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CITIC Limited

中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholders,

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

LEVERAGING OUR UNIQUE ADVANTAGES AS A CENTRAL STATE-OWNED ENTERPRISE TO STRENGTHEN THE FOUNDATION FOR HIGH-QUALITY DEVELOPMENT

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

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

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

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

FOCUSING ON “THREE TASKS” TO CONSOLIDATE AND STRENGTHEN OUR LEADING POSITION IN COMPREHENSIVE FINANCIAL SERVICES

The comprehensive financial services segment focused on serving the real economy, preventing and controlling financial risks and deepening financial reform. At the same time, the businesses in the segment have applied their political and people-oriented nature, firmly committed to the implementation of the country’s financial development with Chinese characteristics. In taking up these responsibilities, we have achieved outstanding results. CITIC Financial Holdings completed the application process for its establishment and has successfully commenced operations, contributing to CITIC having a more complete set of financial licences and solidifying the competitive advantages of the company’s comprehensive financial services. Overall, the segment’s role as both the “ballast stone” and “propeller” has become more apparent.

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

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

Transforming and upgrading amid deepening financial reform: Acting as a front runner, CITIC responded promptly to the requirements of the government’s reform of financial holding companies in China. We designed a practical and realistic plan, effectively taking the lead in establishing a true Chinese financial holding company. Now the dream of establishing a financial holding company, relentlessly pursued by generations of CITIC people, has finally been realised. CITIC Financial Holdings had a strong beginning and has preliminarily put in place corporate governance, comprehensive risk management, financial and capital management and wealth management systems with financial holding company characteristics, which are accelerating the transformation and enhancement of CITIC’s overall financial operations. We are confident that this will further strengthen the role of our financial business as the “ballast stone” and lead the segment to become the primary engine driving the

company's high-quality development. At the same time, we are actively promoting internal reform. By consolidating CITIC Securities into CITIC's consolidated financial accounts, we are helping CITIC Securities accelerate towards its goal of benchmarking world-class investment banks.

UPHOLDING THE COUNTRY'S MOST FUNDAMENTAL INTERESTS AND DEVELOPING INDUSTRIES WITH STRENGTH AND QUALITY

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

Committed to serving major national projects: CITIC Heavy Industries has supported 15 successful consecutive launches of the Shenzhou spacecraft. Leveraging CITIC's expertise and competitive advantages, CITIC Construction successfully constructed and operated the Chongli Prince City Ice and Snow Town for the Beijing Winter Olympics, while CITIC Offshore Helicopter provided helicopter medical rescue support and AsiaSat offered event broadcasting services. CITIC Offshore Helicopter also successfully supported China's 38th Antarctic scientific research flight mission.

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

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

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

improvement in operating performance. CITIC Press maintained its leading position in its market, securing the largest market share in the business management and social sciences categories.

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

SYSTEMATICALLY PROMOTING TECHNOLOGICAL INNOVATION AND ENHANCING ENDOGENOUS DEVELOPMENT MOMENTUM

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

FULFILLING SOCIAL RESPONSIBILITIES AND DEMONSTRATING GOOD CORPORATE CITIZENSHIP

Our approach to development is grounded in a deep sense of responsibility to society and we strive to integrate social responsibility into every aspect of our business. We have actively established and continually refine our ESG management system with the aim of integrating

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

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

Zhu Hexin

Chairman

Hong Kong, 31 March 2023

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | | For the year ended 31 December | |
|---|-------------|---|------------------------------|
| | <i>Note</i> | 2022 HK\$ million | 2021 HK\$ million |
| Interest income | | 384,322 | 371,808 |
| Interest expenses | | (201,025) | (189,835) |
| Net interest income | 4(a) | 183,297 | 181,973 |
| Fee and commission income | | 85,978 | 55,949 |
| Fee and commission expenses | | (10,069) | (6,229) |
| Net fee and commission income | 4(b) | 75,909 | 49,720 |
| Sales of goods and services | 4(c) | 466,823 | 452,163 |
| Other revenue | 4(d) | 45,104 | 25,080 |
| | | 511,927 | 477,243 |
| Total revenue | | 771,133 | 708,936 |
| Cost of sales and services | | (413,422) | (397,524) |
| Other net income | | 19,005 | 7,747 |
| Expected credit losses | | (91,905) | (103,094) |
| Impairment losses | | (8,822) | (1,704) |
| Other operating expenses | | (131,922) | (103,320) |
| Net valuation loss on investment properties | | (758) | (66) |
| Share of profits of associates, net of tax | | 7,554 | 12,787 |
| Share of profits of joint ventures, net of tax | | 5,312 | 4,776 |
| Profit before net finance charges and taxation | | 156,175 | 128,538 |
| Finance income | | 1,364 | 2,036 |
| Finance costs | | (9,700) | (9,433) |
| Net finance charges | 5 | (8,336) | (7,397) |
| Profit before taxation | 6 | 147,839 | 121,141 |
| Income tax | 7 | (24,828) | (20,863) |
| Profit for the year | | 123,011 | 100,278 |

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | | For the year ended | |
|--|-------------|----------------------------|---------------------|
| | | 31 December | |
| | | 2022 | 2021 |
| | <i>Note</i> | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Profit for the year | | <u>123,011</u> | <u>100,278</u> |
| Attributable to: | | | |
| – Ordinary shareholders of the Company | | 75,481 | 70,222 |
| – Non-controlling interests | | <u>47,530</u> | <u>30,056</u> |
| Profit for the year | | <u>123,011</u> | <u>100,278</u> |
| Earnings per share for profit attributable to ordinary shareholders of the Company during the year: | | | |
| Basic earnings per share (<i>HK\$</i>) | 9 | 2.59 | 2.41 |
| Diluted earnings per share (<i>HK\$</i>) | 9 | <u>2.59</u> | <u>2.41</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | For the year ended 31 December | |
|---|---|--------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Profit for the year | 123,011 | 100,278 |
| Other comprehensive (loss)/gain for the year | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Fair value changes on financial assets at fair value through other comprehensive income | (9,784) | 2,883 |
| Loss allowance on financial assets at fair value through other comprehensive income | 480 | 39 |
| Cash flow hedge: net movement in the hedging reserve | 1,272 | 869 |
| Share of other comprehensive (loss)/income of associates and joint ventures | (5,845) | 237 |
| Exchange differences on translation of financial statements and others | (115,936) | 29,142 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Revaluation gain on owner-occupied property reclassified as investment property | 27 | 245 |
| Fair value changes on investments in equity instruments designated at fair value through other comprehensive income | 258 | 444 |
| Other comprehensive (loss)/gain for the year | (129,528) | 33,859 |
| Total comprehensive (loss)/income for the year | (6,517) | 134,137 |
| Attributable to: | | |
| – Ordinary shareholders of the Company | 4,935 | 92,842 |
| – Non-controlling interests | (11,452) | 41,295 |
| Total comprehensive (loss)/income for the year | (6,517) | 134,137 |

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022**

| | | As at 31 December | |
|---------------------|---|-------------------|-------------------|
| | | 2022 | 2021 |
| Note | | HK\$ million | HK\$ million |
| Assets | | | |
| | Cash and deposits | 757,865 | 720,235 |
| | Cash held on behalf of customers | 275,083 | – |
| | Placements with banks and non-bank financial institutions | 243,324 | 173,754 |
| | Derivative financial instruments | 90,529 | 27,958 |
| | Trade and other receivables | 236,516 | 172,837 |
| | Contract assets | 21,837 | 13,407 |
| | Inventories | 122,079 | 113,403 |
| | Financial assets held under resale agreements | 51,175 | 112,227 |
| 10 | Loans and advances to customers and other parties | 5,645,252 | 5,809,296 |
| | Margin accounts | 119,758 | – |
| 11 | Investments in financial assets | | |
| | – Financial assets at amortised cost | 1,258,965 | 1,435,823 |
| | – Financial assets at fair value through profit or loss | 1,271,604 | 667,206 |
| | – Debt investments at fair value through other comprehensive income | 977,719 | 793,188 |
| | – Equity investments at fair value through other comprehensive income | 10,464 | 10,645 |
| | Refundable deposits | 77,421 | – |
| | Interests in associates | 116,856 | 154,181 |
| | Interests in joint ventures | 66,158 | 60,599 |
| | Fixed assets | 178,897 | 177,306 |
| | Investment properties | 39,638 | 40,006 |
| | Right-of-use assets | 46,145 | 38,503 |
| | Intangible assets | 18,716 | 18,404 |
| | Goodwill | 28,684 | 21,590 |
| | Deferred tax assets | 99,430 | 82,619 |
| | Other assets | 40,084 | 42,334 |
| Total assets | | 11,794,199 | 10,685,521 |

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

| | <i>Note</i> | As at 31 December | |
|--|-------------|--------------------------|---------------------|
| | | 2022 | 2021 |
| | | HK\$ million | HK\$ million |
| Liabilities | | | |
| Borrowing from central banks | | 133,690 | 231,479 |
| Deposits from banks and non-bank financial institutions | | 1,234,900 | 1,422,328 |
| Placements from banks and non-bank financial institutions | | 121,728 | 107,799 |
| Financial liabilities at fair value through profit or loss | | 106,177 | 5,685 |
| Customer brokerage deposits | | 312,337 | – |
| Funds payable to securities issuers | | 17,076 | – |
| Derivative financial instruments | | 81,043 | 30,043 |
| Trade and other payables | | 423,468 | 184,939 |
| Contract liabilities | | 33,132 | 33,488 |
| Financial assets sold under repurchase agreements | | 526,691 | 122,452 |
| Deposits from customers | 12 | 5,766,198 | 5,852,701 |
| Employee benefits payables | | 61,502 | 38,548 |
| Income tax payable | | 17,606 | 16,184 |
| Bank and other loans | 13 | 172,528 | 145,362 |
| Debt instruments issued | 14 | 1,323,385 | 1,250,325 |
| Lease liabilities | | 21,861 | 20,762 |
| Provisions | | 19,490 | 24,903 |
| Deferred tax liabilities | | 20,322 | 14,480 |
| Other liabilities | | 20,997 | 18,453 |
| Total liabilities | | 10,414,131 | 9,519,931 |
| Equity | | | |
| Share capital | | 381,710 | 381,710 |
| Reserves | | 355,541 | 369,697 |
| Total ordinary shareholders' funds | | 737,251 | 751,407 |
| Non-controlling interests | | 642,817 | 414,183 |
| Total equity | | 1,380,068 | 1,165,590 |
| Total liabilities and equity | | 11,794,199 | 10,685,521 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

CITIC Limited (the “Company”) was incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The address of its registered office is 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, new-type urbanisation.

The parent and the ultimate holding company of the Company is CITIC Group Corporation (“CITIC Group”). As at 31 December 2022, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2021: 58.13%).

2 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. The comparative disclosures have been presented consistently with current year’s financial statement.

The HKICPA has issued a number of amendments or interpretations to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group.

- (a) COVID-19-Related Rent Concessions beyond 30 June 2021 – HKFRS 16 (Amendments)
- (b) Property, Plant and Equipment: Proceeds before intended use – HKAS 16 (Amendments)
- (c) Reference to the Conceptual Framework – HKFRS 3 (Amendments)
- (d) Onerous Contracts – Cost of Fulfilling a Contract – HKAS 37 (Amendments)
- (e) Annual Improvements to HKFRS Standards 2018–2020
- (f) Merger Accounting for Common Control Combinations – Accounting Guideline 5

3 SEGMENT REPORTING

The Group has presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these five reportable segments are as follows:

- Comprehensive financial services: this segment includes banking, trust, asset management, securities and insurance services.
- Advanced intelligent manufacturing: this segment includes manufacturing of heavy machineries, specialised robotics, aluminium wheels and other products.
- Advanced materials: this segment include 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 urbanization: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, commercial aviation services, environmental services and others.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

| | For the year ended 31 December 2022 | | | | | | | |
|---|--|--|---------------------------------------|------------------------------------|--|---|-----------------------------|-----------------------|
| | Comprehensive financial services HK\$ million | Advanced intelligent manufacturing HK\$ million | Advanced materials HK\$ million | New consumption HK\$ million | New-type urbanization HK\$ million | Operation management HK\$ million | Elimination HK\$ million | Total HK\$ million |
| Revenue from external customers | 310,135 | 60,023 | 282,185 | 61,697 | 57,060 | 33 | – | 771,133 |
| Inter-segment revenue | 2,155 | 252 | 681 | 132 | 1,556 | 141 | (4,917) | – |
| Reportable segment revenue | 312,290 | 60,275 | 282,866 | 61,829 | 58,616 | 174 | (4,917) | 771,133 |
| Disaggregation of revenue: | | | | | | | | |
| – Net interest income (Note 4(a)) | 185,315 | – | – | – | – | 134 | (2,152) | 183,297 |
| – Net fee and commission income (Note 4(b)) | 75,962 | – | – | – | – | 5 | (58) | 75,909 |
| – Sales of goods (Note 4(c)) | 5,828 | 58,872 | 280,924 | 46,635 | 16,764 | – | (997) | 408,026 |
| – Services rendered to customers-construction contracts (Note 4(c)) | – | 516 | – | – | 24,880 | – | (864) | 24,532 |
| – Services rendered to customers-others (Note 4(c)) | – | 887 | 1,942 | 15,194 | 16,972 | 31 | (761) | 34,265 |
| – Other revenue (Note 4(d)) | 45,185 | – | – | – | – | 4 | (85) | 45,104 |
| Share of profits/(losses) of associates, net of tax | 3,150 | (7) | 1,557 | (108) | 2,924 | 38 | – | 7,554 |
| Share of profits/(losses) of joint ventures, net of tax | 1,347 | 60 | 1,060 | (11) | 2,802 | 54 | – | 5,312 |
| Finance income (Note 5) | – | 231 | 614 | 81 | 1,003 | 310 | (875) | 1,364 |
| Finance costs (Note 5) | – | (427) | (2,217) | (543) | (1,550) | (7,111) | 2,148 | (9,700) |
| Depreciation and amortisation (Note 6(b)) | (10,043) | (1,542) | (7,625) | (2,323) | (1,918) | (93) | – | (23,544) |
| Expected credit losses | (84,890) | (158) | (116) | (23) | (6,752) | 34 | – | (91,905) |
| Impairment losses | (297) | (236) | (432) | (679) | (7,133) | (45) | – | (8,822) |
| Profit before taxation | 121,004 | 1,559 | 20,114 | 1,940 | 1,379 | 2,862 | (1,019) | 147,839 |
| Income tax (Note 7) | (19,605) | (184) | (3,289) | (645) | (477) | (610) | (18) | (24,828) |
| Profit for the year | 101,399 | 1,375 | 16,825 | 1,295 | 902 | 2,252 | (1,037) | 123,011 |
| Attributable to: | | | | | | | | |
| – Ordinary shareholders of the Company | 55,803 | 618 | 15,127 | 619 | 2,095 | 2,256 | (1,037) | 75,481 |
| – Non-controlling interests | 45,596 | 757 | 1,698 | 676 | (1,193) | (4) | – | 47,530 |
| | As at 31 December 2022 | | | | | | | |
| | Comprehensive financial services HK\$ million | Advanced intelligent manufacturing HK\$ million | Advanced materials HK\$ million | New consumption HK\$ million | New-type urbanization HK\$ million | Operation management HK\$ million | Elimination HK\$ million | Total HK\$ million |
| Reportable segment assets | 11,159,455 | 65,999 | 262,199 | 62,016 | 371,368 | 57,288 | (184,126) | 11,794,199 |
| Including: | | | | | | | | |
| Interests in associates | 30,000 | 947 | 25,631 | 7,723 | 51,414 | 1,141 | – | 116,856 |
| Interests in joint ventures | 15,616 | 589 | 8,101 | 1,954 | 38,235 | 1,663 | – | 66,158 |
| Reportable segment liabilities | 9,990,801 | 44,675 | 117,952 | 27,668 | 170,967 | 227,565 | (165,497) | 10,414,131 |
| Including: | | | | | | | | |
| Bank and other loans (Note 13) (note) | 14,235 | 14,374 | 46,809 | 6,348 | 53,377 | 106,119 | (69,424) | 171,838 |
| Debt instruments issued (Note 14) (note) | 1,211,159 | – | 5,610 | 3,503 | – | 97,258 | (2,049) | 1,315,481 |

Note: The amount is the principal excluding interest accrued.

| | For the year ended 31 December 2021 | | | | | | | |
|---|--|--|---------------------------------------|------------------------------------|--|---|-----------------------------|-----------------------|
| | Comprehensive financial services HK\$ million | Advanced intelligent manufacturing HK\$ million | Advanced materials HK\$ million | New consumption HK\$ million | New-type urbanization HK\$ million | Operation management HK\$ million | Elimination HK\$ million | Total HK\$ million |
| Revenue from external customers | 256,760 | 47,694 | 282,422 | 65,564 | 56,366 | 130 | – | 708,936 |
| Inter-segment revenue | 635 | 137 | 356 | 120 | 848 | 101 | (2,197) | – |
| Reportable segment revenue | 257,395 | 47,831 | 282,778 | 65,684 | 57,214 | 231 | (2,197) | 708,936 |
| Disaggregation of revenue: | | | | | | | | |
| – Net interest income (Note 4(a)) | 182,527 | – | – | – | – | 101 | (655) | 181,973 |
| – Net fee and commission income (Note 4(b)) | 49,747 | – | – | – | – | 5 | (32) | 49,720 |
| – Sales of goods (Note 4(c)) | – | 46,929 | 279,775 | 50,937 | 8,185 | – | (476) | 385,350 |
| – Services rendered to customers-construction contracts (Note 4(c)) | – | 727 | – | – | 34,091 | – | (229) | 34,589 |
| – Services rendered to customers-others (Note 4(c)) | – | 175 | 3,003 | 14,747 | 14,938 | 102 | (741) | 32,224 |
| – Other revenue (Note 4(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 5) | – | 114 | 439 | 73 | 1,737 | 525 | (852) | 2,036 |
| Finance costs (Note 5) | – | (346) | (1,827) | (529) | (1,473) | (6,627) | 1,369 | (9,433) |
| Depreciation and amortisation (Note 6(b)) | (7,997) | (1,396) | (7,643) | (2,418) | (1,580) | (186) | – | (21,220) |
| Expected credit losses | (100,984) | (132) | (103) | (18) | (2,339) | 482 | – | (103,094) |
| Impairment losses | (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 7) | (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 |
| | As at 31 December 2021 | | | | | | | |
| | Comprehensive financial services HK\$ million | Advanced intelligent manufacturing HK\$ million | Advanced materials HK\$ million | New consumption HK\$ million | New-type urbanization HK\$ million | Operation management HK\$ million | Elimination HK\$ million | Total HK\$ million |
| Reportable segment assets | 10,050,873 | 67,326 | 272,756 | 65,563 | 352,488 | 115,523 | (239,008) | 10,685,521 |
| Including: | | | | | | | | |
| Interests in associates | 59,880 | 944 | 25,297 | 9,532 | 55,795 | 2,733 | – | 154,181 |
| Interests in joint ventures | 17,135 | 692 | 8,171 | 1,973 | 30,811 | 1,817 | – | 60,599 |
| Reportable segment liabilities | 9,153,238 | 45,128 | 134,216 | 27,977 | 161,069 | 232,018 | (233,715) | 9,519,931 |
| Including: | | | | | | | | |
| Bank and other loans (Note 13) (note) | 4,865 | 15,823 | 58,887 | 5,966 | 46,938 | 90,837 | (78,411) | 144,905 |
| Debt instruments issued (Note 14) (note) | 1,167,869 | – | 489 | 3,500 | 372 | 104,713 | (32,237) | 1,244,706 |

Note: The amount is the principal excluding interest accrued.

(b) Geographical information

An analysis of the Group's revenue and total assets by geographical area are as follows:

| | Revenue from external customers For the year ended 31 December | | Reportable segment assets As at 31 December | |
|--------------------------------|---|----------------------|--|----------------------|
| | 2022 HK\$ million | 2021 HK\$ million | 2022 HK\$ million | 2021 HK\$ million |
| Mainland China | 670,407 | 613,228 | 10,780,942 | 9,983,955 |
| Hong Kong, Macau and Taiwan | 46,384 | 45,698 | 662,510 | 555,357 |
| Overseas | 54,342 | 50,010 | 350,747 | 146,209 |
| | 771,133 | 708,936 | 11,794,199 | 10,685,521 |

4 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 4(a), 4(b) and 4(d)). For non-financial services segment, revenue mainly comprises income from sales of goods and services rendered to customers (Note 4(c)).

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

(a) Net interest income

| | For the year ended 31 December | |
|--|-----------------------------------|----------------------|
| | 2022 HK\$ million | 2021 HK\$ million |
| Interest income arising from(note): | | |
| Deposits with central banks, banks and non-bank financial institutions | 16,637 | 10,050 |
| Placements with banks and non-bank financial institutions | 7,382 | 5,384 |
| Financial assets held under resale agreements | 2,658 | 1,562 |
| Investments in financial assets | | |
| – Financial assets at amortised cost | 46,551 | 47,971 |
| – Debt investments at FVOCI | 22,798 | 24,310 |
| Loans and advances to customers and other parties | 280,416 | 282,523 |
| Margin financing and securities lending | 7,543 | – |
| Others | 337 | 8 |
| | 384,322 | 371,808 |

| | For the year ended | |
|---|---------------------------|-----------------------|
| | 31 December | |
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Interest expenses arising from: | | |
| Borrowing from central banks | (5,786) | (8,195) |
| Deposits from banks and non-bank financial institutions | (26,870) | (33,253) |
| Placements from banks and non-bank financial institutions | (3,919) | (3,094) |
| Financial assets sold under repurchase agreements | (5,825) | (2,024) |
| Deposits from customers | (119,531) | (111,149) |
| Debt instruments issued | (35,399) | (31,453) |
| Customer brokerage deposits | (1,515) | – |
| Lease liabilities | (608) | (545) |
| Others | (1,572) | (122) |
| | <u>(201,025)</u> | <u>(189,835)</u> |
| Net interest income | <u>183,297</u> | <u>181,973</u> |

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$537 million for the year ended 31 December 2022 (2021: HK\$610 million).

(b) Net fee and commission income

| | For the year ended | |
|--------------------------------------|---------------------------|----------------------|
| | 31 December | |
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Bank card fees | 19,171 | 19,840 |
| Trustee commission and fees | 18,678 | 19,109 |
| Agency fees and commission | 6,493 | 7,802 |
| Guarantee and advisory fees | 6,710 | 6,468 |
| Commission on securities brokerage | 11,423 | – |
| Commission on fund management | 7,139 | – |
| Commission on investment banking | 8,295 | – |
| Settlement and clearing fees | 2,484 | 2,313 |
| Commission on asset management | 2,563 | – |
| Commission on futures brokerage | 2,459 | – |
| Others | 563 | 417 |
| | <u>85,978</u> | <u>55,949</u> |
| Fee and commission expenses | <u>(10,069)</u> | <u>(6,229)</u> |
| Net fee and commission income | <u>75,909</u> | <u>49,720</u> |

(c) Sales of goods and services

| | For the year ended 31 December | |
|---------------------------------------|-----------------------------------|----------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Sales of goods | 408,026 | 385,350 |
| Services rendered to customers | | |
| – Revenue from construction contracts | 24,532 | 34,589 |
| – Revenue from other services | 34,265 | 32,224 |
| | <u>466,823</u> | <u>452,163</u> |

(d) Other revenue

| | For the year ended 31 December | |
|---|-----------------------------------|---------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Net trading gain under financial services segment (<i>note (i)</i>) | 23,771 | 6,178 |
| Net gain on financial investments under financial services segment | 20,148 | 18,109 |
| Others | 1,185 | 793 |
| | <u>45,104</u> | <u>25,080</u> |

(i) Net trading gain under financial services segment

| | For the year ended 31 December | |
|--|-----------------------------------|--------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Trading profit/(loss): | | |
| – debt securities and certificates of deposits | (880) | 3,450 |
| – foreign currencies | (1,136) | 1,326 |
| – derivatives | 25,787 | 1,402 |
| | <u>23,771</u> | <u>6,178</u> |

5 NET FINANCE CHARGES

| | For the year ended 31 December | |
|---|-----------------------------------|----------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Finance costs | | |
| – Interest on bank and other loans | 5,185 | 4,009 |
| – Interest on debt instruments issued | 4,867 | 5,506 |
| – Interest and finance charges paid for lease liabilities | 240 | 261 |
| | <u>10,292</u> | <u>9,776</u> |
| Less: interest expense capitalised | <u>(846)</u> | <u>(630)</u> |
| | 9,446 | 9,146 |
| Other finance charges | <u>254</u> | <u>287</u> |
| | 9,700 | 9,433 |
| Finance income | <u>(1,364)</u> | <u>(2,036)</u> |
| | <u>8,336</u> | <u>7,397</u> |

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging below costs and expenses in cost of sales and services and other operating expenses:

(a) Staff costs

| | For the year ended 31 December | |
|--|-----------------------------------|---------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Salaries and bonuses | 68,968 | 51,385 |
| Contributions to defined contribution retirement schemes | 8,196 | 6,072 |
| Others | 14,311 | 13,421 |
| | <u>91,475</u> | <u>70,878</u> |

Note:

The Group included CITIC Securities Company Limited (“CITIC Securities”) in the consolidated financial statements from 13 April 2022 onward. On a comparable basis without consolidating CITIC Securities, the staff costs of the Group is HK\$72,252 million for the year ended 31 December 2022, with a year-on-year increase of 1.94%, among which, salaries and bonuses are HK\$53,177 million, with a year-on-year increase of 3.49%.

(b) Other items

| | For the year ended 31 December | |
|---|-----------------------------------|---------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Amortisation | 3,444 | 2,598 |
| Depreciation | 20,100 | 18,622 |
| Lease charges | 786 | 576 |
| Tax and surcharges | 3,929 | 3,357 |
| Property management fees | 1,056 | 1,000 |
| Non-operating expenses | 551 | 2,299 |
| Professional fees (other than auditors' remuneration) | 1,561 | 1,130 |
| Auditors' remuneration | | |
| – Audit services | 211 | 159 |
| – Non-audit services | 94 | 36 |
| | <u>31,732</u> | <u>29,777</u> |

7 INCOME TAX EXPENSE

| | For the year ended 31 December | |
|---|-----------------------------------|----------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Current tax – Mainland China | | |
| Provision for enterprise income tax | 34,349 | 24,592 |
| Land appreciation tax | 376 | 330 |
| | <u>34,725</u> | <u>24,922</u> |
| Current tax – Hong Kong | | |
| Provision for Hong Kong profits tax | 197 | 946 |
| Current tax – Overseas | | |
| Provision for the year | <u>573</u> | <u>154</u> |
| | 35,495 | 26,022 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(10,667)</u> | <u>(5,159)</u> |
| | <u>24,828</u> | <u>20,863</u> |

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2022 is 16.5% (2021: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2022 is 25% (2021: 25%).

Taxation for other overseas subsidiaries is charged at the rates of taxation prevailing in the countries/ jurisdiction in which the overseas subsidiaries operate.

8 DIVIDENDS

| | For the year ended 31 December | |
|---|-----------------------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| 2021 Final dividend paid: HK\$0.456 (2020 Final: HK\$0.388) per share | 13,265 | 11,287 |
| 2022 Interim dividend paid: HK\$0.20 (2021 Interim: HK\$0.15) per share | 5,818 | 4,364 |
| 2022 Final dividend proposed: HK\$ 0.451 (2021 Final: HK\$0.456) per share | 13,120 | 13,265 |

9 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2021 and 2022 is calculated by dividing profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares.

In 2019, China CITIC Bank Corporation Limited (“CITIC Bank”), a subsidiary of the Group, issued convertible bonds. The Group has subscribed 65.97% of the convertible bonds, which is the same as the Group’s interest in CITIC Bank’s common shares. Therefore, the convertible bonds issued by CITIC Bank has no dilutive effect on earnings per share of the Company.

In 2022, CITIC Pacific Special Steel Group Co., Ltd. (“CITIC Special Steel”), a subsidiary of the Group, issued convertible bonds. The convertible bonds issued by CITIC Special Steel has a dilutive effect on profit attributable to ordinary shareholders of the Company, the calculation results of which are listed as below:

| | For the year ended 31 December | |
|---|-----------------------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Profit attributable to ordinary shareholders of the Company | 75,481 | 70,222 |
| Less: impact on profit attributable to ordinary shareholders of the Company assuming above convertible bonds converted | (73) | – |
| Adjusted profit attributable to ordinary shareholders of the Company | 75,408 | 70,222 |
| Weighted average number of ordinary shares (<i>in million</i>) | 29,090 | 29,090 |
| Basic earnings per share (<i>HK\$</i>) | 2.59 | 2.41 |
| Diluted earnings per share (<i>HK\$</i>) | 2.59 | 2.41 |

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

Loans and advances to customers and other parties analysed by nature

| | As at 31 December | |
|---|-------------------|------------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Loans and advances to customers and other parties at amortised cost | | |
| Corporate loans: | | |
| – Loans | 2,708,113 | 2,749,733 |
| – Discounted bills | 4,146 | 5,532 |
| – Finance lease receivables | 52,130 | 57,307 |
| | <u>2,764,389</u> | <u>2,812,572</u> |
| Personal loans: | | |
| – Residential mortgages | 1,092,399 | 1,190,546 |
| – Credit cards | 572,169 | 646,112 |
| – Personal consumption | 291,553 | 304,048 |
| – Business loans | 424,082 | 382,318 |
| – Finance lease receivables | 414 | – |
| | <u>2,380,617</u> | <u>2,523,024</u> |
| | <u>5,145,006</u> | <u>5,335,596</u> |
| Accrued interest | 19,462 | 16,181 |
| | <u>5,164,468</u> | <u>5,351,777</u> |
| Less: allowance for impairment losses | <u>(153,923)</u> | <u>(154,269)</u> |
| Carrying amount of loans and advances to customers and other parties at amortised cost | <u>5,010,545</u> | <u>5,197,508</u> |
| Loans and advances to customers and other parties at FVPL | | |
| – Loans | <u>4,345</u> | <u>–</u> |
| Loans and advances to customers and other parties at FVOCI | | |
| Corporate loans: | | |
| – Loans | 61,403 | 47,210 |
| – Discounted bills | 568,959 | 564,578 |
| Carrying amount of loans and advances to customers and other parties at FVOCI | <u>630,362</u> | <u>611,788</u> |
| Total carrying amount of loans and advances | <u>5,645,252</u> | <u>5,809,296</u> |
| Allowance for impairment losses on loans and advances to customers and other parties at FVOCI | <u>(703)</u> | <u>(916)</u> |

11 INVESTMENTS IN FINANCIAL ASSETS

| | As at 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| | HK\$ million | HK\$ million |
| Financial assets at amortised cost | | |
| Debt securities | 978,011 | 1,104,924 |
| Investment management products managed by securities companies | 44,363 | 61,660 |
| Trust investment plans | 253,290 | 290,864 |
| Certificates of deposit and certificates of interbank deposit | 4,392 | 1,692 |
| Investments in creditor's rights on assets | 2,127 | – |
| Others | 375 | 646 |
| | <u>1,282,558</u> | <u>1,459,786</u> |
| Accrued interest | 11,749 | 12,792 |
| | <u>1,294,307</u> | <u>1,472,578</u> |
| Less: allowance for impairment losses | <u>(35,342)</u> | <u>(36,755)</u> |
| | <u>1,258,965</u> | <u>1,435,823</u> |
| Financial assets at FVPL | | |
| Debt securities | 272,000 | 75,792 |
| Investment management products managed by securities companies | 21,437 | 11,134 |
| Trust investment plans | 7,069 | 4,706 |
| Certificates of deposit and certificates of interbank deposit | 53,828 | 37,642 |
| Wealth management products | 3,383 | 2,677 |
| Investment funds | 622,301 | 517,919 |
| Equity investment | 251,694 | 16,876 |
| Others | 39,892 | 460 |
| | <u>1,271,604</u> | <u>667,206</u> |
| Debt investments at FVOCI | | |
| Debt securities | 920,639 | 781,923 |
| Certificates of deposit and certificates of interbank deposit | 49,845 | 5,267 |
| Investment management products managed by securities companies | – | 30 |
| | <u>970,484</u> | <u>787,220</u> |
| Accrued interest | 7,235 | 5,968 |
| | <u>977,719</u> | <u>793,188</u> |
| Allowance for impairment losses on debt investments at FVOCI | <u>(3,436)</u> | <u>(2,919)</u> |
| Equity investments at FVOCI | | |
| Equity investment | 10,071 | 10,287 |
| Investment funds | 393 | 358 |
| | <u>10,464</u> | <u>10,645</u> |
| | <u>3,518,752</u> | <u>2,906,862</u> |

12 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

| | As at 31 December | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Demand deposits | | |
| Corporate customers | 2,162,566 | 2,401,056 |
| Personal customers | 390,713 | 379,224 |
| | <u>2,553,279</u> | <u>2,780,280</u> |
| Time and call deposits | | |
| Corporate customers | 2,075,641 | 2,183,893 |
| Personal customers | 1,055,451 | 809,998 |
| | <u>3,131,092</u> | <u>2,993,891</u> |
| Outward remittance and remittance payables | <u>16,144</u> | <u>13,062</u> |
| Accrued interest | <u>65,683</u> | <u>65,468</u> |
| | <u>5,766,198</u> | <u>5,852,701</u> |

(b) Deposits from customers include pledged deposits for the following items:

| | As at 31 December | |
|-------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Bank acceptances | 390,616 | 303,261 |
| Letters of credit | 28,135 | 23,991 |
| Guarantees | 19,134 | 17,201 |
| Others | 62,364 | 99,446 |
| | <u>500,249</u> | <u>443,899</u> |

13 BANK AND OTHER LOANS

(a) Types of loans

| | As at 31 December | |
|--------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Bank loans | | |
| Unsecured loans | 120,982 | 99,946 |
| Loan pledged with assets | 16,302 | 17,638 |
| | <u>137,284</u> | <u>117,584</u> |
| Other loans | | |
| Unsecured loans | 33,878 | 25,804 |
| Loan pledged with assets | 676 | 1,517 |
| | <u>34,554</u> | <u>27,321</u> |
| | 171,838 | 144,905 |
| Accrued interest | 690 | 457 |
| | <u>172,528</u> | <u>145,362</u> |

(b) **Maturity of loans**

| | As at 31 December | |
|------------------------------|--------------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Bank loans | | |
| – Within 1 year or on demand | 57,302 | 36,102 |
| – Between 1 and 2 years | 22,073 | 18,867 |
| – Between 2 and 5 years | 38,734 | 35,449 |
| – Over 5 years | 19,175 | 27,166 |
| | <hr/> | <hr/> |
| | 137,284 | 117,584 |
| | <hr/> | <hr/> |
| Other loans | | |
| – Within 1 year or on demand | 8,608 | 4,517 |
| – Between 1 and 2 years | 20,000 | 6,400 |
| – Between 2 and 5 years | 5,885 | 14,599 |
| – Over 5 years | 61 | 1,805 |
| | <hr/> | <hr/> |
| | 34,554 | 27,321 |
| | <hr/> | <hr/> |
| | 171,838 | 144,905 |
| | <hr/> | <hr/> |
| Accrued interest | 690 | 457 |
| | <hr/> | <hr/> |
| | 172,528 | 145,362 |
| | <hr/> | <hr/> |

14 DEBT INSTRUMENTS ISSUED

| | As at 31 December | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Corporate bonds issued | 226,222 | 102,776 |
| Notes issued | 144,088 | 81,075 |
| Subordinated bonds issued | 110,746 | 138,390 |
| Certificates of deposit issued | 1,159 | 1,480 |
| Certificates of interbank deposit issued | 806,117 | 904,546 |
| Convertible corporate bonds | 20,388 | 16,439 |
| Structured notes | 6,761 | – |
| | 1,315,481 | 1,244,706 |
| Accrued interest | 7,904 | 5,619 |
| | 1,323,385 | 1,250,325 |
| Analysed by remaining maturity: | | |
| – Within 1 year or on demand | 931,677 | 927,411 |
| – Between 1 and 2 years | 68,777 | 57,260 |
| – Between 2 and 5 years | 143,998 | 73,257 |
| – Over 5 years | 171,029 | 186,778 |
| | 1,315,481 | 1,244,706 |
| Accrued interest | 7,904 | 5,619 |
| | 1,323,385 | 1,250,325 |

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued for the year ended 31 December 2022 (2021: Nil).

15 CONTINGENT LIABILITIES AND COMMITMENTS – 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.

(a) Mineralogy Pty Ltd. (“Mineralogy”) disputes

Each of Sino Iron Pty Ltd. (“Sino Iron”), Korean Steel Pty Ltd. (“Korean Steel”) and Balmoral Iron Pty Ltd. (“Balmoral Iron”), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement (“MRSLA”) with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron, Korean Steel and Balmoral Iron the right to develop and operate the Group’s Sino Iron project in Western Australia (“Sino Iron Project”) and to take and process one billion tonnes each of magnetite ore for that purpose. Before Balmoral Iron can exercise its one billion tonne mining right, it will need to submit and have approved by the State of Western Australia project proposals for its project, among other things.

There are a number of ongoing disputes between the Company, Sino Iron and Korean Steel (“CITIC Parties”) on the one hand, and Mineralogy and Mr. Clive Palmer on the other hand, arising from the MRSLAs and other project agreements. Set out below are the details of those disputes considered to be material.

FCD Indemnity Disputes

Mineralogy and Mr. Palmer have commenced proceedings to pursue claims pursuant to an indemnity given by the Company under the Fortescue Coordination Deed (“FCD”) to Mineralogy and Mr. Palmer. That indemnity extends to losses suffered by Mineralogy and Mr. Palmer in relation to the failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

(i) *Queensland Nickel FCD Indemnity Claim*

On 29 June 2017, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia (“Proceeding CIV 2072/2017”) claiming damages in the sum of AUD2,324,000,000 (now reduced by an amended statement of claim to AUD1,800,438,000). The amount claimed is alleged to represent the diminution in the value of the nickel and cobalt refinery business located at Yabulu in North Queensland, which was carried on by the Queensland Nickel group of companies controlled by Mr. Palmer (“Yabulu Refinery”).

After commencing this proceeding, Mr. Palmer joined Mineralogy as a second plaintiff and Sino Iron and Korean Steel as second and third defendants.

On 14 September 2020, Justice K Martin ordered that:

- (a) this proceeding be heard together with Proceeding CIV 1267/2018; and
- (b) damages be determined separately and subsequently to liability.

On 25 March 2022, the CITIC Parties filed an application for a permanent stay or dismissal of the proceeding on the grounds of abuse of process and Anshun estoppel. Determination of the CITIC Parties’ permanent stay application has been reserved to the final trial of the proceeding.

On 2 September 2022, Mineralogy and Mr. Palmer filed their fifth amended statement of claim. That Statement of Claim alleges that if the CITIC Parties had paid to Mineralogy royalty on products produced by Sino Iron and Korean Steel (“Royalty Component B”) when it was due for payment under the MRS LAs, then in about November 2015 Mineralogy would have paid Queensland Nickel Pty Limited (“QNI”) AUD28,000,000. Mineralogy and Mr. Palmer claim that because the CITIC Parties did not pay amounts of Royalty Component B to Mineralogy, including for the period ended 30 September 2015 and/or 31 December 2015, Mineralogy did not provide QNI with the funds to enable it to continue managing and operating the Yabulu Refinery business. Later, in January 2016, QNI was placed in administration, followed by liquidation in April 2016. Mineralogy and Mr. Palmer claim that the liquidation of QNI led to the diminution in value of the Yabulu Refinery, and that the CITIC Parties are liable for that loss pursuant to the indemnity in the FCD.

On 14 October 2022, the CITIC Parties filed their further re-amended defence. The CITIC Parties plead a number of defences, including construction arguments, causation, mitigation, abuse of process and Anshun estoppel.

On 11 November 2022, Mineralogy and Mr. Palmer filed a further re-amended reply. The reply contains allegations that certain conduct of the CITIC Parties, specifically alleged activities of the Fulcrum Group, has the effect of disentitling the CITIC Parties from obtaining relief claimed in the form of a permanent stay of the proceeding on grounds of Anshun estoppel or abuse of process (“Fulcrum Allegations”). The CITIC Parties have applied to strike out the paragraphs of the reply which contain the Fulcrum Allegations.

On 23 January 2023, Mineralogy and Mr. Palmer filed a chamber summons seeking leave to amend their statement of claim, discovery orders and orders to strike out certain paragraphs of the CITIC Parties’ defence. A directions hearing was held on 25 January 2023, during which the parties made submissions in relation to the matters raised in Mineralogy and Mr. Palmer’s chamber summons.

On 10 February 2023, the CITIC Parties filed a chamber summons seeking to vacate the order made on 14 September 2020 that damages be determined separately and subsequently to liability.

On 17 February 2023, Justice K Martin delivered his decision from the directions hearing held on 25 January 2023. Justice K Martin noted that Justice Lundberg will be the new case manager and will hear Mineralogy and Mr. Palmer’s applications filed on 23 January 2023, as well as the CITIC Parties’ application to vacate the order made on 14 September 2020.

On 8 and 9 March 2023, Justice Lundberg heard the CITIC Parties’ strike out application in this proceeding and in Proceeding CIV 1267/2018, and reserved his decision.

A hearing of Mineralogy and Mr. Palmer’s application for leave to further amend their statement of claim in this proceeding and Mineralogy’s application for leave to further amend its statement of claim in Proceeding CIV 1267/2018 has been listed for 4 April 2023.

The remaining applications referred to above have not yet been programmed to a hearing.

Issues relating to Mineralogy and Mr. Palmer’s application seeking discovery orders will await determination of their application for leave to further amend their statement of claim in this proceeding and Mineralogy’s application for leave to further amend its statement of claim in Proceeding CIV 1267/2018.

No trial date has been set for this proceeding.

(ii) *Palmer Petroleum FCD Indemnity Claim*

On 16 February 2018, Mineralogy commenced a proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 1267/2018”) in which it claims damages in the sum of AUD2,675,400,000. That amount is alleged to represent the diminution in the value of Mineralogy’s shares in a subsidiary of Mineralogy arising from the cancellation of a petroleum prospecting licence in the Gulf of Papua held by that subsidiary, or, alternatively, the diminution in value of another subsidiary of Mineralogy arising from that subsidiary having been delayed or impaired from developing the relevant petroleum prospecting licence.

On 14 September 2020, Justice K Martin ordered that:

- (a) this proceeding be heard together with Proceeding CIV 2072/2017; and
- (b) damages be determined separately and subsequently to liability.

On 25 March 2022, the CITIC Parties filed an application for a permanent stay or dismissal of the proceeding on the grounds of abuse of process and Anshun estoppel. Determination of the CITIC Parties’ permanent stay application has been reserved to the final trial of the proceeding.

On 2 September 2022, Mineralogy filed its second amended statement of claim. In that statement of claim, Mineralogy alleges that Palmer Petroleum Pty Ltd. (now named (Aspenglow Pty Ltd.) (“Palmer Petroleum”) was engaged in the business of owning, exploring, developing, and exploiting petroleum prospecting licences in Papua New Guinea. Mineralogy alleges that in June 2016, following the exercise of an option contained in a Funding Agreement, Palmer Petroleum transferred certain petroleum prospecting licences to Blaxcell Limited. Mineralogy is the holder and beneficial owner of all of the shares in both Palmer Petroleum and Blaxcell Limited.

Mineralogy claims that, from 31 December 2009, Palmer Petroleum was completely reliant upon Mineralogy to provide funding to meet its working capital requirements for the conduct of its business. Mineralogy claims that, if the CITIC Parties had paid Royalty Component B in accordance with their obligations under the MRSLAs and the FCD, Mineralogy would have provided such of those funds to Palmer Petroleum to meet its contractual obligations, pay the amount of a statutory demand, meet working capital requirements and operate its business, among other things. In July 2016, Palmer Petroleum became insolvent and was ordered to be wound up in insolvency.

Mineralogy pleads that Palmer Petroleum, or alternatively Blaxcell Limited, suffered a diminution in its value equivalent to the sale value of oil that allegedly would have been recoverable under rights to a Papua New Guinea petroleum prospecting licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum, or alternatively Blaxcell Limited, and that the CITIC Parties are liable for that loss pursuant to the indemnity in the FCD.

On 14 October 2022, the CITIC Parties filed their re-amended defence. The CITIC Parties plead a number of defences, including construction arguments, causation, mitigation, abuse of process and Anshun estoppel.

On 11 November 2022, Mineralogy filed its further re-amended reply, which contains the Fulcrum Allegations. The CITIC Parties have applied to strike out the paragraphs of the reply which contain the Fulcrum Allegations.

On 23 January 2023, Mineralogy filed a chamber summons seeking leave to amend its statement of claim, discovery orders and orders to strike out certain paragraphs of the CITIC Parties' defence. A directions hearing was held on 25 January 2023, during which the parties made submissions in relation to the matters raised in Mineralogy's chamber summons.

On 10 February 2023, the CITIC Parties filed a chamber summons seeking to vacate the order made on 14 September 2020 that damages be determined separately and subsequently to liability.

On 17 February 2023, Justice K Martin delivered his decision from the directions hearing held on 25 January 2023. Justice K Martin noted that Justice Lundberg will be the new case manager and will hear Mineralogy's application filed on 23 January 2023, as well as the CITIC Parties' application to vacate the order made on 14 September 2020.

On 8 and 9 March 2023, Justice Lundberg heard the CITIC Parties' strike out application in this proceeding and in Proceeding CIV 2072/2017, and reserved his decision.

A hearing of Mineralogy's application for leave to further amend its statement of claim in this proceeding and Mineralogy and Mr. Palmer's application for leave to further amend their statement of claim in Proceeding CIV 2072/2017 has been listed for 4 April 2023.

The remaining applications referred to above have not yet been programmed to a hearing.

Issues relating to Mineralogy's application seeking discovery orders will await determination of its application for leave to further amend its statement of claim in this proceeding and Mineralogy and Mr. Palmer's application for leave to further amend their statement of claim in Proceeding CIV 2072/2017.

No trial date has been set for this proceeding.

Mine Continuation Proposals Dispute

The continued operation of the Sino Iron Project requires it to extend beyond the footprint it currently occupies. The need for extension is primarily driven by the need to accommodate waste rock and tailings, which are necessary by-products of the mining process. The mining tenements upon which the Sino Iron Project is currently conducted, and those into which the CITIC Parties wish to extend in order to continue operation, are all held by Mineralogy.

The CITIC Parties commenced a proceeding against Mineralogy and Mr. Palmer in the Federal Court of Australia ("Proceeding WAD 471/2018"). Following a cross-vesting application by the defendants, the proceeding was transferred to the Supreme Court of Western Australia and admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 ("Proceeding CIV 1915/2019"). The proceeding related to the failure and refusal of Mineralogy to:

- (a) submit mine continuation proposals for the Sino Iron Project to the State of Western Australia under the State Agreement;
- (b) grant further necessary tenure for the Sino Iron Project;
- (c) take steps to secure the re-purposing of general-purpose leases for the Sino Iron Project; and
- (d) submit a Programme of Works for the Sino Iron Project to the State of Western Australia.

The CITIC Parties brought claims for breach of contract, of unconscionable conduct under the Australian Consumer Law, and in estoppel. Mr. Palmer was sued as an accessory to the unconscionable conduct claim. The CITIC Parties sought orders requiring Mineralogy to take the four steps listed above, and to pay the CITIC Parties damages for its failure and refusal to do those things. Damages were also sought from Mr. Palmer. The State of Western Australia was joined to the proceeding as a necessary party, because it is a party to the State Agreement, but no relief was sought against it.

Mediation was conducted in late 2019 but was unsuccessful.

The CITIC Parties commenced a new proceeding (“Proceeding CIV 2326/2021”) on 8 December 2021. Proceeding CIV 2326/2021 sought orders for specific performance in relation to a refined tenure request addressed to Mineralogy on 29 November 2021. That tenure request was in the alternative to the tenure in respect of which relief was sought in Proceeding CIV 1915/2019. The CITIC Parties applied to the Court on 8 December 2021 to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019. That application was heard by Justice K Martin on 13 December 2021, and, on 29 December 2021, his Honour ordered that Proceeding CIV 1915/2019 and Proceeding CIV 2326/2021 be consolidated and proceed as one action (“Consolidated MCP Proceedings”). The orders required the CITIC Parties to file a consolidated further re-amended statement of claim incorporating the Proceeding CIV 1915/2019 further amended statement of claim and the Proceeding CIV 2326/2021 writ of summons and statement of claim. In accordance with those orders, the CITIC Parties filed their consolidated further re-amended statement of claim on 30 December 2021.

On 18 January 2022, Justice K Martin’s decision to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019 was appealed by Mineralogy and Mr. Palmer to the Court of Appeal (“Proceeding CACV 5/2022”). On 28 July 2022, the Court of Appeal ordered that the hearing of the appeal be stayed pending delivery of judgment in the Consolidated MCP Proceedings. On 15 March 2023, Mineralogy and Mr. Palmer filed a notice of discontinuance of Proceeding CACV 5/2022.

The primary trial on liability in the Consolidated MCP Proceedings occurred before Justice K Martin from 21 February 2022 to 29 April 2022. The primary trial was to determine all issues in the Consolidated MCP Proceedings other than the quantification of any loss or damage suffered by the CITIC Parties.

On 7 March 2023, Justice K Martin delivered his reasons in the Consolidated MCP Proceedings and on 10 March 2023 made orders consequent upon his reasons. His Honour dismissed most of the CITIC Parties’ claims for injunctive relief, most of the claims for monetary relief and the claims for relief under the Australian Consumer Law, including for unconscionable conduct. However, Justice K Martin made the following key findings relevant to mine continuation:

- (a) His Honour found that Mineralogy is obliged to either submit, or consent to the CITIC Parties submitting, the Programme of Works. If approved, the Programme of Works will allow the CITIC Parties to undertake investigative works necessary for the extension of the mine pit and a new tailings storage facility.
- (b) His Honour confirmed that Mineralogy has contractual obligations to provide assistance and cooperation to the CITIC Parties, including in relation to the submission of project proposals under the State Agreement over site lease areas already subleased to the CITIC Parties. However, the Court declined to require Mineralogy to submit the mine continuation proposals in the form before the Court, for reasons including that those proposals presumed the use of tenure outside the site lease areas which Mineralogy had not agreed to provide.

- (c) His Honour found that Mineralogy is required to honestly consider, and not unreasonably refuse, requests for additional tenure that are reasonably requested and reasonably required. His Honour found that the CITIC Parties' most recent tenure request lacked certain features required to meet that test, and so declined to order Mineralogy to grant the tenure the subject of that request. However, his Honour confirmed that an area outside the site lease areas, to the south of the current tailings storage facility, and that is held by Mineralogy, is necessary for future tailings and waste storage for the Sino Iron Project.
- (d) The Court declined to order Mineralogy to take steps to re-purpose the general purpose leases, including because Mineralogy had not granted the CITIC Parties tenure over all of those general purpose leases.

In its orders made on 10 March 2023, the Court ordered Mineralogy to submit the Programme of Works to the State for its consideration, but has allowed Mineralogy an opportunity to apply for a stay of that order pending an appeal. The hearing of the stay application has been listed for 20 April 2023. The Court adjourned to a special appointment listed for 21 April 2023 the CITIC Parties' claims for relief for breach of contract by Mineralogy for its failure to submit the Programme of Works and the issue of the reserved costs of the Consolidated MCP Proceedings.

The Court's decision means that there is now a pathway that should enable the CITIC Parties to seek approval of a proposal for extension of the mine pit and expansion of waste rock and tailings storage within the existing site lease areas. While not operationally and financially optimal, this should enable continued operation of the Sino Iron Project for a further interim period, affording the CITIC Parties further time to take the necessary steps to seek to secure the additional tenure required for life-of-mine operations.

As the reasons of Justice K Martin were only published on 7 March 2023, the CITIC Parties continue to consider them and their implications.

Site Remediation Fund Disputes

(i) 2018 Site Remediation Fund Dispute

Under clause 20.5 of the MRSLAs, Mineralogy may require Sino Iron and Korean Steel to provide reasonable security for the performance of their obligations under clause 20 of the MRSLAs, relating to the protection of the environment and rehabilitation following Mine Closure (i.e. the permanent cessation of operations at the Mine). Such security is to be provided by way of contributions by Sino Iron and Korean Steel into a Site Remediation Fund. Clause 20.6 of the MRSLAs provides for the operation of the Site Remediation Fund, and requires that:

- (a) Mineralogy will establish the Site Remediation Fund, which will be maintained in a separate interest-bearing trust account, designated as a trust account, and Sino Iron and Korean Steel will make contributions into the Site Remediation Fund; and
- (b) for each Operating Year, Mineralogy will "determine an annual charge on account of future Site Remediation Costs ... having regard to ... Mineralogy's best prevailing estimate of the amount of future Site Remediation Costs ... and the number of years remaining until Mine Closure".

On 22 October 2018, Mineralogy commenced a proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 2840/2018”) concerning the Site Remediation Fund. Mineralogy claimed that the CITIC Parties were required to contribute AUD529,378,207 into the Site Remediation Fund established under the MRSLAs, as security for the performance of their obligations relating to the protection of the environment and rehabilitation. The CITIC Parties filed a defence and counterclaim in Proceeding CIV 2840/2018 which sought, among other things, orders appointing an independent trustee in place of Mineralogy.

While the CITIC Parties have always acknowledged their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they disputed the amount claimed by Mineralogy. Among other arguments, the CITIC Parties considered that the amount demanded by Mineralogy was not an “annual charge” as required by clause 20.6(e) of the MRSLAs. Further, the CITIC Parties did not consider that the amount demanded was a “best prevailing estimate” of future site remediation costs, as required by clause 20.6(e) of the MRSLAs.

The trial took place between 16 and 24 November 2020. On 24 February 2021, Justice K Martin published his Honour’s reasons for decision. His Honour held that Mineralogy’s claim should be dismissed, and that the CITIC Parties’ counterclaim should also be dismissed. His Honour found, consistent with the submissions of the CITIC Parties, that the formulation of an “annual charge” pursuant to clause 20.6(e) requires Mineralogy to take its best prevailing estimate, subtract the amount already in the Site Remediation Fund, and then divide that amount by the number of years remaining until mine closure.

On 10 June 2021, Mineralogy appealed Justice K Martin’s decision to dismiss Mineralogy’s claim in Proceeding CIV 2840/2018 (“Proceeding CACV 42/2021”). On 23 August 2021, the CITIC Parties filed a notice of contention, in which it was contended that the trial judge’s decision should be upheld on the basis that, on the proper construction of clauses 20.5 and 20.6 of the MRSLAs or pursuant to an implied term, Mineralogy’s determination of an annual charge must be reasonable and made reasonably, and not merely honestly, as found by the trial judge.

On 16 May 2022, the Court of Appeal heard Mineralogy’s appeal. On 9 December 2022, the Court of Appeal delivered judgment, dismissing Mineralogy’s appeal and the CITIC Parties’ notice of contention. The Court of Appeal determined the proper construction of clause 20.6 of the MRSLAs in terms that were different, in certain respects, to the construction of Justice K Martin in the trial judgment. The Court of Appeal found that the proper construction of clause 20.6 of the MRSLAs requires that the annual charge is a sum which (taking into account amounts already in the Site Remediation Fund):

- (a) enables payment of the estimated costs of remediation anticipated to be undertaken in the forthcoming Operating Year; and
- (b) through a uniform annual payment over the number of years remaining until the permanent cessation of operations at the mine, will result in there being sufficient funds in the Site Remediation Fund to pay for the Site Remediation Work required at, and following, Mine Closure.

(ii) *Operating Years 2021–22 and 2022–23 Site Remediation Fund Disputes*

On 31 May 2021, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2021–2022 Operating Year seeking payment of AUD580,504,721 into the Site Remediation Fund by 31 December 2021 (“2021 Notices”). Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2021 Notices, but Mineralogy refused to provide the requested information.

On 16 December 2021, Sino Iron and Korean Steel commenced a proceeding against Mineralogy in the Supreme Court of Western Australia (“Proceeding CIV 2373/2021”). Sino Iron and Korean Steel sought declarations that the 2021 Notices were invalid and of no effect. Sino Iron and Korean Steel alleged that the 2021 Notices were not valid due to non-compliance with the terms of the MRSLAs. Consequently, Sino Iron and Korean Steel also alleged that the 2021 Notices did not enliven their obligations under clause 20.6 of the MRSLAs to pay an annual charge into the Site Remediation Fund.

In December 2021, without admission of liability to do so, each of Sino Iron and Korean Steel made a good faith payment of AUD7,256,309 into the Site Remediation Fund.

On 24 January 2022, Justice K Martin made orders staying Proceeding CIV 2373/2021 pending the outcome of the appeal in Proceeding CACV 42/2021.

On 26 May 2022, Mineralogy issued a purported annual charge to Sino Iron and Korean Steel for the 2022–2023 Operating Year seeking payment of AUD618,866,793.38 into the Site Remediation Fund by 31 December 2022 (“2022 Notices”). As in 2021, Sino Iron and Korean Steel requested further information from Mineralogy regarding the 2022 Notices, but Mineralogy again refused to provide the requested information.

On 16 December 2022, the CITIC Parties notified Justice K Martin of the outcome of the appeal in Proceeding CACV 42/2021. On 20 December 2022, Mineralogy withdrew the 2021 Notices and 2022 Notices. On 22 December 2022, Proceeding CIV 2373/2021 was discontinued by consent, with no order as to costs.

On 23 December 2022, without admission of liability to do so, each of Sino Iron and Korean Steel made a good faith payment of AUD7,934,189.66 into the Site Remediation Fund.

(b) Metallurgical Corporation of China (“MCC”) claim

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Sino Iron Project. The fixed price contract amount was US\$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US\$858 million to MCC Mining (Western Australia) Pty Ltd. (“MCC WA”), its wholly owned subsidiary company responsible for delivering MCC’s obligations under the contract.

As at the date of issuance of these financial statements, MCC has not claimed any additional costs from Sino Iron or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US\$5 million per day, with a cap of approximately US\$530 million in total). As at balance sheet date the cumulative days of delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2022.

Note:

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results 2022 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

FINANCIAL REVIEW AND ANALYSIS

| <i>HK\$ million</i> | Year ended 31 December | | % |
|--|--|------------------------------|--------|
| | 2022 | 2021 | |
| Revenue | 771,133 | 708,936 | 8.8% |
| Profit before taxation | 147,839 | 121,141 | 22% |
| Net profit | 123,011 | 100,278 | 23% |
| Net profit attributable to ordinary shareholders | 75,481 | 70,222 | 7.5% |
| Basic earnings per share (<i>HK\$</i>) | 2.59 | 2.41 | 7.5% |
| Diluted earnings per share (<i>HK\$</i>) | 2.59 | 2.41 | 7.5% |
| Dividend per share (<i>HK\$</i>) | 0.651 | 0.606 | 7.5% |
| Net cash generated from/(used in) operating activities | 194,019 | (40,694) | 577% |
| Capital expenditure | 35,289 | 42,235 | (16%) |
| | As at 31 December 2022 | As at 31 December 2021 | % |
| Total assets | 11,794,199 | 10,685,521 | 10% |
| Total liabilities | 10,414,131 | 9,519,931 | 9.4% |
| Total ordinary shareholders' funds | 737,251 | 751,407 | (1.9%) |
| Return on total assets (%) | 1.4% | 1.3% | 0.1% |
| Return on net assets (%) | 10.1% | 9.9% | 0.2% |
| Staff employed | 161,408 | 136,637 | 18% |

Major indicators by business

Revenue from external customers

| <i>HK\$ million</i> | Year ended 31 December 2022 | 2021 | Increase/(Decrease) Amount | % |
|------------------------------------|--|---------|---------------------------------------|----------|
| Comprehensive financial services | 310,135 | 256,760 | 53,375 | 21% |
| Advanced intelligent manufacturing | 60,023 | 47,694 | 12,329 | 26% |
| Advanced materials | 282,185 | 282,422 | (237) | (0.1%) |
| New consumption | 61,697 | 65,564 | (3,867) | (5.9%) |
| New-type urbanization | 57,060 | 56,366 | 694 | 1.2% |

Profit

| <i>HK\$ million</i> | Year ended 31 December 2022 | 2021 | Increase/(Decrease) Amount | % |
|------------------------------------|--|--------|---------------------------------------|----------|
| Comprehensive financial services | 101,399 | 78,193 | 23,206 | 30% |
| Advanced intelligent manufacturing | 1,375 | 1,374 | 1 | 0.1% |
| Advanced materials | 16,825 | 21,137 | (4,312) | (20%) |
| New consumption | 1,295 | 2,366 | (1,071) | (45%) |
| New-type urbanization | 902 | 8,280 | (7,378) | (89%) |

Profit attributable to ordinary shareholders

| <i>HK\$ million</i> | Year ended 31 December 2022 | 2021 | Increase/(Decrease) Amount | % |
|------------------------------------|--|--------|---------------------------------------|----------|
| Comprehensive financial services | 55,803 | 52,075 | 3,728 | 7.2% |
| Advanced intelligent manufacturing | 618 | 632 | (14) | (2.2%) |
| Advanced materials | 15,127 | 19,162 | (4,035) | (21%) |
| New consumption | 619 | 1,610 | (991) | (62%) |
| New-type urbanization | 2,095 | 7,810 | (5,715) | (73%) |

Assets

| <i>HK\$ million</i> | As at 31 December 2022 | As at 31 December 2021 | Increase/(Decrease) Amount | % |
|------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------|
| Comprehensive financial services | 11,159,455 | 10,050,873 | 1,108,582 | 11% |
| Advanced intelligent manufacturing | 65,999 | 67,326 | (1,327) | (2.0%) |
| Advanced materials | 262,199 | 272,756 | (10,557) | (3.9%) |
| New consumption | 62,016 | 65,563 | (3,547) | (5.4%) |
| New-type urbanization | 371,368 | 352,488 | 18,880 | 5.4% |

Revenue by nature

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

Capital Expenditure

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

Group Financial Position

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

Loans and advances to customers and other parties

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

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

Investments in financial assets

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

(a) Analysed by types

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

(b) Analysed by measurement attribution

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

Deposits from customers

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

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

RISK MANAGEMENT

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

Financial Risk

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

Asset and liability management

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

1. Debt

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

As at 31 December 2022, consolidated debt of CITIC Limited⁽¹⁾ was HK\$1,487,319 million, including loans of HK\$171,838 million and debt instruments issued⁽²⁾ of HK\$1,315,481 million. Debt of CITIC Bank⁽³⁾ accounted for HK\$1,057,341 million. CITIC Limited attaches importance to cash flow management, the head office of CITIC Limited had cash and deposits of HK\$3,005 million and available committed facilities of HK\$57,381 million.

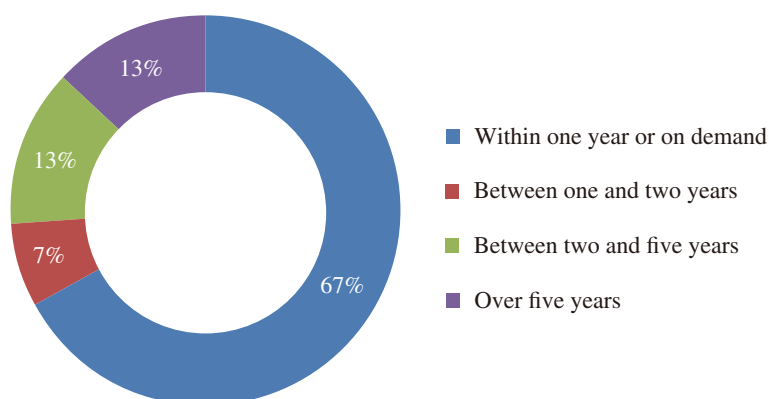
The details of debt are as follows:

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

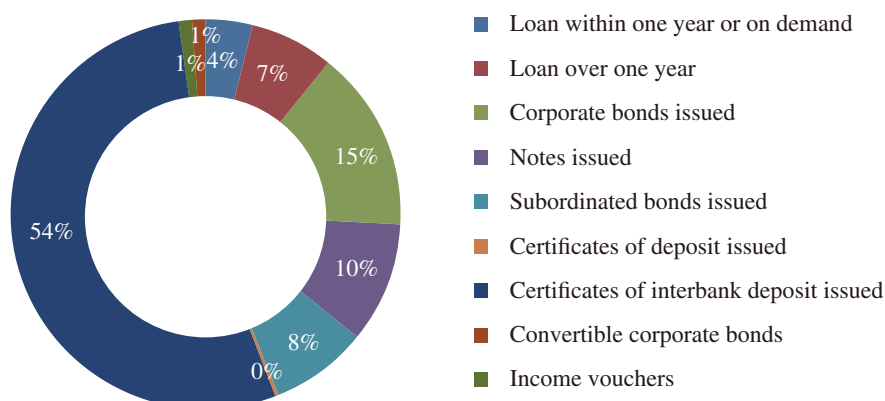
Note:

- (1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited excluding interest accrued;
- (2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit issued, certificates of interbank deposit issued, convertible corporate bonds and income vouchers excluding interest accrued;
- (3) Debt of CITIC Bank refers to CITIC Bank's consolidated debt securities issued, including long-term debt securities, subordinated bonds, certificates of deposit issued, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued and convertible corporate bonds that has been subscribed by another subsidiary of the group.

Consolidated debt by maturity as at 31 December 2022



Consolidated debt by type as at 31 December 2022



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

In HK\$ million

Consolidated

| | |
|-----------------------------|-------------|
| Debt | 1,487,319 |
| Total equity ⁽⁴⁾ | 1,380,068 |
| Debt to equity ratio | <u>108%</u> |

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.

3. *Credit ratings*

| | Standard & Poor’s | Moody’s |
|------------------|------------------------------|----------------|
| 31 December 2022 | BBB+/Stable | A3/Stable |

Treasury risk management

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

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

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

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

1. Interest rate risk

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

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

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.

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.

3. *Counterparty risk for financial products*

CITIC Limited has business with various financial institutions, including deposits, interbank lending, financial investment products and derivative financial instruments. To mitigate the risk of non-recovery of deposited funds or financial instrument gains, member companies of CITIC Limited approve and adjust the list of counterparties and credit limits of approved financial institutions through internal credit extension processes. A regular report is required.

4. *Commodity risk*

Some businesses of CITIC Limited involve the production, procurement, and trading of commodities, and they face exposure to price risks of commodities such as iron ore, crude oil, gas and coal.

To manage some of its raw material exposures such as supply shortages and price volatility, CITIC Limited has entered into long-term supply contracts for certain inputs or used plain vanilla futures, forward contracts and other derivative instruments for hedging. While CITIC Limited views that natural offsetting is being achieved to a certain extent across its different business sectors, it performs a continual risk management review to ensure commodity risks are well understood and controlled within its business strategies.

5. *Market price risk*

CITIC Limited holds investments in financial assets classified as Derivative financial instruments or Investments in financial assets in the consolidated balance sheet, including shares of listed company. To control price risks arising from such investments, the Group actively monitors the price changes and diversifies the relevant investment risks through appropriate asset allocation.

Economic Environment

CITIC Limited operates diversified businesses globally in various countries and regions. As a result, its financial condition, operational results and business prospects are, to a significant degree, subject to the development of both international and domestic economies, as well as the political and legislative environment.

As China's economy is undergoing structural changes, the formation of new growth drivers involves further reforms in a variety of areas, including politics, economy, technology, culture and society. The global economy is still on the way of recovery, but the performances in main economic entities and regions are divergent. Due to factors including challenges from trade friction, prevalent global pandemic, and the continuous mutation of the virus, the growth prospect is with uncertainty. If negative economic factors appear in countries and regions in which CITIC Limited operates, there might be an adverse impact on its operational results, financial condition and profitability.

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

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

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As an enterprise with a global reach and diversified business portfolio, CITIC Limited (“CITIC”) faces a wide range of ESG risks and challenges that underscore the need for higher ESG management standards. In 2022 CITIC made significant progress in its ESG management and practices at all levels of the organisation. This was achieved through the implementation of a sound ESG structure, robust institutional framework and comprehensive risk management approach.

ESG Management

Our *CITIC Limited ESG Guidelines* provide a clear framework for managing our ESG responsibilities, stakeholders, sustainability reporting and media communications, as well as other substantive ESG issues, in a more systematic and standardised manner.

Our risk management system is based on the “four layers and three lines of defense” model. We also prioritise climate, environmental, and supply chain risks identified in the risk analysis reports of our investment projects.

In addition, we comply with all legal and regulatory ESG requirements, including those related to the prevention of bribery, extortion, fraud, money laundering and unfair competition. To prevent corruption and unethical behaviour, we have established a rigorous system of supervisory and disciplinary mechanisms. If a case of misconduct or wrongdoing arises, it can be reported by post, email, a phone call or in-person visit, in strict confidence for the protection of whistleblowers. Beyond this, we conduct semi-annual reviews of employee compliance with the Code of Conduct and our rigorous auditing process covering ethical conduct.

Environmental Responsibility:

We are committed to building a greener, more beautiful China

In line with the government's "dual carbon" goals of attaining peak carbon dioxide emissions by 2030 and carbon neutrality before 2060, we have established a "two increases/one decrease" strategy, carbon accounting methodology and carbon asset management system. To reduce our carbon emissions, we have adopted a closed-loop management approach, which enables us to achieve tangible carbon reduction results. Additionally, our financial subsidiaries provide support to green and low-carbon industries, including those involved in energy conservation, environmental protection, clean energy and infrastructure upgrades. We also promote innovative green financial products through our participation in the development of a carbon trading market and personal carbon accounts as well as continuous improvements in our green finance research capabilities. Our non-financial subsidiaries are equally focused on developing clean production technology in the process of industrial upgrading.

Risks associated with climate change are identified, assessed and managed to reduce their impact on our operations. We also look for new opportunities related to managing climate change. This helps us align our business more closely with sustainable development principles, strengthens our resilience towards climate change, and enables us to address its impacts more effectively.

When constructing green buildings, we use eco-friendly materials and smart digital building platforms to minimise the resources we consume and the pollution we emit. What's more, we have been advocating green offices for our employees and promoting the concept of green low-carbon living to foster a culture of environmental sustainability.

Employee Responsibility:

We cultivate talent and support our employees' growth

We endorse collective contract that protects the rights and interests of female workers in accordance with the law. As of the end of 2022, CITIC Limited had a total of 161,408 full-time employees, of which 39% were women.

For workers in front-line and key positions, we provide competitive levels of pay and press ahead with offering incentive plans. In 2022 we continued to improve our employee insurance plans, welfare programmes, working hours and leave arrangements. As required by the Hong Kong SAR Government, we contribute to the Mandatory Provident Fund for all employees in Hong Kong. We also comply with local regulations in the Chinese mainland and have achieved full coverage of basic social insurance for all employees.

During the year we held our first Talent Work Conference, and matched up 103 international and domestic vocational qualifications and professional titles. We also continued to expand our employee training programmes, which included online courses on carbon peaking and carbon neutrality for 736 employees. A total of more than 1,000 professional courses were attended 120,000 times in 2022.

Employees who are in need can benefit from the more than RMB5.6 million we have allocated for their care and support. We have also built a total of 27 women's care rooms, including rooms that cater for the needs of new mothers. In addition, we organised four summer daycare programmes for our employees' children and consistently improved services in the youth residence for our younger staff. Furthermore, we provide psychological counselling services to enhance our employees' sense of fulfilment and well-being.

As safety is a primary concern of the company, we have developed a safety production management system, made greater use of information technology to manage safety production risks. On-site inspections and telephone safety conferences were also held with 24 subsidiaries to identify and address potential safety risks in their operations.

Client Responsibility:

We provide efficient, high-quality services to protect our clients' rights

In 2022 we pushed the boundaries of innovation in the products, services and business model. During the Winter Olympics, CITIC Construction, CITIC Offshore Helicopter and AsiaSat built the Chongli Taizi Snow Town Project and provided emergency rescue and event broadcasting services respectively, all of which contributed to the success of the games. CITIC Bank has witnessed significant growth in its strategic emerging industries and green credit balances. Our participation in the Belt and Road initiative has also won recognition for major projects such as the Belarus Agro-Industrial Complex.

We attach great importance to our clients' rights, including the protection of customer privacy and data security with the help of technology. To improve our procedures for managing client and consumer complaints, we have introduced a quick response mechanism to ensure prompt and effective handling of customer feedback. Additionally, we have conducted regular communication campaigns to promote consumer rights protection and organised a variety of investor education activities.

As a result of our customer protection initiatives, the value and ranking of the CITIC brand have risen for the past four years on the Top 100 Most Valuable Chinese Brands list. We also worked with over 280 subsidiaries on maintaining our positive brand image and upgraded the positive list for brand use.

Industry Responsibility:

We drive industry development through innovation and sustainability

We have been making significant strides forward in our innovation-driven development strategy, including the establishment of the Science and Technology Innovation Committee and the Science and Technology Expert Committee in 2022. We are now in the process of setting up the CITIC Technology Association to focus on breakthroughs in critical areas. To date, we have unveiled 10 major technology innovation projects that address difficult technical challenges in industries such as rare metals and seed production. Furthermore, we have made substantial progress in AI and our digital transformation, as evidenced by our strong showing at the 2022 World Artificial Intelligence Conference.

In our supply chain we have centralised our procurement management and introduced stricter admission criteria for suppliers, taking into account their impact on the environment and society and screening them for potential risks. We have also integrated the concept of sustainable development into our supplier management system and began encouraging new suppliers to fulfill their social responsibilities.

To protect the intellectual property rights of the company, we worked with our subsidiaries to sum up invention patents, utility model patents and software copyrights. In 2022 we acquired one international standard and 17 national standards as well as a total of 1,203 authorised patents, including 424 invention patents.

Community Responsibility:

We give back to the community to create a better world for all

At CITIC, we believe that giving back to society and promoting community prosperity and progress are important social responsibilities. Throughout our history, we have worked to integrate ourselves into the local community through social programmes that supported rural revitalisation, public welfare, and community development by our volunteers. Our goal is to make a contribution to social development and people's shared prosperity.

In Yuanyang County and Pingbian County (Yunnan), Qianjiang District (Chongqing), and Xainza County (Tibet), we have invested almost RMB65 million to reinvigorate local industry, develop talent, revitalise culture and preserve the environment. We are particularly committed to helping industries that benefit people, such as specialised farming and animal husbandry, and improving local living conditions with the aim of alleviating poverty in rural areas. CITIC's case study, *Promoting Consumption as a New Engine for Common Prosperity*, was selected as an outstanding national example of empowering rural revitalisation by facilitating consumption of rural products.

Our support for public welfare initiatives includes funding education, promoting sports and health, supporting vulnerable groups and enhancing community infrastructure. Making use of our industry expertise, we have developed a range of public welfare activities that embody CITIC's distinctive strengths. These include visits by our volunteer team to provide care for the elderly and low-income individuals as well as participation in environmental protection activities.

Our subsidiary, CITIC Offshore Helicopter, is involved in maritime search and rescue and emergency response operations in different locations, including a joint rescue operation during the 9.5 Luding County earthquake. CITIC Pacific Mining has an annual plan for community relations and stakeholder engagement. In 2022 it organised programmes such as providing Chinese language training in remote areas, encouraging children to participate in sports, and setting up youth gymnastics clubs.

Our youth volunteer organisation comprises over 30 teams and more than 12,500 volunteers. In 2022 they provided volunteer services in over 20 cities and regions, including Beijing, Shanghai, Guangdong, Hebei, and Fujian, covering a wide range of activities such as pandemic prevention and control, voluntary blood donations, care for disadvantaged families, as well as low-carbon development and environmental protection.

CORPORATE GOVERNANCE

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. A full description of CITIC Limited's corporate governance will be set out in the section of Corporate Governance contained in the 2022 Annual Report.

CITIC Limited has applied the principles of the Corporate Governance Code ("CG Code") and complied with all code provisions set out in the CG Code throughout the year 2022.

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the board reviewed the 2022 consolidated financial statements and the annual results for the year ended 31 December 2022 in conjunction with the management and CITIC Limited's external auditor and recommended its adoption by the board. The committee consists of four non-executive directors of whom three are independent.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have resolved to recommend to shareholders the payment of a final dividend (“2022 Final Dividend”) of HK\$0.451 per share (2021: HK\$0.456 per share), which together with the interim dividend of HK\$0.20 per share (2021: HK\$0.15 per share) already paid makes a total dividend of HK\$0.651 per share (2021: HK\$0.606 per share) for the year ended 31 December 2022. The total dividend of HK\$0.651 per share will amount to HK\$18,938 million of CITIC Limited’s profit for the year ended 31 December 2022 (2021: HK\$17,629 million).

The proposed 2022 Final Dividend of HK\$0.451 per share, the payment of which is subject to approval of the shareholders at the annual general meeting of CITIC Limited to be held on Wednesday, 21 June 2023 (“2023 AGM”), is to be payable on Tuesday, 22 August 2023 to shareholders whose names appear on the Register of Members of CITIC Limited at the close of business on Friday, 30 June 2023.

The proposed 2022 Final Dividend will be payable in cash to each shareholder in HK Dollars (“HKD”) unless an election is made to receive the same in Renminbi (“RMB”).

Shareholders will be given the option to elect to receive all (but not part) of the 2022 Final Dividend in RMB at the average benchmark exchange rate of HKD to RMB as published by the People’s Bank of China during the five business days ending on 21 June 2023 (inclusive), being the date of the 2023 AGM. A dividend currency election form will be despatched to shareholders in early July 2023 as soon as practicable after the record date of 30 June 2023 to determine shareholders’ entitlement to the proposed 2022 Final Dividend.

The Register of Members of CITIC Limited will be closed during the following periods:

- (i) from Friday, 16 June 2023 to Wednesday, 21 June 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 15 June 2023; and
- (ii) from Wednesday, 28 June 2023 to Friday, 30 June 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders’ entitlement to the proposed 2022 Final Dividend. In order to establish entitlements to the proposed 2022 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 27 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 28 February 2022, CITIC Limited fully redeemed the USD500 million 3.125% notes under the Medium Term Note Programme upon maturity. These notes were issued on 28 February 2017 and listed on The Stock Exchange of Hong Kong Limited.

Save as disclosed above, neither CITIC Limited nor any of its subsidiary companies has purchased, sold or redeemed any of CITIC Limited's listed securities during the year ended 31 December 2022.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent CITIC Limited's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement is posted on CITIC Limited's website (www.citic.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The full Annual Report will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 20 April 2023.

By Order of the Board
CITIC Limited
Zhu Hexin
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the executive directors of CITIC Limited are Mr. Zhu Hexin (Chairman), Mr. Xi Guohua, Mr. Liu Zhengjun and Mr. Wang Guoquan; the non-executive directors of CITIC Limited are Ms. Yu Yang, Mr. Zhang Lin, Ms. Li Yi, Mr. Yue Xuekun and Mr. Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh, Mr. Gregory Lynn Curl and Mr. Toshikazu Tagawa.