were charged, and US\$10 million seized. Six warehouses were investigated, and more than 24,000 copies of infringing or pirated books worth RMB1.45 million were seized.

When counterfeit auto parts were detected in the market, CITIC Dicastal worked with the Public Security Bureau to confiscate the products and shut down the infringing businesses, while recovering financial losses for consumers. While we are committed to defending our rights, we also give small businesses an opportunity to avoid being held responsible for minor infringements. We not only encourage entrepreneurship and innovation but also work to protect intellectual property rights through a combination of punishment and education.

CITIC Pacific Special Steel has developed a Patent Management System, Intangible Assets Management System, Patent Incentive System and Trademark Management Regulations. It also provides training in intellectual property rights to protect the Company's innovations.

Anti-corruption

Anti-corruption is a top priority for the Group and an integral part of our internal risk management. In addition to fully complying with the Anti-Corruption Law of the People's Republic of China, we have adopted a multi-pronged approach to combat corruption in the industry. CITIC Securities revised its Regulations on the Integrity of CITIC Securities Company Limited in accordance with the Implementation Rules for the Integrity of Securities Operators and their Personnel of the China Securities Association and the Code of Ethics for Securities Practitioners. It also developed the Implementation Rules for Anti-Money Laundering Customer Identification and Risk Management, Large Transaction and Suspicious Transaction Reporting and Business Money Laundering Risk Assessment, in accordance with the Anti-Money Laundering Law of the People's Republic of China. China Securities developed the Rules on the Integrity of China Securities and its Personnel in Practice, while CITIC-Prudential Life developed an Anti-Commercial Bribery System and Anti-Money Laundering Management Policy as well as other internal control systems to create an ethical industry environment.

We continued to improve the functions and staffing of the disciplinary and inspection bodies of the Company and its major companies during the year. We also exchanged views with the disciplinary committee secretaries of nine subsidiary companies to improve our disciplinary work. We are committed to standardising our disciplinary work, increasing training for our staff and safeguarding our brand image of integrity and honesty. In addition, we have established a comprehensive risk management system and made significant efforts in the areas of system building and anti-money laundering.

We attach great importance to anti-corruption training for our directors and staff and circulated notice about cases of violating laws and regulations and dereliction of duty and negligence of responsibility. By learning from these cases, we formulated correction measures. Our subsidiaries organised seminars to learn and reflect from these cases to improve accountability, to guard against power abuse and to enhance supervision.

- **Creating an Ethical Workplace**

CITIC Securities provided a series of online courses on integrity in its induction training for new staff, as well as compliance officer training and refresher training for staff and a full coverage training of anti-corruption with a total number of 21,200 staff attending. A designated hotline and email address were set up for reporting ethical concerns. Upon receipt of a report, verification and handling work will be carried out in a timely manner, with confidentiality for whistle blowers strictly enforced.

China Securities is committed to improving its risk management system and monitors the integrity of its practices through audits, compliance inspections and internal inspections organised 146 trainings for integrity of practices, with a total number of 88,500 staff attending. A complaint and reporting mechanism has also been established to encourage employees, suppliers and other stakeholders to report any irregularities.

CITIC Bank implemented zero-tolerance policy to corruption to forestall any new case; organised 4 all hands meetings to notify and to warn against corruption; organised 4 rounds of anticorruption trainings to raise our staff's awareness and to uphold honesty, with a total number of 10,000 staff and 8 board directors attending.

- **Strengthening Compliance Management**

CITIC Bank implemented a comprehensive clean-up of its rules and regulations, prohibiting 675 items of branch rules and regulations. The Bank instructed branches to review their existing rules and regulations on a case-by-case basis. A clean-up plan was also implemented to remove and amend 2,931 rules and 534 regulations.

CITIC Securities launched a special project to strengthen its management. The Company also reviewed the business and functions of each department through a self-examination-review-correction process to improve business systems and operational procedures. Over 1,000 systems and operational guidelines were reviewed and streamlined, enhancing its internal control management and compliance capabilities.

- **Anti-money laundering**

CITIC Bank followed up on new regulatory requirements by strengthening its internal control. The Company has progressively improved its anti-money laundering system of the top-level system+ specialised system + line system. A database of internal and external anti-money laundering regulations was developed with four major anti-money laundering systems revised and three new specialised anti-money laundering systems added.

CITIC Securities released the Anti-Money Laundering Enhanced Due Diligence Workbook for High Risk Customers to refine the due diligence requirements for high-risk customers. Our business departments are required to conduct comprehensive investigations, including identity verification, source of funds and transaction analysis, when conducting due diligence on high-risk customers.

China Securities incorporates its anti-money laundering responsibilities into its staff performance appraisals. Departments and branches with unsatisfactory performance will be penalised, which in turn will affect salary adjustments.

- **Protection of the legal rights of the informers**

Supervisory bodies at all levels in the Company, acting in strict accordance with Rules for Handling Reports and Accusations at Inspection Organizations, should keep confidential the informers' name, address, phone number and personal information of their relatives; should not copy or excerpt the content from the report and must not pass the report to the department or to the person accused.



Community Service Our social mission for a better future

We have received strong support from the government and the general public for our business in many countries and regions. With the active participation of our volunteer teams, we consider it our social responsibility to give back to the communities we serve and promote prosperity. We also follow the provisions of the Law of the People's Republic of China on Public Welfare Donations and other national laws and regulations to manage our external donations. In 2021 CITIC and its subsidiaries contributed approximately RMB120 million, organised 440 volunteering activities and engaged 20,000 volunteers with a total volunteering hours of 38,000 to local communities.

Awards and Recognitions



CITIC Trust received the Outstanding Contribution Award from the Beijing Chaoyang District Red Cross Society for its donation to combat COVID-19.



CITIC Pacific was named a Caring Company by the Hong Kong Council of Social Service and received the The Community Chest Award for Outstanding Service.



CITIC Telecom International was awarded the Sports Friendly corporate logo by the Chinese YMCA of Hong Kong.

Revitalising Rural Villages

In 2021 we kicked off our campaign to promote village revitalisation. For this campaign, we invested more than RMB78.00 million to the Pingbian County and Chongqing Qianjiang District in Yunnan and Shenza County, Tibet.

Focus on the “Five Revitalisations”

Our “five major revitalisations” mission focuses on industry, talent, culture, ecology and organisation.

To provide more employment opportunities, we supported projects such as the cultivation of yanghe (wild) ginger and photovoltaic power generation. We also guided CITIC Agriculture’s Huazhi Bio project to protect the genetic superiority of red rice seeds. Due to this project, over 150 varieties of seeds have been developed for the terraced red rice industry.

Village construction was supported with an investment of RMB5.5 million in four village committees in Yuanyang and Pingbian counties to implement village revitalisation demonstration projects. These projects involved the construction of sewerage pipes, sewage treatment ponds, public toilets, roads and village history halls, as well as the installation of solar-powered streetlights for more than than 2,000 people.

Additionally, over RMB9.9 million was invested to renovate industrial roads, build safe drinking water infrastructure and provide CITIC scholarships.

An Innovative Assistance Model

The sugar cane industry is one of the leading industries in Yuanyang County, which is a major source of wealth for the people living there. Due to the recent decline in sugar prices, sugar cane farmers have suffered, and sugar cane had to be purchased from overseas sources. To support local farmers, CITIC Securities and CITIC Futures joined Pacific Property Insurance to launch a sugar insurance + future price project in Yuanyang County. The project benefited 1,457 cane farmers, allowing 645 households to be lifted out of poverty and providing strong support for the development of a sustainable sugar industry in the area.

Another project was undertaken by Longping Hi-Tech, a subsidiary of CITIC Agriculture, which assisted the Ministry of Agriculture and Rural Development in developing the YUNSHANGZHINONG App, currently providing 8,006 online courses for over 6 million users. For better utilisation of this app by users in rural areas and by local officials, we accordingly developed CITIC Rural Revitalisation Online Courses app and promoted these apps together with Yuangang County for local villagers to improve their farming skills by learning agrotechnology online.

CITIC Press invited outstanding authors and editors to schools in Yuanyang County to participate in picture book storytelling, music appreciation and art enlightenment classes. Books were also donated by CITIC so that rural children could broaden their horizons.

Public Service to the Community

In 2021 we continued to make donations in support of learning, sports, cultural and health-related activities, provide help for disadvantaged groups and build community infrastructure. During the floods in Henan, CITIC Securities, CITIC Prudential Life and CITIC Capital Securities donated more than RMB30 million to Henan Province for disaster relief.

Community Services in Hong Kong and Macau

CITIC's volunteer teams organised activities in 2021 for the elderly living alone and low-income people. The Company also donated anti-infection supplies during the COVID-19 pandemic and held events for protecting the environment and safeguarding Hong Kong's prosperity and stability. These initiatives were carried out not just as a demonstration of CITIC's corporate responsibility but because we have deep roots in Hong Kong.



CITIC Telecom International sponsored and co-organised volunteer activities with the Chinese YMCA of Hong Kong to show their care for children and their families in the district.

CITIC Metals continued its partnership with ORBIS, encouraging staff to support ORBIS World Sight Day and raising funds to help bring sight and hope to those suffering from eye diseases around the world. All participating staff were given ORBIS pins.



Pins provided by ORBIS Hong Kong to CITIC Metal staff who supported the fundraising campaign.

Overseas Charity Work



CITIC Resources Karazhabas Oilfield staff give blood.

Assistance to Clontarf College is one of CITIC Mining International most important social responsibility projects. CITIC Mining International in 2021 donated to the Karratha Branch of the College to organise student activities in an effort to improve the educational standards and employability of aboriginal youth in remote areas.

CITIC Resources KBM donates to charitable causes and community building programmes. In Kazakhstan, the Company bought tents for the Young Geologists competition that has enabled 11 teams from Mangghystau province to participate in geological expeditions. Our overseas staff also participated in a blood donation campaign and other charitable activities that helped build the Company's corporate image overseas.

CITIC Construction set up a new aluminum alloy profile factory to help improve CITIC Centenary Vocational School (Angola). Since its establishment in 2014, the vocational school has provided free training and accommodation to nearly 500 underprivileged young people in the region, and helped them find jobs. The outstanding performance of the graduates has been praised by both the Chinese and Angolan governments as well as the community.



Students at CITIC Centenary Vocational School hold up their graduation certificates



A seminar at CITIC Centenary Vocational School

Serving the Community with Love

In 2021 CITIC's volunteer team served in more than 20 cities and regions, including Beijing, Hebei, Henan and Chongqing. These teams have donated their time and energy to more than 20 cities and regions. Volunteer activities have included caring for the children of migrant workers, helping the disabled, promoting financial literacy in schools, donating credit card points to sponsor school children, planting trees to reduce pollution and supporting local cultures.



The CITIC volunteer team during a parent-child volunteer service activity



The CITIC volunteer team visits children with special needs



The CITIC volunteer team gets together to plant trees.



A blood donation activity organised by the CITIC volunteer team



A CITIC youth volunteer team joins a cleaning campaign



The CITIC youth volunteer team join a community support campaign



A waste separation event in Beijing



CITIC youth volunteers learn about CCP history

ESG Index

Aspects	Contents	Disclosure Location
Mandatory Disclosure Requirements		
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	Statement of the Board of Directors
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	About This Report
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	About This Report

Aspects	Contents	Disclosure Location
"Comply or explain" Provisions		
A. Environment		
Aspect A1: Emissions	<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	Environmental responsibility Protecting the environment for a more beautiful China
A1.1 The types of emissions and respective emissions data.		Performance Summary
A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Performance Summary
A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Performance Summary
A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Performance Summary
A1.5 Description of emissions target(s) set and steps taken to achieve them.		Environmental Management
A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		Environmental Management; Green production

Aspects	Contents	Disclosure Location
Aspect A2: Use of Resources	<p>General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Environmental responsibility Protecting the environment for a more beautiful China
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Summary
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Summary
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management; Performance Summary
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Performance Summary
Aspect A3: The Environment and Natural Resources	<p>General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.</p>	Environmental responsibility Protecting the environment for a more beautiful China
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Business
Aspect A4: Climate Change	<p>General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p>	Responding to Climate Change
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to Climate Change

Aspects	Contents	Disclosure Location
B. Society		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Staff Development Building a platform for rewarding and retaining our people
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Promoting Diversity
	B1.2 Employee turnover rate by gender, age group and geographical region.	Promoting Diversity
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Staff Health
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Staff Health
	B2.2 Lost days due to work injury.	Staff Health
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Staff Health

Aspects	Contents	Disclosure Location
Aspect B3: Development and Training	<p>General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	Talent Fostering
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Fostering
	B3.2 The average training hours completed per employee by gender and employee category.	Talent Fostering
Aspect B4: Labour Standards	<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Caring for Staff Development
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Caring for Staff Development
	B4.2 Description of steps taken to eliminate such practices when discovered.	Caring for Staff Development
Operating Practices		
Aspect B5: Supply Chain Management	<p>General Disclosure Policies on managing environmental and social risks of the supply chain.</p>	Promoting the healthy development of industry
	B5.1 Number of suppliers by geographical region.	Strengthening Supply Chain Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Promoting the healthy development of industry
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Promoting the healthy development of industry
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Promoting the healthy development of industry

Aspects	Contents	Disclosure Location
Aspect B6: Product Responsibility	<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	Customer Focused We pursue excellence in our products and services
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Providing quality products and services
	B6.2 Number of products and service related complaints received and how they are dealt with.	Providing quality products and services
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Promoting Industry Excellence
	B6.4 Description of quality assurance process and recall procedures.	Providing quality products and services
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting the legal rights of our customers
Aspect B7: Anticorruption	<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	Anti-corruption
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment	<p>General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	Community Service Our social mission for a better future
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Service Our social mission for a better future
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Service Our social mission for a better future

Verification Statement

2022/SH-0128

(Page1/3)

English Translation for Reference Only

Independent practitioner's assurance report

To the Board of Directors of CITIC Limited

We have been engaged to perform a limited assurance engagement on the selected 2021 key data as defined below in the 2021 Environmental, Social and Governance Report (“ESG report”) of CITIC Limited (the “Company”).

Selected Key Data

The selected key data in the Company’s 2021 ESG report that is covered by this report is as follows:

- Number of volunteer activities
- Total number of employees
- Proportion of female employees
- Labor contract signing rate
- Number of employee training programs
- Electricity consumption per capita at headquarters
- Water consumption per capita at headquarters
- Gasoline consumption per capita at headquarters
- Green credit balance
- Number of enquiries on the Uwen platform
- Number of online courses provided on the YUNSHANGZHINONG App

Our assurance was with respect to the year ended 31 December 2021 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2021 ESG report.

Criteria

The criteria used by the Company to prepare the selected key data in the 2021 ESG report is set out in the basis of reporting of the key data (the “basis of reporting”) after this assurance report.

2022/SH-0128

(Page2/3)

Management's Responsibilities

The Management of the Company is responsible for the preparation of the selected key data in the 2021 ESG report in accordance with the basis of reporting. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the selected key data in the 2021 ESG report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 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.

Practitioner's Responsibilities

It is our responsibility to express a conclusion on the selected key data in the 2021 ESG report based on our 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". This standard requires that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's 2021 selected key data in the 2021 ESG report has been prepared, in all material respects, in accordance with the basis of reporting. Our work involves assessing the risks of material misstatement of the selected key data in the 2021 ESG report, whether due to fraud or error, and responding to the assessed risks. The extent of procedures selected depends on our judgment and assessment of the engagement risk. Within the scope

2022/SH-0128
(Page3/3)

of our work, we have performed the following procedures in the Headquarters of the Company, CITIC Bank, China Securities and CITIC Agriculture. We have not conducted work in other subsidiaries.

- 1) Interviews with relevant departments of the Company involved in providing information for the selected key data within the ESG report; and
- 2) Analytical procedures;
- 3) Examination, on a test basis, of documentary evidence relating to the selected key data on which we report;
- 4) Recalculation; and
- 5) Other procedures deemed necessary.

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.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the 2021 selected key data in the 2021 ESG report is not prepared, in all material respects, in accordance with the basis of reporting.

Restriction on Use

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, China

April 18, 2022

Basis of Reporting for Key Selected Data

Number of volunteer activities (number)

The term disclosed herein refers to the total number of volunteer activities undertaken by CITIC'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'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'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'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-toface training, carried out by CITIC'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.

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's headquarters during 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's headquarters during the reporting period.

Green credit balance (RMB hundred million)

The term disclosed herein refers to the aggregate amount of CITIC Bank Co., Ltd.'s green credit balance as of December 31, 2021, 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.

Number of enquiries on the Uwen platform (10,000 times)

The term disclosed herein refers to the total number of enquiries provided by China Securities Co., Ltd through the Uwen service consulting platform during the reporting period.

Number of online courses provided on the YUNSHANGZHINONG App (number)

The term disclosed herein refers to the total number of online courses provided on the YUNSHANGZHINONG application as of the end of 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

194	Consolidated Income Statement	300	31	Fixed assets
195	Consolidated Statement of Comprehensive Income	306	32	ROU assets and lease liabilities
196	Consolidated Balance Sheet	308	33	Intangible assets
198	Consolidated Statement of Changes in Equity	310	34	Goodwill
200	Consolidated Cash Flow Statement	312	35	Income tax in the balance sheet
		314	36	Deposits from banks and non-bank financial institutions
202	Notes to the Consolidated Financial Statements	315	37	Placements from banks and non-bank financial institutions
202	1 General information	316	38	Trade and other payables
202	2 Significant accounting policies	317	39	Financial assets sold under repurchase agreements
235	3 Critical accounting estimates and judgements	318	40	Deposits from customers
253	4 Taxation	319	41	Bank and other loans
253	5 Revenue	321	42	Debt instruments issued
256	6 Costs of sales and services	331	43	Provisions
257	7 Other net income	332	44	Share capital and reserves
257	8 Expected credit losses	334	45	Movement of allowances for impairment losses
258	9 Impairment losses	336	46	Contingent liabilities and commitments
259	10 Net finance charges	340	47	Financial risk management and fair values
260	11 Profit before taxation	368	48	Material related parties
261	12 Income tax expense	373	49	Structured entities
262	13 Benefits and interests of directors	377	50	Supplementary information to the consolidated cash flow statement
266	14 Individuals with highest emoluments	379	51	Major transactions with non-controlling interests
267	15 Dividends	380	52	Balance sheet and reserve movement of the Company
267	16 Earnings per share	382	53	Post balance sheet events
268	17 Other comprehensive gain	382	54	Approval of the consolidated financial statements
269	18 Segment reporting	383	55	Possible impact of amendments, new standards and interpretations issued but not yet adopted
274	19 Cash and deposits	384	56	Principal subsidiaries, associates and joint ventures
276	20 Placements with banks and non-bank financial institutions	388	Independent Auditor's Report	
276	21 Derivative financial instruments			
278	22 Trade and other receivables			
281	23 Contract assets and contract liabilities			
282	24 Inventories			
283	25 Financial assets held under resale agreements			
284	26 Loans and advances to customers and other parties			
288	27 Investment in financial assets			
293	28 Subsidiaries			
295	29 Interests in associates			
298	30 Interests in joint ventures			

Consolidated Income Statement

For the year ended 31 December 2021

		For the year ended 31 December	
	Note	2021 HK\$ million	2020 HK\$ million
Interest income		371,808	336,985
Interest expenses		(189,835)	(164,967)
Net interest income	5(a)	181,973	172,018
Fee and commission income		55,949	44,814
Fee and commission expenses		(6,229)	(5,636)
Net fee and commission income	5(b)	49,720	39,178
Sales of goods and services	5(c)	452,163	323,808
Other revenue	5(d)	25,080	17,945
		477,243	341,753
Total revenue		708,936	552,949
Cost of sales and services	6,11	(397,524)	(276,305)
Other net income	7	7,747	6,363
Expected credit losses	8	(103,094)	(96,927)
Impairment losses	9	(1,704)	(3,649)
Other operating expenses	11	(103,320)	(88,647)
Net valuation loss on investment properties		(66)	(675)
Share of profits of associates, net of tax		12,787	10,533
Share of profits of joint ventures, net of tax		4,776	3,960
Profit before net finance charges and taxation		128,538	107,602
Finance income		2,036	1,266
Finance costs		(9,433)	(11,150)
Net finance charges	10	(7,397)	(9,884)
Profit before taxation	11	121,141	97,718
Income tax	12	(20,863)	(16,790)
Profit for the year		100,278	80,928
Attributable to:			
– Ordinary shareholders of the Company		70,222	56,628
– Non-controlling interests		30,056	24,300
Profit for the year		100,278	80,928
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic and diluted earnings per share (HK\$)	16	2.41	1.95

The notes on pages 202 to 387 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	For the year ended 31 December	
		2021 HK\$ million	2020 HK\$ million
Profit for the year		100,278	80,928
Other comprehensive gain/(loss) for the year	17		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		2,883	(5,839)
Loss allowance on financial assets at fair value through other comprehensive income		39	943
Cash flow hedge: net movement in the hedging reserve		869	(618)
Share of other comprehensive income of associates and joint ventures		237	448
Exchange differences on translation of financial statements and others		29,142	59,738
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on owner-occupied property reclassified as investment property		245	57
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		444	(44)
Other comprehensive gain for the year		33,859	54,685
Total comprehensive income for the year		134,137	135,613
Attributable to:			
-Ordinary shareholders of the Company		92,842	94,249
-Non-controlling interests		41,295	41,364
Total comprehensive income for the year		134,137	135,613

The notes on pages 202 to 387 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2021

		As at 31 December	
	Note	2021 HK\$ million	2020 HK\$ million
Assets			
Cash and deposits	19	720,235	755,386
Placements with banks and non-bank financial institutions	20	173,754	198,513
Derivative financial instruments	21	27,958	47,804
Trade and other receivables	22	172,837	169,723
Contract assets	23	13,407	13,619
Inventories	24	113,403	80,370
Financial assets held under resale agreements	25	112,227	143,029
Loans and advances to customers and other parties	26	5,809,296	5,206,155
Investments in financial assets	27		
– Financial assets at amortised cost		1,435,823	1,156,496
– Financial assets at fair value through profit or loss		667,206	528,293
– Debt investments at fair value through other comprehensive income		793,188	860,255
– Equity investments at fair value through other comprehensive income		10,645	8,023
Interests in associates	29	154,181	131,040
Interests in joint ventures	30	60,599	50,287
Fixed assets	31	177,306	167,840
Investment properties	31	40,006	38,455
Right-of-use assets	32	38,503	37,915
Intangible assets	33	18,404	15,877
Goodwill	34	21,590	21,133
Deferred tax assets	35	82,619	74,164
Other assets		42,334	36,451
Total assets		10,685,521	9,740,828

Consolidated Balance Sheet

As at 31 December 2021

		As at 31 December	
	Note	2021 HK\$ million	2020 HK\$ million
Liabilities			
Borrowing from central banks		231,479	266,611
Deposits from banks and non-bank financial institutions	36	1,422,328	1,370,439
Placements from banks and non-bank financial institutions	37	107,799	74,308
Financial liabilities at fair value through profit or loss		5,685	12,423
Derivative financial instruments	21	30,043	49,808
Trade and other payables	38	184,939	160,943
Contract liabilities	23	33,488	28,092
Financial assets sold under repurchase agreements	39	122,452	94,774
Deposits from customers	40	5,852,701	5,427,694
Employee benefits payables		38,548	36,176
Income tax payable	35	16,184	13,448
Bank and other loans	41	145,362	163,604
Debt instruments issued	42	1,250,325	973,858
Lease liabilities	32	20,762	18,267
Provisions	43	24,903	15,172
Deferred tax liabilities	35	14,480	11,444
Other liabilities		18,453	15,125
Total liabilities		9,519,931	8,732,186
Equity	44		
Share capital		381,710	381,710
Reserves		369,697	292,566
Total ordinary shareholders' funds		751,407	674,276
Non-controlling interests		414,183	334,366
Total equity		1,165,590	1,008,642
Total liabilities and equity		10,685,521	9,740,828

Approved and authorised for issue by the board of directors on 31 March 2022.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 202 to 387 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Note	Investment							(Note 44(c)(v))	Non-controlling interests	Total equity
	Share capital	Capital reserve	Hedging reserve	related reserves	General reserve	Retained earnings	Exchange reserve			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million			
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 (loss)/income for the year	17	-	-	873	2,788	-	-	18,959	22,620	11,239
Total comprehensive (loss)/income for the year		-	-	873	2,788	-	70,222	18,959	92,842	41,295
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	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	50(d)	-	-	-	-	-	-	-	(4,003)	(4,003)
Issue of other equity instruments by subsidiaries	50(d)	-	-	-	-	-	-	-	52,813	52,813
Disposal of subsidiaries	50(b)	-	-	-	-	-	-	-	(48)	(48)
Transactions with non-controlling interests	51	-	(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
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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital (HK\$ million) (Note 44(a))	Capital reserve (HK\$ million) (Note 44(c)(i))	Hedging reserve (HK\$ million) (Note 44(c)(ii))	Investment related reserves (HK\$ million) (Note 44(c)(iii))	General reserve (HK\$ million) (Note 44(c)(iv))	Retained earnings (HK\$ million) (Note 44(c)(v))	Exchange reserve (HK\$ million)	Non-controlling interests (HK\$ million)	Total equity (HK\$ million)
Balance at 1 January 2020		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965
Profit for the year		-	-	-	-	-	56,628	-	56,628	24,300
Other comprehensive (loss)/income for the year	17	-	-	(523)	(2,762)	-	-	40,906	37,621	17,064
Total comprehensive (loss)/income for the year		-	-	(523)	(2,762)	-	56,628	40,906	94,249	41,364
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	742
Transfer of profits to general reserve		-	-	-	-	7,069	(7,069)	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	-	(11,200)	-	(11,200)	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(9,987)
Redemption of other equity instruments by subsidiaries	50(d)	-	-	-	-	-	-	-	-	(1,295)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	6,148
Disposal of subsidiaries	50(b)	-	-	-	-	-	-	-	-	(4,787)
Transactions with non-controlling interests	51	-	(506)	-	-	-	-	-	(506)	(808)
Disposal of equity investments at fair value through other comprehensive income		-	-	-	(27)	-	27	-	-	-
Others		-	207	-	-	-	-	-	207	24
Other changes in equity		-	(299)	-	(27)	7,069	(18,242)	-	(11,499)	(9,963)
Balance at 31 December 2020		381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366
										1,008,642

The notes on pages 202 to 387 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

		For the year ended 31 December	
	Note	2021 HK\$ million	2020 HK\$ million
Cash flows from operating activities			
Profit before taxation		121,141	97,718
Adjustments for:			
- Depreciation and amortisation	11(b)	21,220	19,772
- Expected credit losses	8	103,094	96,927
- Impairment losses	9	1,704	3,649
- Net valuation loss on investment properties		66	675
- Net valuation (gain)/loss on investments		(297)	580
- Share of profits of associates and joint ventures, net of tax		(17,563)	(14,493)
- Interest expenses on debts instruments issued	5(a)	31,453	23,457
- Finance income	10	(2,036)	(1,266)
- Finance costs	10	9,433	11,150
- Net gain on investments in financial assets		(19,508)	(13,417)
- Net gain on disposal of subsidiaries, associates and joint ventures		(1,393)	(4,718)
		247,314	220,034
Changes in working capital			
Decrease in deposits with central banks and non-bank financial institutions		3,870	36,047
Increase in placements with banks and non-bank financial institutions		(24,368)	(5,729)
(Increase)/Decrease in trade and other receivables		(4,967)	3,144
Decrease/(Increase) in contract assets		212	(2,115)
Increase in inventories		(33,208)	(25,610)
Decrease/(Increase) in financial assets held under resale agreements		34,417	(123,933)
Increase in loans and advances to customers and other parties		(499,357)	(623,187)
Increase in investments in financial assets held for trading purposes		(20,280)	(15,652)
Increase in other operating assets		(47,721)	(6,690)
Increase in deposits from banks and non-bank financial institutions		9,780	226,884
Increase/(decrease) in placements from banks and non-bank financial institutions		31,230	(37,006)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(8,895)	8,526
Increase in trade and other payables		21,946	1,386
Increase in contract liabilities		5,397	6,712
Increase/(decrease) in financial assets sold under repurchase agreements		24,785	(38,892)
Increase in deposits from customers		261,103	573,890
Decrease in borrowing from central banks		(42,459)	(15,498)
Increase in other operating liabilities		11,360	30,429
Increase in employee benefits payables		2,372	2,819
Increase in provisions		9,731	4,017
Cash (used in)/generated from operating activities		(17,738)	219,576
Income tax paid		(22,956)	(26,351)
Net cash (used in)/generated from operating activities		(40,694)	193,225

Consolidated Cash Flow Statement

For the year ended 31 December 2021

		For the year ended 31 December		
		Note	2021 HK\$ million	2020 HK\$ million
Cash flows from investing activities				
Proceeds from disposal and redemption of financial investments			3,790,762	3,043,255
Proceeds from disposal of fixed assets, intangible assets and other assets			2,204	1,032
Proceeds from disposal of associates and joint ventures			2,355	2,157
Net cash (payment for)/received from disposal of subsidiaries	50(b)		(242)	6,446
Dividends received from equity investments, associates and joint ventures			7,103	5,317
Payments for purchase of financial investments			(4,041,787)	(3,292,092)
Payments for additions of fixed assets, intangible assets and other assets			(24,494)	(20,885)
Net cash (payment for)/received from acquisition of subsidiaries			(289)	2,897
Payment for acquisition of associates and joint ventures			(3,065)	(4,294)
Net cash used in investing activities			(267,453)	(256,167)
Cash flows from financing activities				
Capital injection received from non-controlling interests			167	672
Transaction with non-controlling interests	51		801	(942)
Proceeds from new bank and other loans	50(c)		168,251	121,798
Proceeds from new debt instruments issued	50(c)		1,092,327	930,718
Repayment of bank and other loans and debt instruments issued	50(c)		(1,028,186)	(951,030)
Issue of other equity instruments by subsidiaries	50(d)		52,813	–
Principal and interest elements of lease payment	50(c)		(5,978)	(6,150)
Interest paid on bank and other loans and debt instruments issued	50(c)		(41,084)	(36,566)
Dividends paid to non-controlling interests			(11,302)	(9,987)
Dividends paid to ordinary shareholders of the Company	15		(15,651)	(11,200)
Redemption of other equity instruments by subsidiaries	50(d)		(4,003)	(1,295)
Net cash generated from financing activities			208,155	36,018
Net decrease in cash and cash equivalents			(99,992)	(26,924)
Cash and cash equivalents at 1 January			452,702	463,038
Effect of exchange changes			4,905	16,588
Cash and cash equivalents at 31 December	50(a)		357,615	452,702

The notes on pages 202 to 387 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2020: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group.

- (i) COVID-19-related Rent Concessions – HKFRS 16 (Amendments)
- (ii) Interest Rate Benchmark Reform – Phase 2 (amendments) – HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK\$"). The functional currencies of subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK\$ for the preparation of the consolidated financial statements (see Note 2(h)). The financial statements of the Group are presented in HK\$ and, unless otherwise stated, expressed in million of HK\$.

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see Note 2(l));
- financial assets and liabilities at fair value through profit or loss (see Note 2(i));
- financial assets at fair value through other comprehensive income (see Note 2(i)); and
- fair value hedged items (see Note 2(j)(i)).

(d) Use of estimates and judgement

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in Note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021

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 2021

2 Significant accounting policies (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

(iii) Consolidated financial statements (Continued)

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

If there is a difference between the accounting entity of the Group and the accounting entity of the company or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (capital reserve) in the consolidated balance sheet.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(f)).

(iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(s)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(f) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. The Group uses the equity method on the basis of an adjustment to the financial statements of associate or joint venture in accordance with the Group's accounting policies, unless an associate or joint venture does not apply HKFRS 9 temporarily by applying the temporary exemption of HKFRS 9 until annual periods beginning 1 January 2021. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(s)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see Note 2(i)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 2(s)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(g) Goodwill

Goodwill represents the excess of the consideration transferred, including the amount of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition, over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Impairment losses on goodwill can not be reversed in the future.

(h) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK\$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK\$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK\$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK\$ at the foreign exchange rates at the transaction dates or the rates approximate to. The resulting exchange differences are presented as "Reserves" (exchange reserve) in the consolidated balance sheet within the shareholder's equity. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Debt instruments (Continued)

- FVOCI:

The business model the Group manages these financial assets is to collect contractual cash flows and to sell the assets, and those cash flows' characteristics are consistent with those of the basic loans arrangements, i.e. the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount ("SPPI"), and that are not designated at FVPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income on the instrument's amortised cost which are recognised in profit or loss.

- FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are at FVPL. The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets at amortised cost, debt instrument at FVOCI, lease receivables and contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised. For financial assets with low credit risks as at the balance date, the Group recognises 12-month ECL based on the assumption that the credit risks have not significantly increased after initial recognition.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Financial assets (Continued)

(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.

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the securitisation of financial assets qualifies for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets does not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets partially qualifies for de-recognition, where the Group has not retained control, it derecognises these financial assets. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement and recognises an associated liability.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(4) Modification of investment in financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities

The financial liabilities are classified into those measured at amortised cost and those at fair value through profit or loss at initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group's major financial liabilities are those measured at amortised cost which are measured initially at fair value less transaction costs and are measured subsequently using the effective interest method.

Financial liabilities or a portion thereof, are derecognised when their current obligation are fully or partially expired. The difference between the carrying amount of the derecognised portion and the consideration is recognised in profit or loss.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(v) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of 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 2021

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 2021

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(k) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(l) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Subsequent expenditures related to investment properties are recognised in the cost of investment properties provided it is probable that the economic benefits will flow to the Group and the costs can be measured reliably; otherwise subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties transfer to property, plant and equipment or intangible assets at the commencement of owner-occupation. The carrying amount of property, plant and equipment and intangible assets are based on the fair value of investment properties on the day of conversion. The difference between the fair value and the previous carrying amount is recognised in profit or loss for the current period. When owner-occupied properties transfer to investment properties that will be carried at fair value, if the fair value at the date of conversion is less than the previous carrying amount, the difference is recognised in profit or loss for the current period; If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(m) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(s)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(aa)).

Construction-in-progress represents property, plant and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is made on construction-in-progress until it is ready for its intended use. 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	5 – 70 years
– Machinery and equipment	3 – 33 years
– Office and other equipment, vehicles and vessels and others	2 – 33 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(n) 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(s).

(o) 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(s)).

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(p) Inventories

(i) Advanced intelligent manufacturing, advanced materials

Inventories of the advanced intelligent manufacturing and advanced materials segments are carried at the lower of cost and net 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.

(ii) New-type urbanisation

Inventories in respect of property development activities under the New-type urbanisation segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- **Property under development**

The cost of properties under development, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- **Completed property held for sale**

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(q) Leases

Leases are recognised as a ROU asset and a corresponding liability by the lessee at the commencement date.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(q) Leases (Continued)

(i) Lease liabilities (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and the ROU asset is adjusted accordingly.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. As lessor, the Group recognises finance leases as finance lease receivables, which are measured at amortised cost. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(r) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, reposessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the reposessed 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 reposessed assets are included in the carrying value of reposessed 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.

(s) Impairment of non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- ROU assets;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

- (s) Impairment of non-financial assets (Continued)

Calculation of recoverable amount

The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(t) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, housing provident funds, labour union fee and staff and workers' education fee, which are all calculated based on the regulated benchmark and ratio.

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in 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 2021

2 Significant accounting policies (Continued)

(t) Employee benefits (Continued)

(iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 with Note 3(b); and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15").

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are measured at the higher of the amount initially recognised, less accumulated amount of income recognised in accordance with the Group's principles of revenue recognition where appropriate, and the amount that would be determined in accordance with Note 2(u)(iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (Continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of a good, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that good. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provisions for loss allowance of the receivable and the contract asset using ECL model; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when 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 recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(iii) Sales of goods

Revenue from the sale of goods is recognised when the goods are transferred to and accepted by a customer.

When volume discounts are provided to customers, the Group, based on historical experiences, estimates the volume discounts using the expected value method, and recognises revenue net of the estimated volume discounts.

When the customer has a right to return the product within a given period, the Group recognises provisions for returns using the expected value method based on historical experience, as a deduction of the revenue. The Group recognises provisions for the expected refunds to customers; meanwhile, other assets are recognised according to the carry amount of the goods expected to be returned, deducting the expected cost for taking the related goods back.

The Group offers warranties for specific products. If the duration and terms of the warranties are offered in accordance with the requirements of laws and regulations and the Group does not provide any additional services or warranties, such warranties are not recognised as separate performance obligation.

(iv) Services rendered to customers

Revenue for construction services of the Group is recognised over the period of the contract by reference to the progress towards completion. Progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the progress towards completion to reflect the changes in obligation performed.

Revenue for other services provided by the Group is recognised based on the pattern of performance obligation of specific services, either over the period in which the services are rendered or at the point of service completion. For revenue recognised over the period by reference to the progress towards completion, progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the estimate of the progress towards completion to reflect the changes in obligation performed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(w) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss 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.

(x) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(z) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Business segments are identified based on the Group's internal management requirements as well as following aspects. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

- the nature of products and services;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(aa) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(bb) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement comprising the total of:(1) the post-tax profit or loss of the discontinued operation and;(2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and the way related business management personnel receive payments.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(b) Measurement of ECL

Measurement of ECL for financial assets at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 47(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 47(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgements (Continued)

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net 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(s), assets such as fixed assets, intangible assets, ROU assets and interests in associates and joint ventures are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The cost of ROU assets is charged as depreciation expense generally over the shorter of the asset's useful life and the lease term on a straight-line basis.

Management periodically reviews changes in technology and industry conditions, asset retirement activity, residual values to determine adjustments to estimated remaining useful lives and depreciation rates. In determining the lease term of ROU assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

(h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the “pass through” of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group’s assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(j) Control and consolidation

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;
- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and
- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

The Group holds less than 50% shares and voting rights in certain subsidiaries. When assessing whether it has substantive control over these investees, the Group has taken certain factors into account including the size of the Group's shareholding relative to other shareholders, dispersion of the voting rights of the other shareholders, the Group's relationship with other investors, any history of any other shareholders collaborating to exercise their votes collectively or to out vote the Group; the group's relationship with the key management personnel of the investees, whether the Group has the right to appoint or approve the majority of the board seats and other key management personnel of the investees, whether the Group controls certain assets such as licences or trademarks that are critical to the operations of the investees, whether the Group and other shareholders' rights over the investees are substantive, and any other contractual arrangements. The Group considers factors that are applicable to a specific individual investee on an ongoing basis when determining whether it has substantive rights over the investees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(k) Metallurgical Corporation of China ("MCC") claim

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the 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 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes

Each of Sino Iron Pty Ltd. ("Sino Iron") and Korean Steel Pty Ltd. ("Korean Steel"), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to develop and operate the 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.

There are 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.

Option Agreement Dispute

The Company is a party to an option agreement ("Option Agreement") with Mineralogy and Mr. Clive Palmer pursuant to which the Company had options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. The remaining options have now lapsed. Following the exercise of the first option, Mineralogy and Mr. Palmer alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The CITIC Parties, commenced a legal proceeding in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made declarations by consent, including that the Company had not repudiated the Option Agreement in the manner asserted by Mineralogy and Mr. Palmer.

Notwithstanding the making of these declarations, Mineralogy and Mr. Palmer did not take the actions necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia in relation to the Option Agreement ("Proceeding CIV 1514/2016") to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. On 26 February 2018, Justice K Martin granted leave for Cape Preston Resource Holdings Pty Ltd. to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Option Agreement Dispute (Continued)

Mineralogy and Mr. Palmer had previously made allegations of breach, repudiation, frustration and termination of the Option Agreement in their respective defences. However, shortly before the trial, on 22 September 2020, Mineralogy and Mr. Palmer abandoned those pleas, said that they were willing to complete the first option, and nominated Balmoral Iron Pty Ltd. ("Balmoral Iron") as the further company to be acquired by Cape Preston Resource Holdings Pty Ltd.

On 29 November 2020, the Company accepted the nomination of Balmoral Iron on the basis of certain representations and subject to certain conditions concerning guarantees, indemnities and warranties which had been proffered by Mineralogy and Mr. Palmer in the preceding weeks.

The trial took place on 7 to 9 and 15 December 2020. As the issues in dispute had narrowed, the principal remaining issue for determination at trial was the form of the takeover agreement and the project agreements to be entered into by Balmoral Iron.

On 30 March 2021, Justice K Martin delivered his reasons for decision. His Honour made various findings, including that Mineralogy had long been in breach of its first option performance obligations and that it was appropriate to make orders for specific performance. Among other things his Honour determined that the Option Agreement envisaged some permissible amendments to the takeover agreement and project agreements, but any amendments needed to be "benign, necessary and minimal".

Final orders for specific performance were made by Justice K Martin on 6 May 2021. Those orders annexed the takeover agreement and project agreements to be entered into by Balmoral Iron. The takeover agreement was signed and exchanged on 27 May 2021 and Cape Preston Resource Holdings Pty Ltd. applied for Foreign Investment Review Board approval of the acquisition, which was received on 19 November 2021. Completion of the acquisition occurred on 24 November 2021.

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). This amount is alleged to represent the reduction in the value of the assets of the joint venture business carried on by the Queensland Nickel group of companies controlled by Mr. Palmer. The joint venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(i) **Queensland Nickel FCD Indemnity Claim** (Continued)

As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of the royalty on products produced by Sino Iron and Korean Steel ("Royalty Component B"), Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the joint venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

After commencing this proceeding, Mr. Palmer joined Mineralogy as a second plaintiff and Sino Iron and Korean Steel as second and third defendants.

On 16 April 2018, the CITIC Parties filed an amended defence, which pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 September 2020, Justice K Martin ordered that:

- (a) this proceeding be heard together with Proceeding CIV 1267/2018; and
- (b) damages be determined separately and subsequently to liability.

On 3 March 2021, Mineralogy and Mr. Palmer filed an application for leave to amend their statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy and Mr. Palmer's view, that alleged purpose amounted to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

The CITIC Parties filed a re-amended defence on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy to file a reply to the CITIC Parties' re-amended defence by 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy and Mr. Palmer file any cross application in response to the CITIC Parties' permanent stay application by 21 April 2022. Under those orders, the CITIC Parties' application will be listed for a four-day hearing on a date to be fixed after 18 July 2022.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) 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. The statement of claim pleads that Mineralogy had agreed to provide:

- (a) from December 2009, funding; and
- (b) in or about 2013, all future working capital,

to its wholly owned subsidiary, Palmer Petroleum Pty Ltd. (now named Aspenglow Pty Ltd.) ("Palmer Petroleum"). As Sino Iron and Korean Steel had not paid Royalty Component B from the fourth quarter of 2013 to the second quarter of 2016, Mineralogy claims that it did not, and was unable to, provide the funding to Palmer Petroleum.

Mineralogy's claim purports to be made pursuant to an indemnity given by the Company under the FCD to Mineralogy, which extends to losses suffered by Mineralogy in relation to failure by Sino Iron and Korean Steel to perform their Royalty Component B payment obligations under the MRSAs.

Mineralogy alleges that as a result of the non-payment of Royalty Component B, Palmer Petroleum was wound up in insolvency. In the statement of claim, Mineralogy pleads that Palmer Petroleum subsequently lost rights to a Papua New Guinea petroleum prospecting licence and suffered a diminution in value, equivalent to the sale value of oil that allegedly would have been recoverable under that licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum.

On 24 April 2018, the CITIC Parties filed and served their defence, which is in similar terms to their defence in Proceeding CIV 2072/2017. The CITIC Parties pleaded a number of defences including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) **Palmer Petroleum FCD Indemnity Claim** (Continued)

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 3 March 2021, Mineralogy filed an application for leave to amend its statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy to agree to alter the contractual relationship between the parties. In Mineralogy's view, that alleged purpose amounted to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

The CITIC Parties filed an amended defence in Proceeding CIV 1267/2018 on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy to file a reply to the CITIC Parties' re-amended defence by 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy and Mr. Palmer file any cross application in response to the CITIC Parties' permanent stay application by 21 April 2022. Under those orders, the CITIC Parties' application will be listed for a four-day hearing on a date to be fixed after 18 July 2022.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) 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. Without an increased footprint, it will be necessary to suspend operations at the Sino Iron Project.

The CITIC Parties commenced a proceeding against Mineralogy and Mr. Palmer in the Federal Court of Australia ("Proceeding WAD 471/2018"). Following a cross-vesting application by the defendants, the proceeding was transferred to the Supreme Court of Western Australia and admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 ("Proceeding CIV 1915/2019"). The proceeding relates to the failure and refusal of Mineralogy to:

- (a) submit mine continuation proposals for the Sino Iron Project to the State of Western Australia under the State Agreement;
- (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 is sued as an accessory to the unconscionable conduct claim. The CITIC Parties seek orders requiring Mineralogy to take the four steps listed above, and to pay the CITIC Parties damages for its failure and refusal to do those things. Damages are also sought from Mr. Palmer. The State of Western Australia is joined to the proceeding as a necessary party, because it is a party to the State Agreement, but no relief is sought against it.

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments alleged breaches of various project agreements, and that Mineralogy and Mr. Palmer have allocated parts of certain tenements to other projects. On 23 March 2020, the CITIC Parties filed their reply. On 17 September 2020, following a successful application by the CITIC Parties to strike out aspects of Mineralogy's further amended defence, Mineralogy filed a second further amended defence to remove the defences that were struck out.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

On 5 January 2021, Mineralogy and Mr. Palmer filed an application to permanently stay the proceeding, alleging that the proceeding had been brought for an illegitimate or collateral purpose (namely, to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties) and was an abuse of process.

On 26 February 2021, the CITIC Parties filed an application to summarily dismiss or strike out Mineralogy and Mr. Palmer's permanent stay application. On 12 April 2021, Mineralogy and Mr. Palmer amended their points of claim. Among other things, those amendments sought alternative relief that Proceeding CIV 1915/2019 should be permanently stayed to the extent it raises matters the subject of issue, Anshun or abuse of process estoppels arising by reason of judgments in past proceedings between the parties concerning the Port of Cape Preston and the CITIC Parties' port terminal facilities (in which the CITIC Parties were wholly successful).

The CITIC Parties' application to summarily dismiss or strike out Mineralogy's and Mr. Palmer's permanent stay application was heard by Chief Justice Quinlan on 15 and 21 April 2021. On 28 May 2021, Chief Justice Quinlan summarily dismissed the permanent stay application and the application for discovery within that application. His Honour rejected all the grounds advanced by Mineralogy and Mr. Palmer in support of the permanent stay application, including finding that there was no reasonably arguable basis for Mineralogy and Mr. Palmer to argue Proceeding CIV 1915/2019 should be stayed as an abuse of process.

Mineralogy and Mr. Palmer appealed the decision of Chief Justice Quinlan to dismiss the permanent stay application but, on 1 July 2021, discontinued those appeals.

On 30 June 2021, Mineralogy and Mr. Palmer filed a chamber summons seeking a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the specific performance orders or injunctions sought by the CITIC Parties. On 15 July 2021, Mineralogy and Mr. Palmer advised the CITIC Parties' solicitors that they did not intend to pursue that application. On 16 July 2021, by consent, that application was dismissed by the Court.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

On 17 August 2021, Mineralogy filed a third further amended defence and Mr. Palmer filed a second further amended defence. Mineralogy's third further amended defence made substantial amendments. On 13 September 2021, the CITIC Parties filed a chamber summons seeking to strike out various paragraphs of the defence as failing to disclose any reasonably arguable defence or, alternatively, as an abuse of process. On 3 November 2021, Justice K Martin issued his reasons, in which the CITIC Parties were largely successful, striking out many of the identified paragraphs of Mineralogy's third further amended defence. On 11 November 2021, orders giving effect to Justice K Martin's reasons were issued. On 12 November 2021, Mineralogy filed a fourth further amended defence with those paragraphs struck out. Consequentially, Mr. Palmer filed a third further amended defence on 23 November 2021 and the CITIC Parties filed an amended reply on 29 November 2021.

On 26 November 2021, Justice K Martin's decision to strike out paragraphs of Mineralogy's third further amended defence was appealed by Mineralogy and Mr. Palmer to the Court of Appeal ("Proceeding CACV 114/2021"). Proceeding CACV 114/2021 was heard by the Court of Appeal on 2 February 2022. The appeal was allowed, including extending the time for filing the appeal notice, and orders were made on 8 February 2022 reinstating some of the paragraphs struck out by Justice K Martin from Mineralogy's third further amended defence. Subsequently, on 16 February 2022, Mineralogy filed a sixth further amended defence with the relevant paragraphs reinstated, and the CITIC Parties filed an amended reply on 18 February 2022.

On 26 October 2021, following the grant of leave by the Court, the CITIC Parties filed an amended statement of claim. The CITIC Parties filed a chamber summons on 29 November 2021 seeking leave to further amend the statement of claim. The CITIC Parties' application was heard before Justice K Martin on 7 December 2021. On 13 December 2021, Justice K Martin granted the CITIC Parties leave to file an amended statement of claim, and the CITIC Parties filed that document on 14 December 2021.

The CITIC Parties commenced a new proceeding ("Proceeding CIV 2326/2021") on 8 December 2021. Proceeding CIV 2326/2021 seeks orders for specific performance in relation to a refined tenure request addressed to Mineralogy on 29 November 2021. That tenure request is in the alternative to the tenure in respect of which relief is 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 Proceeding"). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) 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"). The CITIC Parties intend to file a respondents' answer, which must be filed by 7 April 2022. No date has been set for the hearing of the appeal in Proceeding CACV 5/2022.

The primary trial in the Consolidated MCP Proceeding commenced before Justice K Martin on 21 February 2022 and is listed until 29 April 2022. The primary trial is to determine all issues in the Consolidated MCP Proceeding other than the quantification of any loss or damage suffered by the CITIC Parties. That question will be addressed in a separate trial in the Consolidated MCP Proceeding if that trial becomes necessary.

On 14 March 2022, part way through the trial, the CITIC Parties' solicitors received a chamber summons from Mr. Palmer. The chamber summons seeks a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the relief sought by the CITIC Parties. The chamber summons is on substantially the same terms as the chamber summons which was previously filed by Mineralogy and Mr. Palmer on 30 June 2021, and subsequently dismissed by consent. On 21 March 2022, the CITIC Parties filed submissions contending that the Court should make no directions on Mr. Palmer's chamber summons and that the Court should not allow any further time of the Court or the CITIC Parties to be taken up by the chamber summons.

Minimum Production Royalty Disputes

The MRSAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by:

- (a) an act, matter or thing outside their control;
- (b) Mineralogy doing, or failing to do an act (under the MRSAs or otherwise); or
- (c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate ("Minimum Production Royalty"). The Minimum Production Royalty was the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes (Continued)

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd. ("SIH") in the Supreme Court of Western Australia ("Proceeding CIV 3129/2018"), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer pleaded that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3(a) of the MRSAs), and accordingly became liable to pay the Minimum Production Royalty by 21 April 2013. In the event that Mineralogy and Mr. Palmer were unsuccessful against Sino Iron and Korean Steel, Mineralogy and Mr. Palmer also pursued a separate claim against the Company pursuant to the guarantee and indemnity in the FCD.

Mineralogy sought relief including an order that the Company pay Mineralogy AUD13,731,970 plus US\$174,209,266, plus interest (pursuant to the guarantee under the FCD). In the event that Mineralogy was estopped or precluded from seeking relief in Proceeding CIV 3129/2018, Mr. Palmer also sought payment by the Company of US\$187,941,236 pursuant to the guarantee and indemnity in the FCD.

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim. Justice K Martin delivered his reasons on 13 February 2020, finding in favour of the CITIC Parties and SIH. His Honour found that Proceeding CIV 3129/2018 was an abuse of process of the Court by Mineralogy and Mr. Palmer and on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

On 4 March 2020, Justice K Martin's decision to permanently stay Proceeding CIV 3129/2018 was appealed by Mineralogy ("Proceeding CACV 27/2020") and Mr. Palmer ("Proceeding CACV 29/2020"). Mineralogy and Mr. Palmer argued, among other things, that it was not open to Justice K Martin to find that the commencement of Proceeding CIV 3129/2018 was an abuse of process.

On 25 June 2021, the Court of Appeal dismissed Proceeding CACV 27/2020. The Court of Appeal held that permitting Mineralogy to prosecute its claim in Proceeding CIV 3129/2018 would bring the administration of justice into disrepute and, on this basis, the proceeding should remain permanently stayed on the grounds of an abuse of process. The Court of Appeal also dismissed Mr. Palmer's appeal in Proceeding CACV 29/2020. The Court of Appeal held that Mr. Palmer's claim failed to disclose a reasonably arguable cause of action which was separate from Mineralogy's claim for damages. The Court of Appeal held that permitting Mr. Palmer to prosecute his claim would, in effect, circumvent the stay of Proceeding CIV 3129/2018 and bring administration of justice into disrepute, and, on this basis, held that the proceeding remain permanently stayed on the grounds of an abuse of process.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes (Continued)

On 23 July 2021, Mineralogy ("Proceeding P 23/2021") and Mr. Palmer ("Proceeding P 24/2021") commenced applications in the High Court of Australia for special leave to appeal the Court of Appeal's decisions in Proceeding CACV 27/2020 and Proceeding CACV 29/2020. On 13 August 2021, the CITIC Parties and SIH filed responsive submissions in Proceeding P 23/2021 and Proceeding P 24/2021. On 23 August 2021, Mineralogy filed its reply in Proceeding P 23/2021 and, on 20 August 2021, Mr. Palmer filed his reply submissions in Proceeding P 24/2021.

On 16 November 2021, the High Court of Australia dismissed Proceeding P 23/2021 and Proceeding P 24/2021 with costs.

Site Remediation Fund Dispute

(i) 2018 Site Remediation Fund Dispute

Under clause 20.5 of the MRSAs, Mineralogy may require Sino Iron and Korean Steel to provide reasonable security for the performance of their obligations under clause 20 of the MRSAs, relating to the protection of the environment and rehabilitation following Mine Closure. Such security is to be provided by way of contributions by Sino Iron and Korean Steel into a Site Remediation Fund. Clause 20.6 of the MRSAs 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 MRSAs, 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 2021

3 Critical accounting estimates and judgement (Continued)

(I) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Site Remediation Fund Dispute (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 MRSAs, 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 MRSAs. 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 MRSAs.

The trial took place between 16 and 24 November 2020. On 24 February 2021, Justice K Martin published his reasons for decision. His Honour held that Mineralogy's claim should be dismissed, and that the CITIC Parties' counterclaim should 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 and served their respondents' answer to the appellant's case.

Proceeding CACV 42/2021 has been listed for a one day hearing on 16 May 2022.

(ii) 2021/22 Site Remediation Fund Dispute

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 seek declarations that the 2021 Notices are invalid and of no effect. Sino Iron and Korean Steel allege that the 2021 Notices are not valid due to non-compliance with the terms of the MRSAs. Consequently, Sino Iron and Korean Steel also allege that the 2021 Notices do not enliven their obligations under clause 20.6 of the MRSAs to pay an annual charge 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2021 is 16.5% (2020: 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 2021 is 25% (2020: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/jurisdiction in which the overseas subsidiaries operate.

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, new-type urbanisation.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises income from sales of goods and services rendered to customers (Note 5(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Revenue (Continued)

(a) Net interest income

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Interest income arising from(note):		
Deposits with central banks, banks and non-bank financial institutions	10,050	9,877
Placements with banks and non-bank financial institutions	5,384	5,524
Financial assets held under resale agreements	1,562	921
Investments in financial assets		
– Financial assets at amortised cost	47,971	42,873
– Debt investments at FVOCI	24,310	23,675
Loans and advances to customers and other parties	282,523	254,076
Others	8	39
	371,808	336,985
Interest expenses arising from:		
Borrowing from central banks	(8,195)	(6,506)
Deposits from banks and non-bank financial institutions	(33,253)	(26,982)
Placements from banks and non-bank financial institutions	(3,094)	(2,963)
Financial assets sold under repurchase agreements	(2,024)	(2,558)
Deposits from customers	(111,149)	(101,809)
Debt instruments issued	(31,453)	(23,457)
Lease liabilities	(545)	(542)
Others	(122)	(150)
	(189,835)	(164,967)
Net interest income	181,973	172,018

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$610 million for the year ended 31 December 2021 (2020: HK\$577 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Revenue (Continued)

(b) Net fee and commission income

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Guarantee and advisory fees	6,468	5,409
Bank card fees	19,840	16,515
Settlement and clearing fees	2,313	1,315
Agency fees and commission	7,802	8,479
Trustee commission and fees	19,109	12,832
Others	417	264
Fee and commission expenses	55,949	44,814
Net fee and commission income	49,720	39,178

(c) Sales of goods and services

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Sales of goods	385,350	268,964
Services rendered to customers		
– Revenue from construction contracts	34,589	24,984
– Revenue from other services	32,224	29,860
	452,163	323,808

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Revenue (Continued)

(d) Other revenue

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Net trading gain (note (i))	6,178	3,726
Net gain on investments in financial assets under financial services segment	18,109	14,082
Others	793	137
	25,080	17,945

(i) Net trading gain

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	3,450	1,792
– foreign currencies	1,326	2,350
– derivatives	1,402	(416)
	6,178	3,726

6 Costs of sales and services

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Costs of goods sold	344,583	235,319
Costs of services rendered		
– Costs of construction contracts	31,816	22,528
– Costs of other services	21,125	18,458
	397,524	276,305

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 Other net income

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	1,393	4,718
Net gain/(loss) on investments in financial assets under non-financial services segment	2,001	(816)
Net foreign exchange gain/(loss)	781	(864)
Others	3,572	3,325
	7,747	6,363

8 Expected credit losses

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Expected credit losses charged on/(reversed from):		
- deposits and placements with banks and non-bank financial institutions	12	10
- financial assets held under resale agreements	(11)	10
- account and bills receivables and other receivables	3,025	2,749
- loans and advances to customers and other parties	61,473	79,477
- investments in financial assets		
• financial assets at amortised cost	26,214	8,486
• debt investments at FVOCI	(198)	1,186
- impairment provision of credit commitments and guarantees provided	8,492	1,280
- others	4,087	3,729
	103,094	96,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9 Impairment losses

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Impairment losses charged on:		
– inventories	814	18
– interests in associates	567	1,470
– interests in joint ventures	–	224
– fixed assets (note)	123	445
– intangible assets (note)	3	62
– prepayments	9	1
– goodwill	12	647
– others	176	782
	1,704	3,649

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 2021, 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 2021.

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 2021

10 Net finance charges

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Finance costs		
– Interest on bank and other loans	4,009	5,076
– Interest on debt instruments issued	5,506	5,946
– Interest and finance charges paid for lease liabilities	261	392
	9,776	11,414
Less: interest expense capitalised (note)	(630)	(567)
	9,146	10,847
Other finance charges	287	303
	9,433	11,150
Finance income	(2,036)	(1,266)
	7,397	9,884

Note:

Capitalisation rates applied to funds borrowed are 1.50% – 4.92% per annum for the year ended 31 December 2021 (2020: capitalisation rate of 1.60% – 5.18%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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	
	2021 HK\$ million	2020 HK\$ million
Salaries and bonuses	51,385	41,998
Contributions to defined contribution retirement schemes	6,072	4,152
Others	13,421	10,243
	70,878	56,393

The Group substantially completed the transfer of the management of existing retirees to external organizations 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\$43 million was recognised for the year ended 31 December 2021 (2020:HK\$34 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.

(b) Other items

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Amortisation	2,598	2,125
Depreciation	18,622	17,647
Lease charges	576	924
Tax and surcharges	3,357	2,799
Property management fees	1,000	1,108
Non-operating expenses	2,299	700
Professional fees (other than auditors' remuneration)	1,130	1,057
Auditors' remuneration		
– Audit services	159	159
– Non-audit services	36	66
	29,777	26,585

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Current tax – Mainland China		
Provision for enterprise income tax	24,592	24,986
Land appreciation tax	330	113
	24,922	25,099
Current tax – Hong Kong		
Provision for Hong Kong profits tax	946	641
Current tax – Overseas		
Provision for the year	154	183
	26,022	25,923
Deferred tax		
Origination and reversal of temporary differences	(5,159)	(9,133)
	20,863	16,790

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Profit before taxation	121,141	97,718
Less: Share of profits of		
– associates	(12,787)	(10,533)
– joint ventures	(4,776)	(3,960)
	103,578	83,225
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	17,090	13,732
Effect of different tax rates in other jurisdictions	9,049	7,667
Tax effect of unused tax losses not recognised	472	1,207
Tax effect of non-deductible expenses	7,293	6,100
Tax effect of non-taxable income (note)	(13,079)	(11,766)
Others	38	(150)
Actual tax expense	20,863	16,790

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 2021

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 2021 are set out as follows:

	For the year ended 31 December 2021												
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary										Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		
	Fees			Discretionary bonuses			Estimated money value of other benefits		Social securities in China mainland		Employer's contribution to a retirement benefit scheme		
	Fees HK\$ million	Salary HK\$ million	HK\$ million	Housing allowance HK\$ million	money value of other benefits HK\$ million	HK\$ million	in China mainland HK\$ million	to a retirement benefit scheme HK\$ million	Employer's contribution as committee member HK\$ million	in respect of accepting office member HK\$ million	of the affairs of the Company or its subsidiary undertaking HK\$ million	Total HK\$ million	
Name of Current Directors													
Executive Directors:													
Zhu Hexin ⁱ	-	0.44	0.34	-	-	0.16	0.07	-	-	-	1.01		
Xi Guohua ^j	-	0.44	0.34	-	-	0.16	0.07	-	-	-	1.01		
Li Qingping ^j	-	0.40	0.30	-	0.04	0.16	0.08	-	-	-	0.98		
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 ^j	0.25	-	-	-	-	-	-	-	-	-	0.25		
Name of Former Directors													
Liu Zhuyu ⁱ	-	-	-	-	-	-	-	-	-	-	-		
Liu Zhongyuan ⁱ	-	-	-	-	-	-	-	-	-	-	-		
Shohei Harada ⁱ	0.13	-	-	-	-	-	-	-	-	-	0.13		
	2.28	1.28	0.98	-	0.04	0.48	0.22	0.98	-	-	6.26		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2021 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 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 2021

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 2020 are set out as follows:

	For the year ended 31 December 2020										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	
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary											
	Fees HK\$ million	Salary HK\$ million	Discretionary bonuses HK\$ million	Housing allowance HK\$ million	Estimated money value of other benefits HK\$ million	Social securities in China HK\$ million	Employer's contribution to a retirement benefit scheme HK\$ million	in respect of accepting office as committee member HK\$ million	Total HK\$ million			
Name of Current Directors												
Executive Directors:												
Zhu Hexin ^{i,ii}	-	0.30	0.52	-	-	0.06	0.06	-	-	0.94		
Xi Guohua ⁱⁱⁱ	-	0.20	0.35	-	-	0.04	0.03	-	-	0.62		
Li Qingping ⁱ	-	0.36	0.95	-	0.04	0.08	0.10	-	-	1.53		
Non-executive Directors:												
Song Kangle	-	-	-	-	-	-	-	-	-	-		
Liu Zhuyu	-	-	-	-	-	-	-	-	-	-		
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-		
Yu Yang ⁱⁱ	-	-	-	-	-	-	-	-	-	-		
Liu Zhongyuan	-	-	-	-	-	-	-	-	-	-		
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53		
Independent Non-executive Directors:												
Francis Siu Wai Keung	0.38	-	-	-	-	-	-	0.28	-	0.66		
Xu Jinwu	0.38	-	-	-	-	-	-	0.25	-	0.63		
Anthony Francis Neoh	0.38	-	-	-	-	-	-	0.25	-	0.63		
Shohei Harada	0.38	-	-	-	-	-	-	-	-	0.38		
Gregory Lynn Curl	0.38	-	-	-	-	-	-	0.05	-	0.43		
Name of Former Directors												
Chang Zhenming ^{i,ii}	-	0.10	0.56	-	0.01	0.08	0.10	-	-	0.85		
Wang Jiong ^{i,ii}	-	0.23	0.78	-	0.03	0.04	0.08	-	-	1.16		
Yan Shuqin ⁱⁱ	-	-	-	-	-	-	-	-	-	-		
	2.28	1.19	3.16	-	0.08	0.30	0.37	0.98	-	8.36		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2020 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, Ms. Li Qingping, Mr. Xi Chang Zhenming and Mr. Wang Jiong were finalised in accordance with the regulations of the relevant local authorities.
- (ii) Changes in directors during the year ended 31 December 2020:
 - (1) On 25 August 2020, Mr. Xi Guohua was appointed as Executive Director, Vice Chairman and President of the Company, and Mr. Wang Jiong resigned as Executive Director, Vice Chairman and President of the Company.
 - (2) On 25 August 2020, Ms. Yu Yang was appointed as Non-executive Director of the Company, and Ms. Yan Shuqin resigned as Non-executive Director of the Company.
 - (3) On 30 March 2020, Mr. Zhu Hexin was appointed as Chairman of the Board and Executive Director of the Company, and Mr. Chang Zhenming resigned as Chairman of the Board and Executive Director of the Company.

(b) Other benefits and interests

For the year ended 31 December 2021, 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 (2020: None). No consideration was provided to or receivable by third parties for making available directors' services (2020: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: 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 2021 (2020: None).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14 Individuals with highest emoluments

For the year ended 31 December 2021, none of the five highest paid individuals are directors (2020: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these 5 individuals (2020: five) are as follows:

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Salaries and other emoluments	17.34	13.80
Discretionary bonuses	67.27	71.06
Retirement scheme contributions	0.68	0.14
	85.29	85.00

The emoluments of the 5 individuals (2020: 5) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2021 Number of individuals	2020 Number of individuals
HK\$11,500,001 - HK\$12,000,000	-	1
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\$14,500,001 - HK\$15,000,000	1	1
HK\$18,000,001 - HK\$18,500,000	-	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	-	1
	5	5

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15 Dividends

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
2020 Final dividend paid: HK\$0.388 (2019 Final: HK\$0.285) per share	11,287	8,291
2021 Interim dividend paid: HK\$0.15 (2020 Interim: HK\$0.10) per share	4,364	2,909
2021 Final dividend proposed: HK\$0.456 (2020 Final: HK\$0.388) per share	13,265	11,287

16 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK\$70,222 million for the year ended 31 December 2021 (2020: HK\$56,628 million) calculated as follows:

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Profit attributable to ordinary shareholders of the Company	70,222	56,628
Weighted average number of ordinary shares (in million)	29,090	29,090

Diluted earnings per share for the year ended 31 December 2021 and 2020 are same with basic earnings per share. As at 31 December 2021, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2021 (31 December 2020: Nil).

The basic earnings per share and diluted earnings per share for the year ended 31 December 2021 are HK\$2.41 (2020: HK\$1.95).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17 Other comprehensive gain

Components of other comprehensive gain

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(loss) on financial assets at FVOCI	5,268	(4,576)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(1,163)	(3,281)
Tax effect	(1,222)	2,018
	2,883	(5,839)
Allowance change for impairment losses on debt investments at FVOCI	(64)	1,245
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	–	–
Tax effect	103	(302)
	39	943
Gains/(Loss) arising from cash flow hedge	803	(785)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	61	69
Tax effect	5	98
	869	(618)
Share of other comprehensive income of associates and joint ventures	237	448
Exchange differences on translation of financial statements and others	29,142	59,738
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	271	57
Less: Tax effect	(26)	–
	245	57
Fair value loss on investments in equity instruments designated at FVOCI	505	(44)
Less: Tax effect	(61)	–
	444	(44)
	33,859	54,685

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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, aluminum wheels, aluminum casting parts and other products.
- Advanced materials: this segment includes exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore, as well as manufacturing of special steels.
- New consumption: this segment includes motor and food and consumer products business, telecommunication services, publication services, modern agriculture, and others.
- New-type urbanisation: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, environmental services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit for the year". To arrive at segment results, the Group's profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021 and 2020 is set out below:

	For the year ended 31 December 2021								Total HK\$ million
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million		
Revenue from external customers	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 2021

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	As at 31 December 2021								HK\$ million
	Comprehensive financial services	Advanced intelligent manufacturing	Advanced materials	New consumption	New-type urbanisation	Operation management	Elimination	Total	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Reportable segment assets	10,050,873	66,837	272,756	72,055	349,907	141,799	(268,706)	10,685,521	
Including:									
Interests in associates (Note 29)	59,880	944	25,297	9,532	55,795	2,733	-	154,181	
Interests in joint ventures (Note 30)	17,135	692	8,171	1,973	30,811	1,817	-	60,599	
Reportable segment liabilities	9,154,415	45,128	261,138	34,047	168,199	231,000	(373,996)	9,519,931	
Including:									
Bank and other loans (Note 41) (note)	4,865	15,823	58,887	5,966	46,938	90,837	(78,411)	144,905	
Debt instruments issued (Note 42) (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 2021

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	For the year ended 31 December 2020							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Revenue from external customers	229,103	13,759	195,754	70,056	44,224	53	-	552,949
Inter-segment revenue	(14)	222	345	91	1,246	163	(2,053)	-
Reportable segment revenue	229,089	13,981	196,099	70,147	45,470	216	(2,053)	552,949
Disaggregation of revenue:								
- Net interest income (Note 5(a))	171,965	-	-	-	-	114	(61)	172,018
- Net fee and commission income (Note 5(b))	39,201	-	-	-	-	1	(24)	39,178
- Sales of goods (Note 5(c))	-	13,364	192,735	55,896	7,531	-	(562)	268,964
- Services rendered to customers- construction contracts (Note 5(c))	-	520	-	-	25,233	-	(769)	24,984
- Services rendered to customers- others (Note 5(c))	-	97	3,364	14,251	12,706	14	(572)	29,860
- Other revenue (Note 5(d))	17,923	-	-	-	-	87	(65)	17,945
Share of profits/(losses) of associates, net of tax	4,233	307	1,466	121	4,424	(18)	-	10,533
Share of profits/(losses) of joint ventures, net of tax	1,234	(1)	(265)	87	2,837	68	-	3,960
Finance income (Note 10)	-	157	249	89	1,021	853	(1,103)	1,266
Finance costs (Note 10)	-	(300)	(2,067)	(1,053)	(1,372)	(7,797)	1,439	(11,150)
Depreciation and amortisation (Note 11(b))	(7,193)	(583)	(6,615)	(3,860)	(1,448)	(73)	-	(19,772)
Expected credit losses (Note 8)	(94,167)	(103)	16	(277)	(1,812)	(584)	-	(96,927)
Impairment losses (Note 9)	(575)	(136)	(1,073)	(313)	(1,552)	-	-	(3,649)
Profit/(loss) before taxation	76,087	588	14,421	1,770	11,711	(6,880)	21	97,718
Income tax (Note 12)	(10,650)	35	(2,958)	(492)	(1,791)	(920)	(14)	(16,790)
Profit/(loss) for the year	65,437	623	11,463	1,278	9,920	(7,800)	7	80,928
Attributable to:								
- Ordinary shareholders of the Company	43,516	453	10,149	894	9,409	(7,800)	7	56,628
- Non-controlling interests	21,921	170	1,314	384	511	-	-	24,300

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	As at 31 December 2020							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Reportable segment assets	9,113,747	58,719	239,155	76,157	309,736	161,818	(218,504)	9,740,828
Including:								
Interests in associates (Note 29)	47,156	1,050	22,361	10,151	48,360	1,962	-	131,040
Interests in joint ventures (Note 30)	14,878	7	7,144	1,875	24,742	1,641	-	50,287
Reportable segment liabilities	8,353,514	39,574	250,098	38,529	138,696	236,525	(324,750)	8,732,186
Including:								
Bank and other loans (Note 42) (note)	2,382	15,867	53,753	10,301	39,217	82,529	(40,878)	163,171
Debt instruments issued (Note 43) (note)	872,734	-	772	3,496	360	121,736	(30,567)	968,531

Note:

The amount is the principal excluding interest accrued.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Mainland China	613,228	464,968	9,952,724	9,078,635
Hong Kong, Macau and Taiwan	45,698	46,430	586,588	543,279
Overseas	50,010	41,551	146,209	118,914
	708,936	552,949	10,685,521	9,740,828

19 Cash and deposits

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Cash	7,232	7,108
Bank deposits	40,143	57,468
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	444,955	439,860
– Surplus deposit reserve funds (note (iii))	80,199	67,975
– Fiscal deposits (note (iv))	3,315	1,246
– Foreign exchange reserves (note (v))	–	3,802
Deposits with banks and non-bank financial institutions	143,236	177,241
	719,080	754,700
Accrued interest	1,333	841
	720,413	755,541
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 45)	(178)	(155)
	720,235	755,386

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19 Cash and deposits (Continued)

Notes:

- (i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").
- (ii) CITIC Bank and CITIC Finance place statutory deposit reserves funds with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves funds are not available for use in their daily business.

As at 31 December 2021, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 8% (31 December 2020: 9%) of eligible RMB deposits for domestic branches of CITIC Bank and at 8% (31 December 2020: 9%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 9% (31 December 2020: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 31 December 2021.

As at 31 December 2021, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 5% (31 December 2020: 6%).

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 2021, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 5% (31 December 2020: 6%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2021, CITIC Finance is also required to deposit an amount equivalent to 9% (31 December 2020: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

- (iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.
- (iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.
- (v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is 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. From 12 October 2020, the People's Bank of China has adjusted the rate of foreign exchange reserve from 20% to nil.
- (vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK\$6,342 million (31 December 2020: HK\$7,687 million) included in cash and deposits as at 31 December 2021 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 2021

20 Placements with banks and non-bank financial institutions

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Banks	63,981	94,601
Non-bank financial institutions	108,942	102,414
	172,923	197,015
Accrued interest	940	1,614
	173,863	198,629
Less: allowance for impairment losses (Note 45)	(109)	(116)
	173,754	198,513
Analysed by remaining maturity:		
– Within 1 month	35,413	99,818
– Between 1 month and 1 year	120,754	89,830
– Over 1 year	16,756	7,367
	172,923	197,015
Accrued interest	940	1,614
	173,863	198,629
Less: allowance for impairment losses (Note 45)	(109)	(116)
	173,754	198,513

21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards, swaps and option transactions. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21 Derivative financial instruments (Continued)

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks. Hedging instruments are derivatives used as hedge accounting, and non-hedging instruments are derivatives not used as hedge accounting.

	As at 31 December					
	2021			2020		
	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 (Note 2(j)(i)):						
– Currency derivatives	2,212	35	441	464	–	10
Cash flow hedge (Note 2(j)(ii)):						
– Interest rate derivatives	14,982	53	1,298	13,182	–	2,068
– Currency derivatives	1,069	6	6	1,059	–	16
– Other derivatives	102	15	1	1,302	72	51
Non-hedging instruments						
– Interest rate derivatives	3,217,393	10,571	10,443	3,633,451	11,163	10,856
– Currency derivatives	2,371,579	17,040	17,421	2,351,464	36,175	36,313
– Precious metals derivatives	20,846	180	185	22,866	362	99
– Other derivatives	18,593	58	248	11,274	32	395
	5,646,776	27,958	30,043	6,035,062	47,804	49,808

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Within 3 months	2,550,773	2,321,724
Between 3 months and 1 year	1,685,430	2,457,596
Between 1 year and 5 years	1,371,127	1,220,322
Over 5 years	39,446	35,420
	5,646,776	6,035,062

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 2021, the credit risk weighted amount for counterparty was HK\$27,158 million (31 December 2020: HK\$27,546 million).

22 Trade and other receivables

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Account and bills receivables (note (a))	72,072	58,587
Advanced payments and settlement accounts (note (b))	28,339	20,772
Prepayments, deposits and other receivables ((note (c))	85,282	100,051
	185,693	179,410
Less: allowance for impairment losses (Note 45)	(12,856)	(9,687)
	172,837	169,723

As at 31 December 2021, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$5,679 million (31 December 2020: HK\$5,385 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 2021

22 Trade and other receivables (Continued)

(a) Account and bills receivables

(i) Account and bills receivables at amortised cost by overdue analysis

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account and bills receivables. As at the balance sheet date, the analysis of account and bills receivables at amortised cost of the Group based on the days overdue is as follows:

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
		60,830	(7,705)
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)

	As at 31 December 2020		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
		41,427	(5,558)
Current	2%	27,174	(611)
Up to 3 months overdue	2%	1,548	(33)
3 months to 1 year overdue	4%	2,431	(106)
Over 1 year overdue	47%	10,274	(4,808)

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 2021

22 Trade and other receivables (Continued)

(a) Account and bills receivables (Continued)

(ii) Account and bills receivables at amortised cost by ageing analysis

As at 31 December 2021 and 2020, 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	
	2021 HK\$ million	2020 HK\$ million
Within 1 year	46,156	29,618
Over 1 year	14,674	11,809
	60,830	41,427
Less: allowance for impairment losses (Note 45)	(7,705)	(5,558)
	53,125	35,869

- (iii) As at 31 December 2021, the carrying amount of bills receivables at FVOCI was HK\$11,242 million (31 December 2020: HK\$17,160 million).
- (iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2021 and 2020 are disclosed in Note 45.

(b) Advanced payments and settlement accounts

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Advanced payments and settlement accounts	28,339	20,772
Less: allowance for impairment losses (Note 45)	(217)	(377)
	28,122	20,395

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Prepayments, deposits and other receivables	85,282	100,051
Less: allowance for impairment losses (Note 45)	(4,934)	(3,752)
	80,348	96,299

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Contract assets	13,422	13,636
Less: Allowance for impairment losses (note(a))	(15)	(17)
Total contract assets	13,407	13,619
Advances from contracts with customers	33,488	28,092
Total contract liabilities	33,488	28,092

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Expected credit loss rate (note)	0.11%	0.12%
Gross carrying amount	13,422	13,636
Loss allowance provision	(15)	(17)

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	
	2021 HK\$ million	2020 HK\$ million
Revenue from contracts with customers	19,918	15,106

(c) Revenue to be recognised in relating to unsatisfied performance obligations

As at 31 December 2021, transaction price allocated to unsatisfied contracts of the Group amounted at HK\$100,594 million (2020: HK\$110,068 million), of which HK\$38,047 million is expected to be recognised as revenue in the next year (2020: HK\$41,218 million) and the remaining HK\$62,547 million is expected to be recognised after more than one year (2020: HK\$68,850 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24 Inventories

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Raw materials	8,277	8,567
Work-in-progress	10,330	8,116
Finished goods	31,829	20,370
Properties:		
– Properties under development	48,126	29,414
– Properties held-for-sale	4,549	5,717
– Others	6,728	4,747
Others	3,564	3,439
	113,403	80,370

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	
	2021 HK\$ million	2020 HK\$ million
Carrying amount of inventories sold	344,583	235,319
Write-down of inventories (Note 45)	1,251	628
Reversal of write-down of inventories (Note 45)	(437)	(610)
	345,397	235,337

As at 31 December 2021, the Group's inventories included an amount of HK\$54,967 million expected to be recovered after more than one year (31 December 2020: HK\$34,322 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 Financial assets held under resale agreements

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Analysed by counterparties:		
– Banks	79,736	72,173
– Non-bank financial institutions	32,533	70,904
	112,269	143,077
Accrued interest		
	15	18
	112,284	143,095
Less: allowance for impairment losses (Note 45)		
	(57)	(66)
	112,227	143,029

Analysed by types of collateral:

As at 31 December 2021, the collateral of the Group's financial assets held under resale agreements are securities and notes (31 December 2020: securities and notes).

Analysed by remaining maturity:

As at 31 December 2021, the Group's financial assets held under resale agreements will expire within one month (31 December 2020: within one month).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 Loans and advances to customers and other parties

(a) Loans and advances to customers and other parties analysed by nature

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,749,733	2,543,662
– Discounted bills	5,532	7,947
– Finance lease receivables	57,307	51,910
	2,812,572	2,603,519
Personal loans:		
– Residential mortgages	1,190,546	1,088,732
– Credit cards	646,112	576,969
– Personal consumption	304,048	243,052
– Business loans	382,318	337,643
	2,523,024	2,246,396
	5,335,596	4,849,915
Accrued interest	16,181	15,182
	5,351,777	4,865,097
Less: allowance for impairment losses (Note 45)	(154,269)	(156,218)
Carrying amount of loans and advances to customers and other parties at amortised cost	5,197,508	4,708,879
Loans and advances to customers and other parties at FVPL		
Personal loans	–	8,465
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	47,210	3,203
– Discounted bills	564,578	485,608
Carrying amount of loans and advances to customers and other parties at FVOCI	611,788	488,811
Total carrying amount of loans and advances	5,809,296	5,206,155
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 45)	(916)	(653)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses

	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	<u>5,088,022</u>	<u>77,099</u>	<u>32,387</u>	<u>5,197,508</u>	
Carrying amount of loans and advances at FVOCI	<u>610,500</u>	<u>948</u>	<u>340</u>	<u>611,788</u>	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	<u>5,698,522</u>	<u>78,047</u>	<u>32,727</u>	<u>5,809,296</u>	
Allowance for impairment losses of loans and advances at FVOCI	<u>(675)</u>	<u>(35)</u>	<u>(206)</u>	<u>(916)</u>	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses (Continued)

As at 31 December 2020

	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	4,627,830	127,027	95,058	4,849,915	1.78%
Accrued interest	13,169	1,799	214	15,182	
Less: allowance for impairment losses	(51,887)	(39,607)	(64,724)	(156,218)	
Carrying amount of loans and advances at amortised cost	4,589,112	89,219	30,548	4,708,879	
Carrying amount of loans and advances at FVOCI	488,704	97	10	488,811	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,077,816	89,316	30,558	5,197,690	
Allowance for impairment losses of loans and advances at FVOCI	(640)	(5)	(8)	(653)	

Notes: Loans and advances at stage 3 are credit-impaired, details are as follows:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Secured portion	63,359	61,482
Unsecured portion	29,310	33,800
Total loans and advances that are credit-impaired	92,669	95,282
Allowance for impairment losses	(60,148)	(64,732)

As at 31 December 2021, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$64,426 million (31 December 2020: HK\$62,425 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 Loans and advances to customers and other parties (Continued)

(c) Overdue loans by overdue period

	As at 31 December 2021				
	Overdue within 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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
As at 31 December 2020					
	Overdue within 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Unsecured loans	19,616	10,984	538	535	31,673
Guaranteed loans	4,460	9,152	3,224	362	17,198
Secured loans					
– Loans secured by collateral	11,021	20,206	14,390	1,196	46,813
– Pledged loans	10,691	788	2,143	346	13,968
	45,788	41,130	20,295	2,439	109,652

Overdue loans represent loans of which the principal or interest are overdue one day or more.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Financial assets at amortised cost		
Debt securities	1,104,924	838,502
Investment management products managed by securities companies	61,660	83,946
Trust investment plans	290,864	231,843
Certificates of deposit and certificates of interbank deposit	1,692	5,606
Investments in creditor's rights on assets	–	96
Others	646	1,803
	1,459,786	1,161,796
Accrued interest	12,792	12,162
	1,472,578	1,173,958
Less: allowance for impairment losses (Note 45)	(36,755)	(17,462)
	1,435,823	1,156,496
Financial assets at FVPL		
Debt securities	75,792	68,495
Investment management products managed by securities companies	11,134	3,338
Trust investment plans	4,706	3,960
Certificates of deposit and certificates of interbank deposit	37,642	59,329
Wealth management products	2,677	6,532
Investment funds	517,919	367,787
Equity investment	16,876	18,546
Others	460	306
	667,206	528,293
Debt investments at FVOCI (note (i))		
Debt securities	781,923	806,506
Certificates of deposit and certificates of interbank deposit	5,267	5,192
Investment management products managed by securities companies	30	40,751
	787,220	852,449
Accrued interest	5,968	7,806
	793,188	860,255
Allowance for impairment losses on debt investments at FVOCI	(2,919)	(3,148)
Equity investments at FVOCI (note (i))		
Equity investment	10,287	7,639
Investment funds	358	384
	10,645	8,023
	2,906,862	2,553,067

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

- (i) Financial assets measured at FVOCL.

	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 45)	N/A	(2,919)	(2,919)

	As at 31 December 2020		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	9,034	851,767	860,801
Accumulative fair value change in OCI	(1,011)	682	(329)
Accrued interest	–	7,806	7,806
Carrying amount	8,023	860,255	868,278
Allowance for impairment losses (Note 45)	N/A	(3,148)	(3,148)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Issued by:		
– Government	1,139,453	998,531
– Policy banks	166,336	140,995
– Banks and non-bank financial institutions	1,408,770	1,228,437
– Corporates	170,293	162,058
– Public entities	3,376	3,078
	2,888,228	2,533,099
Accrued interest	18,634	19,968
	2,906,862	2,553,067
– Listed in Hong Kong	58,046	59,687
– Listed outside Hong Kong	2,371,165	2,010,976
– Unlisted	459,017	462,436
	2,888,228	2,533,099
Accrued interest	18,634	19,968
	2,906,862	2,553,067

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 2021

27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	As at 31 December 2021			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total 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	<u>1,379,883</u>	<u>15,754</u>	<u>40,186</u>	<u>1,435,823</u>
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	<u>792,221</u>	<u>426</u>	<u>541</u>	<u>793,188</u>
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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses (Continued)

	As at 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Gross carrying amount of investments in financial assets at amortised cost	1,122,763	5,158	33,875	1,161,796
Accrued interest	11,925	237	–	12,162
Less: allowance for impairment losses	(4,416)	(653)	(12,393)	(17,462)
Carrying amount of investments in financial assets at amortised cost	1,130,272	4,742	21,482	1,156,496
Gross carrying amount of debt investments in financial assets at FVOCI	851,754	155	540	852,449
Accrued interest	7,766	1	39	7,806
Carrying amount of debt investments in financial assets at FVOCI	859,520	156	579	860,255
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,989,792	4,898	22,061	2,016,751
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,784)	(2)	(1,362)	(3,148)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 56.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), CITIC Telecom International Holdings Limited ("CITIC Telecom International") and CITIC Resources Holdings Limited ("CITIC Resources"), which are listed subsidiaries of the Group and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	42.18%	41.89%	40.50%	40.50%
Total assets	9,837,187	8,924,435	24,924	24,015	18,382	18,334	12,703	12,275
Mainly including:								
Cash and deposits	664,432	675,539	2,609	2,950	1,793	1,519	1,926	2,356
Placements with banks and non-bank financial institutions	176,025	200,062	-	-	-	-	-	-
Derivative financial assets	27,790	47,602	-	-	-	-	21	72
Financial assets held under resale agreements	111,836	132,016	-	-	-	-	-	-
Loans and advances to customers and other parties	5,807,333	5,180,595	-	-	-	-	-	-
Investments in financial assets	2,840,804	2,486,493	619	811	-	-	-	-
Fixed assets	41,810	40,240	5,971	5,889	2,625	2,705	3,839	3,482
ROU assets	11,919	12,633	57	117	654	706	83	94

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 Subsidiaries (Continued)

	As at 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	
Total liabilities	(9,051,197)	(8,259,024)	(15,460)	(14,923)	(8,206)	(8,525)	(5,780)	(6,508)	
Mainly including:									
Borrowing from central banks	(231,406)	(266,611)	-	-	-	-	-	-	
Deposits from banks and non-bank financial institutions	(1,436,843)	(1,382,588)	-	-	-	-	-	-	
Placements from banks and non-bank financial institutions	(95,806)	(68,623)	-	-	-	-	-	-	
Trade and other payables	-	-	(3,427)	(2,789)	(1,024)	(817)	(136)	(114)	
Derivative financial liabilities	(28,018)	(47,299)	-	-	-	-	(1)	(14)	
Financial assets sold under repurchase agreements	(120,277)	(89,434)	-	-	-	-	-	-	
Deposits from customers	(5,858,572)	(5,432,591)	-	-	-	-	-	-	
Bank and other loans	-	-	(6,229)	(6,380)	(1,878)	(2,303)	(3,659)	(4,815)	
Lease liabilities	(12,006)	(12,480)	(32)	(82)	(496)	(531)	(68)	(86)	
Net assets	785,990	665,411	9,464	9,092	10,176	9,809	6,923	5,767	
Equity attributable to									
- Ordinary shareholders of subsidiaries	625,439	557,985	9,223	8,698	10,095	9,752	6,944	5,807	
- Non-controlling interests in subsidiaries	160,551	107,426	241	394	81	57	(21)	(40)	
Carrying amount of non-controlling interests	373,388	297,308	3,260	3,241	4,339	4,142	2,791	2,312	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 Subsidiaries (Continued)

	CITIC Bank		For the year ended 31 December				CITIC Resources	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Revenue	246,356	219,303	9,093	7,091	9,486	8,923	4,349	2,850
Profit/(loss) for the year	67,898	55,592	268	225	1,107	1,039	1,114	(361)
Total comprehensive income for the year	69,698	47,552	206	225	1,120	1,113	1,156	(422)
Profit attributable to non-controlling interests	26,080	21,886	85	77	485	444	458	(144)
Dividends paid to non-controlling interests	8,719	8,281	41	23	343	317	-	-
Net cash (used in)/generated from operating activities	(90,799)	176,053	821	679	2,394	2,543	1,107	115
Net cash (used in)/generated from investing activities	(249,042)	(244,948)	(257)	(313)	(878)	(773)	(871)	930
Net cash generated from/(used in) financing activities	264,854	51,596	(608)	(1,861)	(1,599)	(1,581)	(1,254)	(363)

29 Interests in associates

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Carrying value	160,259	137,012
Less: allowance for impairment losses (Note 45)	(6,078)	(5,972)
	154,181	131,040

Notes:

The particulars of the principal associates are set out in Note 56.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	1,088,469	1,006,741	1,563,925	1,251,084	35,031	29,279
Total liabilities	(627,202)	(588,503)	(1,302,418)	(1,030,226)	(7,071)	(1,273)
Net assets	461,267	418,238	261,507	220,858	27,960	28,006
Equity attributable to:						
– Associates' shareholders	444,699	401,363	242,666	215,902	28,444	28,084
– Non-controlling interests in associates	16,568	16,875	18,841	4,956	(484)	(78)
	461,267	418,238	261,507	220,858	27,960	28,006

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below (Continued):

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Revenue	291,739	208,518	117,212	80,662	–	–
Profit for the year	51,367	50,762	28,910	17,415	437	(145)
Other comprehensive (loss)/income for the year	15	(409)	(1,312)	(750)	(108)	(132)
Total comprehensive income/(loss) for the year	51,382	50,353	27,598	16,665	329	(277)
Dividends received from associates	1,293	1,118	1,159	1,122	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	444,699	401,363	242,666	215,902	28,444	28,084
Group's effective interest	10.01%	10.00%	18.38%	15.47%	26.01%	26.09%
Group's share of net assets of associates	44,514	40,136	44,602	33,400	7,398	7,327
Goodwill and others	1,417	1,417	1,566	1,256	(169)	(180)
Impairment of interests in associates	(3,962)	(3,962)	–	–	–	–
Carrying amounts in the consolidated balance sheet	41,969	37,591	46,168	34,656	7,229	7,147
Quoted fair value	20,224	18,469	71,087	69,853	19,736	13,120

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	66,172	51,646
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	3,712	3,420
Other comprehensive loss for the year	(757)	(165)
Total comprehensive income for the year	2,955	3,255

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30 Interests in joint ventures

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Carrying value	62,088	51,963
Less: allowance for impairment losses (Note 45)	(1,489)	(1,676)
	60,599	50,287

The particulars of the principal joint ventures are set out in Note 56.

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	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Gross amount of the joint ventures						
Total assets	225,241	164,077	23,371	17,651	22,946	24,335
Total liabilities	(206,731)	(149,415)	(14,068)	(6,634)	(15,395)	(17,131)
Net assets	18,510	14,662	9,303	11,017	7,551	7,204
Equity attributable to:						
– Joint ventures' shareholders	17,831	14,034	9,303	11,017	7,551	7,204
– Non-controlling interests in joint ventures	679	628	–	–	–	–
	18,510	14,662	9,303	11,017	7,551	7,204

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30 Interests in joint ventures (Continued)

Summarised financial information of the material joint ventures are disclosed below (Continued):

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Revenue	39,395	32,292	1,707	6,369	113	89
Profit for the year	3,511	2,841	460	2,054	135	1,564
Other comprehensive income for the year	811	1,343	-	-	-	-
Total comprehensive income for the year	4,322	4,184	460	2,054	135	1,564
Dividends received from joint ventures	476	317	-	-	-	-
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	17,831	14,034	9,303	11,017	7,551	7,204
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	8,916	7,017	4,652	5,509	3,776	3,602
Goodwill and others	1,391	1,336	102	66	311	279
Carrying amount in the consolidated balance sheet	10,307	8,353	4,754	5,575	4,087	3,881

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	41,451	32,478
Aggregate amount of the Group's share of individually immaterial joint ventures		
Profit for the year	2,688	770
Other comprehensive loss for the year	(21)	(31)
Total comprehensive income for the year	2,667	739

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31 Fixed assets

	Property, plant and equipment							
	Machinery and equipment		Office			Investment properties		
	Plant and buildings HK\$ million	HK\$ million	Construction in progress HK\$ million	and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Total HK\$ million	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 45)	(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 2021

31 Fixed assets (Continued)

	Property, plant and equipment							
	Machinery		Office				Investment properties	
	Plant and buildings	and equipment	Construction in progress	and other equipment	Vehicles and vessels	Others		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost or valuation:								
At 1 January 2020	79,137	155,695	13,714	17,233	13,062	7,032	285,873	37,555
Exchange adjustments	4,508	5,294	809	1,457	427	354	12,849	1,546
Business combination	3,413	6,452	524	316	81	656	11,442	-
Disposal of subsidiaries	(20)	(13)	(1)	(2)	(8)	(4)	(48)	-
Additions	932	2,945	10,852	2,609	610	294	18,242	1,076
Disposals	(1,526)	(2,283)	-	(1,323)	(568)	(2,127)	(7,827)	(594)
Transfers	1,651	1,298	(6,712)	119	15	3,617	(12)	(453)
Change in fair value of investment properties	-	-	-	-	-	-	-	(675)
At 31 December 2020	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2020	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	-
Exchange adjustments	(783)	(3,447)	(26)	(750)	(222)	(139)	(5,367)	-
Business combination	(656)	(1,712)	-	(176)	(52)	(252)	(2,848)	-
Disposal of subsidiaries	7	11	-	1	5	4	28	-
Charge for the year	(2,414)	(5,590)	-	(1,714)	(489)	(666)	(10,873)	-
Disposals	205	669	-	1,075	350	325	2,624	-
Impairment losses (Note 45)	(117)	(68)	(24)	-	(19)	(217)	(445)	-
At 31 December 2020	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	-
Net book value:								
At 31 December 2020	61,133	69,671	18,211	6,974	6,493	5,358	167,840	38,455
Represented by:								
Cost	88,095	169,388	19,186	20,409	13,619	9,822	320,519	-
Valuation	-	-	-	-	-	-	-	38,455
	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31 Fixed assets (Continued)

As at 31 December 2021, the Group was in the process of applying the ownership certificates in respect of certain premises of HK\$656 million (31 December 2020: HK\$1,573 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2021 and 2020 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Property valuation (Continued)

Properties located in	Valuers in 2020
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd. Centraline Surveyors Limited Zhong Ming(Beijing) Assets Appraisal International Co.,Ltd. Prudential Surveyors (Hong Kong) Limited YINXIN Appraisal Co., Ltd. Knight Frank Petty Limited China Lianhe Credit Rating Co.,Ltd. China United Assets Appraisal Group Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Overseas	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 2021

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

	Level 3 For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	25,061	23,756
Exchange adjustments	744	1,505
Additions	289	738
Disposal of subsidiaries	(393)	–
Disposals	(14)	(364)
Transfers	740	(448)
Change in fair value of investment properties	448	(126)
At 31 December	26,875	25,061
Investment properties – Hong Kong		
At 1 January	12,887	13,331
Exchange adjustments	–	1
Additions	89	338
Disposals	–	(230)
Transfers	191	(5)
Change in fair value of investment properties	(534)	(548)
At 31 December	12,633	12,887
Investment properties – Overseas		
At 1 January	507	468
Exchange adjustments	(29)	40
Change in fair value of investment properties	20	(1)
At 31 December	498	507

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) **Fair value hierarchy** (Continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2021, there were no Level 1 and Level 2 fair value hierarchy (2020: Nil) and no transfers into or out of Level 3 (2020: 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 2021

32 ROU assets and lease liabilities

(a) ROU assets

	Machinery Plant and buildings HK\$ million	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

	Machinery Plant and buildings HK\$ million	and equipment HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million
At 1 January 2020	16,272	13	99	327	909	17,620	18,874	36,494
Exchange adjustments	921	2	4	19	47	993	422	1,415
Additions	5,145	71	11	167	224	5,618	1,335	6,953
Reductions	(1,007)	(3)	–	(106)	(22)	(1,138)	(732)	(1,870)
Business combination	154	–	4	16	–	174	508	682
Disposal of subsidiaries	(4)	–	–	–	–	(4)	–	(4)
Depreciation charge	(4,681)	(24)	(46)	(191)	(201)	(5,143)	(550)	(5,693)
Modifications to lease agreements	(73)	–	–	–	11	(62)	–	(62)
At 31 December 2020	16,727	59	72	232	968	18,058	19,857	37,915

- (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 2021 were HK\$563 million (2020: HK\$786 million).
- (ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK\$13 million (2020: HK\$138 million).
- (iii) The total cash outflow for leases for the year ended 31 December 2021 was HK\$6,566 million (2020: HK\$7,074 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
– Within 1 year	7,800	5,234
– Over 1 year	12,962	13,033
	20,762	18,267

As at 31 December 2021; the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
– Within 1 year	8,014	5,402
– Between 1 and 5 year	10,669	11,168
– Over 5 year	3,677	3,836
	22,360	20,406

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33 Intangible assets

	For the year ended 31 December				
	Mining assets HK\$ million	Franchise right 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 45)	–	(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33 Intangible assets (Continued)

	For the year ended 31 December				
	Mining assets HK\$ million	Franchise right HK\$ million	Software HK\$ million	Others HK\$ million	Total HK\$ million
Cost:					
At 1 January 2020	19,282	5,241	5,338	5,210	35,071
Exchange adjustments	3	380	381	133	897
Additions	903	1,634	1,719	264	4,520
Business combination	–	45	223	333	601
Disposals of subsidiaries	–	–	–	(7)	(7)
Disposals	(2)	(210)	(77)	(350)	(639)
At 31 December 2020	20,186	7,090	7,584	5,583	40,443
Accumulated amortisation and impairment losses:					
At 1 January 2020	(17,033)	(967)	(3,036)	(2,058)	(23,094)
Exchange adjustments	(1)	(29)	(123)	(114)	(267)
Charge for the year	(80)	(204)	(923)	(209)	(1,416)
Business combination	–	–	(102)	(17)	(119)
Disposals of subsidiaries	–	–	–	7	7
Disposals	–	4	39	342	385
Impairment losses (Note 45)	(1)	–	–	(61)	(62)
At 31 December 2020	(17,115)	(1,196)	(4,145)	(2,110)	(24,566)
Net book value:					
At 31 December 2020	3,071	5,894	3,439	3,473	15,877

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 2021

34 Goodwill

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Cost:		
At 1 January	23,162	22,551
Additions	254	315
Disposals	–	(210)
Exchange differences	250	506
At 31 December	23,666	23,162
Accumulated impairment losses:		
At 1 January	(2,029)	(1,348)
Additions (Note 45)	(12)	(647)
Disposals	–	3
Exchange differences	(35)	(37)
At 31 December	(2,076)	(2,029)
Net book value:		
At 31 December	21,590	21,133

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34 Goodwill (Continued)

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Comprehensive financial services	1,541	1,529
Advanced intelligent manufacturing	1,298	1,037
Advanced materials	261	261
New consumption	12,427	12,415
New-type urbanisation	6,063	5,891
	21,590	21,133

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.

Among the total book value of the Group's goodwill, an amount of HK\$9,721 million was from acquisition of subsidiaries by CITIC Telecom International. The Group assessed goodwill impairment by using discounted cash flow model, key assumptions used for the calculations are as follows:

	2021	2020
Services revenue growth rates	3.7% – 8.3%	1.9%–5.2%
Long-term growth rates	3.0%	3.0%
Discount rates	9.1% – 10.4%	7.7%–10.2%

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.

Based on management's impairment assessment, impairment loss of HK\$12 million was recognised for the year ended 31 December 2021 (2020: HK\$647 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 Income tax in the balance sheet

- (a) Current income tax in the balance sheet represents:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Income tax payable	16,184	13,448

- (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 2021 and 2020, 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 2020	14,093	3,866	37,141	619	5,356	1,349	62,424
Credited/(charged) to profit or loss	632	247	9,343	154	(1,099)	805	10,082
(Charged)/credited to other							
comprehensive income	–	(7)	(4)	76	–	(2)	63
Business combination	–	263	70	–	13	–	346
Disposal of subsidiaries	(53)	–	–	–	–	(109)	(162)
Exchange adjustments and others	12	279	2,947	39	162	17	3,456
At 31 December 2020	14,684	4,648	49,497	888	4,432	2,060	76,209
At 1 January 2021	14,684	4,648	49,497	888	4,432	2,060	76,209
(Charged)/credited to profit or loss	(373)	278	8,175	(46)	(1,023)	630	7,641
Credited/(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 Income tax in the balance sheet (Continued)

(b) Deferred tax assets/(liabilities) recognised (Continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2021 and 2020, 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 2020	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
Charged to profit or loss	(5)	(242)	(24)	(678)	(949)
Credited/(charged) credited to other comprehensive income	2,040	–	–	(10)	2,030
Business combination	–	(245)	–	(72)	(317)
Disposal of subsidiaries	–	16	–	36	52
Exchange adjustments and others	(138)	(68)	(261)	(180)	(647)
At 31 December 2020	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
At 1 January 2021	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
Credited/(charged) to profit or loss	269	42	(359)	(2,434)	(2,482)
(Charged)/credited 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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 Income tax in the balance sheet (Continued)

- (c) Deductible temporary difference and tax losses not recognised as deferred tax assets

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Deductible temporary differences	2,323	1,900
Tax losses	28,190	30,981
	30,513	32,881

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 2021, tax losses amounting to HK\$9,957 million (31 December 2020: HK\$10,019 million) that can be carried forward against future taxable income are expiring within 5 years.

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Banks	347,919	365,291
Non-bank financial institutions	1,068,369	1,000,980
	1,416,288	1,366,271
Accrued interest	6,040	4,168
	1,422,328	1,370,439
Analysed by remaining maturity:		
– On demand	909,177	768,681
– Within 3 months	92,477	251,155
– Between 3 months and 1 year	414,634	346,435
	1,416,288	1,366,271
Accrued interest	6,040	4,168
	1,422,328	1,370,439

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37 Placements from banks and non-bank financial institutions

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Banks	97,098	72,485
Non-bank financial institutions	10,273	1,534
	107,371	74,019
Accrued interest	428	289
	107,799	74,308
Analysed by remaining maturity:		
– Within 3 months	50,149	26,288
– Between 3 months and 1 year	53,736	40,831
– Over 1 year	3,486	6,900
	107,371	74,019
Accrued interest	428	289
	107,799	74,308

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38 Trade and other payables

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Trade and bills payables	98,886	86,362
Advances from leasees	310	453
Other taxes payables	9,319	7,431
Settlement accounts	6,533	7,083
Dividend payables	211	300
Other payables	69,680	59,314
	184,939	160,943

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	
	2021 HK\$ million	2020 HK\$ million
Within 1 year	83,039	70,965
Between 1 and 2 years	3,066	3,343
Between 2 and 3 years	616	4,668
Over 3 years	12,165	7,386
	98,886	86,362

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

39 Financial assets sold under repurchase agreements

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
By counterparties:		
The People's Bank of China	82,402	46,591
Banks	40,044	48,183
	122,446	94,774
Accrued interest	6	–
	122,452	94,774
By types of collateral:		
Debt securities	55,838	8,288
Discounted bills	66,608	86,486
	122,446	94,774
Accrued interest	6	–
	122,452	94,774

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2021, legal title of these collateral pledged has not been transferred to counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Demand deposits		
Corporate customers	2,401,056	2,258,627
Personal customers	379,224	388,658
	2,780,280	2,647,285
Time and call deposits		
Corporate customers	2,183,893	1,991,042
Personal customers	809,998	726,173
	2,993,891	2,717,215
Outward remittance and remittance payables	13,062	10,763
Accrued interest	65,468	52,431
	5,852,701	5,427,694

(b) Deposits from customers include pledged deposits for the following items:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Bank acceptances	303,261	265,419
Letters of credit	23,991	13,112
Guarantees	17,201	13,399
Others	99,446	124,564
	443,899	416,494

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41 Bank and other loans

(a) Types of loans

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Bank loans		
Unsecured loans	99,946	116,984
Loan pledged with assets (note (d))	17,638	17,842
	117,584	134,826
Other loans		
Unsecured loans	25,804	27,517
Loan pledged with assets (note (d))	1,517	828
	27,321	28,345
	144,905	163,171
Accrued interest	457	433
	145,362	163,604

(b) Maturity of loans

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Bank loans		
– Within 1 year or on demand	36,102	47,714
– Between 1 and 2 years	18,867	17,394
– Between 2 and 5 years	35,449	42,471
– Over 5 years	27,166	27,247
	117,584	134,826
Other loans		
– Within 1 year or on demand	4,517	13,549
– Between 1 and 2 years	6,400	3,024
– Between 2 and 5 years	14,599	6,398
– Over 5 years	1,805	5,374
	27,321	28,345
	144,905	163,171
Accrued interest	457	433
	145,362	163,604

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41 Bank and other loans (Continued)

- (c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
RMB	40,199	39,330
US\$	48,029	46,913
HK\$	50,475	61,191
Other currencies	6,202	15,737
	144,905	163,171
Accrued interest	457	433
	145,362	163,604

- (d) As at 31 December 2021, the Group's bank and other loans of HK\$19,155 million (31 December 2020 HK\$18,670 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary with an aggregate carrying amount of HK\$83,158 million (31 December 2020: HK\$83,967 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 47(b). As at 31 December 2021, none of the covenants relating to drawn down facilities have been breached (31 December 2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Corporate bonds issued (note (a))	102,776	112,959
Notes issued (note (b))	81,075	60,208
Subordinated bonds issued (note (c))	138,390	134,526
Certificates of deposit issued (note (d))	1,480	–
Certificates of interbank deposit issued (note (e))	904,546	645,179
Convertible corporate bonds (note (f))	16,439	15,659
	1,244,706	968,531
Accrued interest	5,619	5,327
	1,250,325	973,858
Analysed by remaining maturity:		
– Within 1 year or on demand	927,411	668,965
– Between 1 and 2 years	57,260	22,547
– Between 2 and 5 years	73,257	116,344
– Over 5 years	186,778	160,675
	1,244,706	968,531
Accrued interest	5,619	5,327
	1,250,325	973,858

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2021 (2020: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
The Company (note (i))	57,399	67,149
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	40,165	39,165
CITIC Telecom International (note (iii))	3,500	3,496
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(iv))	1,712	3,149
	102,776	112,959

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) Details of corporate bonds issued by the Company

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US\$ Notes1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes21	US\$	200	2018-04-18	2048-04-18	5.07%
US\$ Notes22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes23	US\$	700	2020-02-25	2030-02-25	2.85%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 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 2020		
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US\$ Notes2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes21	US\$	200	2018-04-18	2048-04-18	5.07%
US\$ Notes22	US\$	300	2020-02-25	2025-02-25	2.45%
US\$ Notes23	US\$	700	2020-02-25	2030-02-25	2.85%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	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%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(iii) Details of corporate bonds issued by CITIC Telecom International

	As at 31 December 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%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

(iv) Details of corporate bonds issued by CITIC Pacific's subsidiaries

	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%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
20 JLEPC SCP002	RMB	250	2020-04-13	2021-01-08	2.48%
20 JLEPC SCP003	RMB	200	2020-07-27	2021-04-03	3.00%
20 JLEPC SCP004	RMB	200	2020-08-26	2021-05-23	3.09%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
CITIC Corporation (note (i))	5,926	13,045
CITIC Bank (note (ii))	74,761	41,844
CITIC Offshore Helicopter Company Limited (note (iii))	372	360
CITIC Trust Co., Ltd. (note (iv))	16	4,959
	81,075	60,208

(i) Details of notes issued by CITIC Corporation

	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%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	Denominated currency	As at 31 December 2021				Interest rate per annum
		Face value in denominated currency million	Issue date	Maturity date		
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months Libor+1%	
	US\$	250	2017-12-14	2022-12-15	3.13%	
	RMB	30,000	2020-03-18	2023-03-18	2.75%	
	US\$	200	2021-02-02	2024-02-02	0.88%	
	US\$	350	2021-02-02	2026-02-02	1.25%	
	RMB	20,000	2021-06-10	2024-06-10	3.19%	
	US\$	500	2021-11-17	2024-11-17	1.75%	

	Denominated currency	As at 31 December 2020				Interest rate per annum
		Face value in denominated currency million	Issue date	Maturity date		
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months Libor+1%	
	US\$	250	2017-12-14	2022-12-15	3.13%	
	RMB	30,000	2020-03-18	2023-03-18	2.75%	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(iii) Details of notes issued by CITIC Offshore Helicopter Company Limited

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

(iv) Details of notes issued by CITIC Trust Co., Ltd.

	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

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US\$	5 (Offset 3.71)	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	HK\$	1,200	2020-01-16	2021-01-13	2.55%
Guaranteed notes	HK\$	930	2020-07-03	2021-07-01	2.55%
Guaranteed notes	US\$	80	2020-12-30	2021-04-23	3.79%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Fixed rate notes maturing		
– In February 2029 (note (i))	3,882	3,865
Fixed rate bonds maturing		
– In June 2027 (note (ii))	24,448	23,748
– In September 2028 (note (iii))	36,687	35,638
– In October 2028 (note (iv))	24,458	23,758
– In August 2030 (note (v))	48,915	47,517
	138,390	134,526

	Denominated currency	As at 31 December 2021				Interest rate per annum
		Face value in denominated currency million	Issue date	Maturity date		
(i) Subordinated Notes	US\$	500	2019-02-28	2029-02-28		4.63%
(ii) Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21		5.15%
(iii) Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13		4.96%
(iv) Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22		4.80%
(v) Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14		3.87%

	Denominated currency	As at 31 December 2020				Interest rate per annum
		Face value in denominated currency million	Issue date	Maturity date		
(i) Subordinated Notes	US\$	500	2019-02-28	2029-02-28		4.63%
(ii) Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21		5.15%
(iii) Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13		4.96%
(iv) Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22		4.80%
(v) Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14		3.87%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42 Debt instruments issued (Continued)

Notes (Continued):

(d) **Certificates of deposit issued**

These certificates of deposit were issued by CBI with interest rate of 3.25% per annum.

(e) **Certificates of interbank deposit issued**

As at 31 December 2021, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB739,557 million (approximately HK\$904,546 million) (31 December 2020: RMB543,008 million (approximately HK\$645,179 million)). The yield ranges from 2.60% to 3.18% per annum (31 December 2020: 1.50% to 3.36% per annum). The original expiry terms are between 1 month to 1 year (31 December 2020: between 1 month to 1 year).

(f) **Convertible corporate bonds**

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK\$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019. CITIC Corporation, as its parent company, has subscribed RMB26,388 million (HK\$30,890 million), 65.97% of the total corporate bonds, which is the same percentage of the Group's interest in CITIC Bank's common shares. The convertible bonds of CITIC Bank have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 31 December 2021, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,611 million (HK\$16,647 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43 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 2020	1,727	7,103	2,325	11,155
Exchange differences	157	499	153	809
Charge for the year	151	1,280	291	1,722
Payments made during the year	(3)	–	(38)	(41)
Business combination	–	–	1,527	1,527
At 31 December 2020	2,032	8,882	4,258	15,172
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

44 Share capital and reserves

(a) Share capital

As at 31 December 2021, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2020: 29,090,262,630).

(b) Share based payment

Share Option Plan

The CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011 which expires on 11 May 2021. Pursuant to the Plan 2011, the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK\$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The plan 2011 has been effective during the period from 12 May 2011 to 11 May 2021. From 1 January 2021 (the Financial Year 2021 starting date) to 11 May 2021 (the expiration date of Plan 2011), no share options were granted under the Plan 2011 (2020: Nil).

Other than the Plan 2000 and the Plan 2011, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

44 Share capital reserves (Continued)

(c) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK\$2,865.85 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2(j)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of investments in financial assets at FVOCI until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2(i)(i) and Note 2(f) respectively.

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(h).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with 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 2021 (31 December 2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

45 Movement of allowances for impairment losses

	For the year ended 31 December 2021				
	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 20)	271	12	–	4	287
Financial assets held under resale agreements (Note 25)	66	(11)	–	2	57
Account and bills receivables and other receivables (Note 22)	9,608	3,025	(520)	665	12,778
Loans and advances to customers and other parties (Note 26)	156,688	61,473	(78,898)	15,635	154,898
Investments in financial assets (Note 27)					
– 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 43)	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 24)	6,665	814	(104)	13	7,388
Interests in associates (Note 29)	5,972	567	(486)	25	6,078
Interests in joint ventures (Note 30)	1,676	–	(191)	4	1,489
Fixed assets (Note 31)	48,121	123	(122)	351	48,473
Intangible assets (Note 33)	16,741	3	(8)	32	16,768
Prepayments (Note 22)	79	9	(12)	2	78
Goodwill (Note 34)	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

45 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2020						
	At 1 January HK\$ million	Charge for the year HK\$ million	Write-offs/ transfer out HK\$ million	Assets classified as held for sale HK\$ million	Disposal of subsidiaries and 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 20)	249	10	–	–	12	271	
Financial assets held under resale agreements (Note 25)	53	10	–	–	3	66	
Account and bills receivables and other receivables (Note 22)	6,387	2,749	(117)	(21)	610	9,608	
Loans and advances to customers and other parties (Note 26)	134,428	79,477	(77,743)	–	20,526	156,688	
Investments in financial assets (Note 27)							
– Financial assets at amortised cost	8,649	8,486	(716)	–	1,005	17,424	
– Debt investments at FVOCI	1,820	1,186	–	–	142	3,148	
Credit commitments and guarantees provided (Note 43)	7,103	1,280	–	–	499	8,882	
Others (note(ii))	3,959	3,729	(3,875)	–	–	1,426	5,239
	162,648	96,927	(82,451)	(21)	24,223	201,326	
Allowances for impairment losses							
Inventories (Note 24)	6,690	18	(453)	(67)	477	6,665	
Interests in associates (Note 29)	6,735	1,470	(2,309)	–	76	5,972	
Interests in joint ventures (Note 30)	1,487	224	(45)	–	10	1,676	
Fixed assets (Note 31)	47,640	445	(39)	(16)	91	48,121	
Intangible assets (Note 33)	16,682	62	–	(5)	2	16,741	
Prepayments (Note 22)	76	1	(1)	–	3	79	
Goodwill (Note 34)	1,348	647	–	(3)	37	2,029	
Other assets	2,006	782	(558)	–	113	2,343	
	82,664	3,649	(3,405)	(91)	809	83,626	
	245,312	100,576	(85,856)	(112)	25,032	284,952	

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 2021

46 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	
	2021 HK\$ million	2020 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	16,787	16,797
With an original maturity of 1 year or above	48,616	42,173
	65,403	58,970
Credit card commitments	866,855	740,790
Acceptances	819,149	664,777
Letters of credit	262,913	148,767
Guarantees	157,615	143,619
	2,171,935	1,756,923

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46 Contingent liabilities and commitments (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Credit risk weighted amount on credit commitments	576,974	520,212

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	
	2021 HK\$ million	2020 HK\$ million
Redemption commitment for treasury bonds	3,974	3,780

As at 31 December 2021, the original maturities of these bonds vary from 1 to 5 years (31 December 2020: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding on a back-to-back basis for the early redemption of these bonds, which are redeemed by the holders through the Group, but will settle the principal and interest upon maturity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46 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	
	2021 HK\$ million	2020 HK\$ million
Related parties (note)	5,110	10,936
Third parties	3,743	2,063
	8,853	12,999

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	
	2021 HK\$ million	2020 HK\$ million
Related parties (note)	1,223	1,188
Third parties	–	242
	1,223	1,430

Note:

As at 31 December 2021, 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\$1,223 million) (31 December 2020: RMB1,000 million (approximately HK\$1,188 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 48.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46 Contingent liabilities and commitments (Continued)

(e) Outstanding litigation and disputes

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

- (i) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3(l).
- (ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3(k).

(f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Contracted for	33,917	27,075

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury business, off-balance sheet item and receivables arising from sale of goods and rendering of services.

The Group has standardised management on the entire credit business process including loan application, and its investigation approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the liquidation and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management level of the Group has been comprehensively improved.

In addition to the credit risk to the Group caused by credit assets, for treasury business, the Group manages the credit risk for treasury business through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

The Group is also confronted with credit risk resulting from receivables that arise from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL

The Group adopts the “ECL model” on its debt instruments which are classified as financial assets measured at amortised cost and at FVOCI, credit commitments and financial guarantees in accordance with the provisions of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for account and bills receivables and contract assets, regardless whether there is significant financing component or not. For other financial assets that are included in the measurement of ECL, the Group evaluates whether the credit risks of related financial assets have increased significantly since initial recognition. The “three-stage” impairment model is used to measure their loss allowances respectively to recognise ECL and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since its initial recognition will be classified as “stage 1” and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the ECL in the next 12 months, which represents the proportion of the ECL in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The ECL of financial instruments in stage 2 is measured based on the lifetime ECL.

Stage 3: If the financial instruments are credit-impaired after initial recognition, it will be moved to stage 3. The ECL of financial instruments in stage 3 is measured based on the lifetime ECL.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at the initial recognition. Loss allowances on these assets are the lifetime ECL.

The Group estimates the ECL in accordance with HKFRS 9, and the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(1) Significant increase in credit risk (Continued)

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) default probability of borrower/debtor increases; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

(2) Definition of default and credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower/debtor is in significant financial difficulties;
- The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc;
- The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;
- It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's expected credit loss calculation process.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(3) Inputs for measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default ("PD") represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of expected credit losses, including the probability of default and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. During the year 2021, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each asset portfolio.

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a yearly basis, and the impact of these economic variables on the PD and the EAD was determined by statistical regression analysis.

In addition to the base economic scenario, the Group determines the possible scenarios and their weighted by a combination of statistical analysis and expert judgment. The Group measures ECL as either a probability weighted 12 months ECL (stage 1) or a probability weight lifetime ECL (stage 2 and stage 3). These probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as industrial value added, total retail sales of consumer goods and the M2 money supply growth, etc. Due to COVID-19's impact on the macro economy, the Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum credit risk exposure of financial instruments for which allowance for impairment losses is recognised is as follows:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	713,003	748,278
Placements with banks and non-bank financial institutions	173,754	198,513
Trade and other receivables	147,586	135,276
Financial assets held under resale agreements	112,227	143,029
Loans and advances to customers and other parties	5,809,296	5,197,690
Investments in financial assets		
– At amortised cost	1,435,823	1,156,496
– Debt investments at FVOCI	793,188	860,255
Contract assets	13,407	13,619
Other financial assets	6,319	4,110
	9,204,603	8,457,266
Credit commitments and guarantees provided	2,180,788	1,769,922
Maximum credit risk exposure	11,385,391	10,227,188

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	
	2021 HK\$ million	2020 HK\$ million
Derivative financial instruments	27,958	47,804
Loans and advances to customers and other parties at FVPL	–	8,465
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	610,847	482,911
Maximum credit risk exposure	638,805	539,180

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses

The following table explains the changes in the gross carrying amount for loans and advances to customers and other parties for the year:

	For the year ended 31 December 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 (i))	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

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(141,769)	–	–	(141,769)
Net transfers into stage 2	–	26,540	–	26,540
Net transfers into stage 3	–	–	115,229	115,229
Net increase/(decrease) during the year (note (i))	685,958	(15,546)	(25,644)	644,768
Write offs	–	–	(77,743)	(77,743)
Others (note (ii))	282,091	6,377	5,494	293,962
Balance at 31 December 2020	5,129,703	128,923	95,282	5,353,908

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

The following table explains the changes in the gross carrying amount for investments in financial assets for the year:

	For the year ended 31 December 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

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	1,727,835	12,932	10,836	1,751,603
Movements:				
Net transfers out from stage 1	(3,746)	–	–	(3,746)
Net transfers out from stage 2	–	(1,728)	–	(1,728)
Net transfers into stage 3	–	–	5,474	5,474
Net increase/(decrease) during the year (note (i))	151,198	(6,160)	16,860	161,898
Write offs	–	–	(716)	(716)
Others (note (ii))	118,921	507	2,000	121,428
Balance at 31 December 2020	1,994,208	5,551	34,454	2,034,213

Notes:

- (i) Net increase/(decrease) mainly includes changes in carrying amount due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.
- (ii) Others includes changes in interest accrual and exchange adjustment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 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

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	44,014	30,234	60,274	134,522
Movements (note (i)):				
Net transfers out from stage 1	(7,313)	–	–	(7,313)
Net transfers into stage 2	–	4,209	–	4,209
Net transfers into stage 3	–	–	50,841	50,841
Net increase/(decrease) during the year (note (ii))	12,037	(5,447)	(2,873)	3,717
Write offs	–	–	(77,743)	(77,743)
Parameters change for the year (note (iii))	186	8,653	19,165	28,004
Others (note (iv))	3,603	1,963	15,068	20,634
Balance at 31 December 2020	52,527	39,612	64,732	156,871

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 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/(decrease) 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

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	5,698	518	4,274	10,490
Movements (note (i)):				
Net transfers out from stage 1	(61)	–	–	(61)
Net transfers out from stage 2	–	(30)	–	(30)
Net transfers into stage 3	–	–	1,580	1,580
Net increase/(decrease) during the year (note (ii))	295	(280)	4,411	4,426
Write offs	–	–	(716)	(716)
Parameters change for the year (note (iii))	(77)	406	3,428	3,757
Others (note (iv))	345	41	778	1,164
Balance at 31 December 2020	6,200	655	13,755	20,610

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Notes:

- (i) Movements mainly includes the impacts to ECL due to changes in stages.
- (ii) Net increase/(decrease) mainly includes changes in allowance of impairment due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.
- (iii) Parameters change mainly includes the impacts to ECL due to unwind of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.
- (iv) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2021		Loans and advances secured by collateral		2020	
	Gross balance HK\$ million	%	HK\$ million	Gross balance HK\$ million	%	HK\$ million
Corporate loans						
– Real estate	354,659	6%	309,106	346,701	6%	294,392
– Manufacturing	419,048	7%	193,150	389,283	7%	182,953
– Rental and business services	562,752	9%	233,393	492,938	9%	237,558
– Wholesale and retail	202,827	3%	117,848	188,866	3%	125,297
– Water, environment and public utility management	467,708	8%	171,333	404,887	8%	161,041
– Transportation, storage and postal services	176,216	3%	100,559	160,123	3%	87,862
– Construction	131,142	2%	75,948	119,077	2%	65,382
– Production and supply of electric power, gas and water	103,947	2%	54,444	102,817	2%	50,739
– Public management and social organisations	9,858	1%	4,033	13,130	1%	914
– Others	426,093	7%	135,270	380,953	7%	142,282
	2,854,250	48%	1,395,084	2,598,775	48%	1,348,420
Personal loans	2,523,024	42%	1,671,869	2,254,861	42%	1,546,447
Discounted bills	570,110	9%	–	493,555	9%	–
	5,947,384	99%	3,066,953	5,347,191	99%	2,894,867
Accrued interest	16,181	1%	–	15,182	1%	–
	5,963,565	100%	3,066,953	5,362,373	100%	2,894,867

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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					
	2021		Loans and advances secured by collateral HK\$ million	2020		Loans and advances secured by collateral HK\$ million
	Gross balance HK\$ million	%		Gross balance HK\$ million	%	
Mainland China	5,694,343	95%	2,958,739	5,121,823	95%	2,793,815
Hong Kong, Macau and Taiwan	218,528	3%	96,407	218,309	3%	98,355
Overseas	34,513	1%	11,807	7,059	1%	2,697
	5,947,384	99%	3,066,953	5,347,191	99%	2,894,867
Accrued interest	16,181	1%	–	15,182	1%	–
	5,963,565	100%	3,066,953	5,362,373	100%	2,894,867

(v) Loans and advances to customers and other parties analysed by type of security

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Unsecured loans	1,582,817	1,337,609
Guaranteed loans	727,504	621,160
Secured loans		
– Loans secured by collateral	2,395,469	2,353,265
– Pledged loans	671,484	541,602
	5,377,274	4,853,636
Discounted bills	570,110	493,555
	5,947,384	5,347,191
Accrued interest	16,181	15,182
Gross loans and advances	5,963,565	5,362,373

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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			
	2021		2020	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances	19,792	0.33%	26,175	0.49%
– Rescheduled loans and advances overdue more than 3 months	7,088	0.12%	16,841	0.31%

(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 2021, 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 2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 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

	As at 31 December 2020					
	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	373,894	3,432,386	2,291,302	2,071,776	873,982	9,043,340
Total financial liabilities	(3,715,743)	(3,580,295)	(1,127,948)	(174,575)	(6,284)	(8,604,845)
Financial asset-liability surplus/(gap)	(3,341,849)	(147,909)	1,163,354	1,897,201	867,698	438,495

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 2021						Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)		
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	

	As at 31 December 2020						Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	No fixed maturity date HK\$ million (note)		
Total financial assets	373,894	3,667,998	2,835,210	2,849,358	890,571	10,617,031	
Total financial liabilities	(3,715,743)	(3,692,094)	(1,266,874)	(210,377)	(6,385)	(8,891,473)	
Financial asset-liability surplus/(gap)	(3,341,849)	(24,096)	1,568,336	2,638,981	884,186	1,725,558	

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 indefinite maturity date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2021			
	Between		More than	
	Within 1 year HK\$ million	1 and 5 years HK\$ million	5 years HK\$ million	Total 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

	As at 31 December 2020			
	Between		More than	
	Within 1 year HK\$ million	1 and 5 years HK\$ million	5 years HK\$ million	Total HK\$ million
Loan commitments	5,636	15,809	37,525	58,970
Guarantees	86,219	56,372	1,028	143,619
Letters of credit	148,465	302	–	148,767
Acceptances	664,777	–	–	664,777
Credit card commitments	733,483	7,270	37	740,790
Total	1,638,580	79,753	38,590	1,756,923

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 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

	As at 31 December 2020				
	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	565,468	6,656,828	1,339,046	481,998	9,043,340
Total financial liabilities	(223,547)	(7,096,556)	(1,075,224)	(209,518)	(8,604,845)
Financial asset-liability surplus/(gap)	341,921	(439,728)	263,822	272,480	438,495

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2021 Effective interest rate	HK\$ million	2020 Effective interest rate	HK\$ million
Assets				
Cash and deposits	1.49%-1.94%	720,235	1.51%-2.19%	755,386
Placements with banks and non-bank financial institutions	1.90%	173,754	1.90%	198,513
Financial assets held under resale agreements	1.96%	112,227	1.62%	143,029
Loans and advances to customers and other parties	5.31%	5,809,296	5.31%	5,206,155
Investments in financial assets	3.11%-3.71%	2,906,862	3.22%-4.00%	2,553,067
Others	-	963,147	-	884,678
		10,685,521		9,740,828
Liabilities				
Borrowing from central banks	3.00%	231,479	3.25%	266,611
Deposits from banks and non-bank financial institutions	2.45%	1,422,328	2.36%	1,370,439
Placements from banks and non-bank financial institutions	2.39%	107,799	2.39%	74,308
Financial assets sold under repurchase agreements	2.17%	122,452	2.03%	94,774
Deposits from customers	2.10%	5,852,701	2.10%	5,427,694
Bank and other loans	0.85%-8.00%	145,362	0.85%-8.00%	163,604
Debt instruments issued	2.45%-6.90%	1,250,325	2.45%-6.90%	973,858
Lease liabilities	2.46%-6.00%	20,762	2.20%-6.00%	18,267
Others	-	366,723	-	342,631
		9,519,931		8,732,186

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 2021, 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\$8,540 million (31 December 2020: decrease or increase by HK\$5,161 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 2021

47 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 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

	As at 31 December 2020				
	HK\$	US\$	RMB	Others	Total
Total financial assets	194,230	442,334	8,340,808	65,968	9,043,340
Total financial liabilities	(270,868)	(482,330)	(7,798,994)	(52,653)	(8,604,845)
Financial asset-liability surplus/(gap)	(76,638)	(39,996)	541,814	13,315	438,495

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, a 100 basis points strengthening or weakening of HK\$ against US\$, RMB and other currencies as at 31 December 2021 would decrease or increase the Group's total comprehensive income before taxation by HK\$5,669 million (31 December 2020: decrease or increase by HK\$5,107 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK\$; (2) the exchange rates against HK\$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2021				Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 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)	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2020			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Assets				
Bills receivables at FVOCI	1,235	15,925	–	17,160
Loans and advances to customers and other parties at FVOCI	–	488,811	–	488,811
Loans and advances to customers and other parties at FVPL	–	–	8,465	8,465
Derivative financial assets	107	47,666	31	47,804
Investments in financial assets	123,444	1,207,733	65,394	1,396,571
	124,786	1,760,135	73,890	1,958,811
Liabilities				
Financial liabilities at FVPL	(292)	(6,793)	(5,338)	(12,423)
Derivative financial liabilities	(372)	(49,436)	–	(49,808)
	(664)	(56,229)	(5,338)	(62,231)

For the year ended 31 December 2021, there were no significant transfers between instruments in different levels (2020: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 2021					
	Assets			Liabilities		
	Loans and advances to customers and other parties at FVPL HK\$ million	Derivatives financial assets HK\$ million	Investments in financial assets HK\$ million	Total HK\$ million	Financial liabilities at fair value through profit or loss HK\$ million	Total 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)

	For the year ended 31 December 2020					
	Assets			Liabilities		
	Loans and advances to customers and other parties at FVPL HK\$ million	Derivatives financial assets HK\$ million	Investments in financial assets HK\$ million	Total HK\$ million	Financial liabilities at fair value through profit or loss HK\$ million	Total HK\$ million
At 1 January 2020	7,719	352	78,681	86,752	(1,045)	(1,045)
Total (losses)/gains:	–	(321)	1,129	808	40	40
– in profit or loss	–	–	(320)	(320)	40	40
– in other comprehensive (losses)/income	–	(321)	1,449	1,128	–	–
Net settlements	746	–	(14,416)	(13,670)	(4,333)	(4,333)
At 31 December 2020	8,465	31	65,394	73,890	(5,338)	(5,338)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 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 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 2021

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(ii) Fair value of other financial instruments (carried at other than fair value) (Continued)

	As at 31 December 2020				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,156,496	1,143,875	10,132	821,002	312,741
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	114,829	110,436	68,086	42,350	–
– Notes issued	61,352	61,352	–	55,953	5,399
– Subordinated bonds issued	136,730	137,980	4,188	133,792	–
– Certificates of interbank deposit issued	645,180	637,978	–	637,978	–
– Convertible corporate bonds issued	15,767	18,320	–	–	18,320
	973,858	966,066	72,274	870,073	23,719

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Investments in financial assets and financial liabilities

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), financial assets held for investment if there is an active market. If an active market does not exist for financial assets held for investment, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48 Material related parties

(a) Relationship of related parties

- (i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.
- (ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2021			
	Holding		Associates	
	Parent	company's	and joint	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 2021

48 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

	For the year ended 31 December 2020			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Sales of goods	–	89	598	687
Purchase of goods	–	218	4,468	4,686
Interest income (note (2))	–	142	861	1,003
Interest expenses	148	699	994	1,841
Fee and commission income	17	16	363	396
Fee and commission expenses	–	–	201	201
Income from other services	–	166	125	291
Expenses for other services	–	283	1,021	1,304
Interest income from deposits and receivables	–	–	468	468
Other operating expenses	58	42	310	410

Notes:

- (1) These above transactions with related parties were conducted under the normal commercial terms.
- (2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.
- (3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties

	As at 31 December 2021				Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures 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 to the Consolidated Financial Statements

For the year ended 31 December 2021

48 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	As at 31 December 2020			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Trade and other receivables	74	1,202	3,505	4,781
Loans and advances to customers and other parties (note (2))	–	3,328	7,930	11,258
Cash and deposits	–	–	23,169	23,169
Derivative financial instruments and other assets	95	5	699	799
Investments in financial assets				
– Financial assets at FVPL	–	–	28,842	28,842
– Financial assets at amortised cost	–	–	1,210	1,210
Trade and other payables	254	12,082	1,404	13,740
Deposits from customers	13,294	7,995	21,124	42,413
Deposits from bank and non-bank financial institutions	–	–	43,613	43,613
Derivative financial instruments and other liabilities	–	–	8	8
Bank and other loans	2,727	24,786	–	27,513
Off-balance sheet items				
Guarantees provided (note (3))	–	–	10,936	10,936

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 2021

48 Material related parties (Continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 48 (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 2021, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK\$8.79 million (2020: HK\$6.87 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49 Structured entities

- (a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

- (b) Structured entities in which the Group holds an interest

The Group holds an interest in some structured entities through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

Carrying amount	As at 31 December 2021					
	Investments in financial assets					
	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	Total HK\$ million	Maximum loss exposure 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 2021

49 Structured entities (Continued)

(b) Structured entities in which the Group holds an interest (Continued)

Carrying amount	As at 31 December 2020					
	Investments in financial assets					
	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	Total HK\$ million	Maximum loss HK\$ million
Wealth management products	-	1,476	-	-	1,476	1,476
Investment management products managed by securities companies	83,946	3,338	40,751	-	128,035	128,035
Trust investment plans	231,843	3,960	-	-	235,803	235,803
Asset-backed securities	103,741	1,942	231,040	-	336,723	336,723
Investment funds	-	367,787	-	384	368,171	368,171
Investments in creditor's rights on assets	96	-	-	-	96	96
Total	419,626	378,503	271,791	384	1,070,304	1,070,304

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49 Structured entities (Continued)

- (c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Wealth management products and trust plans

As at 31 December 2021, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK\$2,971,161 million (31 December 2020: HK\$2,978,464 million).

As at 31 December 2021, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted HK\$24,461 million (31 December 2020: HK\$21,980 million). During the year ended 31 December 2021, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was HK\$72,713 million (2020: HK\$68,620 million). These transactions were conducted under normal business terms and conditions.

During the year ended 31 December 2021, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$15,831 million (2020: HK\$8,644 million); interest income of HK\$1,104 million (2020: HK\$1,381 million). The amount of interest expenses was HK\$684 million (2020: HK\$798 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2021, 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, and part of the wealth management investment assets from non-consolidated wealth management products to the balance sheet are included in financial investments at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49 Structured entities (Continued)

(d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 39. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2021 totally HK\$66,277 million (2020: HK\$61,973 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 2(i) and Note 3.

During the year ended 31 December 2021, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK\$58,228 million (2020: HK\$35,982 million). HK\$46,241 million of this balance (2020: HK\$14,097 million) was in respect of performing loans and the Group concluded that HK\$41,997 million qualified for de-recognition and HK\$4,244 recognised as other assets and other liabilities arising from continuing involvement (2020: full de-recognition).

Loan transfers

During the year ended 31 December 2021, the Group also through other types of transactions transferred loans of book value before impairment of HK\$8,049 million (2020: HK\$25,991 million). Non among them are transfer of normal loans (2020: all of the HK\$1,979 million are normal loans), HK\$8,049 million are non-performing loans (2020: all of the HK\$24,012 million are non-performing loans). The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that these transferred assets qualified for full de-recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Cash	7,232	7,108
Bank deposits on demand	32,636	44,769
Surplus deposit reserve funds	80,199	67,975
Investments in debt securities with original maturities of three months or less	91,931	89,193
Deposits with banks and non-bank financial institutions due within three months	88,828	132,899
Placements with banks and non-bank financial institutions due within three months	56,789	110,758
Cash and cash equivalents in the consolidated cash flow statement	357,615	452,702

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Total assets	4,675	34,779
Total liabilities	(3,654)	(25,537)
Non-controlling interests	(48)	(4,787)
Net assets disposed	973	4,455
Total consideration	82	6,367
Release of other comprehensive income/(loss) relating to interests in disposed subsidiaries	1	(124)
Remeasurement at fair value of retained interest in former subsidiaries	912	1,737
Gains on disposal/deemed disposal of subsidiaries	22	3,525
Net cash (outflow)/inflow is determined as follows:		
Cash proceeds (paid)/received		
– Proceeds from the above disposal of subsidiaries	82	4,857
– Collection of receivables from previous disposal of subsidiaries	50	3,143
Less: cash and cash equivalents disposed	(374)	(1,554)
	(242)	6,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50 Supplementary information to the consolidated cash flow statement

(Continued)

(c) Reconciliation of financing liabilities

	For the year ended 31 December				
	Debt				
	Bank and other loans HK\$ million	instruments issued HK\$ million	Interest expense HK\$ million	Lease liabilities HK\$ million	Total HK\$ million
At 31 December 2019	150,678	818,029	6,569	17,435	992,711
Cash flows	1,852	99,634	(36,566)	(6,150)	58,770
(Disposal of subsidiaries)/business combination	9,585	–	–	159	9,744
Foreign exchange adjustments	1,437	50,806	1,573	2,661	56,477
Other non-cash movements	(381)	62	34,184	4,162	38,027
At 31 December 2020	163,171	968,531	5,760	18,267	1,155,729
Cash flows	(18,709)	251,101	(41,084)	(5,978)	185,330
(Disposal of subsidiaries)/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

(d) Issue and redemption of other equity instruments by subsidiaries

In 2021, redemption of other equity instruments by subsidiaries was from CITIC Bank, a subsidiary of the Group, which redeemed RMB3,324 million (approximately HK\$4,003 million) undated capital bonds (In 2020, redemption of other equity instruments by subsidiaries was from CITIC Envirotech Ltd., a subsidiary of the Group, which redeemed SGD236 million (approximately HK\$1,295 million)).

In 2021, issuance of other equity instruments by subsidiaries was from CITIC Bank, a subsidiary of the Group, which issued RMB43,852 million (approximately HK\$52,813 million) undated capital bonds (2020: None).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

51 Major transactions with non-controlling interests

Private placement of subsidiaries

On September 9, 2021, CITIC Offshore Helicopter Co., Ltd. ("CITIC Offshore") completed a non-public offering of 169,699,717 ordinary shares, of which 65,555,001 shares were subscribed by CITIC Investment Holdings Limited, a wholly-owned subsidiary of the Group, and the remaining shares were subscribed by non-controlling shareholders. After the completion of the above transactions, the Group's shareholding in CITIC Offshore increased from 19.71% to 23.85%. The group recognised an increase of HK\$827 million in non-controlling interests and a decrease in equity attributable to owners of the Company by HK\$26 million.

The effect of changes in the ownership interest of CITIC Offshore on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2021
Consideration paid by non-controlling shareholders	801
Shares of net assets acquired by non-controlling shareholders	(827)
Net assets acquired by non-controlling shareholders excess the consideration paid recognised within equity	(26)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

52 Balance sheet and reserve movement of the Company

	As at 31 December	
	2021 HK\$ million	2020 HK\$ million
Non-current assets		
Fixed assets	2	4
Intangible assets	–	1
Interests in subsidiaries	456,239	453,937
Interests in associates	6,922	–
Interests in joint ventures	35	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	3,773	3,887
	466,971	457,864
Current assets		
Amounts due from subsidiaries	69,747	65,460
Trade and other receivables	14	45
Cash and deposits	2,609	12,890
	72,370	78,395
Total assets	539,341	536,259
Current liabilities		
Bank and other loans	12,405	23,626
Amounts due to subsidiaries and other related parties	12,205	12,153
Trade and other payables	301	55
Derivative financial instruments	–	17
Income tax payable	1,391	1,048
Debt instruments issued	5,141	9,843
	31,443	46,742
Non-current liabilities		
Long term borrowings	54,802	31,355
Debt instruments issued	53,071	58,242
Derivative financial instruments	628	979
	108,501	90,576
Total liabilities	139,944	137,318
Equity		
Share capital	381,710	381,710
Reserves	17,687	17,231
Total ordinary shareholders' funds	399,397	398,941
Total liabilities and equity	539,341	536,259

The balance sheet of the Company was approved and authorised for issue by the board of directors on 31 March 2022.

Director: Zhu Hexin

Director: Xi Guohua

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

52 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Share capital HK\$ million (Note 44(a))	Capital reserve HK\$ million (Note 44(c)(i))	Hedging reserve HK\$ million (Note 44(c)(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 loss 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
	Share capital HK\$ million (Note 44(a))	Capital reserve HK\$ million (Note 44(c)(i))	Hedging reserve HK\$ million (Note 44(c)(ii))	Retained earnings HK\$ million	Total HK\$ million
At 31 December 2019	381,710	630	(824)	11,155	392,671
Cash flow hedges:					
– Fair value loss during the year	–	–	(189)	–	(189)
– Transfer to net finance charges	–	–	12	–	12
	–	–	(177)	–	(177)
Profit attributable to shareholders of the Company	–	–	–	17,647	17,647
Dividends paid to ordinary shareholders of the Company	–	–	–	(11,200)	(11,200)
At 31 December 2020	381,710	630	(1,001)	17,602	398,941

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

53 Post balance sheet events

(a) Subscriptions under the rights issue of CITIC Securities

CITIC Securities announced a rights issue of its share on 13 January 2022. As at 4 March 2022, the Company has subscribed for and been allotted an aggregate of 58,311,604 H Rights Shares (including 56,400,000 H Rights Shares provisionally allotted to the Company under the H Share Rights Issue, and 1,911,604 excess H Rights Shares under the H Rights Shares Excess Application), and CITIC Corporation has subscribed for and been allotted 299,954,362 A Rights Shares.

After the subscription and allotment, the interest that the Group holds in CITIC Securities increased from 18.38% to 18.45%.

(b) Insurance of notes

On 17 February 2022, the Company issued US\$700 million of 2.875% note due 2027 and US\$300 million of 3.50% note due 2032 (together, the "notes") under the US\$9,000,000,000 Medium Term Note Programme (the "Programme"). Application has been made to and approved by The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Notes issued under the Programme as described in the offering circular dated 20 December 2021 prepared in respect of the Programme and the pricing supplements dated 10 February 2022 prepared in respect of the Notes. The Notes will be offered to professional investors only.

54 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

55 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 2021 and which have not been early adopted in these consolidated financial statements.

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁽¹⁾
HKAS 16 (Amendments)	Property, Plant and Equipment ⁽²⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽²⁾
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ⁽²⁾
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018 – 2020 ⁽²⁾
Accounting Guideline 5	Merger Accounting for Common Control Combinations ⁽²⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽³⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽³⁾
HKFRS 17	Insurance Contracts ⁽³⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽³⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽³⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽³⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁴⁾

(1) Effective for the annual periods beginning on or after 1 April 2021.

(2) Effective for the annual periods beginning on or after 1 January 2022.

(3) Effective for the annual periods beginning on or after 1 January 2023.

(4) 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 2021

56 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.) 中信泰富特钢集团股份有限公司 (前稱大冶特殊鋼股份有限公司)	Mainland China/Stock limited company (listed)	Special steel production	2,968,907,902	83.85%	0%	83.85%
Dah Chong Hong Holdings Limited (Note (a)) 大昌行集團有限公司(Note (a))	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100.00%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong (listed)	Telecom services	3,664,616,882	57.82%	0%	57.82%
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	48,934,838,569	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Banking industry	7,502,832,116	65.97%	0%	100%

Note (a): The listing of Dah Chong Hong Holdings Limited's shares on the Hong Kong Stock Exchange was withdrawn on 10 January 2020. Dah Chong Hong Holdings Limited is held by the Group's wholly owned subsidiary CITIC Pacific Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

56 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 Trust Co., Ltd. 中信信託有限責任公司	Mainland China/ Limited liability	Trust services	N/A	100%	0%	100%
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 and Construction Company Limited 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 Asset Operation Co., Ltd. 中信資產運營有限公司	Mainland China/ Limited liability	Real estate management	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China/ Limited liability	Real estate management	N/A	100%	0%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

56 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 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 service	N/A	100%	0%	100%
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 Zhonghaiwei 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%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China/ Limited liability	Service	N/A	100%	0%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

56 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	10,954,085,035	10.01%	0%	10.01%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China/Stock limited company (listed)	Securities related services	12,926,776,029	18.38%	2.91%	15.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,205,894,118	26.01%	0%	26.01%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
中船置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%
上海瑞博置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%

Independent Auditor's Report

For the year ended 31 December 2021



羅兵咸永道

Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 194 to 387, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Independent Auditor's Report

For the year ended 31 December 2021

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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

For the year ended 31 December 2021

Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank

Refer to Note 2(i), Note 3, Note 26 and Note 27 to the consolidated financial statements.

As at 31 December 2021, 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 RMB4,869.03 billion (approximately HK\$5,955.28 billion), for which management recognised an impairment allowance of RMB121.71 billion (approximately HK\$148.86 billion); total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,848.81 billion (approximately HK\$2,261.27 billion), for which management recognised an impairment allowance of RMB29.11 billion (approximately HK\$35.61 billion).

The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under HKFRS 9: Financial Instruments expected credit losses models.

How our audit addressed the Key Audit Matter

We understood and evaluated management's key 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 key 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

For the year ended 31 December 2021

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, management assesses impairment allowance using both risk parameter model and discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or 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

For the year ended 31 December 2021

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) <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p>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.</p>

Independent Auditor's Report

For the year ended 31 December 2021

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)

CITIC Bank established governance processes and controls for the measurement of ECL.

The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

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 and other available information 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 our procedures performed, 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 available evidence.

Independent Auditor's Report

For the year ended 31 December 2021

Key Audit Matter

Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank

Refer to Note 2(e), Note 3, Note 27 and Note 49 to the consolidated financial statements.

As at 31 December 2021, non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 27(a) and Note 49(c) respectively.

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.

How our audit addressed the Key Audit Matter

We evaluated and tested the design and operating effectiveness of management's relevant key 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 were supportable by the evidence obtained and procedures performed.

Independent Auditor's Report

For the year ended 31 December 2021

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of the Sino Iron Project

Refer to Note 3 and Note 9 to the consolidated financial statements.

An impairment indication assessment was undertaken on the Sino Iron Project ("the Project") by management as at 31 December 2021. As a result, management has determined that no further impairment indication existed for the Project as at 31 December 2021.

In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2021, including:

- The production profile of the Project (mainly including ore grades, operating cost and production output);
- Forward iron ore prices;
- The risk-free borrowing rates;
- Foreign exchange rates, particularly between Australian and United States dollars.

As the impairment indication assessment involves significant judgements, we regard this as a key audit matter.

In evaluating management's impairment indication assessment of the Project, we undertook the following procedures:

- Assessed whether management's impairment indication assessment is in accordance with the requirements of accounting standards including consideration of both external and internal sources of information;
- Evaluated whether there were significant adverse changes in the economic environment impacting the Project by considering movements in forward consensus iron ore prices, exchange rates and risk-free borrowing rates;
- Considered budget vs actual performance during the last 12 months to evaluate whether economic performance of the asset is, or will be, worse than expected;
- Held discussions with management and external legal counsels to understand key changes to long term planning estimates or assumptions and implications of outstanding litigations related to the Project, and evaluated their potential impact on forecast cash flows.

Based on the above procedures, we found the judgements made by management to be reasonable and consistent with the audit evidence we obtained.

Independent Auditor's Report

For the year ended 31 December 2021

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

For the year ended 31 December 2021

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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

For the year ended 31 December 2021

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

Corporate Information

Registered Office

32nd Floor, CITIC Tower
 1 Tim Mei Avenue
 Central, Hong Kong
 Telephone: +852 2820 2111
 Fax: +852 2877 2771

Beijing Office

CITIC Tower, No. 10 Guanghua Lu
 Chaoyang District
 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 Depository Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact CITIC Limited's Share Registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact CITIC Limited 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>	9 June 2022 to 14 June 2022 (both days inclusive)
Closure of Register: <i>(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)</i>	20 June 2022 to 22 June 2022 (both days inclusive)
Annual General Meeting:	14 June 2022 Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place, 88 Queensway Hong Kong
Dividend payment:	8 August 2022

Annual Report 2021

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

Registered Office

32nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Tel +852 2820 2111
Fax +852 2877 2771

www.citic.com

