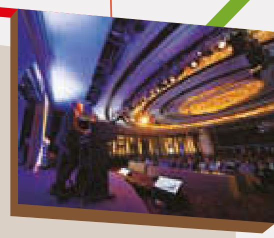
中信
CITIC

2019
ANNUAL REPORT



Stock code: 00267

CITIC LIMITED

Our Businesses

Financial Services

CITIC Bank	(65.97%)
CITIC Trust	(100%)
CITIC-Prudential Life	(50%)
CITIC Securities	(16.50%)

Resources & Energy

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

Manufacturing

CITIC Pacific Special Steel	(83.85%)
CITIC Dicastal	(42.11%)
CITIC Heavy Industries	(67.27%)

Engineering Contracting

CITIC Construction	(100%)
CITIC Engineering	(100%)

Real Estate

CITIC Pacific Properties	(100%)
CITIC Urban Development & Operation	(100%)

Others

CITIC Telecom International	(58.19%)
Dah Chong Hong	(100%)
CITIC Industrial Investment	(100%)
CITIC Environment	(100%)
CITIC Press	(73.50%)

As at 29 February 2020

Our Company

CITIC Limited (SEHK: 00267) is one of China's largest conglomerates and a constituent of the Hang Seng Index. Tracing our roots to the beginning of China's opening and reform, CITIC has grown in step with the country's rise and modernisation. We have built a remarkable portfolio of businesses with a focus on financial services, resources and energy, manufacturing, engineering contracting and real estate.

We are driven today by the same values on which we were founded: a pioneering spirit, a commitment to innovation and a focus on the long term. We embrace world-class technologies and aim for international best practices. We are guided by a strategy that is consumer-centric, commercially-driven, and far-sighted in the allocation of capital and resources.

Our platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world. Guiding us as we grow is our fundamental commitment to create long-term value for all of our shareholders.

Contents

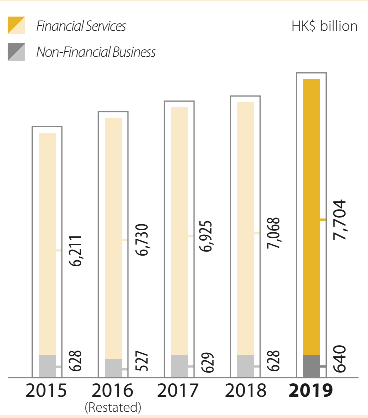
Highlights

HK$ million	Year ended 31 December 2019	2018	Increase/ (Decrease)
Revenue	566,497	533,285	6.2%
Profit before taxation	96,015	93,969	2.2%
Net profit attributable to ordinary shareholders	53,903	50,239	7.3%
Basic earnings per share (HK$)	1.85	1.73	7.3%
Diluted earnings per share (HK$)	1.85	1.73	7.3%
Dividend per share (HK$)	0.465	0.41	13%
Net cash generated from operating activities	160,082	151,899	5.4%
Capital expenditure	32,318	43,802	(26%)

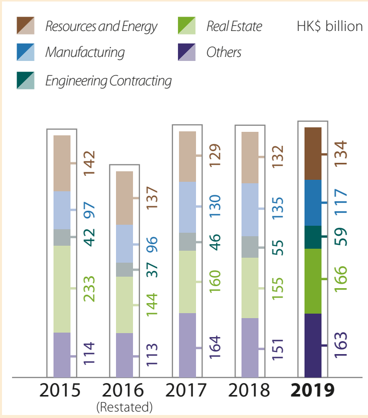
	As at 31 December 2019	As at 31 December 2018	Increase/ (Decrease)
Total assets	8,289,924	7,660,713	8.2%
Total liabilities	7,395,433	6,850,053	8.0%
Total ordinary shareholders' funds	591,526	558,545	5.9%
Return on total assets (%)	1.4%	1.4%	–
Return on net assets (%)	9.4%	9.1%	0.3pp
Staff employed	287,910	273,344	5.3%

	Business assets			Revenue from external customers			Profit attributable to ordinary shareholders		
Business *HK$ million*	As at 31 December 2019	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation	Year ended 31 December 2019	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation	Year ended 31 December 2019	Increase/ (Decrease)	Increase/ (decrease) excluding the effect of currency translation
Financial services	7,703,980	9.0%	9.3%	222,316	9.5%	14%	42,845	2.7%	6.9%
Resources and energy	134,304	1.9%	2.4%	94,951	21%	21%	3,015	43%	48%
Manufacturing	117,240	(13%)	(13%)	119,328	(2.1%)	1.9%	7,553	26%	31%
Engineering contracting	59,030	6.5%	6.8%	23,373	19%	24%	1,867	(9.1%)	(5.4%)
Real Estate	166,404	7.6%	7.7%	5,943	(34%)	(31%)	4,347	(19%)	(15%)
Others	162,893	7.8%	8.0%	100,546	(0.4%)	0.2%	2,556	25%	27%

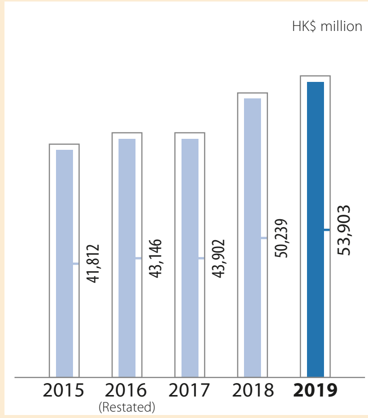
Assets By Business



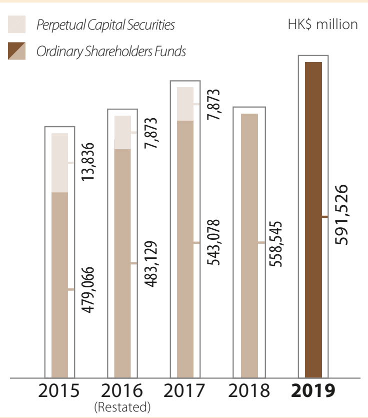
Assets of Non-Financial Businesses



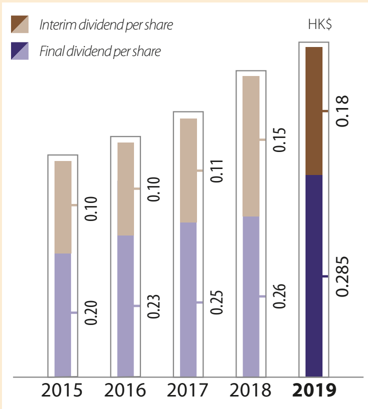
Profit Attributable to Ordinary Shareholders



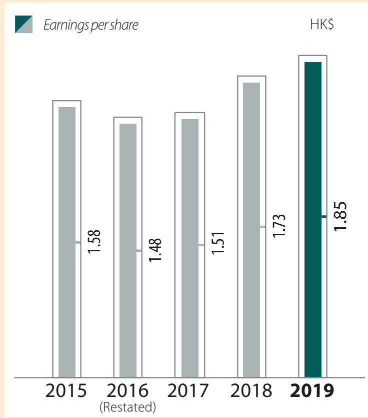
Total Ordinary Shareholders' Funds and Perpetual Capital Securities



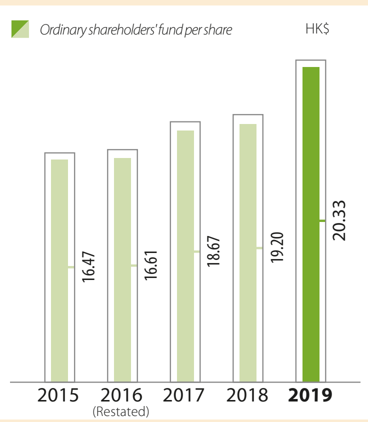
Dividend Per Share



Earnings Per Share



Ordinary Shareholders' Funds Per Share



Chairman's Letter to Shareholders

Dear Shareholders,

It is an honour to be appointed the Chairman of CITIC Limited. CITIC is a company that has been at the forefront of China's development. From modest beginnings four decades ago, CITIC has grown into one of the largest conglomerates in the country today.

I feel privileged for the opportunity to join CITIC and to build upon the leadership of my predecessor, Mr Chang Zhenming, and those who came before him. Under his stewardship, CITIC has solidified itself into a formidable, unique and increasingly international platform operating both financial and non-financial businesses, many of which are leaders in their fields. I look forward to carrying his mantle as we continue to generate value for you.

CITIC has consistently focused on solidifying its businesses. In 2019, the company registered a profit attributable to ordinary shareholders of HK$53.9 billion, up 7%. Excluding the Renminbi to HK Dollar conversion effect, profit from operations grew 12% year-on-year. The financial services segment delivered strong performance, while the growth of our non-financial segment was largely the result of the contribution from Sino Iron, a considerable profit rise in the special steel business and profit from the sale of a 58% stake in CITIC Dicastal. At the end of December 2019, CITIC Limited had approximately HK$30 billion in cash and available facilities.

The board recommends a final dividend payment of HK$0.285 per share, giving shareholders a total dividend of HK$0.465 per share for the year, 13% more than in 2018.

Business Results

Benefitting mainly from a lift in liquidity by the central bank in China, especially over the first half of 2019, the financial services segment performed strongly, recording HK$42.8 billion in profit, a 3% rise. Excluding the effect of currency translation, this is an increase of 7% compared with 2018.

CITIC Bank remains the largest profit contributor to the company, registering a bottom line of RMB48 billion, a rise of 8%, supported by double-digit growth in both net interest income and non-interest income. Net interest income rose 13% as assets grew and net interest margin widened, while non-interest income increased 15% as a result of the bank's capital-light strategy. Over the year, CITIC Bank continued to focus on integrating fintech solutions. Only two years after its launch, CITIC AiBank registered a profit of RMB20 million.

CITIC Trust's profit rose 7% to RMB3.6 billion, driven by interest income and investment gains. During the period under review, CITIC-Prudential Life achieved a substantial profit increase of 63% to RMB1.8 billion, spurred by growth in both premium income and investment gains. Riding on revived activity in the capital market, CITIC Securities' profit in 2019 grew 30% to RMB12.2 billion, led by its trading and investment banking businesses.

In the non-financial segment, the manufacturing business realised a profit of HK$7.6 billion for 2019, a 26% year-on-year increase, with significant profit growth in the special steel business as well as the booking of HK$1.4 billion from the sale of a 58% stake in CITIC Dicastal. CITIC Heavy Industries also performed well.

Against a market that saw the price of steel decline and prices for raw materials, particularly iron ore, rise, CITIC Pacific Special Steel delivered a 23% greater profit year-on-year to achieve a total profit of RMB5.4 billion. Its strong performance was driven by increased production and improved margins resulting from continued efficiency enhancements and greater cost control throughout its operating cycle. Aiming to further solidify its leading position, CITIC Pacific Special Steel has acquired two downstream processing plants, enabling the company to provide a comprehensive range of seamless steel tubes as well as automotive springs.

Impacted by US export tariffs, CITIC Dicastal's profit declined 20% to RMB968 million. To better serve its customers internationally, CITIC Dicastal continued to diversify its production capacity beyond China. The first phase of its plant in Morocco is now operational, while construction of the second phase is on track to be completed by the end of 2020, taking total production capacity in Morocco to 6 million wheels per annum. This will further strengthen Dicastal's long-term competitiveness.

In 2019, CITIC Heavy Industries' profit was RMB117 million, a rise of 10% compared with 2018. In part, this was attributable to the company's push to grow its business of providing total solutions to customers, which has yielded favourable results. Ongoing efforts to drive cost savings and enhance efficiency together with the strong performance of the specialty robotics division also contributed to the bottom line.

In resources and energy, profit grew 43% in 2019 to HK$3 billion, primarily as a result of a maiden profit at Sino Iron.

In 2019, the mine exported more than 20 million tonnes of concentrate, making it the largest seaborne supplier of magnetite concentrate to China today. The project's profitability was mainly the result of a strong iron ore price in the first half of 2019, as well as ongoing efforts to drive greater efficiency and reduce operating costs. Despite solid operational progress, Sino Iron continues to face challenges to long-term financial sustainability. We have yet to secure the approvals necessary to ensure the project has sufficient space to store waste rock and tailings for life-of-mine operations, as well as to mine the ore body in the most efficient manner. Overall project planning is also compromised.

These approvals are a vital issue, and it is in everyone's interest to resolve this situation as soon as possible.

Profit at CITIC Resources, meanwhile, declined 34% year-on-year in 2019 to HK$600 million as a result of lower oil prices. CITIC Metal's profit decreased 43% to HK$963 million, due primarily to the weaker performance of its commodities trading business.

Engineering contracting registered a profit of HK$1.9 billion, a 9% reduction compared with the previous year, which included a one-time tax saving. Major projects that contributed towards the 2019 bottom line included the construction of a national network security centre in Wuhan, Hubei province, a new industrial town in China's Sichuan province and an agricultural and industrial complex development in Belarus. New projects signed in 2019 reached RMB51.2 billion, which included a national forest reserve development in China's Henan province, a water treatment plant in Guangdong province, a social housing project in Mozambique and highway project in Kazakhstan.

In real estate, the company's developed and managed businesses continued to generate a solid profit. However, the overall profit of HK$4.3 billion of the property business in 2019 was HK$1 billion lower than in 2018. This was the result of a HK$2.6 billion impairment made on our 10% equity investment in China Overseas Land and Investment, due mainly to its lower stock price against our higher book value.

Aside from stable rental income from investment properties in both mainland China and Hong Kong, major development projects that contributed to the bottom line included our large integrated development in the Lujiazui financial district of Shanghai, the delivery of the remaining units at Kadooria, a luxury residential development in Hong Kong and the sale of an 80% interest in an urban development project in Chengdu in Sichuan province. CITIC Tower in Beijing, the tallest building in China's capital city, was completed in 2019 and is now serving as CITIC's new headquarters.

Corporate Developments

In 2019, several transactions were initiated to enhance the dynamism of the businesses. Most recently, CITIC Limited divested 22% of its holding in McDonald's mainland China and Hong Kong business to CITIC Capital. Since the formation of the strategic partnership with CITIC Capital, Carlyle Group and McDonald's, CITIC's name recognition, unique platform and extensive resources have been instrumental in advancing McDonald's operations in this market. Over the last three years, more than 1,000 new restaurants were opened, driving significant growth in both revenue and profit. This sale realised part of CITIC's investment, and through our remaining 10% shareholding we will continue to participate in McDonald's future growth.

Over the course of 2019, the company continued to take steps to unlock value by listing both the publishing and special steel businesses on the Shenzhen Stock Exchange in July and October respectively. It is worth noting that both companies' market value has since grown substantially and that CITIC Pacific Special Steel's market capitalisation is now the second largest of all publicly listed steel companies in mainland China.

In December, the sale of a 58% stake in CITIC

Dicastal was completed, realising HK$1.4 billion in profit. This business began some thirty years ago when the use of aluminium alloy was uncommon for car wheels. With foresight, commitment and hard work, CITIC Dicastal became the world's largest producer and exporter of automotive aluminium wheels. The company also accelerated the development of the lightweight components and integrated processes that will drive the future of transportation in the automotive sector. Crystallising its valuation by bringing in new investors was a key step towards unlocking its long-term potential and growth. CITIC also benefited from this transaction by realising some of its initial investment, while continuing to manage the business and participate in Dicastal's future growth.

During the year under review, Dah Chong Hong, AsiaSat and CITIC Envirotech were taken private. These are valuable businesses to CITIC with long-term potential, but in the short-term they are facing challenges on a number of fronts. For example, following the privatisation of Dah Chong Hong, CITIC will be able to fully control the company's strategies and provide the financial and operational resources to re-invent it for a sustainable future.

Outlook

The results in 2019 were solid. The year 2020, however, will be difficult. On top of ongoing macro challenges, CITIC will have to contend with the COVID-19 outbreak and the shadow it has cast on productivity and economic activity. We have been doing our best to keep our people safe and healthy, while also working to guide our businesses back to normal. Nevertheless, our 2020 performance is certain to be impacted, and it is more important than ever that we take a prudent approach to investment and focus on strong cash flow generation.

During this extraordinary period, CITIC has demonstrated its commitment to social responsibility and corporate citizenship through volunteerism and donations at every level, from employees to businesses and the wider group. Of particular note is a unit of our engineering contracting business, which completed the design for Wuhan's Huoshenshan Hospital for emergency patients. From Hubei province, where CITIC has a major presence, to our operations throughout China, and overseas, everyone at CITIC has been united as one team to overcome the unexpected challenges that confront us today.

The year ahead will test the tenacity and agility of our organisation. I believe we are ready for the challenge, and CITIC's businesses remain solid and sustainably positioned. We are resolute in our focus to ensure CITIC's continued growth and development, and I am grateful for everyone's hard work and dedication.

I look forward to working together with all of CITIC's stakeholders in the years to come.

Zhu Hexin
Chairman
Beijing, 31 March 2020

FINANCIAL SERVICES

The Financial Services businesses of CITIC Limited comprise banking, trust, insurance and securities, offering our customers innovative and comprehensive financial solutions across a full service platform.

Major subsidiaries

CITIC Bank

is a joint-stock commercial bank offering corporate banking, retail banking and financial markets services, as well as CITIC AiBank, an intelligent bank formed in a joint venture between CITIC Bank and Baidu.

CITIC Trust

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

CITIC-Prudential Life

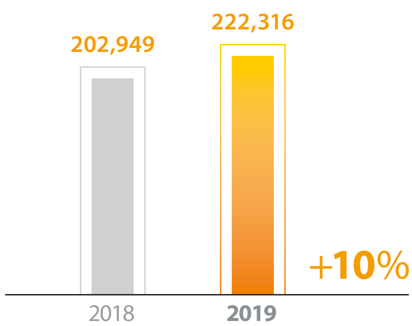
is a joint venture between CITIC Corporation and Prudential Plc, providing life, health and accident insurance as well as reinsurance.

CITIC Securities

is a leading securities company in China with businesses spanning investment banking, brokerage, securities trading and asset management.

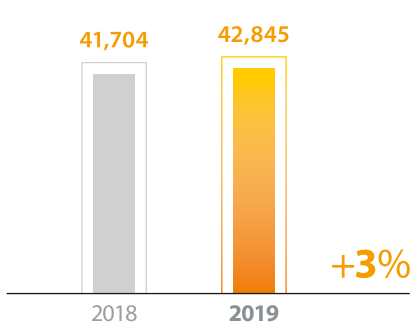
REVENUE

HK$ million



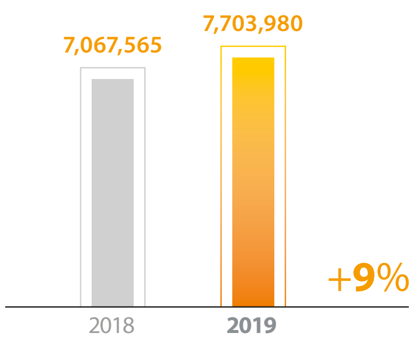
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK$ million



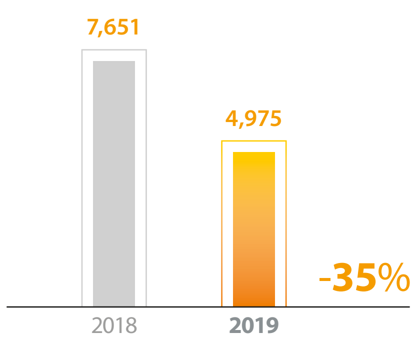
TOTAL ASSETS

HK$ million



CAPITAL EXPENDITURE

HK$ million



During the year, profit attributable to shareholders reached HK$428 billion, a year-on-year increase of 3%. Excluding the RMB to HKD translation, profit grew 7% year-on-year, mainly attributable to continuous operational enhancements as well as moderate monetary easing in the first half of 2019.

CITIC Bank remained the largest profit contributor, registering a bottom line of RMB48 billion, a rise of 8%, supported by double-digit growth in both net interest income and non-interest income. The bank's efforts to promote innovation in fintech are empowering our various business lines to better serve their customers. **CITIC Trust** achieved steady growth in profitability, increasing 7% driven mainly by a significant rise in net interest income and investment gains. Its revenue, profit and fee income surpassed all its peers in 2019. **CITIC-Prudential Life's** earnings surged 63%, which was attributable to strong growth in both premium income and investment gains. With the revival in capital markets activity, **CITIC Securities'** 2019 profit increased 30%, led by its trading and investment banking businesses.

CITIC Bank

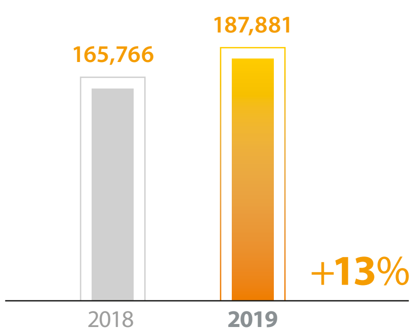
CITIC Bank is a leading joint-stock commercial bank with a full range of services and strong brand recognition in China. With a staff of nearly 60,000 and over RMB6 trillion in total assets, it is engaged in corporate banking, retail banking and financial markets services. In 2019, CITIC Bank was ranked 19th in the Top 500 Banking Brands by British financial magazine The Banker.

Year in Review

The Chinese banking industry benefited from moderate monetary easing and stable market interest rates in the first half of 2019. CITIC Bank adhered to its overall strategy of enhancing its corporate banking advantages while improving the contribution of retail banking and financial markets. As a result, the bank demonstrated healthy growth in revenue, profits and assets during the year. Profit attributable to ordinary shareholders grew by 8% year-on-year to RMB48.0 billion. Total revenue reached RM187.9 billion, a year-on-year increase of 13%, driven by both net interest income and non-interest income. Net interest income rose 13% to RMB127.3 billion, due mainly to the growing asset balance and wider NIM. Non-interest income grew 15% year-on-year, driven principally by robust bank card business and agent services, and its contribution to total revenue continued to increase from 31.9% to 32.3%[1].

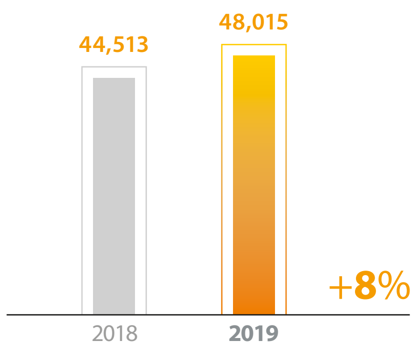
REVENUE

RMB million



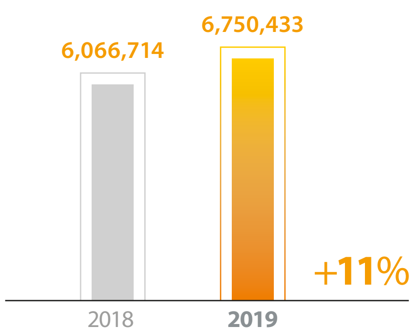
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RMB million



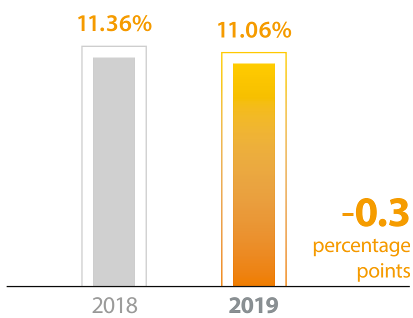
TOTAL ASSETS

RMB million



RETURN ON EQUITY

%



[1] Revenue from credit card cash installments has been reclassified from fee and commission income to interest income since 2019. Financial indicators related to interest income and non-interest income have been restated.

Asset and Liability Management

CITIC Bank's total assets grew steadily by 11% in 2019. Total loans also increased 11%, reflecting a rebalanced and optimised loan portfolio. More credit resources were directed to pillar industries such as commercial services, public utilities management, railway and road transport, and pharmaceutical manufacturing to capture new opportunities in the economy, while exposure to low-end manufacturing and underperforming industries was strictly controlled. On the liability side, total customer deposits increased 12% in 2019, and interbank deposits and placements grew 22%. Total funding costs were well controlled. During the reporting period, CITIC Bank redeemed its 37-billion-yuan Tier-two bond and issued a 40-billion-yuan convertible bond as well as a 40-billion-yuan perpetual bond. These actions helped to strengthen CITIC Bank's risk resilience and stabilise our capital adequacy ratios. Our core Tier-one capital adequacy ratio increased by a 0.07 percentage point to 8.69%, while the total capital ratio declined slightly by a 0.03 percentage point to 12.44%.

Risk Management

CITIC Bank continued to focus on risk management to balance asset growth and quality. Although total loans increased by double digits, the growth of our NPL balance was well managed at 3% during the year. The NPL ratio decreased by 12 basis points year-on-year to 1.65% at the end of 2019. CITIC Bank significantly increased provisions to position itself more defensively during the counter cyclical period. The bank's provisioning coverage ratio stood at 175.25% at year end, up 17.27 percentage points, while the loan provision ratio stood at 2.90%, up 0.1 percentage point.

Business Highlights

REVENUE BY SEGMENT

RMB million	2019	2019 percentage	2018 (Restated)	2018 percentage (Restated)
Corporate banking	**93,790**	49.9%	87,823	53.0%
Retail banking	**71,284**	37.9%	57,525	34.7%
Financial markets	**19,476**	10.4%	16,712	10.1%
Other	**3,331**	1.8%	3,706	2.2%

Corporate Banking

Corporate banking recorded revenue of RMB93.8 billion, up 7% year-on-year, contributing 49.9% of total revenue. CITIC Bank continued to optimise the corporate customer mix and developed strong relationships with leading companies across various industries. We also expanded our business with quality upstream and downstream companies and provided integrated services for clients' supply chains and ecosystems. By year end 2019, the bank had 743,000 corporate clients, up by 113,000 over the previous year. Corporate loans (including discounted bills) grew by 7% to RMB2,267.2 billion, while corporate deposits increased 9% to reach a historical high of over RMB3 trillion, thus maintaining CITIC Bank's top ranking among Chinese joint-stock commercial banks.

Transaction banking, investment banking, international business and the asset custody business all registered steady performance during the year. Among Chinese joint-stock commercial banks, CITIC Bank maintained market leading positions in several areas, such as debt financing underwriting, forex settlement and sales, cross-border RMB settlement and custody assets. The transaction banking business advanced significantly and by year end was serving a total of 607,000 clients, up 34%. Transaction volumes increased by 29% to RMB97.21 million while turnover reached RMB64.7 trillion. The bank continued to optimise its digital banking channel and, to improve service efficiency, upgraded a mobile app for corporate clients. This particularly benefited small- and medium-size enterprises by easing access to financing and lowering operational costs.

Custody assets reached a new high of over RMB9 trillion, up 8% year-on-year, supporting the deposit base. During the year, CITIC Bank won bids to become the custodian of a national annuity as well as 25 provincial annuities. By the year end, 14 annuities had been successfully launched with total custody assets reaching RMB25.4 billion.

Retail Banking

CITIC Bank aims for steady growth in its retail banking business and retail customer base by leveraging big data and Fintech to implement more precise marketing campaigns, enhance the customer experience and accelerate digital transformation. Revenue from retail banking was RMB71.3 billion in 2019, contributing 37.9%, up 3.2 percentage points. During the year, the number of retail clients grew by 16% to 102.2 million, including 890,000 mid- and high-end clients, reflecting an annual increase of 21%. The enlarged customer base, which uses a variety of our products, proved to be a boost to stable deposits. Total personal deposits increased by 23% to RMB878.2 billion. An improved automatic loan approval system was effective in driving growth in personal lending to better serve the trend of higher-end consumption. Individual loans (excluding the credit card business) grew by 17% to RMB1,216.2 billion.

Our credit card business continued to grow substantially, driven by improved digitalisation, and contributed RMB60.5 billion in revenue, up 31% year-on-year. Transaction turnover increased by 23% to RMB2,561.4 billion, while credit card advances increased by 16% to RMB514.7 billion. During the year, the credit card business launched its independently-developed cloud system, Starcard, which has helped to improve the competitiveness of this business.

Leveraging its enhanced management capability, the private banking business recorded strong growth momentum during the year. It offered high-end clients, including individual, family and corporate customers, a comprehensive range of customised financial solutions to fulfil a variety of needs. The number of clients expanded 24% to over 40,000, and total assets under management grew by 22% to RMB573.9 billion during the reporting period.

Financial Markets

CITIC Bank's financial markets business continued to adhere closely to the bank's principle of light assets, capital and costs to drive performance. In 2019, revenue generated by financial markets reached RMB19.5 billion, up 17% year-on-year, and its contribution was 10.4%. Non-interest income from financial markets increased by 28% to RMB12 billion, and its contribution to total non-interest income was 19.8%. The bank continued to adjust its interbank asset structure and increase yields during the year.

CITIC Bank continued to upgrade its CITIC Interbank+ platform during the year and carried out new product research and development to improve the customer experience. By the end of 2019, the platform had accumulated 1,981 institutional clients, up 63% year-on-year. The bank retained its leading position in the interbank Forex market-making business with a transaction volume of RMB13.9 trillion, a year-on-year increase of 3%.

CITIC Bank is also optimising the asset management business structure in a prudent manner. Its wholly-owned asset management subsidiary has been approved by the regulator. At the end of 2019, the total volume of non-risk-bearing wealth management products increased by 19% to RMB1,103.3 billion. Growth of NAV products also progressed well, with their proportion rising from 26% to 59%. The asset management business generated RMB42.7 billion in total returns for clients in 2019.

INNOVATION AND FINTECH

CITIC Bank continued to accelerate its digital transformation by allocating more resources to push Fintech innovation and by expanding its Fintech talent pool. During the reporting period, the bank invested RMB4.9 billion in Fintech.

CITIC Bank has empowered its business lines through Fintech and successfully launched over 100 AI solutions to improve service accuracy and efficiency. In the past two years, CITIC Bank has continuously enriched the trade finance blockchain system, which has attracted over 20 banks and accumulated more than RMB100 billion of turnover as at the end of 2019.

The connection between mobile banking and offline channels was tightened and linked to provide an omnichannel integrated service for clients. Both the number of registered users and app activity rate continued to accelerate in 2019. The number of mobile banking clients reached 45.83 million, up 25% during the year, while total turnover increased by 39% to RMB8.72 trillion. Based on the analysis of customer behaviour, the bank's intelligent marketing engine can give customised recommendations to clients and makes reaching target audiences more efficient.

As a result, clients were reached via more than 100 million communications during the year. AUM for online marketing clients amounted to over RMB40 billion by year end.

In line with CITIC Bank's commitment to develop and innovate, CITIC AiBank was launched on 18 November 2017, with CITIC Bank holding a 70% stake and Baidu holding 30%. Its registered capital is RMB4 billion. In 2019, revenue reached RMB2.4 billion as CITIC AiBank recorded its first profit of RMB20 million.

During the year, CITIC AiBank accelerated efforts to build its sales system and asset deployment system to better manage assets and liabilities. Its deep involvement in Baidu's ecosystem also provided opportunities for synergy. CITIC AiBank's balance sheet grew rapidly, providing a solid base for future development. As of the end of 2019, total assets reached RMB58.9 billion, while shareholders' equity amounted to RMB3.2 billion. CITIC AiBank strikes a sound balance between innovation and compliance, as all of its key indicators have met regulatory requirements.

CITIC Trust

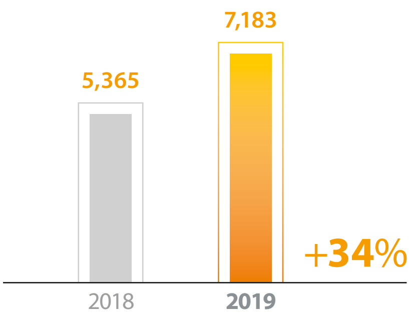
CITIC Trust is a leading non-bank financial institution in China. It focuses principally on the trust business, complemented by proprietary business to better manage its balance sheet, and invests in subsidiaries to diversify its portfolio. For twelve consecutive years, CITIC Trust has ranked in the Top 3 of the Mainland China trust industry according to core earnings indicators. A clear leader in its field, CITIC Trust also has the highest regulatory rating in the sector. It was also awarded the Best China Trust Company by The Asian Banker in both 2018 and 2019.

Year in Review

Although 2019 was a challenging year for the trust industry, CITIC Trust maintained healthy operations and focused on optimising the business structure to manage risks from an uncertain market. Revenue and profit reached RMB7.2 billion and RMB3.6 billion respectively in 2019, ranking CITIC Trust No.1 in the industry. Its fee income beat peers to reach RMB4.9 billion. Record high profit was driven by a 57% increase in net interest income and a 46% hike in investment gains, which was mainly benefited from expanded proprietary assets and improved asset allocation.

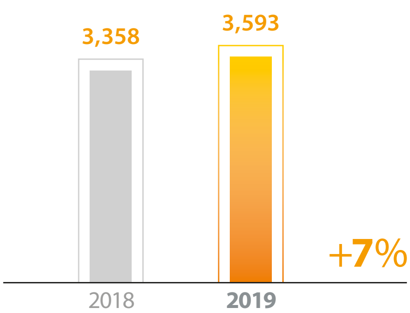
REVENUE

RMB million



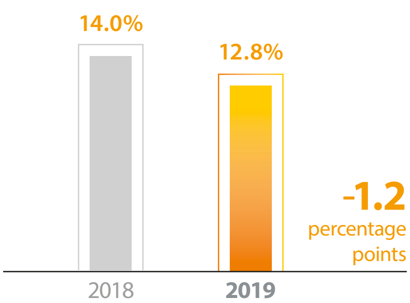
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RMB million



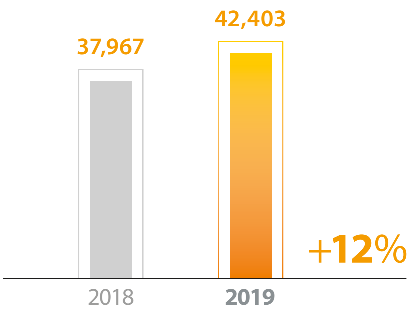
RETURN ON EQUITY

%



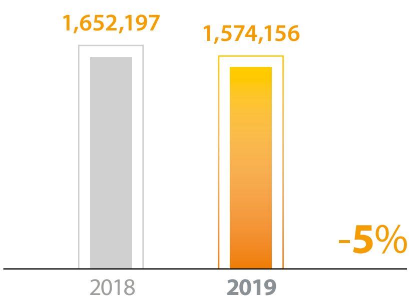
TOTAL PROPRIETARY ASSETS

RMB million



TRUST ASSETS UNDER MANAGEMENT

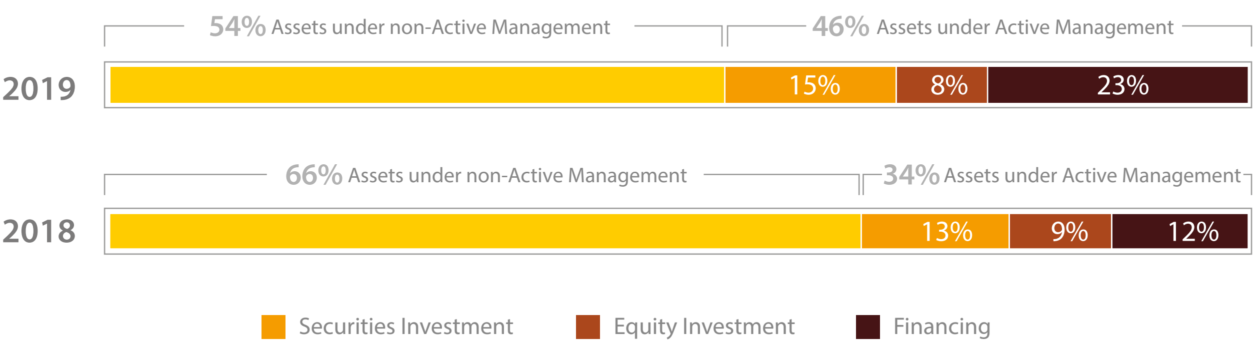
RMB million



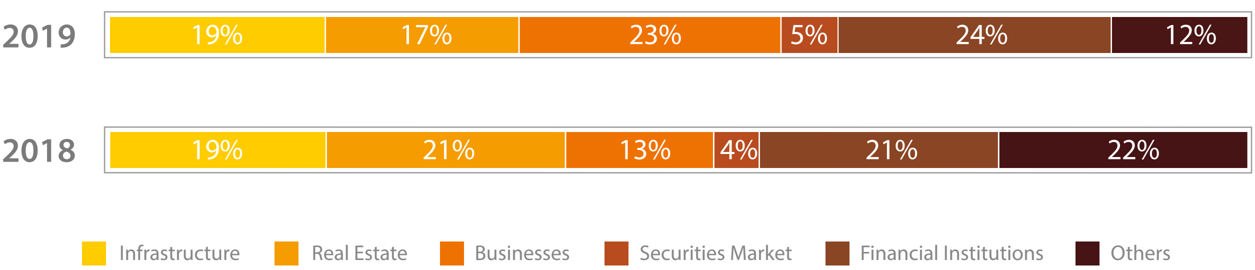
Management of Trust Assets

CITIC Trust continued to enhance its capability in optimising its asset allocation and seizing opportunities in the economy. As the firm proactively reduced trust AUM to RMB1.6 trillion, it increased the proportion of trust assets under active management from 34% to 46%. Trust profit attributable to beneficiaries reached RMB72.7 billion, ranking Top 1 for many years.

ALLOCATION OF TRUST ASSETS - BY TYPE



ALLOCATION OF TRUST ASSETS - BY INDUSTRY



Key Business Highlights

Trust Business

FINANCING SERVICE

CITIC Trust delivers a wide range of financial trust solutions to clients, including governments, enterprises, financial institutions and other institutional investors. Through diversified means of equity and debt financing, CITIC Trust has invested around RMB700 billion in projects to capture opportunities available from growth sectors in the real economy, and from national strategies including Belt and Road, as well as the development of key regions such as Beijing-Tianjin-Hebei region and the Yangtze Delta. With an eye on opportunities emerging from China's ongoing consumption upgrade trend, CITIC Trust collaborated with internet giants such as Tencent and JD.com to develop the consumer financing trust business.

As a strategic investor, CITIC Trust is closely involved in the future development of the enterprises in which it invests. During the year, it launched a research centre together with the University of Chinese Academy of Sciences and Shandong Weiqiao Pioneering Group, the parent company of China Hongqiao (1378.HK). The centre is mainly focused on research and application of new materials. CITIC Trust provides not only financial support but other resources to this enterprise in which it invests, to help the enterprise accelerate the upgrading process.

WEALTH MANAGEMENT

CITIC Trust provides diversified wealth management services for institutional clients and high net worth individuals, with a wide range of products across currency markets, fixed income and equity investment. The wealth management service can be provided in tailored ways such as family trust and insurance trust. In 2019, CITIC Trust expanded into the western China market and launched two wealth management centres respectively in Chengdu and Shaanxi province.

Our family trust business and insurance trust service maintained the leading position in the trust industry. The total number of clients under family trusts doubled to around 3,000 with AUM over RMB34 billion, a year-on-year increase of 89%. CITIC Trust collaborated with 11 insurance companies to formulate the first industry standard for the insurance trust service in China, providing a sound basis for future development. In 2019, CITIC Trust also established the first offshore family trust in Hong Kong through its overseas platform CTI Capital Trust Limited. The integrated onshore and offshore wealth management service will be helpful to better serve our high net worth customers.

In a new innovation, CITIC Trust launched TOF (Trust of Funds) products. These trust products structure both equity and fixed income funds as the underlying assets, and can filter fund managers by their historical performance in order to hedge risks and provide stable returns to customers.

TRUST SERVICE

To ensure asset isolation and safety, CITIC Trust provides a number of important trust-related services such as custodial account management, execution and supervision, settlement and clearing, equity allocation and contract custody, among others.

CITIC Trust was among the first institutions to qualify as an official underwriter of corporate debt financing instruments for non-financial clients and as a manager of Asset-Backed Securities (ABS). Its securitisation assets reached RMB116.4 billion in 2019, the largest in China's trust industry for a seventh consecutive year.

For the charity trust business, CITIC Trust continued to explore the new products and services such as co-trustee, DAF (Donor-Advised Fund) and investment-linked charity. It has completed seven DAF donations. Meanwhile, it also launched the first charity trust program for legal education and the first Charitable Lead Trust (CLT). As of the end of 2019, CITIC Trust has established seven charity trusts with total charity funds under management reaching RMB549 million and nearly 100,000 donation recipients.

Proprietary Business

CITIC Trust manages its proprietary balance sheet to maintain a solid capital position and moderate leverage in support of its business development. In 2019, our total proprietary assets amounted to RMB42.4 billion, up 12% over the previous year. As we optimise the investment strategy and improve our asset management capability, net interest income and investment gains have achieved significant growth of 57% and 46% respectively.

Subsidiaries

CITIC Trust has established a number of subsidiaries including CIT Capital, CITIC Juxin and CITIC Consumer Finance to provide comprehensive financial services such as equity investment funds, mutual funds, money markets, overseas investment and consumer finance. As at the end of 2019, total assets managed by our subsidiaries exceeded RMB200 billion, which were mainly allocated to new technology, high-end manufacturing, education and healthcare sectors.

CITIC Juxin, as a private equity platform, explored the alternative investments in cutting-edge projects. As a new trial in the commercial aerospace industry, CITIC Juxin invested in Beijing i-Space, which successfully launched a rocket for the first time in July 2019. CITIC Juxin also invested in Beijing Tianlian which provides spacecraft Telemetry, Tracking and Command (TT&C) systems. Beijing Tianlian successfully provided services for the first sea-based launch of a rocket in China in June 2019.

CITIC Trust is the first trust company to launch a consumer finance business, CITIC Consumer Finance Co., Ltd, established in June 2019. Registered capital is RMB300 million with CITIC Limited holding a 35.1% stake, CITIC Trust a 34.9% stake and Kingdee China a 30% stake. The firm has been approved to develop an RMB personal lending business.

CIT Capital, our overseas platform, has obtained multiple licences including Type 1, 4, and 9 licenses from Hong Kong's Securities and Futures Commission (SFC) as well as the trust company and money lender licenses in Hong Kong. It is well placed to develop a diversified business and achieved HK$6 billion AUM by the end of 2019.

Risk and Capital

CITIC Trust continued to achieve balanced growth with its stringent attention to risk management. In 2019, 785 trust projects were completed with no defaults recorded and RM688.3 billion of principal was distributed. Capital strength was further enhanced over the year. CITIC Trust increased registered capital from RMB10 billion to RMB11.3 billion. As of year end 2019, the net capital adequacy ratio remained solid at 173%, comfortably above regulatory requirements. The balance of net capital was RMB19.8 billion, providing a strong foundation for long-term growth.

Indicator	Year End 2019	Year End 2018	YoY Change	Regulatory Requirement
Net capital (RMB billion)	**19.8**	16.8	+18%	≥RMB200 million
Total risk capital (RMB billion)	**11.4**	8.8	+29%	N/A
Net capital adequacy ratio	**173%**	190%	-17 percentage points	≥100%
Net capital/Net asset	**67%**	69%	-2 percentage points	≥40%

CITIC-Prudential Life

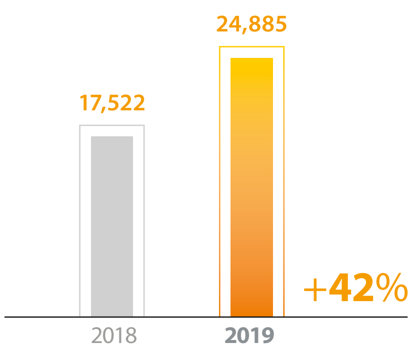
CITIC-Prudential Life, a fifty-fifty joint venture between CITIC Limited and Prudential Corporation Holdings Limited, offers life, health and accident insurance, as well as reinsurance services. In 2019, a Shaanxi subsidiary was established, which is its 21st subsidiary in the China market. Today, CITIC-Prudential Life operates in 94 cities across China. Preparations for the opening of an asset management subsidiary are progressing well.

Year in Review

Following a profound restructuring in 2018, the Chinese insurance industry began to pick up during 2019, an important transition year for industry players to prepare for long-term quality development. Within this context, CITIC-Prudential Life maintained solid and heathy operations in the face of the changing market. It recorded significant growth in revenue surging 42% year-on-year to RMB24.9 billion. Driven particularly by the strong development of bancassurance, premium income grew by 39% which led to a 39% increase in total assets to RMB104.1 billion. In addition, with the revived stock market, overall investment returns increased with investment gains rising 46%. As a result, profit increased by 63% to RMB1.79 billion while the return on equity increased by 4.2 percentage points to 24.5%.

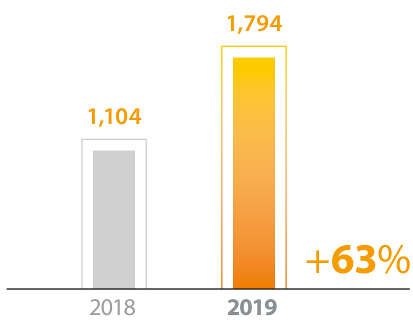
REVENUE

RMB million



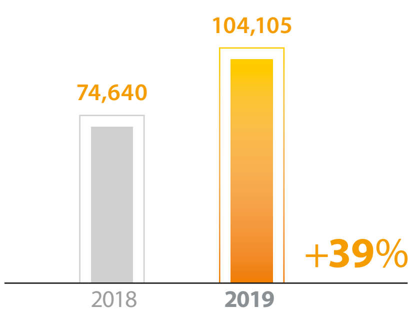
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RMB million



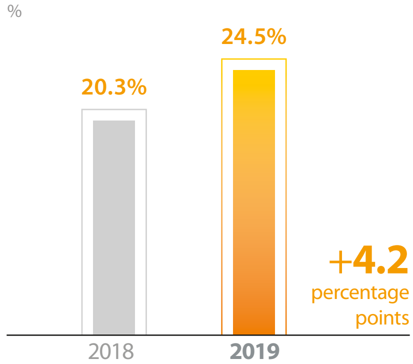
TOTAL ASSETS

RMB million



RETURN ON EQUITY

%



Products

CITIC-Prudential Life continued its business focus on life and health insurance, complemented by a developing accident insurance business. In 2019, CITIC-Prudential Life's premium income from life insurance jumped 49% to RMB15.5 billion. Premium income from health insurance was RMB5.5 billion, representing a year-on-year increase of 19%. Improved protection products together with a long-term savings insurance business enables CITIC-Prudential Life to provide full life-cycle solutions for clients. In 2019, CITIC-Prudential Life upgraded key critical illness products by extending the coverage to enhance protection and improve product competitiveness. It also launched several annuities and medical insurance products to strengthen the protection functions.

PREMIUM INCOME - BY PRODUCT TYPE

RMB million	**2019**	2019 percentage	2018	YoY change
Life insurance	**15,488**	73%	10,402	+49%
Health insurance	**5,499**	26%	4,630	+19%
Accident insurance	**357**	2%	352	+1%
Total premium income	**21,344**	**100%**	**15,384**	**+39%**

Distribution

To face the changing market, CITIC-Prudential Life adheres to a diversified distribution strategy, including bancassurance, agency and direct sales. Total premium income jumped 39% to RMB21.3 billion. In 2019, CITIC-Prudential Life's premium income from bancassurance surged 76% to RMB8.6 billion, which was the biggest growth driver. To boost development of the bancassurance channel, more focus was placed on not only extending its collaborations with banks but also improving the value of the business as well as upgrading business processes by utilising new technologies. Premium income from the agency channel reached RMB11.8 billion, up 20%, contributing 56% of total premium income. CITIC-Prudential Life aims to continuously improve agents' professionalism, quality and skills. By the end of 2019, there were 5,865 CITIC-Prudential Stars with high performance, representing an increase of 11% over the prior year.

PREMIUM INCOME - BY DISTRIBUTION CHANNEL

RMB million	**2019**	2019 percentage	2018	YoY change
Agency	**11,832**	56%	9,854	+20%
Bancassurance	**8,599**	40%	4,884	+76%
Direct Sales	**723**	3%	503	+44%
Others	**190**	1%	143	+33%
Total premium income	**21,344**	**100%**	**15,384**	**+39%**

Note: Distribution channels are classified according to CBIRC. Group business was mainly in Direct Sales.

Investment of Insurance Funds

The total investments of insurance funds increased by 38% to RMB91 billion during the year while investable assets of non-investment-linked accounts grew by 29% to RMB73.1 billion. Meanwhile, the investment portfolio continued to be optimised, providing a solid foundation for long-term investment return. With the application of a flexible investment strategy, the return rate of total investment from non-investment-linked accounts increased significantly, reflecting strong investment gains of RMB3.5 billion, an increase of 46% year-on-year.

Risk Management

In 2019, CITIC-Prudential Life maintained balanced growth while maintaining a solid solvency level. As of the end of 2019, CITIC-Prudential Life had an aggregated solvency adequacy ratio of 249%. It has also been rated "Class A" by the Chinese Insurance Regulatory Commission (CIRC) in every quarterly Integrated Risk Rating (IRR) since 2016.

Innovation

New technology is effectively lowering the cost and improving the efficiency of the insurance market. CITIC-Prudential Life is applying new technologies such as ID card OCR (Optical Character Recognition), face recognition and cloud digital signature to inject more vitality into the business operations in terms of sales and policy administration. In 2019, 92.3% of policies were signed through our digital sales system, which effectively improved service efficiency and customer experience.

The brand launch of CITIC-Prudential Life

CITIC Securities

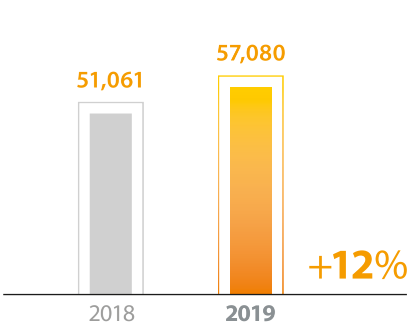
CITIC Securities is one of the leading securities companies in China, providing services that include investment banking, wealth management, asset management and trading.

Year in Review

In 2019, CITIC Securities' net profit was RMB12.2 billion, an increase of 30% year-on-year. A number of key factors contributed to this strong performance. These included the pickup in capital market activities during the year, particularly those following the Chinese government's further initiatives to open up the financial markets and CITIC Securities' successful efforts to enhance its services and risk management capability.

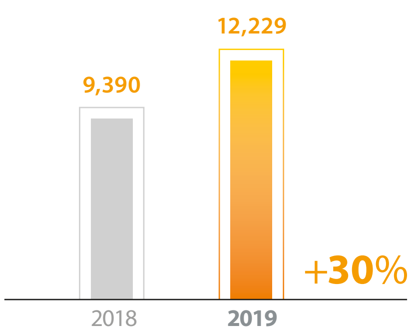
REVENUE

RMB million



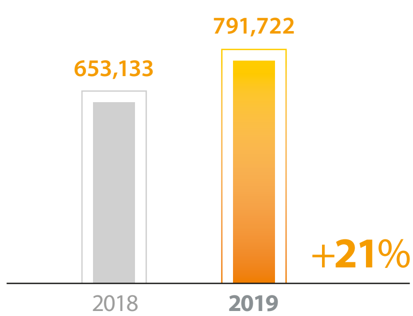
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RMB million



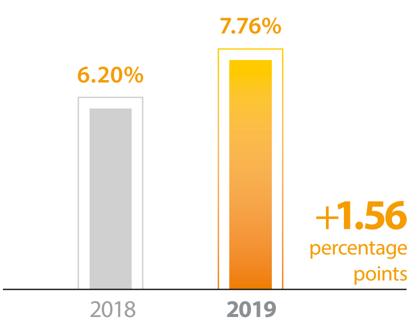
TOTAL ASSETS

RMB million

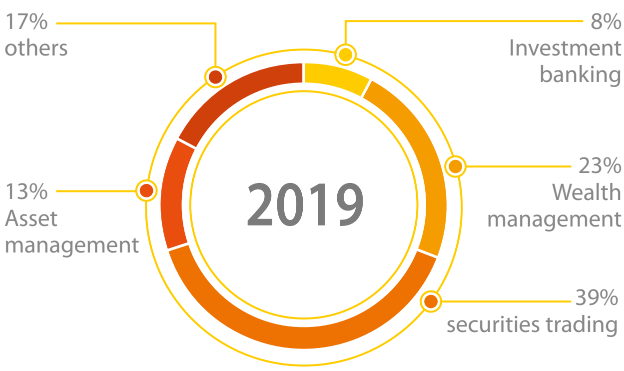


RETURN ON EQUITY

%



REVENUE DISTRIBUTION



Investment Banking

In the equity finance business, CITIC Securities focused on developing new types of business, while continuing to expand its client base and product offerings. During the reporting period, the equity finance team completed nine IPOs on the new STAR Market and made substantial progress in capturing other new business opportunities, including convertible bonds, market-oriented debt-to-equity swaps and financial transactions related to the mixed-ownership reform of SOEs.

In 2019, the company completed a total of 81 A-share lead underwriting transactions, including private placements, with an aggregate value of RMB279.8 billion. These transactions represented an 18.2% share of the market, enabling CITIC Securities to maintain its first place position in the industry. In addition, the company also completed 17 IPOs in Hong Kong and ranked second in terms of the overall number of IPO sponsorships.

With the recovery of bond issuances in the primary market, CITIC Securities continued to capitalise on its integrated business platform to provide clients with comprehensive services in debt and structured finance. In 2019, it underwrote a total of 1,981 debentures (including convertible bonds and exchangeable debts) and structured finance transactions in the amount of RMB1,001.5 billion, maintaining its leading industry position.

In the overseas market, the company finished the year with 61 debt transactions completed for clients in mainland China, Hong Kong, Singapore, the Philippines and India.

In the restructuring of A-share material assets, CITIC Securities topped the industry by undertaking RMB163.3 billion in deals. In addition, the company executed 20 sizable cross-border M&A projects.

Acting as the lead sponsor, CITIC Securities supervised 20 enterprises on China's new OTC Market, with six companies entering the higher of two OTC Market tiers.

Former Prime Minister The Honourable Kevin Rudd of Australia at the CLSA Forum

Wealth Management

During the reporting period, CITIC Securities transformed its brokerage business in order to provide clients with a more comprehensive range of financial solutions. The company also continued to enhance its wealth management service platform in order to serve client needs better. By the end of 2019, the total trading volume in stocks and funds was RMB15.5 trillion, leading the industry, while the total transaction volume of other financial products was RMB778.3 billion. The number of retail and institutional clients amounted to 8.7 million and 37,000 respectively, and total assets under custody reached RMB5.8 trillion.

After obtaining the CSRC's approval in December 2019, CITIC Securities succeeded in acquiring Guangzhou Securities. As of the end of 2019, the company had securities branch offices throughout mainland China in all 31 provinces, cities and autonomous regions.

Asset Management

Following the latest regulations on capital management by the Chinese government, CITIC Securities has focused on expanding its active management business, developing equity products, and pursuing opportunities in the real economy. In 2019, the asset management team continued to lead the market in key business segments, with AUM of RMB1,394.7 billion and assets under active management of RMB698.3 billion, another increase from the previous year.

CITIC Securities is the largest shareholder of China AMC, a leading asset management company in China. By the end of 2019, the AUM of China AMC reached RMB1,032.1 billion, of which mutual funds accounted for RMB538.7 billion in AUM. The company's focused equity funds achieved outstanding performance during the year, with the number one ranking in AUM in the industry. Also during the year, China AMC's institutional business continued to maintain its dominant position, achieving consolidated AUM in its institutional and overseas asset management business of RMB493.5 billion.

Both CITIC Securities and China AMC have made substantial progress in occupational annuities, winning the bid as investment manager for the central government as well as in 28 provinces, cities and autonomous regions.

Trading

In addition to proprietary trading, CITIC Securities operates a trading business offering comprehensive services such as equity derivatives, fixed income, commodities and securities financing.

During the year, CITIC Securities' OTC derivatives business focused on evolving its service offerings for both institutional and retail clients in the areas of risk management, global asset allocation, strategic investment and wealth management. The market-making business has made steady progress in terms of product expansion and diversification.

Working closely with different business functions, the fixed income team continued to offer more products and better integrated services to its clients. By the end of 2019, the company topped the industry in sales of interest rate products.

Investment

CITIC Securities Investment, CITIC Securities' alternative investment subsidiary, invests in a wide range of industries, including technology, advanced manufacturing, innovative services and healthcare. The investment team, which is focused on investing in early stage companies, supported a number of technologically innovative companies seeking a listing on the STAR Market in 2019.

Internationally, the CITIC Securities Investment team has been leveraging its integrated platform and stepping up its investment activities. Goldstone Investment, CITIC Securities' platform for raising and managing private equity funds, managed 15 private equity funds in 2019. During the review period, it invested more than RMB4 billion in the overseas market, covering sectors such as advanced manufacturing, healthcare and health management, big data and clean energy.

RESOURCES AND ENERGY

Our resources and energy business comprises the exploration, mining and processing of mineral resources, trading of energy products, and power generation. We hold interests in projects in China, Australia, Brazil, Gabon, Germany, Indonesia, Kazakhstan and Peru.

Major subsidiaries

CITIC Resources

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

CITIC Mining International

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

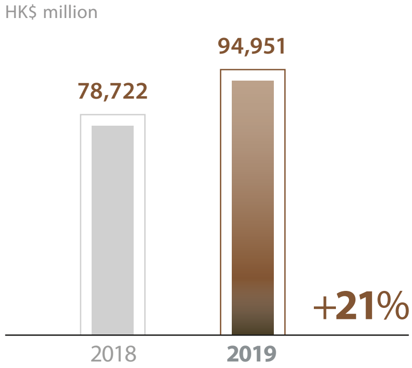
CITIC Metal

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

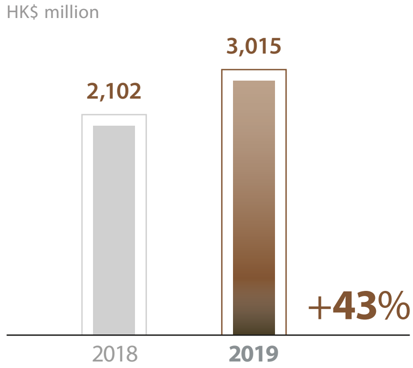
CITIC Pacific Energy Investment

invests in and manages power plants. It also has an interest in a coal mine in China.

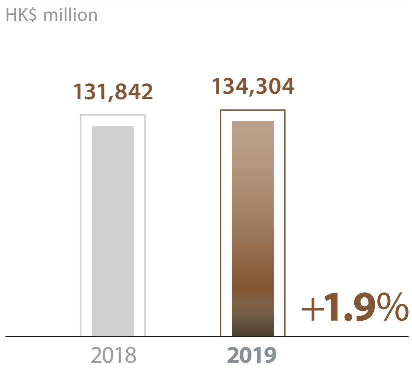
REVENUE



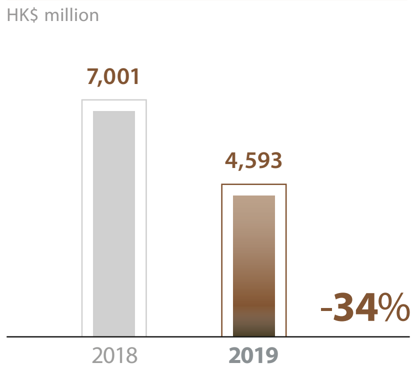
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



TOTAL ASSETS



CAPITAL EXPENDITURE



Year in Review

In 2019, the resources and energy business realised a profit of HK$3,015 million, 43% more than that of 2018. The increase resulted mainly from the contribution of Sino Iron, which benefited from a strong average price of iron ore in 2019 and ongoing cost controls.

In 2019, prices of crude oil, smelted aluminium and coal were lower than in 2018 on average, while that of iron ore went up. **Sino Iron** became profitable for the first time since its operations commenced in 2013. **CITIC Resources** achieved profit attributable to shareholders of HK$600 million, a drop of 33.7% from 2018. This reflected lower crude oil and commodity prices during most of the year. **CITIC Metal's** profit was down by 43% to HK$963 million, mainly due to volatile commodity prices and a lower share of profit from the Las Bambas copper mine as multiple interruptions of local road access over the year hampered the transportation and sales of the mine's products. During the year, CITIC Metal increased its interest in Canadian company Ivanhoe Mines to 26.3%. CITIC Limited's power generation business recorded a drop in profitability of 5.5%.

Energy Products

Crude Oil

In 2019, CITIC Resources' overall average daily oil production was 48,320 barrels, 2.2% less than in 2018.

Oilfields	CITIC Resource's interest	Daily production in 2019 (100% basis)[1]	Change compared to 2018	Proven oil reserve estimates as of 31 December 2019 (100% basis)
Karazhanbas oilfield	50%	39,610 barrels	0.03%	180.9 million barrels
Yuedong oilfield	90%	7,010 barrels	(11.2%)	30.1 million barrels
Seram Block	41%	1,700 barrels	(10.5%)	2.3 million barrels

Yuedong oilfield's heritage wells experienced natural depletion during the year. Yuedong began drilling new development wells in 4Q 2019, but the contribution of the new wells was only able to partially offset production declines from the heritage wells. Seram Block also faced natural depletion of its existing wells. However, no new wells were drilled at Seram Block in 2019 as its new production sharing contract only became effective in November 2019.

Karazhanbas oilfield saw a solid performance during the year with a higher sales volume and effective production cost controls.

Coal

CITIC Limited holds a participating interest in the Coppabella and Moorvale coal mines joint venture, as well as interests in a number of coal exploration operations in Australia via CITIC Resources. It also holds a 30% interest in Xin Julong coal mine in Shandong province, China via CITIC Pacific Energy Investment.

Power Generation

CITIC Limited, through CITIC Pacific Energy Investment, invests in and manages coal-fired power stations in mainland China, with a total installed capacity of over 6,400MW. Among these power stations, Ligang Power Plant in Jiangsu Province is one of the largest coal-fired power stations in China, with an installed capacity of 4,040MW. In 2019, a total of 29.8 billion kWh of electricity was generated, slightly lower than that in 2018, and 20.04 million GJ of heat was supplied, comparable to 2018. Both were contributed primarily by the Ligang Power Plant.

Metals and Minerals

Magnetite Iron Ore

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

In 2019, Sino Iron shipped more than 20 million wet metric tonnes of concentrate to CITIC 's special steel plants and other Chinese and Asian steel mills. During the same period, a record 179 ships were loaded at Cape Preston. Since the project was put into operation in late 2013, more than 74 million tonnes of high grade product have been shipped up until the end of 2019.

[1] 100% basis: based on the production of every oilfield

Despite increased production and improvements in the performance of the six processing lines, continuity of operations remains at risk due to the inability to secure the necessary approvals and tenure. Resolution of these issues requires the urgent cooperation of all affected parties.

Sino Iron has the right to mine two billion tonnes of magnetite ore and has exercised the option to acquire another one billion tonnes of magnetite ore.

Sino Iron power station control room

Las Bambas copper mine

Copper

In 2019, the Las Bambas copper mine project in Peru, in which CITIC Metal holds a 15% interest, produced copper concentrates containing 380,000 metric tonnes of copper, comparable to that in 2018.

Through this partnership, CITIC Metal also secured distribution rights to approximately 26% of the copper concentrates extracted from the site. In 2019, CITIC Metal distributed a total of 231,700 metric tonnes of copper concentrates, which was lower than the 312,500 tonnes in 2018. The drop resulted from interruptions of road access to the mine on three occasions, each of which resulted in a stoppage in the transport of copper concentrates and affected sales.

Ferroniobium

CITIC Metal indirectly holds a 5% interest in Brazilian miner CBMM, which produces about 80% of the world's ferroniobium. Through the partnership, CITIC Metal has exclusive distribution rights on this resource in China. CITIC Metal primarily supplies ferroniobium to medium and large steel mills as it is used in the production of high strength and high performance steels. In 2019, CITIC Metal's ferroniobium trading volume increased to more than 33,500 tonnes, accounting for a share of more than 80% of the Chinese market, with revenue and profit both hitting a new high.

Manganese

CITIC Dameng, a Hong Kong listed company, is one of the largest vertically-integrated manganese producers in the world. It is a major supplier of electrolytic metal manganese and electrolytic manganese dioxide and a manufacturer of manganese-based cathode materials. CITIC Dameng owns the largest manganese mine in China and has interests in several other mines in China and Gabon, West Africa.

Trading

CITIC Limited's major traded commodities include iron ore, ferroniobium, copper, aluminium, coal, platinum and steel. CITIC Metal's iron ore trading volume increased 15% to 52 million tonnes in 2019, cementing its position as a leader in the industry in China.

MANUFACTURING

CITIC Limited's manufacturing businesses include the manufacture of special steel, lightweight automotive parts, heavy machinery and specialised robotics.

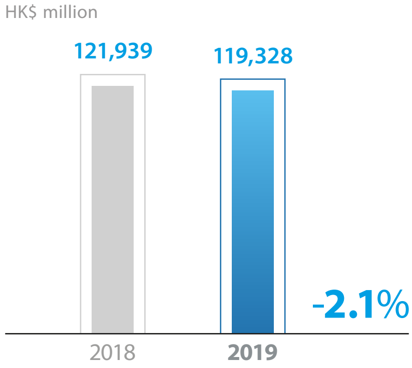
Major subsidiaries

CITIC Pacific Special Steel
is China's largest producer of special steel.

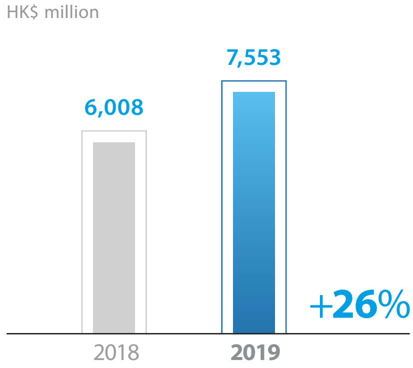
CITIC Dicastal
is the world's largest aluminium automotive parts manufacturer.

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

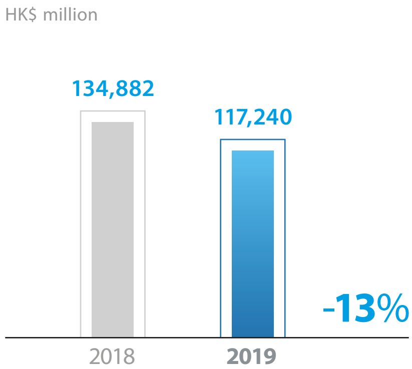
REVENUE



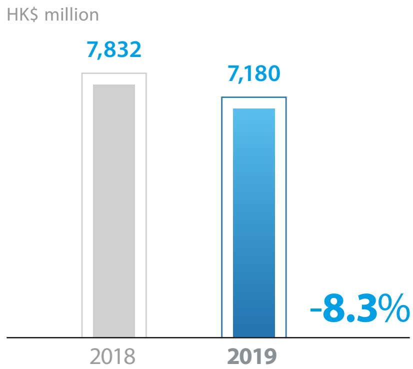
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



TOTAL ASSETS



CAPITAL EXPENDITURE



In 2019, CITIC Limited's manufacturing businesses realised record revenue of HK$119.3 billion. Profit attributable to ordinary shareholders grew 26%, building upon strong gains already achieved in 2018. During December, CITIC divested 57.89% of Dicastal to strategic investors, realising HK$1.4 billion in after-tax income.

The strength of our manufacturing businesses was evidenced around the globe. **CITIC Pacific Special Steel** continued its standout performance achieving record revenue and profit. The firm improved profits significantly over the year through production increase and cost reduction. In 2019, CITIC completed the restructuring of its special steel business on the Shenzhen Stock Exchange. The transaction helps it to gain greater access to financing options which better positions the business to pursue opportunities that may arise in the special steel sector.

Against the backdrop of a contracting global auto market, **CITIC Dicastal** realised sales growth of both aluminium wheels and castings by delivering high quality products and providing impeccable tailor-made-services with high added value. During the year, the firm brought in strategic investors to solidify its position as an industry leader, producing cutting edge lightweight aluminium components for auto manufacturing in China and globally.

CITIC Heavy Industries delivered strong financial performance in 2019, on the back of its advanced industrial equipment and solutions, particularly in heavy machinery, and as a result of the company's recovery of downstream industry demand and expanded global reach. Profits increased 5.7% over the year. The company prioritised innovation in areas such as environmental protection and defence, as well as robotics applicable to other diverse industries.

CITIC Pacific Special Steel

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

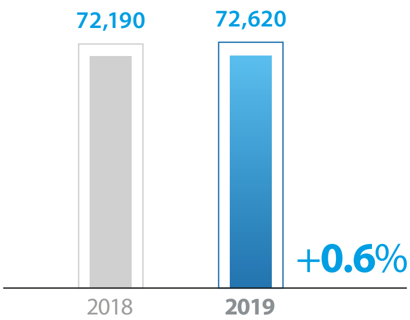
With a total production capacity of over 13 million tonnes per annum, CITIC Pacific Special Steel currently operates four main plants—Xingcheng Special Steel, Daye Special Steel, Qingdao Special Steel and Jingjiang Special Steel. The company also has one coking coal plant in Tongling and another iron ore processing plant in Yangzhou. In the last two years, CITIC Pacific Special Steel has extended its footprint into special steel downstream and complementary products with the acquisition of two processing plants—Pacific Special Steel Suspension in Ji'nan and Zhejiang Pacific Seamless Steel Tube in Shaoxing.

STEEL MILL	PROFILE
XINGCHENG SPECIAL STEEL	• Located in Jiangyin, Jiangsu province • Annual production capacity: 6 million tonnes • 8 bar, wire and medium to heavy plate production lines • Owns two 100,000-tonnage ports • A global leader in bearing steel, auto steel, alloyed cast round billet and spring steel
DAYE SPECIAL STEEL	• Located in Huangshi, Hubei province • Annual production capacity: 3 million tonnes • 10 bar, tube and forged steel production lines • Its ultra-high-strength steel and high-temperature alloyed steel are widely used in the aeronautics and aviation sector
QINGDAO SPECIAL STEEL	• Located in Qingdao, Shandong province • Annual production capacity: 3 million tonnes • 6 wire, bar and flat steel production lines • Situated next to Dongjiakou Port, one of Northern China's largest and busiest ports • A domestic leader in tie cord steel
JINGJIANG SPECIAL STEEL	• Located in Jingjiang, Jiangsu province • Annual production capacity: 1 million tonnes • 2 bar and tube production lines • Access to a trade terminal on the Yangtze River

Year in Review

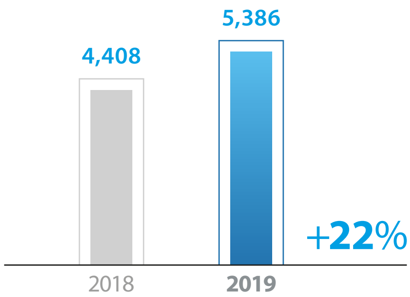
REVENUE

RMB million



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS*

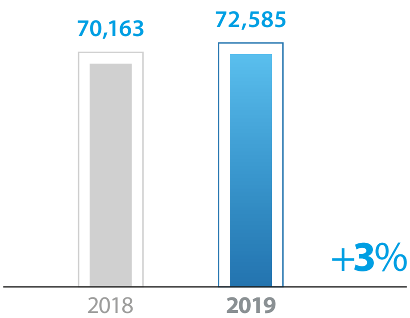
RMB million



* Profit on 100% basis

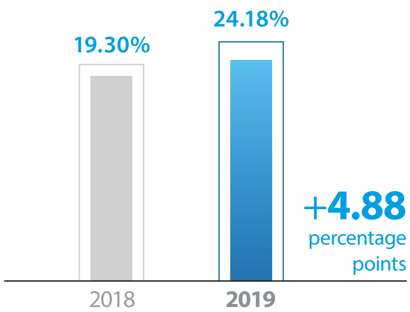
TOTAL ASSETS

RMB million



ROE

%



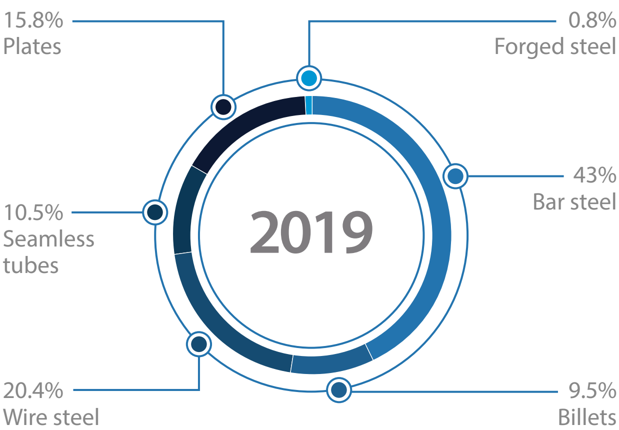
2019 was a tough year for China's steelmakers. Profits declined for most steel mills due to a surge in the cost of iron ore, weak demand from the real estate industry and the falling price of steel. Moreover, the slowdown of China's auto market and uncertainties caused by Sino-US tensions also gave rise to downside pressure on the industry. Although the operating environment for the special steel sector has been affected, it has shown resilience given its unique characteristic, which offers customers bespoke and higher value added products.

CITIC Pacific Special Steel bucked the industry trend and posted record highs in both sales volume and net profit in 2019 by substantially increasing the production of the four mills and effectively reducing costs. The company sold 13.27 million tonnes of special steel products during the year, an increase of 10% compared to 2018. Net profit attributable to ordinary shareholders improved 22% to RMB5.4 billion.

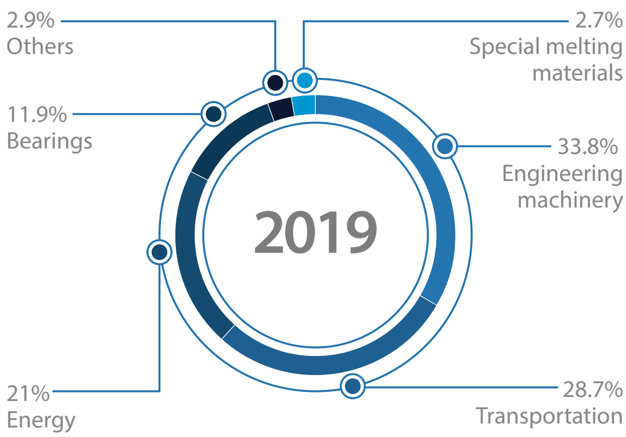
Converter process for steelmaking

During the year, CITIC Pacific Special Steel successfully achieved cost reductions and efficiency enhancements through ongoing measures in areas including production process, technology, procurement and logistics. For example, the company has optimised the steelmaking process, which significantly improved its steel rolling efficiency. The company also improved alignment of the supply and demand of iron ore to better manage the cost of raw materials, resulting in a decline in procurement costs. To stay competitive, CITIC Pacific Special Steel continued to make efforts in innovation by developing new products to replace the existing product lineup. In 2019, 2.04 million tonnes of new products were developed and sold, which represented 15% of the total sales volume, and a 28% increase in these products as compared to 2018. The company's high-end products exceeded 31% of total sales volume supported by R&D, quality improvement and product certifications.

SALES BY PRODUCT



SALES BY INDUSTRY



More than half of CITIC Pacific Special Steel's products are sold to customers in the auto components, machinery manufacturing and energy industries. Given that China's auto market faced contraction, sales volume to the auto components industry has declined for two consecutive years. Against this backdrop, the company optimised its product mix and further expanded sales to the energy and other industries. To cater for the growing demand from the wind power, petroleum and petrochemical sectors, the company increased its sales efforts and achieved good results in these areas.

While the majority of CITIC Pacific Special Steel's customers are domestic, 13% of 2019 annual sales volume came from overseas, a 5% year-on-year increase to 1.77 million tonnes. Exports to the US, meanwhile, represented less than 1% of the total sales volume. The company is dedicated to developing new markets and customers, with 221 new customers added in 2019, a 77% increase.

Strategic Developments

In 2019, CITIC completed the restructuring of its special steel business on the Shenzhen Stock Exchange. The transaction helps the company gain greater access to financing options which better position the business to pursue opportunities that may arise in the special steel sector. It will also bring greater synergies across the business and enhance the level of disclosure and transparency of CITIC's special steel assets.

In 2019, CITIC Pacific Special Steel acquired Zhejiang Pacific Seamless Steel Tube. This factory produces large-diameter thick-wall seamless steel tubes, which is complementary to existing products produced by Daye Special Steel and Jingjiang Special Steel. The acquisition enables the company to provide a complete product array of seamless steel tubes. Zhejiang Pacific Seamless Steel Tube's annual production capacity is 100,000 tonnes, with customers spanning the power generation, petroleum, petrochemicals, and coal chemical industries.

During the year, Qingdao Special Steel started a production extension project to ramp up annual capacity from the current 3 million tonnes to 4.2 million tonnes. This project is expected to be completed in the second half of 2020.

Major Products

Products	Production capacity ('000 tonnes)	Examples	Industries
Bars	6,000	• Bearing steel • Gear steel • Spring steel • Alloy tube billet • Oilfield steel	• Automobile • Machinery • Power • Petroleum & petrochemical • Railway
Special plates	2,600	• High-rise building steel • High strength plate • High strength corrosion-resistant bridge plate • Special wear plate • Plastic mould plate • Military plate	• Power • Construction • Shipbuilding • Machinery • Military • Petroleum & petrochemical
Seamless steel tubes	1,500	• Petroleum pipe • Engineering pipe • Ultra high strength steel pipe • Military pipe	• Petroleum & petrochemical • Machinery • Military • Automobile
Wires	2,730	• Alloy structural steel • Bearing steel • Spring steel • Cutting wire steel • Tire cord steel • High strength cable steel	• Automobile • Metal works • Machinery • Construction
Casting billets	1,000	• Alloy structural steel • Gear steel • Bearing steel	• Power • Petroleum & petrochemical • Machinery
Special forged steel	120	• Tool and die steel • Ultra high strength stainless steel • High-temperature alloys	• Machinery • Military & aerospace • Automobile

Qingdao Special Steel

CITIC Dicastal

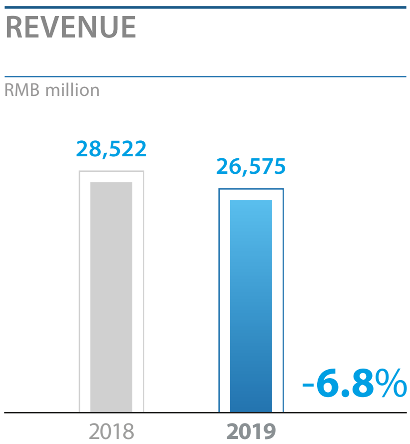
CITIC Dicastal is the world's largest producer of aluminium parts, including wheels and lightweight cast components for powertrains, chassis and body systems for the automotive industry. Total annual production capacity is 69 million wheels and 90,000 tonnes of castings.

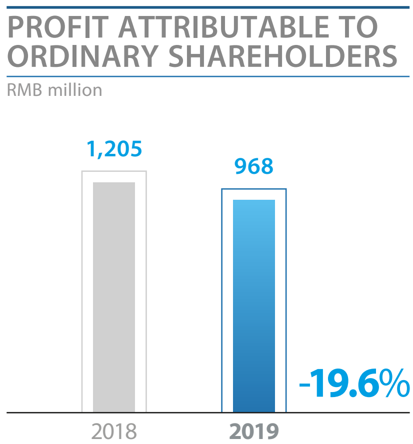
CITIC Dicastal has 26 main manufacturing facilities across China, the United States, Europe and Africa.

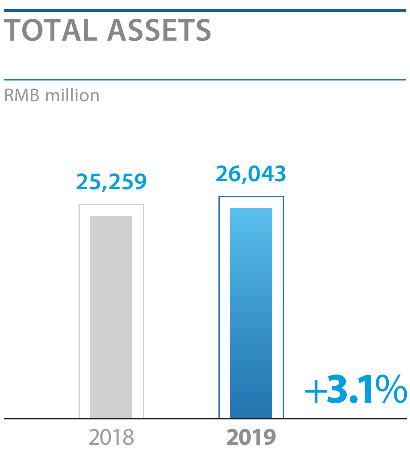
Year in Review

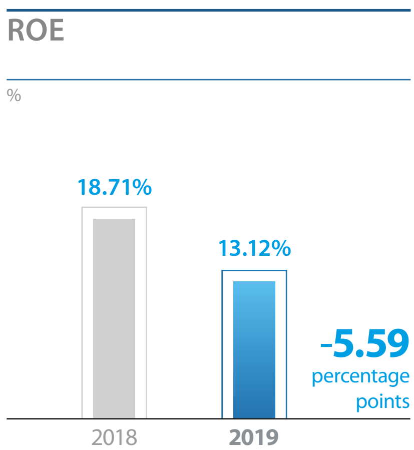
In 2019, major global automotive markets continued to experience a slowdown. Similarly, in China, sales of passenger vehicles were down 9.6% for the year according to the China Association of Automobile Manufacturers. However, CITIC Dicastal was able to maintain its sales of aluminium wheels, and the sale of its casting products grew by 6%, taking total volume sold to 54.6 million units and 81,662 tonnes respectively. This is the result of the company's strong capability in identifying trends in customer preferences and its continued focus on delivering top quality products and services to its customers.

Nevertheless, CITIC Dicastal's performance was impacted by downward pricing pressure on its products. Revenue for 2019 was RMB26.6 billion, a 6.8% reduction compared with 2018. Net profit of RMB968 million saw a larger decline of 19.6% due to the effect of import tariffs levied by the United States.

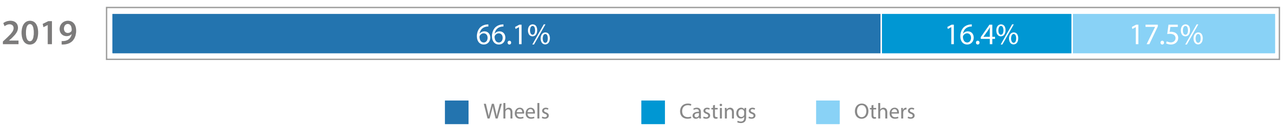




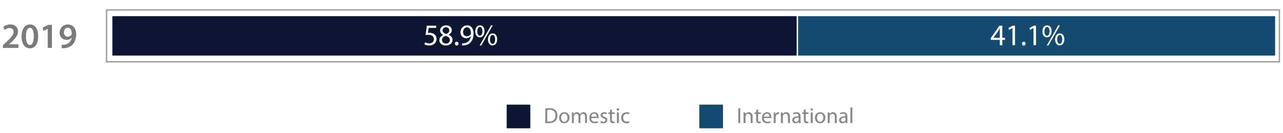




SALES BY PRODUCT



SALES BY AREA BREAKDOWN BY REGION



Restructuring

During 2019, CITIC divested 57.89% of CITIC Dicastal through a public offering for tender to strategic investors at a consideration of RMB5.5 billion. In January 2020, CITIC completed the restructuring which will enable CITIC Dicastal to crystalise its valuation whilst attaining more resources and expertise.

New Plants—Diversified Layouts

Since June 2019, CITIC Dicastal's three-million-unit capacity plant (phase one) in Morocco has been in production, with capacity utilisation approaching 100%. Construction of the second phase started in November 2019 and will be completed in the second half of 2020. The second phase project is poised to double Morocco's total capacity to six million units. Overseas production facilities enable CITIC Dicastal to serve its international customers strategically, either from the US or Europe/North Africa.

MAIN MANUFACTURING BASES

Since July 2019, a new product line of casting in Wuxi has also begun production with an initial annual capacity of 3,000 tonnes.

During the year, CITIC Dicastal signed agreement with Japan's largest aluminium manufacture, UACJ Group, and CITIC BOHAI Aluminum Industries Holding Company Limited. The three sides agreed to collaboratively develop downstream products.

Major Products

Customers

Major customers for CITIC Dicastal's aluminium wheels include the 12 leading global automakers, among them Ford, GM and Chrysler, as well as major Chinese automakers including FAW, SAIC and Dongfeng. Major customers for lightweight aluminium cast components include Daimler, Volkswagen and parts manufacturers such as TRW, ZF and Bosch. In 2019, the top 10 customers of aluminium wheels accounted for over 34.8% of the total sales of aluminium wheels.

Research and Development

Given that lightweight autos are about to go mainstream, CITIC Dicastal currently undertakes more than 50 R&D projects a year, most of which are immersed in cutting-edge lightweight technology. This year's breakthroughs concentrated on aluminous sub-frames and EV battery boxes.

In addition, CITIC Dicastal also conducts research on new materials, particularly carbon fiber composites, which has the potential to replace aluminium as a raw material for auto casting in the future.

With regard to casting, the permeability of aluminous material is growing rapidly. It is expected that aluminium will replace steel as the main raw material for casting, just as aluminous wheels have done since the 1990s. Aluminous casting is a fast-growing market which CITIC Dicastal entered much earlier than its competitors, notably through the purchase of German casting-maker KSM in 2011. As of today, CITIC Dicastal's casting customers span not only domestic OEMS, but also Daimler, BMW, Audi and Volkswagen from Germany as well as GM, Ford and Tesla from the United States. This strategic position bodes well for the future outlook of the firm.

CITIC Heavy Industries

CITIC Heavy Industries is one of China's largest manufacturers of heavy machinery, with major products and services comprising heavy machinery and EPC. During these years, the company also focuses on developing specialised robotics and intelligent equipment.

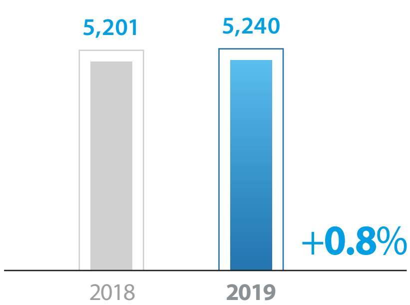
CITIC Heavy Industries' main production facilities are located in Luoyang, Henan; Tangshan, Hebei; and Vigo, Spain.

Year in Review

In 2019, profit attributable to shareholders improved 10% to RMB117 million, owing to the company's successful delivery of integrated services in China. Improvements in efficiency and cost reductions also contributed to the company's rise in profitability. Sales volumes and profitability in the company's specialised robotics, however, declined due to China's institutional reforms in 2019. At the same time, the specialised robotics business continued to be the main contributor of CITIC Heavy Industries' profit. During the year, the company held its market leading position in China with a market share of more than 70%.

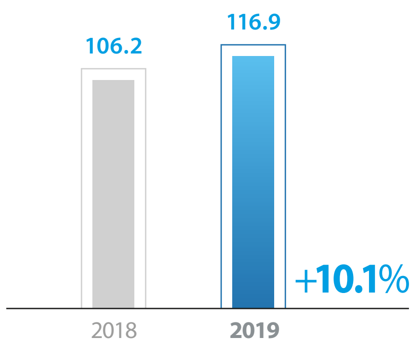
REVENUE

RMB million



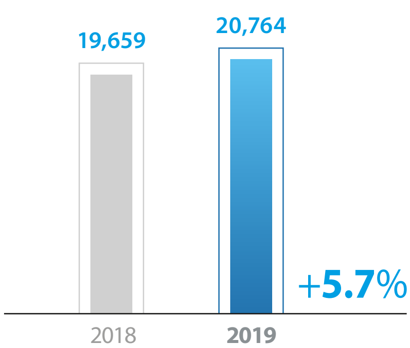
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

RMB million



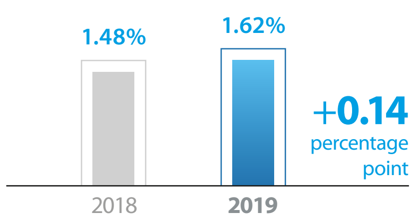
TOTAL ASSETS

RMB million



ROE

%



Major Projects

Domestically, the company maintained its leading edge in heavy machinery manufacturing during the year, with increasing sales volumes and margins.

CITIC Heavy Industries also delivered mining and other equipment to domestic and overseas customers and expanded into new markets in Africa, Latin America and Southeast Asia.

China	• developed and manufactured a variety of tunnel boring machines for excavating transportation tunnels and reservoirs, and completed the world's first extra-large diameter vertical heading machine • delivered key equipment for the Dateng Gorge Water Conservancy project in Guangxi • developed a 1200t/d large-scale active lime production line (protected under its own intellectual property rights) with the largest domestic production capacity and signed a procurement contract with Chinese Rizhao Steel to deliver four lines capable of producing 1,000 tonnes of limestone per day
Democratic Republic of the Congo	• supplied the mill equipment to Sino-Congolaise des Mines (Sicomines), one of the most significant Chinese investment projects in Africa for minings of copper and cobalt
South Africa	• delivered grinding mills to Gamsberg Mine for zinc in the Northern Cape Province, with 4 million tonnes annual capacity of zinc ores
Ecuador	• delivered semi-autogenous mills to Ecuador's Mirador copper project, which is considered as one of the largest industrial-scale mining projects in the copper-rich Andean country, with a production capacity of 20 million tonnes per year
Indonesia	• signed procurement contracts with Indonesia's Huayue Nickel and Cobalt Limited to deliver 12 sets of host devices

Apart from key manufacturing, CITIC Heavy Industries started Xingbang Manufacturing Industry Fund alongside China Capital Management and China Capital Zhongcai Fund Management, with a mandate of high-end manufacturing, energy conservation and environmental protection technologies, new energy and advanced materials.

The opening of the Gamsberg Mine with His Excellency President Cyril Ramaphosa of South Africa

New Business

CITIC Heavy Industries focuses on high-end manufacturing that is composed of specialised robotics, cone beam computed tomography (CBCT) and CT for checkpoint businesses, green power equipment, and tunnel boring machine. In 2019, the company set up a new Intelligent Robotics High-tech Park in Luoyang, which is the first Chinese smart factory for advanced robotics and is designated as a master design for future openings. Its intelligent system boosted the productivity by 30%.

During the year, CITIC Heavy Industries supplied CT equipment for its customers, which is widely used in transportation, customs and border control, post logistics and security checks. CITIC Heavy Industries has also rolled out a new green-power generator. The generator uses by-product heat and pressure to generate electricity, such as waste heat from the production of cement. In 2019, the first high-temp/super-high-pressure/high-speed turbine resistance turbine (under 30MW) was introduced to the market, with the highest flow efficiency in China.

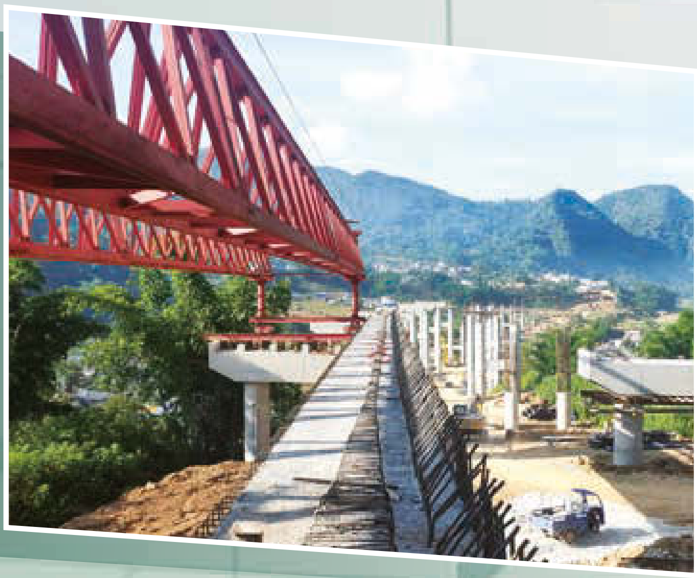
Research and Development

CITIC Heavy Industries made several breakthroughs in product development during the year. Through its Innovation Institute established in 2017, the company incubated several new projects, including specialised ultra-high-pressure water-jet robots, high-speed/high-efficiency turbines and heavy-duty hydraulic manipulators.

The company also developed an intelligent crushing system for mining customers that reduces the number of operators by 60% and increases efficiency by 10%.

Also during the year, CITIC Heavy Industries launched an Internet of Things platform that has connected more than 130 items of equipment, covering the company's six core product lines. Through this platform, the company has uploaded all crusher data to the cloud and gained access to overseas crusher data covering the same equipment specifications for supporting the company's integrated services and marketing initiatives.

The robot showroom at Kaicheng Intelligence



ENGINEERING CONTRACTING

Our engineering contracting business is dedicated to meeting the comprehensive needs of clients with services ranging from feasibility studies, design, planning, exploration and financing to engineering, procurement and construction (EPC). Projects undertaken include the development of infrastructure, housing, municipal and industrial facilities as well as environmental protection initiatives in both China and international markets. For several consecutive years, both of our engineering contracting companies have been rated at the top of the industry, as determined by Engineering News-Record (ENR), a global industry authority. It ranked CITIC Construction in the Top 250 International Contractors and CITIC Engineering among the Top 60 Chinese Design Firms.

Major subsidiaries

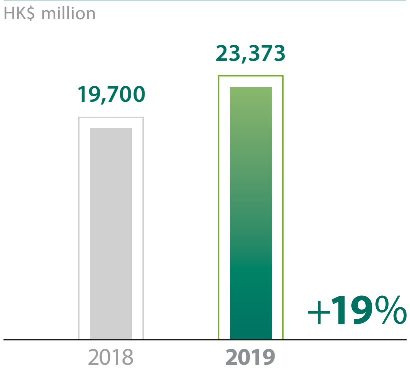
CITIC Construction

is a leading international provider of engineering contracting services. Building on its strengths in international EPC projects, CITIC Construction has recently expanded in the China market. In addition to infrastructure, housing, municipal and industrial facilities, the company has been moving into the agriculture, energy and resources sectors.

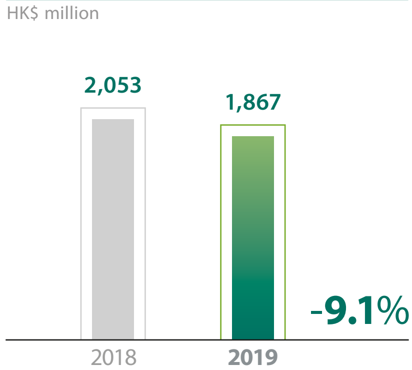
CITIC Engineering

is an EPC service provider, focusing on urban development and ecological preservation projects in China. The company has been capitalising on its strengths in engineering design to capture business opportunities and upgrading the engineering contracting process. CITIC Engineering has two well-known design and research institutes: the Central and Southern China Municipal Engineering Design and Research Institute and CITIC General Institute Architecture Design and Research.

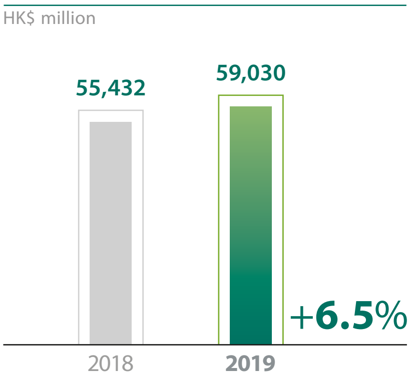
REVENUE



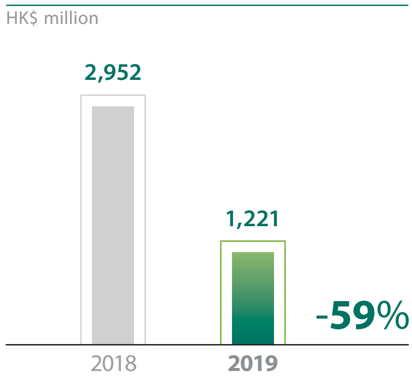
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



TOTAL ASSETS



CAPITAL EXPENDITURE



In 2019, the engineering contracting business's net profit attributable to ordinary shareholders was HK1,867 million, 9.1% less than the previous year. This was due to the profit from a one-time tax saving recorded in 2018, in accordance with the introduction of the Chinese government's new tax laws relating to income from overseas operations.

Projects in China and international markets both contributed to the bottom line in 2019. Key international projects included an agricultural and industrial complex construction project in Belarus, the east section of the Algerian East-West Expressway, and expressway upgrade projects in Kazakhstan. In Angola, the RED social housing project had delivered 28,000 apartment units by the end of 2019, accounting for 93% of that project's total units. In the Chinese market, the main revenue contributors included the Linqing highway project in Yunnan province, which commenced in 2019, an industrial new town development in Sichuan province and three EPC projects in Wuhan, including a clean water project, national network security centre and major road construction project.

The key domestic and international projects that commenced in 2019 included the construction of a national forest reserve in Anyang city, Henan province, and road and environmental projects for Beijing's 2020

Longquan community facilities at Shandong, China

National Network Security facilities at Wuhan, China

Pinggu World Leisure Conference. Also commenced during the year were a number of water related projects in China, including water purification and sewage treatment plants, the upgrade of Kazakhstan's KB expressway and Malaysia's Sunsuria headquarters development.

In 2019, CITIC's engineering contracting business team signed RMB51.2 billion in new contracts. In the domestic market, CITIC has been working closely with local governments and cooperating with private industry funds on PPP (Public-Private-Partnership) projects, which have become an increasingly important part of its domestic business. In 2019, CITIC Construction succeeded in winning a number of large PPP contracts, including the Chuda Highway project in Yunnan Province and Jiangbei New Area Research Park in Nanjing. During the reporting period, CITIC Construction's drive to increase its domestic business started showing results, with 46% of its revenue coming from mainland China, a significant increase compared with just 6% two years ago.

In the international market, CITIC's engineering contracting services expanded its business in Africa and Latin America. While continuing to focus on traditional markets such as Angola and Algeria, it has also been developing business opportunities in countries bordering Angola, as well as in Mozambique, Kenya, and Brazil. Along the Belt and Road Corridor, CITIC has been undertaking infrastructure, energy and agriculture EPC projects in countries such as Kazakhstan, Belarus, Cambodia, Myanmar and Thailand. CITIC also secured a large social housing project in Mozambique with a total of 35,000 apartment units, the Kazakhstan A30 national expressway upgrade project, and large-scale rice processing and storage facilities in Cambodia.

In 2019, both CITIC Construction and CITIC Engineering received industry recognition for their record of delivering quality projects to customers. CITIC Construction was named Best Quality Management Company by the Chinese Construction Industry Association for its strong performance in project management, occupational health and environmental protection. The company was also recognised with an award from the British Construction Research Institute's Green Building Evaluation and Royal Incident Prevention Association for its Royal Albert Dock Phase I project, completed in 2019. CITIC Engineering was acknowledged in the 2019 China Engineering Exploration and Design Industry Awards for its strong capabilities in engineering exploration and design on 50 projects.

Major projects

Undertaken by CITIC Construction

Sunsuria Headquarters, Phase II, Malaysia

Contract signing date:	December 2018
Contract value:	MYR489 million
Contract period:	36 months
Commencement of construction:	August 2019
Progress as of the end of 2019:	Project commenced on schedule

Located in Shah Alam, Selangor Darul Ehsan, Malaysia, the development of second phase of Sunsuria headquarters includes one office tower and two apartment buildings, occupying a total of 330,000m^2.

KB Expressway Upgrade, Kazakhstan

Contract signing date:	June 2018
Contract value:	US$856 million
Contract period:	48 months
Commencement of construction:	May 2019
Progress as of the end of 2019:	26% complete

The Karagandy to Balkhash road upgrade is 362.6km in length. After the work is completed, the expressway will be qualified with first grade conditions, having four lanes and a speed limit of 120km/hr.

Agro-Industrial Complex Project, Belarus

Contract signing date:	November 2016
Contract value:	RMB4,290 million
Contract period:	36 months
Commencement of construction:	July 2018
Progress as of the end of 2019:	46% complete

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

East Section of the 84km East-West Highway, Algeria

Contract signing date:	December 2017
Contract value:	Approximately US$680 million
Contract period:	39.5 months
Commencement of construction:	January 2018
Progress as of the end of 2019:	38% complete

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

National Forest Reserve Project, Henan Province, China

Contract signing date:	September 2019
Contract value:	RMB3,620 million
Contract period:	72 months
Commencement of construction:	September 2019
Progress as of the end of 2019:	3% complete

Located in the city of Anyang, Henan province, this development covers an area of 976 million acres. It consists of approximately 544 million acres of new plantation, 15.25 million acres of plantation needing to be revamped and 416.75 million acres of young forest, as well as associated infrastructure.

Linqing Highway, Phase II, Yunnan Province, China

Contract signing date:	June 2019
Contract value:	RMB6,217 million
Contract period:	48 months
Commencement of construction:	June 2019
Progress as of the end of 2019:	34% complete

The second phase construction stretches from Linxiang District, Lincang City to the Qingshui River. The highway will be 41.4km in length with four lanes and a speed limit of 80km/hr.

Longquan Community of Yellow River International Eco-city, Shandong Province, China

Contract signing date:	August 2018
Contract value:	RMB1,241 million
Contract period:	36 months
Commencement of construction:	August 2018
Progress as of the end of 2019:	56% complete

This project is located in Qihe County, Shandong province comprising three land lots with a total GFA of approximately 450,000m^2. It primarily includes resettlement housing, schools, community facilities such as recreation and sports centres, and commercial facilities.

Industrial New Town of Linkong Economic Zone, Phase I, Sichuan Province, China

Contract signing date:	July 2018
Contract value:	RMB7,470 million
Contract period:	27 months (except Zongsi, which schedule is to be confirmed)
Commencement of construction:	July 2018
Progress as of the end of 2019:	39% complete

Located in the city of Ziyang, Sichuan province, the construction of the initial five roads undertaken by the project includes Chengzi Avenue, Sanxian Road, Zonger Road, Zongsan Road and Zongsi Road. The completed project will have a total length of approximately 38.9km.

Major projects

Undertaken by CITIC Engineering

The Clean Water Project in Jiangxia District, Wuhan City, Hubei Province, China

Contract signing date:	October 2016
Contract value:	RMB5,110 million (Phase I, RMB1,050 million; Phase II, RMB650 million)
Contract period:	Phase I: 45 months; Phase II: 22 months
Commencement of construction:	Phase I: September 2015; Phase II: December 2016
Progress as of the end of 2018:	Phase I: 89% complete; Phase II: complete

This project will provide a comprehensive solution comprising sewage collection and treatment, flood control and drainage, water supply, and the treatment of water from the lake and river, environmental water management and water information management. CITIC Engineering's involvement in this PPP project includes investment and financing, planning, design, construction and operation. The entire project will be completed in four phases.

The National Network Security Talents and Innovation Base Project, Wuhan City, Hubei Province, China

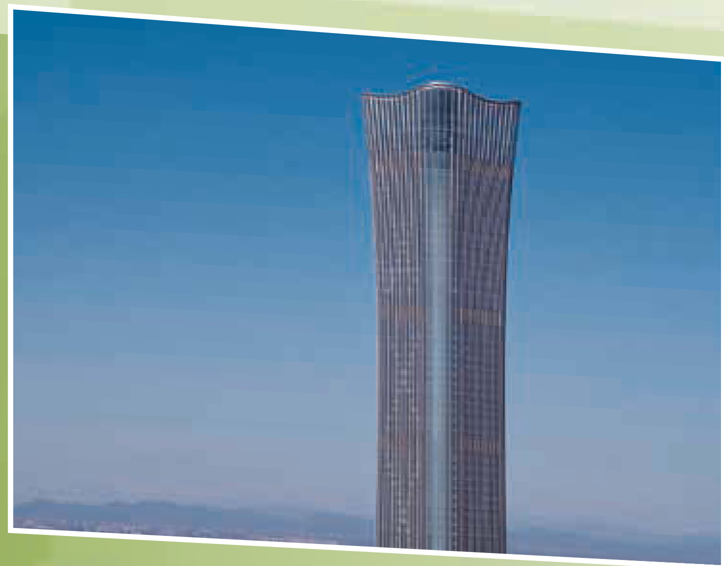
Contract signing date:	November 2018
Contract value:	RMB8,620 million
Contract period:	36 months
Commencement of construction:	July 2017
Progress as of the end of 2018:	56% complete

This project, located in the Economic Development Zone of Wuhan Airport, Hubei province, was undertaken in response to China's strategy to develop national cybersecurity. It comprises construction of public buildings, infrastructure, an international talent community and infrastructure in the airport area.

Gushu Water Treatment Plant, Shenzhen City, Guangdong Province, China

Contract signing date:	December 2019
Contract value:	RMB1,239 million
Contract period:	25 months
Commencement of construction:	December 2019
Progress as of the end of 2019:	3% Complete

Located in Gushu District, Shenzhen City, this plant occupying 15.14 hectares of land is designed to purify 320,000 tonnes of wastewater per day. As an important project in the Greater Bay Area, the Gushu water treatment plant is targeting to become an advanced energy saving water treatment project.



REAL ESTATE

In mainland China, CITIC Limited is focused on developing and managing mixed-use properties and engages in urban renewal and development projects. In Hong Kong, it develops residential properties and owns and operates a portfolio of commercial and industrial properties. These businesses are mainly conducted through the following two wholly-owned subsidiaries.

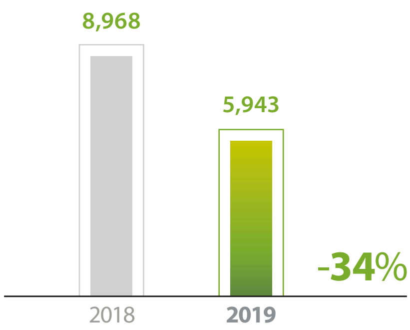
Major subsidiaries

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

CITIC Urban Development & Operation specialises in urban renewal and development.

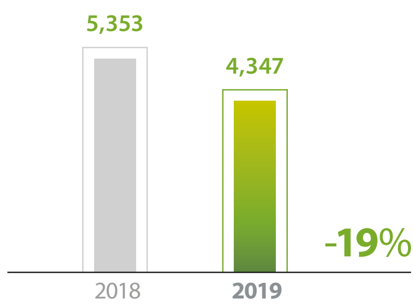
REVENUE

HK$ million



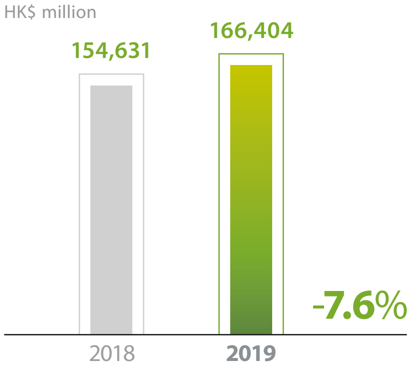
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

HK$ million



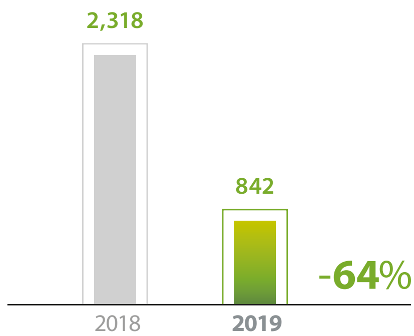
TOTAL ASSETS

HK$ million



CAPITAL EXPENDITURE

HK$ million



Year in Review

In 2019, profit attributable to ordinary shareholders was HK$4.3 billion, 19% less than that of 2018. In addition to profit booked from our 10% stake in China Overseas Land & Investment Limited (COLI) and steady rental income from investment properties, contribution to the bottom line also came from a number of development projects in both mainland China and Hong Kong. Profit in 2019 was offset by an impairment made on our investment in COLI due mainly to its lower stock price against our higher book value.

During the year in mainland China, we made progress on a number of new development projects, while continuing to see through major projects started earlier. CITIC Tower in Beijing, which is 100% owned by the company, is now the tallest building in the city and an iconic new addition to the Beijing skyline. It serves as CITIC's flagship and headquarters and will also house other large domestic and multi-national companies. Significant profit contributions were derived from the sale of premium residential units in our highly successful mixed-use development at Lujiazui Harbour City, Shanghai, and from the disposal of a stake in our urban development project in Tianfu New Area, Chengdu. At CITIC Coastal City in Shantou, an urban development project, excavation was completed on more than 50% of the combined eastern and western tunnels leading to the New Town. Improvements were made on municipal roads serving the project, and schools and a mangrove forest park were under construction.

As of the end of February 2020, our land bank in mainland China was 3.7 million square metres in terms of gross floor area, most of which is in Shanghai, Guangzhou, Qingdao and Yangzhou and for mixed-use purpose.


The Entrance at Ma On Shan, Hong Kong

In Hong Kong, our luxury residential project, KADOORIA, at Kadoorie Hill, Kowloon was well received in the market, with the remaining 24 units of the total 77 units selling out in 2019. Construction of the residential project, The Entrance, in Lok Wo Sha, Ma On Shan, was substantially completed, and pre-sales were launched in mid-September 2019. As of February 2020, 53 units of the total 148 units of the project had been sold. The Discovery Bay project is a 50-50 joint-venture development with HKR International. We launched the pre-sale of the 196 residential units in *Poggibonsi* in March 2019 and 21 garden houses in *IL PICCO* in January 2020. As of the end of February 2020, this project had a land bank of 124,000 square metres in terms of attributable floor area, for residential purpose yet to be developed.

In December 2019, we won a government public tender for a lot at Tai Hang Road on Hong Kong Island for HK$3.2 billion. Tai Hang is a traditional luxury residential area. This site, covering an area of 3,990 square metres, will be developed into a luxury residential project.

Our Hong Kong investment property portfolio continued to contribute stable rental income during the year, with an overall average occupancy rate of approximately 96%.

A public area at Lujiazui HBC, Shanghai

Key development projects

Lujiazui Harbour City, Shanghai (50% owned)

Site area: 249,400m²

Gross floor area: 872,800m²

Completed area: 804,000m²

Purpose: Office, retail, hotel and residential

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

Seven office buildings in this project have been delivered to China Construction Bank, Agricultural Bank of China, United Overseas Bank, China Industrial Bank, Shanghai HY Investments Company, ICBC, and China Life, respectively. The Mandarin Oriental Hotel and its serviced apartments located within this project are currently in operation. Sales of the residential units in the project started in 2018, and momentum remained strong in 2019. As of the end of 2019, 139,000m² of the retail portion were put into operation, making this development a new landmark of art, culture and commerce in Shanghai.

T Center, Shanghai (100% owned)

Site area: 60,335m²

Gross floor area: 229,372m²

Purpose: Office and retail

Located in the western part of Shanghai, this office and retail development will integrate high-rise office towers with community and commercial centres at street level. Construction of the project is under way. The company increased its stake from 50% to 100% in January 2020.

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

Site area: 229,040m²

Gross floor area: 1,173,000m²

Purpose: Office, commercial apartment, retail and residential

This project is located between the first and second ring roads of Wuhan in the Riverside Commercial Zone of the CBD, which has the highest growth potential in the city. The project comprises 14 easily-accessible lots at the core of the CBD, with 600m of the project's east boundary facing the river with uninterrupted scenic views. Construction is under way.

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

Site area: 353,800m²

Gross floor area: 1,197,400m²

Completed area: 125,300m²

Purpose: Office, commercial apartment, retail and residential

This mixed-use project is being developed under a 50:50 joint venture between CITIC and Shui On Group. It is located in the heart of the East Lake High-tech Development Zone in Wuhan. Construction is under way.

Qingliangmen, Nanjing, Jiangsu province (100% owned)

Site area: 31,200m²

Gross floor area: 131,100m²

Purpose: Office, commercial apartment, retail

This site will be developed into a medium- to high-end mixed-use development consisting of office towers, serviced apartments and retail shops. The project is located above a subway interchange station in the highly sought-after Gulou District of Nanjing. Situated in the heart of Nanjing's political, economic and cultural life, this area is the epicentre of the city.

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

Site area: 79,300m²

Gross floor area: 355,900m²

Purpose: Office, commercial apartment, retail

This project, which includes a Grade A office tower, is jointly developed with a subsidiary of a local wholly state-owned enterprise in Jinan, capital of Shandong province and home to eight million people. The project site is located in the heart of Jinan's economic centre close to the city's high-tech park. Construction is under way.

Major investment properties

CITIC Tower, Beijing (100% owned)

Approx. gross area: 437,000m²

Purpose: Office

Capital Mansion, Beijing (100% owned)

Approx. gross area: 140,200m²

Purpose: Office

CITIC Square, Shanghai (100% owned)

Approx. gross area: 132,300m²

Purpose: Office and retail

CITIC Building, Beijing (100% owned)

Approx. gross area: 62,200m²

Purpose: Office

CITIC Tower, Hong Kong (100% owned)

Approx. gross area: 52,000m²

Purpose: Office and retail

OTHERS

Information Services

CITIC Limited provides information services through two subsidiaries: CITIC Telecom International and AsiaSat.

Listed on The Stock Exchange of Hong Kong, CITIC Telecom International (CITIC Telecom) is an Internet-oriented enterprise providing comprehensive telecommunications services.

CITIC Telecom joins the International 5G Alliance

CITIC Telecom serves three major customer segments, namely carriers, enterprises and consumers. Its business scope covers mobile, internet, international telecommunications and enterprise solutions, as well as fixed-line services across Greater China, Asia Pacific, Europe and North America. It also holds a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM). CTM is one of the leading integrated telecommunications services providers—and the only full telecommunications services provider—in Macau.

In 2019, CITIC Telecom achieved a profit attributable to equity shareholders exceeding HK$1 billion, a first for the company. This represented an increase of 5.4% year-on-year, which was mainly attributable to the company's robust growth in internet services, enterprise services and A2P (Application-to-Person) SMS businesses. CITIC Telecom will continue to build its 5G network in Macau and expand the data centre segment with more products and sales channels.

AsiaSat is involved in the leasing and sale of satellite transponders, broadcasting, communications and data uploading, as well as downloading services. In September 2019, the company was privatised and delisted from The Stock Exchange of Hong Kong. It is now a 50-50 joint venture of CITIC and The Carlyle Group.

Infrastructure

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

CITIC's infrastructure-related businesses include a regional development business and port terminals business.

The regional development business refers to the Xidian New Town Project in Ningbo, which involves the construction of seashore polders, land consolidation, urban infrastructure and supporting projects such as water engineering and green land development. The site for this project is approximately 6,480 mu (4,320,000 square metres) with a planned gross floor area of approximately 4 million square metres. In 2019, the first phase of the commercial portion of the Xidian New Town Project was successfully transferred through a listing-for-sale.

The port terminals business mainly consists of investment in and the proprietary operation of liquefied petroleum terminals and storage, as well as the operation of other types of berths, such as container berths. At present, CITIC has completed the grid layout for its liquefied petroleum ports in the Yangtze River Delta and the Yangtze River Economic Belt, which have a combined handling capacity of about 45.15 million tonnes and a storage capacity of about 2.64 million cubic metres. In the future, CITIC will expand into investment projects with a focus on liquefied petroleum in the Pearl River Delta and Bohai Economic Rim in order to become a leading supply chain service provider for liquid bulk cargo in the domestic market.

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

General Trading

Dah Chong Hong (DCH) is engaged in the distribution and sale of motor vehicles and associated services, food and fast-moving consumer goods (FMCG), healthcare and electrical products, as well as the provision of logistics services. As the distribution partner of over 1,000 brands in more than 30 countries and regions, DCH offers a wide range of supply chain solutions across Asia Pacific.

In 2019, DCH's profit contribution dropped considerably, owing to a provision of impairment losses on certain non-current assets. Excluding one-off items such as a disposal gain in 2018, profit declined by 2.9%, as reduced losses in the China consumer product business offset challenges in the motor business.

During the year, DCH opened eight new dealerships in order to maintain its development in a challenging market landscape. Profits from the mainland China division were down 10.5% during the adoption of the China 6 emissions standard. In Hong Kong, reduced demand for both commercial and passenger vehicles dragged down profit by 35.9%.

Following a period of business restructuring, the consumer products segment returned to profitability with reduced losses in mainland China and successful restructuring in Southern Asia. In Hong Kong, profit decreased by 17.8% as social uncertainty impacted the tourism and catering industries. On the other hand, the healthcare business continued to expand and gain market share in key markets, including Hong Kong, Singapore and Thailand.

DCH was privatised and delisted from The Stock Exchange of Hong Kong in January 2020. It is now a wholly owned subsidiary of CITIC Limited. In support of DCH's long-term growth and competitiveness, CITIC will provide the necessary financing and operational resources to re-engineer its businesses.

Environmental Services

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

CITIC Envirotech, the company's water treatment business, has been continuously expanding and, by the end of 2019, its water treatment facilities had a daily handling capacity of more than 6 million tonnes. Major projects under CITIC Envirotech also made steady progress during the year. In Kazakhstan, the KBM water recycling project entered into the equipment installation phase; in the Beijing-Tianjin-Hebei area, its first ecological management EPC project was secured for the Xiong'an New Area; in Xiaogan, Hubei and Yunfu, Guangdong, waste water treatment demonstration projects were established for waste water treatment in rural areas; and, in the Greater Bay Area, benchmark recycling projects were initiated for Shantou Chaonan Printing and Dyeing Industrial Park, including integrated pollution monitoring, as well as heat and water supply services.

CITIC Envirotech's membrane technology business continued to offer advanced membrane products through its production arm, Memstar Pte Ltd, one of the world's leading manufacturers and suppliers of whole-chain membrane products. Sales volumes of membrane products in 2019 reached 6 million square metres, a record high for the company. During the year, the company's Ultrafiltration (UF) membrane facilities in water plants north of Guangzhou commenced production, paving the way for large-scale applications of membrane technologies and Memstar's membrane products in the tap water industry.

Sanfeng Environment, in which CITIC Environment is the second largest shareholder, continued to expand its domestic and foreign household waste incineration business during the year. By the end of 2019, this company had investments in 43 projects and its technologies and equipment were applied in 185 waste incineration projects around the world. Of these, 18 projects had a daily treatment capacity of over 20,000 tonnes per day.

UF membrane facilities at Guangzhou, China

CITIC Environment has also entered the hazardous waste treatment industry. By the end of 2019, it was operating 11 hazardous waste treatment projects in Xinjiang, Shandong, Guangdong and Jiangsu, with a total treatment capacity of approximately 1.5 million tonnes per year. CITIC Environment also supplied China's first hazardous waste treatment system with rotary kilns and plasma technology for a project in Dongguan.

In addition, the company made progress developing its energy saving services during the year, including the provision of intelligent combustion energy saving projects for industry and construction projects.

CITIC Envirotech was privatised and delisted from the Singapore Exchange in January 2020, after which CITIC's stake in CITIC Envirotech increased to 72.78% from 56.36%.

Modern Agriculture

CITIC Agriculture is committed to building a globally competitive agri-tech business with a focus on the latest developments in agricultural science and technology. It has also become involved in biological seed development, in line with its "technology oriented, finance driven, management based" approach.

In 2019, despite unfavourable factors such as ASF and a downturn in the crop seed industry, CITIC Agriculture contributed its expertise to the companies in which it has invested, particularly with regard to corporate strategy, structural adjustments and management.

CITIC Agriculture has a majority interest in Longping High-tech and is working with that company's management to develop its seed corn business in Brazil. Additionally, CITIC Agriculture has interests in Beijing Capital Agribusiness and China Agriculture Vet, with the aim of building a globally recognised animal breeding industry in China.

The rice breeding station of Longping High-tech

During the year, CITIC Agriculture took a controlling interest in Huazhi Bio, a company focused on molecular breeding, germplasm improvement, bioinformatics and product testing, to form a wholly-owned subsidiary, CITIC Agricultural Biotechnology Co., Ltd.

Publishing

CITIC Press is a major provider of integrated content and associated services in mainland China. With all publishing and distribution licences obtained from the government, CITIC Press is principally engaged in book publishing and distribution, digital publishing and retail sales through its bookstores.

In 2019, CITIC Press ranked second in the Chinese book retail market, as measured by the value of books sold, and held the number one position in books on economics and business management, as well as academic and cultural subjects. Sales of children's books published by the company grew 64% during the year.

A CITIC bookstore in Beijing

In July 2019, CITIC Press was listed on the ChiNext board of the Shenzhen Stock Exchange. The listing will expedite the publisher's plans to acquire more quality content and will support its development in digital publishing. Also during the year, the company expanded its revenue stream by adding other forms of digital content, such as audio and video, to its e-book offerings in order to meet market demand and adapt to trends in digital publishing.

CITIC Bookstores operates differentiated retail stores in three different types of locations: city centres, office buildings and major airports. In 2019, CITIC Bookstores added outlets at the new Beijing Daxing International Airport and Shanghai Pudong International Airport. Currently, there are 105 CITIC Bookstores in over 20 medium to large cities in China, including the Xiong'an New Area, covering a floor space of 17,000 square metres.

General Aviation

CITIC Offshore Helicopter (COHC) operates a full-service general aviation business. It is the first and only main-board listed company in the general aviation industry in China (SZ:000099).

As a leading company in the aviation industry, COHC provides a full range of services, including offshore flights, onshore industry and forestry-related flights, integrated city flight services, city tours, financial leasing, maintenance, training, drone operation and data collection.

EC225 offshore operation

Headquartered in Shenzhen, Guangdong Province, COHC owns four helicopter airports and five major operational bases. Its bases and take-off and landing points form a network covering all provinces, cities and autonomous regions, excluding Tibet, and overseas in areas such as the North and South Poles and Myanmar. It has the largest civil helicopter fleet in Asia and currently operates 75 helicopters comprising 15 world-class helicopter models.

During the year, COHC remained a leader in offshore oil-related helicopter flight services in terms of market share. It is the only supplier of helicopter pilots in ports across the country, the only supplier of helicopters for China's national arctic scientific expeditions, and the only helicopter medical services provider for the Beijing 2022 Winter Olympic Games and Paralympic Winter Games. COHC is also the only general aviation company that engages in offshore oil-related flights.

Financial Review

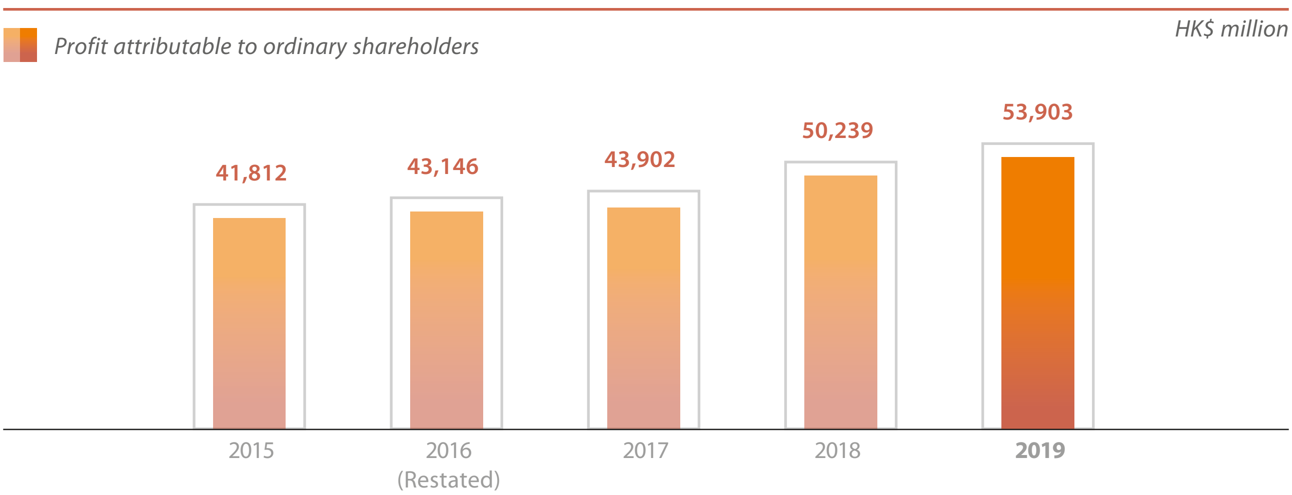
Overview

Profit attributable to ordinary shareholders

In 2019, the Group achieved a net profit attributable to ordinary shareholders of HK$53,903 million, an increase of HK$3,664 million, or 7.3%. Excluding the effect of currency translation arising from the depreciation of the RMB exchange rate, the year-on-year increase would be 12%.

The financial services business recorded net profit attributable to ordinary shareholders of HK$42,845 million, an increase of 2.7%. Excluding the currency translation effect, the corresponding increase would be 6.9%. Our banking business showed rapid growth with a year-on-year increase in net profit attributable to the bank's shareholders of 7.9%. Benefiting from the recovery of the capital market, our securities and insurance businesses recorded significant increases in investment income. Our trust business continued to maintain a leading position in the market.

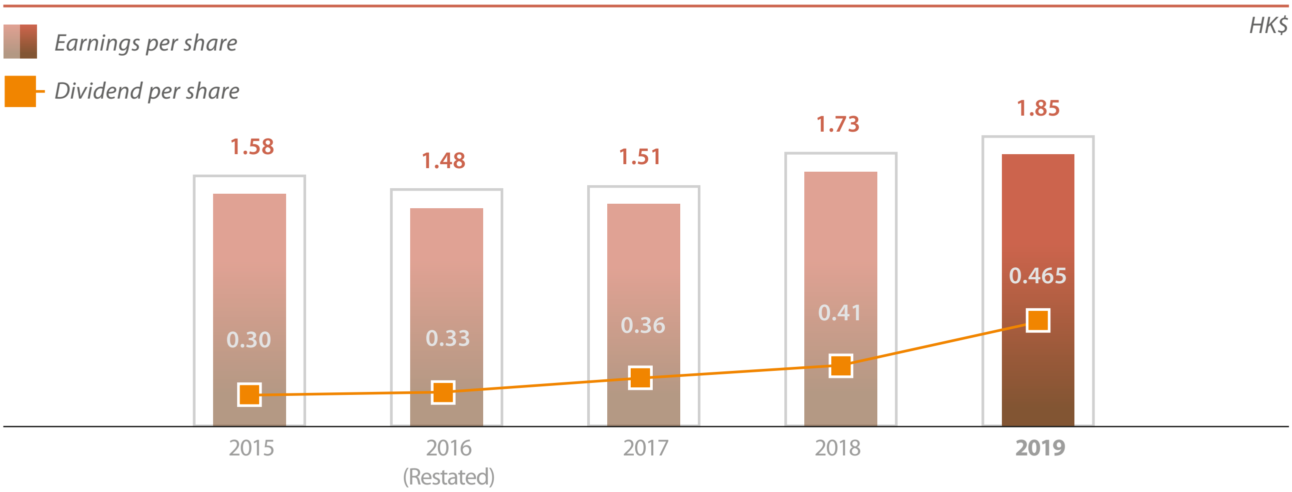
In the non-financial businesses, Sino Iron Project achieved a turn from loss to profit driven by higher average iron ore prices and on-going cost control measures. Our resources and energy business recorded a net profit attributable to ordinary shareholders of HK$ 3,015 million, with an increase of 43%. The manufacturing business recorded a net profit attributable to ordinary shareholders of HK$7,553 million, an increase of 26%, mainly due to the gains from the CITIC Dicastal's introduction of strategic investors and the increase in profit of the special steel business significantly driven by its higher production volumes and lower costs. The engineering contracting business recorded a net profit attributable to ordinary shareholders of HK$1,867 million, a decrease of 9.1%, which was mainly due to a tax gain following the adjustment in the PRC's income tax policy on overseas projects in previous year. In the real estate business, a net profit attributable to ordinary shareholders of HK$4,347 million was recorded, representing a year-on-year decrease of 19%. Considering the factors such as the performance of the share price of COLI, the company made a provision for impairment of the investment. The profit of other businesses, such as international telecommunications and publishing maintained steady growth during the year.



Earnings per share and dividends

Earnings per share of profit attributable to ordinary shareholders was HK$1.85 in 2019, an increase of 7.3% from HK$1.73 in 2018. As at 31 December 2019, the number of ordinary shares outstanding was 29,090,262,630.

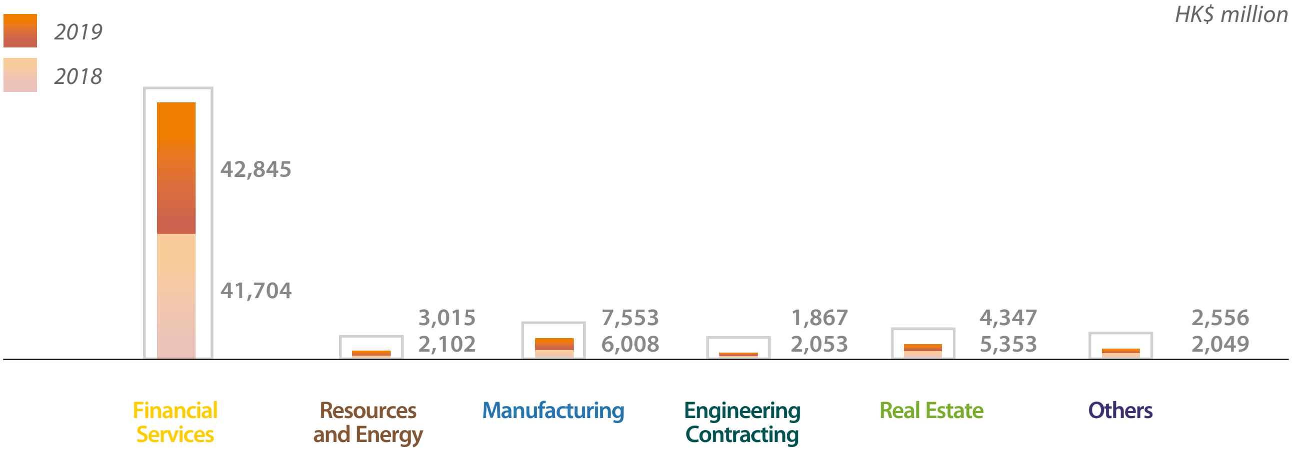
At the forthcoming annual general meeting, the Board will recommend a final dividend of HK$0.285 per share to ordinary shareholders. Together with the interim dividend of HK$0.18 per share paid in September 2019, the total ordinary dividend will be HK$0.465 (2018: HK$0.41 per share). This equates to an aggregate cash distribution of HK$13,527 million.



Profit/(loss) and assets by segment

HK$ million	Profit/(loss) Year ended 31 December 2019	2018	Assets as at 31 December 2019	2018
Financial services	**63,533**	61,695	**7,703,980**	7,067,565
Resources and energy	**3,716**	2,972	**134,304**	131,842
Manufacturing	**8,613**	6,686	**117,240**	134,882
Engineering contracting	**1,851**	2,057	**59,030**	55,432
Real estate	**4,441**	5,937	**166,404**	154,631
Others	**4,314**	4,097	**162,893**	151,071
Total	**86,468**	83,444	**8,343,851**	7,695,423
Operation management	**(8,098)**	(7,564)		
Elimination	**(182)**	(855)		
Net profit attributable to non-controlling interests and holders of perpetual capital securities	**24,285**	24,786		
Net profit attributable to ordinary shareholders	**53,903**	50,239		

Net profit/(loss) attributable to ordinary shareholders



Financial services

In 2019, the financial services business recorded a net profit attributable to ordinary shareholders of HK$42,845 million, a year-on-year increase of HK$1,141 million, or 2.7%. Excluding the effect of currency translation, the year-on-year increase was 6.9%.

As CITIC Bank actively expanded customer channels, the scale of deposits and loans recorded steady growth, which contributed to a year-on-year increase of 7.9% to RMB48,015 million in net profit attributable to the bank's shareholders. Moreover, its retail business showed effects of transformation with the proportion of its profit contribution increasing by 4.1 percentage points year-on-year to 34.7%. Besides, the quality of assets was improved with the non-performing loan ratio decreasing by 0.12 percentage points from the beginning of the year to 1.65% and the allowance coverage ratio increasing by 17 percentage points to 175%. Benefiting from the recovery of the capital market and the increase in investment income, CITIC Securities' net profit recorded a year-on-year increase of 30% to about RMB12,229 million and each of its main businesses continued to lead the industry. CITIC-Prudential's expansion into the bancassurance channel promoted the growth of its sales of insurance. And the rapid rise in premium income, the size of invested assets and investment returns contributed to a year-on-year increase in net profit of 63% to RMB1,794 million. As CITIC Trust continued to strengthen its abilities in active management, its net profit recorded a year-on-year increase of 7% to RMB3,593 million, and indicators such as assets under management, net profit, revenue and trust fee income still ranked first in the industry.

Resources and energy

In 2019, the resources and energy business recorded net profit attributable to ordinary shareholders of HK$3,015 million, with a year-on-year increase of HK$913 million, or 43%.

The increase in earnings was mainly contributed by the Sino Iron Project. Due to the increase in average iron ore prices and continuous cost control measures, the Sino Iron Project achieved an annual profit for the first time after it commenced operation with both its annual production and sales volume of iron ore concentrate exceeding 20 million wet metric tonnes, which both hit record highs. The average iron ore grade remained above 65%.

Net profit of CITIC Metal Group decreased by 43% on a year-on-year basis to HK$963 million, which was mainly due to the decline in earnings of the metal trade business caused by significant fluctuations in commodity prices in 2019 and the decrease in profits contributed by the Las Bambas copper mine in Peru, as the mine's product deliveries were frequently interrupted by road blockages. Owing to the drop in crude oil prices and a decrease in sales volume, the crude oil business of CITIC Resources recorded a decrease of 12% in earnings. As for CITIC Pacific Energy, its net profit was decreased by 6.9% to approximately HK$1,500 million, as its power generation business recorded a decrease in earnings resulting from decreases in both volumes and prices, while Xin Julong coal mine invested recorded a year-on-year increase of 24% in net profits resulting from increases in both sales volume and prices of coal.

Manufacturing

In 2019, the manufacturing business recorded a net profit attributable to ordinary shareholders of HK$7,553 million, representing a year-on-year increase of HK$1,545 million, or 26%. Of this, HK$1.4 billion was after-tax gains on a 57.89% equity transfer of CITIC Dicastal to introduced strategic investors.

In the face of double pressures from prices of steels and iron ore raw materials, CITIC Pacific Special Steel focused on cost control and adjustments to product and customer structures, increasing the sales of special steel by 10% to over 13 million tonnes and its net profit increased to approximately RMB5,400 million, creating its best performance in history. As for CITIC Discastal, due to its reinforced expansion efforts in the market of mainland China, sales volumes of aluminium wheels and castings both recorded year-on-year increases. Affected by the imposition of tariffs by the United States and the downturn in the automobile market, sales prices of CITIC Dicastal's aluminium wheels and castings decreased by 2% and 7.4%, respectively, leading to a decrease of net profit of 20% to RMB968 million. With new order increasing by 35% during the year, the performance of CITIC Heavy Industries' heavy machinery and auxiliary engineering businesses improved, and its main profit was still contributed by the robotics and intelligent equipment business.

Engineering contracting

The engineering contracting business recorded a net profit attributable to ordinary shareholders of HK$1,867 million in 2019, a decrease of HK$186 million, or 9.1%, over 2018.

The net profit of CITIC Construction decreased by 9.4% from 2018 to RMB1,232 million, which was mainly due to a tax gain following the adjustment in the PRC's income tax policy on overseas projects in the previous year. The net profit of CITIC Engineering increased by 2.5% on a year-on-year basis to RMB616 million due to the sustained growth of both its EPC projects and survey and design business.

Real Estate

The real estate business recorded a net profit attributable to ordinary shareholders of HK$4,347 million in 2019, a year-on-year decrease of HK$1,006 million, or 19%.

In addition to the shared profit from COLI, the net profit for the current year came mainly from the Chengdu Tianfu New Area project, and Shanghai Lujiazui Harbour City Project. Moreover, considering factors such as the performance of the share price of COLI, the company made a provision for impairment of the investment.

Others

The net profit attributable to ordinary shareholders in 2019 amounted to HK$2,556 million, an increase of HK$507 million, or 25%, as compared with the previous year. This was mainly due to profit growth from CITIC Telecom International, CITIC Press and CITIC Offshore Helicopter.

The net profit of CITIC Press increased by 22% to RMB250 million as compared with the previous year. While maintaining its leading position in the traditional publication business in relation to economy and management, academy and culture-related books, CITIC Press maintained rapid growth in the children's book publication business. CITIC Environment recorded a decrease in the settlement of EPC projects and an increase in finance expense, lending to a decrease in operating profit of 33% as compared with the previous year. McDonald's recorded a decrease in net profit as a result of the adoption of new lease standards.

Group Financial Results

Revenue

In 2019, CITIC Limited recorded revenue of HK$566,497 million, representing a year-on-year increase of HK$33,212 million, or 6.2%. Excluding the effect of currency translation due to the depreciation of the RMB exchange rate, the year-on-year increase would have been 9.3%.

The financial services business recorded revenue of HK$222,316 million, representing a year-on-year increase of 9.5%. Excluding the effect of currency translation, the year-on-year increase would have been 14%. In addition to the stable growth of CITIC Bank's asset size and the net interest margin, the bank card and agency businesses also rapidly developed with an increase in net interest income and non-interest income of 13% and 15%, respectively. And the proportion of non-interest income was continually increasing.

The resources and energy business recorded revenue of HK$94,951 million, representing a year-on-year increase of HK$16,229 million, or 21%. Benefiting from the increase in prices of commodities (including iron ore and niobium) and active expansion of sales channels, revenue for CITIC Metal Group and the Sino Iron Project increased by 34% and 15% as compared with last year, respectively. Revenue of CITIC Pacific Energy and CITIC Resources both recorded a year-on-year decrease respectively due to declines in the volume and prices of the power generation and crude oil businesses.

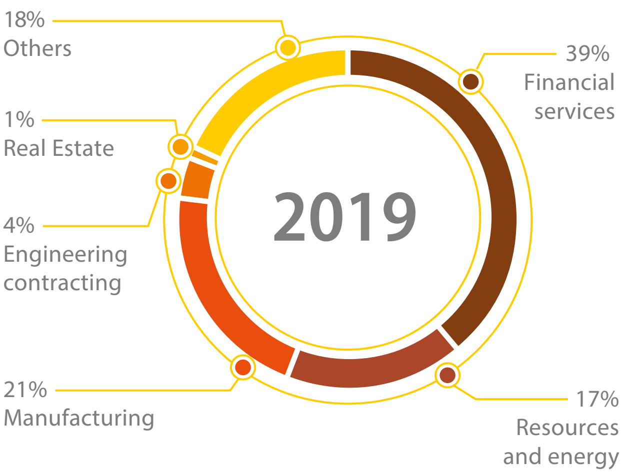
The manufacturing business reported revenue of HK$119,328 million, representing a year-on-year decrease of HK$2,611 million or 2.1%. Excluding the effect of currency translation, the year-on-year increase would have been 1.9%. As it intensified efforts to explore potential production capacities, CITIC Pacific Special Steel recorded an increase in sales and revenue. While revenue of CITIC Dicastal decreased by 6.8% on a year-on-year basis due to a decline in product prices, the sales volume of its aluminium wheels and castings obtained growth instead, and its aluminium wheels have remained the world's No.1 in terms of production and sales volume for 11 consecutive years.

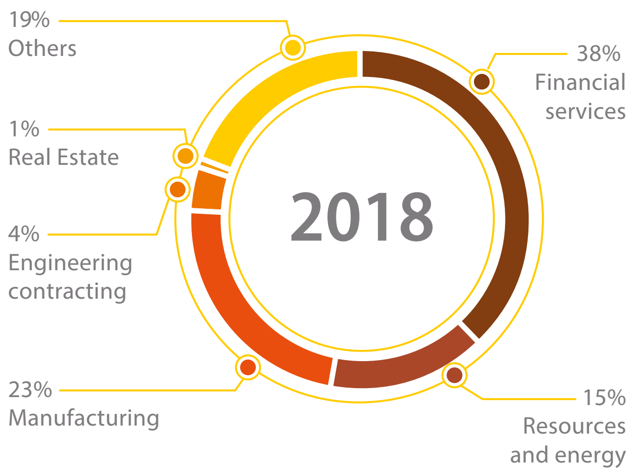
The engineering contracting business reported revenue of HK$23,373 million, representing a year-on-year increase of HK$3,673 million, or 19%. CITIC Construction and CITIC Engineering both grew rapidly in terms of their EPC business. CITIC Construction recorded a year-on-year increase in revenue of 26%, and its domestic business has accounted for over 45%. CITIC Engineering recorded a year-on-year increase in revenue of 19%, and its EPC projects and survey and design business achieved a growth rate of 21% and 15%, respectively.

The real estate business reported revenue of HK$5,943 million, representing a year-on-year decrease of HK$3,025 million, or 34%, mainly due to the Kadooria project owned by CITIC Pacific Properties entering into the last period of sales and the decrease in settlement of CITIC Coast New Town project in Shantou.

Revenue from other businesses amounted to HK$100,546 million, which was basically the same as last year. Revenue from the McDonald's business increased as the number of McDonald's outlets in mainland China and Hong Kong increased. Revenue of CITIC Press continued to maintain rapid growth. Revenue of CITIC Environment and Dah Chong Hong decreased by 28% and 2.4% respectively influenced by decreases in settlement of EPC projects and sales of consumer goods respectively.

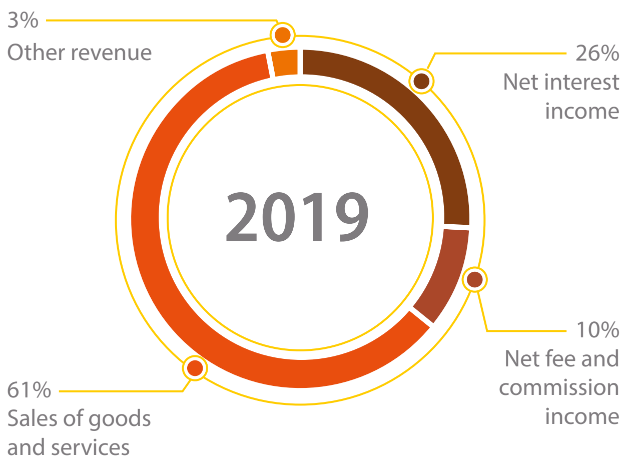
	Year ended 31 December		**Increase/(Decrease)**		
HK$ million	**2019**	2018	Amount	%	% (excluding the effect of currency translation)
Financial services	**222,316**	202,949	19,367	9.5%	14%
Resources and energy	**94,951**	78,722	16,229	21%	21%
Manufacturing	**119,328**	121,939	(2,611)	(2.1%)	1.9%
Engineering contracting	**23,373**	19,700	3,673	19%	24%
Real Estate	**5,943**	8,968	(3,025)	(34%)	(31%)
Others	**100,546**	100,920	(374)	(0.4%)	0.2%

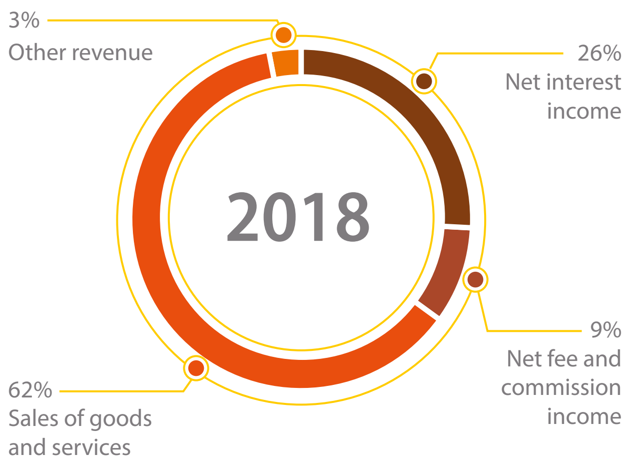




By nature

	Year ended 31 December		Increase/(Decrease)	
HK$ million	**2019**	2018	Amount	%
Net interest income	**147,788**	135,889	11,899	8.8%
Net fee and commission income	**58,317**	50,393	7,924	16%
Sales of goods and services	**344,076**	330,288	13,788	4.2%
– Sales of goods	**293,731**	281,911	11,820	4.2%
– Revenue from construction contracts	**22,853**	19,906	2,947	15%
– Revenue from other services	**27,492**	28,471	(979)	(3.4%)
Other revenue	**16,316**	16,715	(399)	(2.4%)





Note: CITIC Bank has reclassified the instalment income of credit card from fee income to interest income since 2019, and the financial indicators relating to net interest and net fee and commission income have been restated.

Expected credit losses and other impairment losses

In 2019, expected credit losses and other impairment losses of HK$95,746 million were recorded, an increase of 27% from the year before. CITIC Bank accounted for HK$87,869 million of these losses, including HK$78,244 million expected credited losses in its loans and advances to customers.

Net finance charges

The finance costs of the Group in 2019 amounted to HK$12,703 million, a year-on-year increase of HK$409 million, or 3.3%, mainly due to the implementation of new lease standards which caused the increase in interest expenses related to lease liabilities of HK$684 million.

In 2019, the finance income of the Group amounted to HK$2,264 million, a year-on-year decrease of HK$465 million, or 17%, mainly due to the decrease in interest income from bank deposits.

Income tax

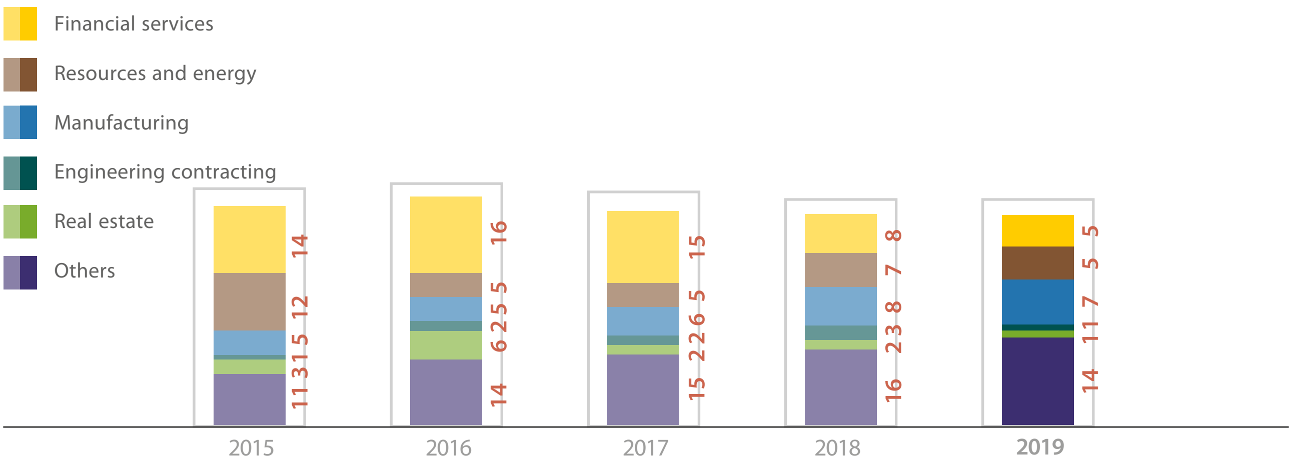
In 2019, income tax of the Group was HK$17,827 million, a decrease of HK$1,117 million as compared with last year, mainly due to the increase in tax-free income from CITIC Bank and other subsidiaries.

Group Cash Flows

HK$ million	CITIC Limited Year ended 31 December 2019	2018	Increase/ (Decrease)	%	CITIC Bank Year ended 31 December 2019	2018	Increase/ (Decrease)	%
Net cash generated from operating activities	**160,082**	151,899	8,183	5.4%	**133,039**	121,123	11,916	9.8%
Net cash used in investing activities	**(296,511)**	(177,691)	(118,820)	(67%)	**(287,831)**	(171,147)	(116,684)	(68%)
Including: Proceeds from disposal and redemption of financial investments	**2,239,189**	1,691,875	547,314	32%	**2,207,127**	1,652,604	554,523	34%
Payments for purchase of financial investments	**(2,519,759)**	(1,845,989)	(673,770)	(36%)	**(2,491,588)**	(1,817,692)	(673,896)	(37%)
Net cash generated from financing activities	**84,080**	79,014	5,066	6.4%	**114,397**	87,652	26,745	31%
Including: Proceeds from new bank and other loans and new debt instruments issued	**788,417**	1,229,775	(441,358)	(36%)	**666,815**	1,091,664	(424,849)	(39%)
Repayment of bank and other loans and debt instruments issued	**(685,251)**	(1,088,334)	403,083	37%	**(553,670)**	(965,078)	411,408	43%
Interest paid on bank and other loans and debt instruments issued	**(37,043)**	(38,103)	1,060	2.8%	**(25,965)**	(25,850)	(115)	(0.4%)
Dividends paid to ordinary shareholders	**(12,799)**	(11,637)	(1,162)	(10%)	**(14,845)**	(17,042)	2,197	13%
Dividends/distribution paid to non-controlling interests/ holders of perpetual capital securities	**(8,369)**	(9,738)	1,369	14%	**–**	–		
Net (decrease)/increase in cash and cash equivalents	**(52,349)**	53,222	(105,571)	(198%)	**(40,395)**	37,628	(78,023)	(207%)
Cash and cash equivalents at 1 January	**522,808**	491,363	31,445	6.4%	**429,136**	404,248	24,888	6.2%
Effect of exchange rate changes	**(7,421)**	(21,777)	14,356	66%	**(6,450)**	(12,740)	6,290	49%
Cash and cash equivalents at 31 December	**463,038**	522,808	(59,770)	(11%)	**382,291**	429,136	(46,845)	(11%)

Capital Expenditure

HK$ billion



	Year ended 31 December		Increase/(Decrease)	
HK$ million	**2019**	2018	Amount	%
Financial services	**4,975**	7,651	(2,676)	(35%)
Resources and energy	**4,593**	7,001	(2,408)	(34%)
Manufacturing	**7,180**	7,832	(652)	(8.3%)
Engineering contracting	**1,221**	2,952	(1,731)	(59%)
Real estate	**842**	2,318	(1,476)	(64%)
Others	**13,507**	16,048	(2,541)	(16%)
Total	**32,318**	43,802	(11,484)	(26%)

Capital Commitments

As at 31 December 2019, the contracted capital commitments of the Group amounted to approximately HK$33,183 million. Details are disclosed in note 47(f) to the financial statements.

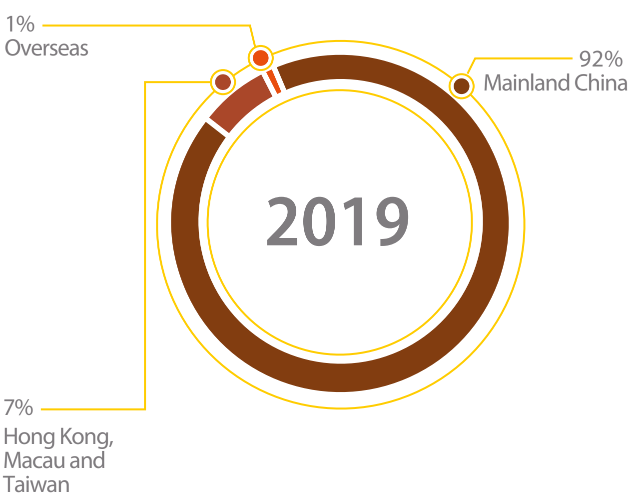
Group Financial Position

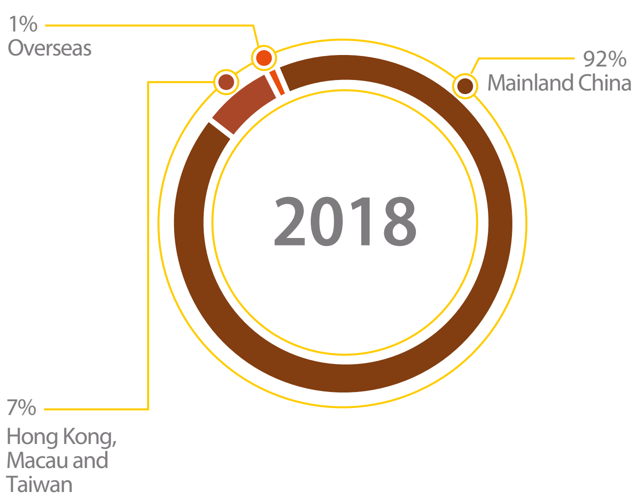
HK$ million	**As at 31 December 2019**	As at 31 December 2018	**Increase/(Decrease)** Amount	%
Total assets	**8,289,924**	7,660,713	629,211	8.2%
Loans and advances to customers and other parties	**4,366,639**	4,024,401	342,238	8.5%
Investments in financial assets	**2,153,729**	1,884,427	269,302	14%
Cash and deposits	**740,434**	832,968	(92,534)	(11%)
Placement with banks and non-bank financial institutions	**226,686**	200,030	26,656	13%
Trade and other receivables	**167,427**	111,057	56,370	51%
Fixed assets	**150,075**	189,647	(39,572)	(21%)
Total liabilities	**7,395,433**	6,850,053	545,380	8.0%
Deposits from customers	**4,541,841**	4,159,924	381,917	9.2%
Deposits from banks and non-bank financial institutions	**1,061,380**	888,966	172,414	19%
Debt instruments issued	**823,964**	745,031	78,933	11%
Borrowing from central banks	**268,256**	327,629	(59,373)	(18%)
Bank and other loans	**151,312**	156,678	(5,366)	(3.4%)
Trade and other payables	**148,908**	171,093	(22,185)	(13%)
Total ordinary shareholders' funds	**591,526**	558,545	32,981	5.9%

Total assets

Total assets increased from HK$7,660,713 million as at 31 December 2018 to HK$8,289,924 million as at 31 December 2019, mainly attributable to an increase in loans and advances to customers and other parties as well as Investments in financial assets.

By geography





Loans and advances to customers and other parties

As at 31 December 2019, the loans and advances to customers and other parties of the Group were HK$4,366,639 million, an increase of HK$342,238 million or 8.5% compared with 31 December 2018. The proportion of loans and advances to customers and other parties to total assets was 52.67%, an increase of 0.14 percentage point compared with 31 December 2018.

HK$ million	**As at 31 December 2019**	As at 31 December 2018	**Increase/(decrease)** Amount	%
Loans and advances to customers and other parties at amortised cost				
Corporate loans	**2,201,477**	2,160,645	40,832	1.9%
Discounted bills	**7,995**	169,204	(161,209)	(95%)
Personal loans	**1,927,346**	1,694,236	233,110	14%
Accrued interest	**11,388**	10,016	1,372	14%
Total loans and advances to customers and other parties at amortised cost	**4,148,206**	4,034,101	114,105	2.8%
Impairment allowances	**(134,001)**	(119,857)	(14,144)	(12%)
Carrying amount of loans and advances to customers and other parties at amortised cost	**4,014,205**	3,914,244	99,961	2.6%
Loans and advances to customers and other parties at fair value through profit or loss				
Personal loans	**7,719**	–	7,719	–
Loans and advances to customers and other parties at fair value through other comprehensive income				
Corporate loans	**1,029**	156	873	560%
Discounted bills	**343,686**	110,001	233,685	212%
Carrying amount of loans and advances to customers and other parties measured at fair value through other comprehensive income	**344,715**	110,157	234,558	213%
Net loans and advances to customers and other parties	**4,366,639**	4,024,401	342,238	8.5%

Deposits from customers

As at 31 December 2019, deposits from customers of the financial institutions under the Group were HK$4,541,841 million, an increase of HK$381,917 million or 9.2% compared with 31 December 2018. The proportion of deposits from customers to total liabilities was 61.41%, an increase of 0.69 percentage point compared with 31 December 2018.

HK$ million	**As at 31 December 2019**	As at 31 December 2018	**Increase/(decrease)** Amount	%
Corporate deposits				
Time deposits	**1,653,630**	1,577,529	76,101	4.8%
Demand deposits	**1,862,591**	1,725,834	136,757	7.9%
Subtotal	**3,516,221**	3,303,363	212,858	6.4%
Personal deposits				
Time deposits	**672,759**	513,066	159,693	31%
Demand deposits	**307,582**	300,114	7,468	2.5%
Subtotal	**980,341**	813,180	167,161	21%
Outward remittance and remittance payables	**7,227**	5,504	1,723	31%
Accrued interest	**38,052**	37,877	175	0.5%
Total	**4,541,841**	4,159,924	381,917	9.2%

Bank and other loans

HK$ million	**As at 31 December 2019**	As at 31 December 2018	**Increase/(Decrease)** Amount	%
Financial services	**3,927**	5,898	(1,971)	(33%)
Resources and energy	**39,055**	40,885	(1,830)	(4.5%)
Manufacturing	**20,070**	31,923	(11,853)	(37%)
Engineering contracting	**3,021**	2,657	364	14%
Real estate	**11,190**	9,402	1,788	19%
Others	**30,817**	34,825	(4,008)	(12%)
Operation management	**83,783**	67,778	16,005	24%
Elimination	**(41,185)**	(37,778)	(3,407)	(9.0%)
Sub-total	**150,678**	155,590	(4,912)	(3.2%)
Accrued interest	**634**	1,088	(454)	(42%)
Total	**151,312**	156,678	(5,366)	(3.4%)

Debt instruments issued

HK$ million	As at 31 December 2019	As at 31 December 2018	Increase/(Decrease) Amount	%
Financial services	**725,589**	628,169	97,420	16%
Resources and energy	**670**	–	670	–
Manufacturing	**141**	144	(3)	(2.1%)
Engineering contracting	**–**	–	–	–
Real estate	**–**	–	–	–
Others	**3,845**	3,849	(4)	(0.1%)
Operation management	**115,644**	106,561	9,083	8.5%
Elimination	**(27,860)**	–	(27,860)	–
Sub-total	**818,029**	738,723	79,306	11%
Accrued interest	**5,935**	6,308	(373)	(5.9%)
Total	**823,964**	745,031	78,933	11%

Total ordinary shareholders' funds

As at 31 December 2019, total ordinary shareholders' funds of the Group amounted to HK$591,526 million, an increase of HK$32,981 million as compared with 31 December 2018. This was mainly attributable to the growth in net profits.

Risk Management

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

Financial Risk

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

Asset and liability management

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

1. **Debt**

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

   As at 31 December 2019, consolidated debt of CITIC Limited[(1)] was HK$968,707 million, including loans of HK$150,678 million and debt instruments issued[(2)] of HK$818,029 million. Debt of CITIC Bank[(3)] accounted for HK$694,224 million. CITIC Limited attaches importance to cash flow management. The head office of CITIC Limited had cash and deposits of HK$3,387 million and available committed facilities of HK$26,500 million.

   The details of debt are as follows:

As at 31 December 2019	*HK$ million*
Consolidated debt of CITIC Limited	968,707
Among which: Debt of CITIC Bank	694,224

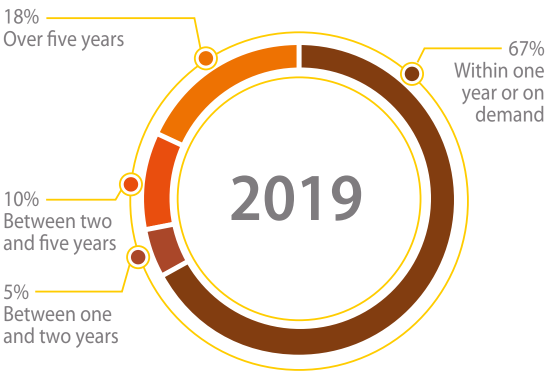
Notes:

(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;

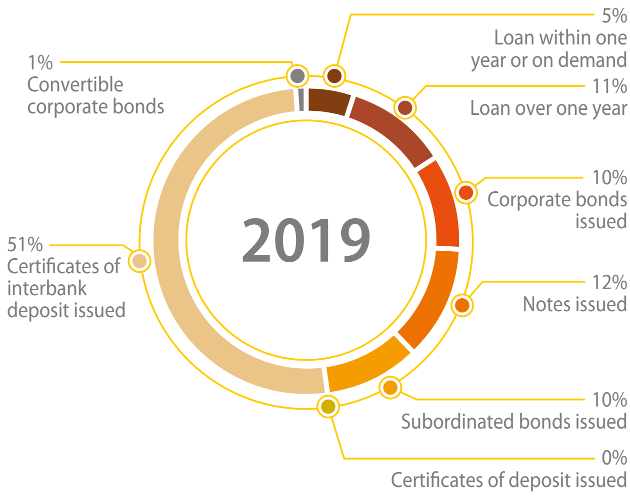
(2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, certificates of interbank deposit issued and convertible corporate bonds excluding interest accrued;

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

Consolidated debt by maturity
as at 31 December 2019



Consolidated debt by type
as at 31 December 2019



The debt to equity ratio of CITIC Limited as at 31 December 2019 is as follows:

In HK$ million	**Consolidated**
Debt	968,707
Total equity[(4)]	894,491
Debt to equity ratio	108%

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

2. Liquidity risk management

The objective of liquidity risk management is to ensure that CITIC Limited always has sufficient cash to repay its maturing debt, perform other payment obligations and meet other funding requirements for normal business development.

CITIC Limited's liquidity management involves the regular cash flow forecast for the next three years and the consideration of its liquid assets level and new financings necessary to meet future cash flow requirements.

CITIC Limited centrally manages its own liquidity and that of its major non-financial subsidiaries and improves the efficiency of fund utilisation. With flexible access to domestic and overseas markets, CITIC Limited seeks to diversify sources of funding through different financing instruments, in order to raise low-cost funding of medium and long terms, maintain a mix of staggered maturities and minimise refinancing risk.

Details of liquidity risk management are set out in Note 48(b) to the consolidated financial statements.

3. Contingent liabilities and commitments

Details of contingent liabilities and commitments of CITIC Limited as at 31 December 2019 are set out in Note 47 to the consolidated financial statements.

4. **Pledged loan**

Details of cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary pledged as security for CITIC Limited's loan as at 31 December 2019 are set out in Note 42(d) to the consolidated financial statements.

5. **Credit ratings**

	Standard & Poor's	Moody's
31 December 2019	BBB+/Stable	A3/Stable

Treasury risk management

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

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

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

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

1. **Interest rate risk**

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

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

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

Details of interest rate risk management are set out in Note 48(c) to the consolidated financial statements.

2. **Currency risk**
CITIC Limited has major operations in mainland China, Hong Kong and Australia, with Renminbi ("RMB"), Hong Kong dollar ("HKD") and United States dollar ("USD") as functional currencies respectively. The Group's member companies are exposed to currency risk from gaps between financial assets and liabilities, future commercial transactions and net investments in foreign operations that are denominated in a currency that is not the member company's functional currency. The reporting currency of the consolidated financial statements of CITIC Limited is HKD. Translation exposures from the consolidation of subsidiaries, whose functional currency is not HKD, are not hedged by using derivative instruments as no cash exposures are involved.

CITIC Limited measures its currency risk mainly by currency gap analysis. Where it is appropriate, the Group seeks to lower its currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currency or using forward contracts and cross currency swaps, provided that hedging is only considered for firm commitments and highly probable forecast transactions.

Details of currency risk management are set out in Note 48(d) to the consolidated financial statements.

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

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

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

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

Economic Environment

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

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

Operational Risk

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

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

Credit Risk

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

Competitive Markets

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

- The financial services business faces fierce competition from domestic and international commercial banks and other financial institutions.

- The engineering contracting business is challenged by global peers as well as China's large state-owned enterprises and private companies.

- Resources and energy, manufacturing, real estate operations, and other businesses in different sectors also face severe competition over resources, technologies, prices and services.

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

Other External Risks and Uncertainties

Impact of local, national and international laws and regulations

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

Impact of new accounting standards

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

Natural disasters or events, terrorism and diseases

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

Five Year Statistics

Operating Results

	Year ended 31 December				
HK$ million	2015 (Restated)	2016 (Restated)	2017	2018	**2019**
Revenue	395,310	381,662	450,536	533,285	**566,497**
Profit before taxation	78,645	70,791	82,783	93,969	**96,015**
Net profit attributable to ordinary shareholders	41,812	43,146	43,902	50,239	**53,903**
Basic earnings per share (HK$)	1.58	1.48	1.51	1.73	**1.85**
Diluted earnings per share (HK$)	1.57	1.48	1.51	1.73	**1.85**
Dividend per share (HK$)	0.30	0.33	0.36	0.41	**0.465**
Return on net assets (%)	9.3%	9.0%	8.6%	9.1%	**9.4%**
Dividend payout ratio (%)	19%	22%	24%	24%	**25%**

Financial Condition

HK$ million	As at 31 December 2015	As at 31 December 2016 (Restated)	As at 31 December 2017	As at 31 December 2018	**As at 31 December 2019**
Total assets	6,803,309	7,239,489	7,520,739	7,660,713	**8,289,924**
Total liabilities	6,140,140	6,542,816	6,727,098	6,850,053	**7,395,433**
Total ordinary shareholders' funds and perpetual capital securities	492,902	491,002	550,951	558,545	**591,526**
Ordinary shareholders' funds per share (HK$)	16.47	16.61	18.67	19.20	**20.33**
Credit ratings					
– Standard & Poor's	A-/Stable	A-/Negative	BBB+/Stable	BBB+/Stable	**BBB+/Stable**
– Moody's	A3/Stable	A3/Negative	A3/Negative	A3/Stable	**A3/Stable**

Capital Expenditure

	Year ended 31 December				
HK$ million	2015	2016	2017	2018	**2019**
Capital Expenditure	45,704	48,264	45,323	43,802	**32,318**
– Financial services	13,819	16,350	14,880	7,651	**4,975**
– Resources and energy	12,059	4,874	5,429	7,001	**4,593**
– Manufacturing	4,937	5,405	5,861	7,832	**7,180**
– Engineering contracting	508	1,564	1,784	2,952	**1,221**
– Real estate	3,013	5,979	2,436	2,318	**842**
– Others	11,368	14,092	14,933	16,048	**13,507**

Corporate Governance

Corporate Governance Practices

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

CITIC Limited has applied the principles and complied throughout the year 2019 with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments including but not limited to keeping in line with the latest requirements under the Listing Rules relating to the Environmental, Social and Governance Reporting Guide and other related regulations.

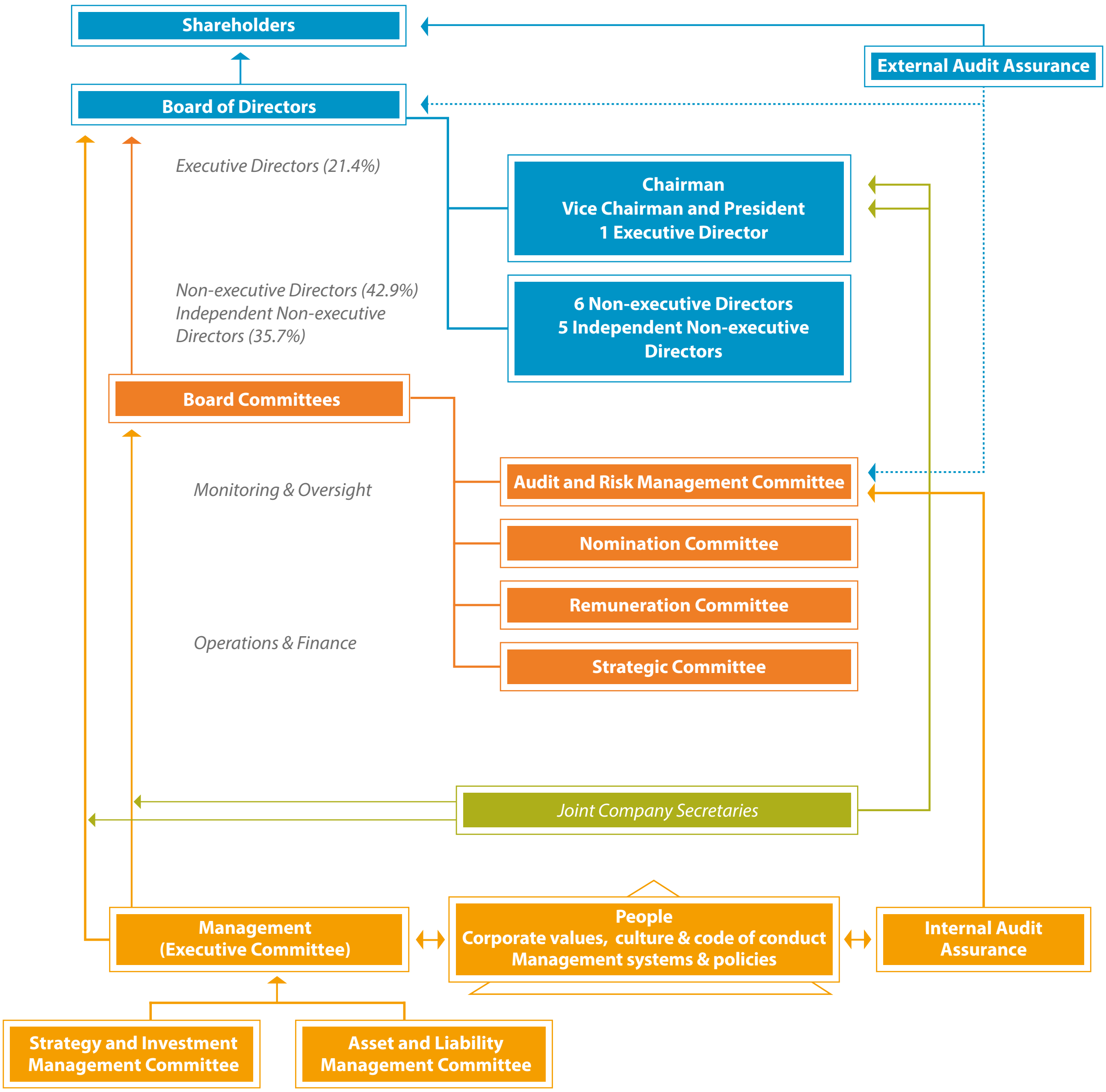
Preservation of Value and Strategy

CITIC Limited is one of China's largest conglomerates and a constituent of the Hang Seng Index. Among its diverse global businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. When we analyse a business, we look at its market position, competitiveness and future prospects.

CITIC Limited enjoys leading market positions in sectors well matched to China's economy. CITIC's rich history, diverse platform and strong corporate culture across all businesses ensure that CITIC Limited is unrivalled in capturing opportunities arising in China.

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

Corporate Governance Structure



Board of Directors

Overall accountability

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

During the year under review, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his/her responsibilities. The board is of the view that all directors have given sufficient time and attention to CITIC Limited's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in CITIC Limited and other public companies held by the directors. Mr Francis Siu Wai Keung, an independent non-executive director, has devoted sufficient time to the board notwithstanding that he currently holds directorships in six public companies (including CITIC Limited). He is the chairman of the audit and risk management committee and a member of a number of board committees which he attended and actively provided guidance and recommendations in each committee meeting. He also attended all board meetings, the annual general meeting in 2019 as well as the strategic committee and board retreat meeting. CITIC Limited considered that he has given sufficient time and attention to CITIC Limited's affairs as an independent non-executive director.

Board composition and changes

CITIC Limited announced the following changes in board composition.

On 29 January 2019, Mr Wu Youguang resigned as a non-executive director of CITIC Limited.

On 21 February 2019, Mr Pu Jian resigned as an executive director, vice president, a member of the executive committee and vice chairman of the strategy and investment management committee of CITIC Limited.

On 28 March 2019, Ms Lee Boo Jin resigned as an independent non-executive director and a member of the nomination committee of CITIC Limited. On the same day, Mr Gregory Lynn Curl was appointed as an independent non-executive director and a member of the nomination committee of CITIC Limited. The appointment of Mr Curl as director was recommended by the nomination committee.

At the annual general meeting of CITIC Limited held on 5 June 2019, Mr Paul Chow Man Yiu retired as an independent non-executive director of CITIC Limited by rotation and did not offer himself for re-election. Following his retirement, he ceased to act as a member of the remuneration committee of CITIC Limited.

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

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

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

CITIC Limited has received from each independent non-executive director a confirmation of his independence and considers that all independent non-executive directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Brief biographical particulars of the directors, together with information about the relationships amongst them, are set out on pages 110 to 113.

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

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

Board responsibilities and delegation

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

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

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

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

Details of the responsibilities, membership, attendance and activities during the year under review of each board committee are set out on pages 87 to 98.

Board meetings and attendance

The board meets regularly to review the financial and operating performance of CITIC Limited and to discuss future strategy. Four regular board meetings were held in 2019. At the board meetings, the board reviewed significant matters including CITIC Limited's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and any notifiable transactions, connected transactions and continuing connected transactions. At each of the regular board meetings, the board received a written report from the president on CITIC Limited's major businesses, investments and projects, and corporate activities.

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

One special board meeting was held in February 2020 to approve a connected transaction. Detailed information of the transaction was provided and relevant directors abstained from voting as required under the Listing Rules.

The attendance record of each director at board meetings and general meeting in 2019 and special board meeting in February 2020 is set out below:

	Attendance		
	Board Meetings in 2019	Special Board Meeting in February 2020	Annual General Meeting on 5 June 2019
Number of Meetings	4	1	1
Current Directors			
Executive Directors			
Mr Chang Zhenming (Chairman)[(1)]	4/4	✓	✓
Mr Wang Jiong (Vice Chairman and President)	4/4	✓	✓
Ms Li Qingping	2/4	✓	✓
Non-executive Directors			
Mr Song Kangle	4/4	✓	✓
Ms Yan Shuqin	4/4	✓	✓
Mr Liu Zhuyu	3/4	✓	✓
Mr Peng Yanxiang	3/4	✓	✓
Mr Liu Zhongyuan	4/4	✓	✓
Mr Yang Xiaoping	4/4	✓	–
Independent Non-executive Directors			
Mr Francis Siu Wai Keung	4/4	✓	✓
Dr Xu Jinwu	4/4	✓	✓
Mr Anthony Francis Neoh	4/4	✓	✓
Mr Shohei Harada	4/4	✓	✓
Mr Gregory Lynn Curl[(2)]	4/4	✓	✓
Resigned Directors			
Executive Director			
Mr Pu Jian[(3)]	N/A	N/A	N/A
Non-executive Director			
Mr Wu Youguang[(4)]	N/A	N/A	N/A
Independent Non-executive Directors			
Ms Lee Boo Jin[(5)]	N/A	N/A	N/A
Mr Paul Chow Man Yiu[(6)]	1/2	N/A	–

Notes:

(1) resigned with effect from 30 March 2020

(2) appointed with effect from 28 March 2019

(3) resigned with effect from 21 February 2019

(4) resigned with effect from 29 January 2019

(5) resigned with effect from 28 March 2019

(6) retired with effect from the conclusion of the annual general meeting of CITIC Limited held on 5 June 2019

Chairman and the president

Mr Chang Zhenming served as the chairman of CITIC Limited until 29 March 2020 and Mr Zhu Hexin was appointed in his stead with effect from 30 March 2020. Mr Wang Jiong is the president of CITIC Limited. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for CITIC Limited. The president is responsible for the day-to-day management of CITIC Limited and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Directors' continuous professional development programme

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

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

Under the CPD Programme of CITIC Limited for the year 2019, directors were provided with the monthly business updates and other reading materials concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. Further, CITIC Limited has forwarded e-training courses launched by the Hong Kong Stock Exchange to the directors to help them to develop and refresh their knowledge and skills so as to ensure that their contribution to the board remains informed and relevant. Directors also attended the strategic committee and board retreat meeting held in November 2019 to discuss the corporate strategy and business development of CITIC Limited.

According to the record of the directors' participation in CITIC Limited's CPD Programme kept at the company secretariat office, a summary of training received by the directors for the period from 1 January 2019 to 31 December 2019 is as follows:

	Reading Materials/ Regulatory Updates/ Monthly Management Updates	Strategic Committee and Board Retreat Meeting
Current Directors		
Executive Directors		
Mr Chang Zhenming[(1)]	✓	✓
Mr Wang Jiong	✓	✓
Ms Li Qingping	✓	✓
Non-executive Directors		
Mr Song Kangle	✓	✓
Ms Yan Shuqin	✓	✓
Mr Liu Zhuyu	✓	
Mr Peng Yanxiang	✓	
Mr Liu Zhongyuan	✓	✓
Mr Yang Xiaoping	✓	✓
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	✓	✓
Dr Xu Jinwu	✓	✓
Mr Anthony Francis Neoh	✓	✓
Mr Shohei Harada	✓	✓
Mr Gregory Lynn Curl[(2)]	✓	✓
Resigned Directors		
Executive Director		
Mr Pu Jian[(3)]	✓	N/A
Non-executive Director		
Mr Wu Youguang[(4)]	✓	N/A
Independent Non-executive Directors		
Ms Lee Boo Jin[(5)]	✓	N/A
Mr Paul Chow Man Yiu[(6)]	✓	N/A

Notes:
(1) resigned with effect from 30 March 2020
(2) appointed with effect from 28 March 2019; induction materials and briefing by external legal counsel were provided in respect of his appointment
(3) resigned with effect from 21 February 2019
(4) resigned with effect from 29 January 2019
(5) resigned with effect from 28 March 2019
(6) retired with effect from the conclusion of the annual general meeting of CITIC Limited held on 5 June 2019

Board Committees

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

Audit and risk management committee

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

Duties of the audit and risk management committee

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

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

- review and monitor the integrity of CITIC Limited's financial information and provide oversight of the financial reporting system;

- monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of CITIC Limited's external auditor, as well as its independence;

- oversee CITIC Limited's internal audit, risk management and internal control systems, including the resources for CITIC Limited's internal audit, risk management, accounting and financial reporting functions, staff qualifications and experience, as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters ("whistle-blowing");

- undertake corporate governance functions delegated from the board, including

  (a) reviewing CITIC Limited's policies and practices on corporate governance and making recommendations to the board as well as CITIC Limited's compliance with the CG Code and disclosure in the corporate governance report;

  (b) reviewing and monitoring

    (i) the training and continuous professional development of directors and senior management;

    (ii) CITIC Limited's policies and practices on compliance with legal and regulatory requirements;

    (iii) the code of conduct and compliance manual (if any) applicable to employees and directors; and

    (iv) CITIC Limited's whistle-blowing policy and system.

- undertake other authorities delegated by the board.

Committee composition and meeting attendance

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

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (Chairman)	4/4
Dr Xu Jinwu	4/4
Mr Anthony Francis Neoh	4/4
Non-executive Directors	
Mr Yang Xiaoping	3/4
Mr Peng Yanxiang	4/4
Other Attendees	
Representatives of Audit and Compliance Department	4/4
Representatives of Financial Control Department	4/4
Representatives of Office of the Board of Directors	4/4
External Auditor	4/4

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

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

Work done in 2019

The audit and risk management committee performed the followings in 2019:

Financial reporting	Reviewed the 2018 annual financial statements, annual report and results announcement
	Reviewed the 2019 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2018 annual report and 2019 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed report provided by the external auditor on their statutory audit of the 2018 annual financial statements and their independent review of the 2019 half-year financial statements
	Discussed financial reporting and control matters set out in the report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of CITIC Limited's 2019 half-year financial statements and their statutory audit of the 2019 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of CITIC Limited
Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the risk management and internal control of the Group, including adequacy of the staff resources, qualifications and experience of CITIC Limited's internal audit, risk management, accounting and financial reporting functions
	Approved annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed internal audit's quarterly reports on risk management and internal control findings, recommendations, progress in rectification and other matters
	Noted any significant changes in financial or other risks faced by CITIC Limited and reviewed management's response to them

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

At the meeting held on 24 March 2020, the audit and risk management committee reviewed and approved CITIC Limited's annual financial statements and annual report for the year ended 31 December 2019, and considered reports from the external and internal auditors. The audit and risk management committee recommended to the board for approval of the 2019 annual report.

Nomination committee

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

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

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

Director Nomination Policy

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

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

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

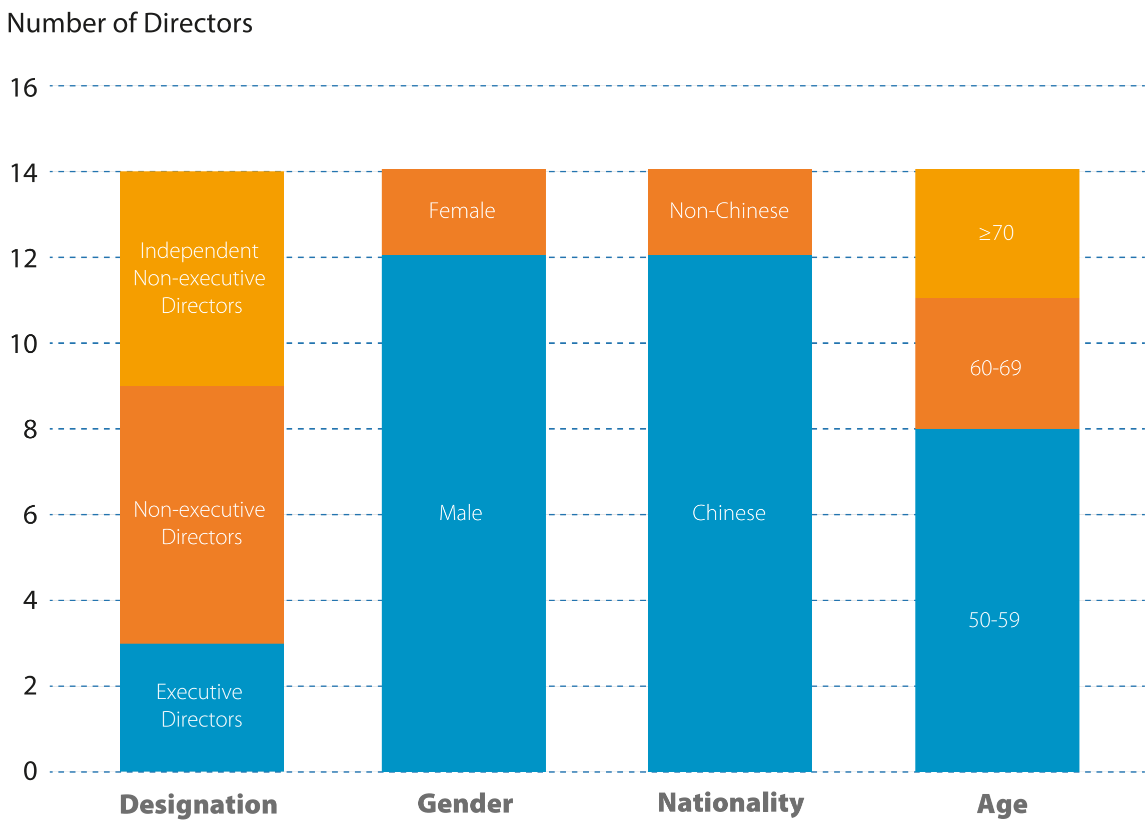
The nomination committee shall monitor the implementation of the policy and conduct a review on an annual basis.

Board Diversity Policy

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

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

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



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

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

Committee composition and meeting attendance

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

Membership and Attendance

Members	Attendance/ Number of Meetings	Date of appointment/ resignation
Executive Directors		
Mr Chang Zhenming (Chairman)[(1)]	1/1	
Mr Wang Jiong	1/1	
Non-executive Director		
Ms Yan Shuqin	1/1	
Independent Non-executive Directors		
Mr Francis Siu Wai Keung	1/1	
Dr Xu Jinwu	1/1	
Mr Anthony Francis Neoh	1/1	
Mr Gregory Lynn Curl	1/1	Appointed on 28 March 2019
Ms Lee Boo Jin	N/A	Resigned on 28 March 2019

Note:

(1) Mr Zhu Hexin was appointed as Chairman in place of Mr Chang Zhenming with effect from 30 March 2020.

Work done in 2019

The nomination committee completed the following work in 2019:

– recommended the appointment of one independent non-executive director to the board for approval;

– made recommendations to the board on re-election of the directors retiring at the annual general meeting of CITIC Limited held on 5 June 2019;

– reviewed the structure, size, composition and diversity of the board;

– reviewed the board diversity policy and discussed the measurable objectives; and

– reviewed the director nomination policy.

In March 2020, two set of written resolutions were passed by all the committee members, one of which was to recommend to the board the retiring directors for re-election at the forthcoming annual general meeting to be held in 2020 and the other was to recommend to the board the appointment of an executive director.

Remuneration committee

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

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

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

Committee composition and meeting attendance

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

Membership and Attendance

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

Note:
Mr. Paul Chow Man Yiu ceased as a member with effect from the conclusion of the annual general meeting of CITIC Limited held on 5 June 2019.

Work done in 2019

The remuneration committee completed the following work in 2019:

– reviewed and approved the proposal for 2019 annual salary for executives in charge (including executive directors and senior management) of CITIC Limited;

– reviewed and approved the proposal for monthly salary of two new executive committee members of CITIC Limited; and

– reviewed and approved the 2018 remuneration for executives in charge (including executive directors and senior management) of CITIC Limited.

Details of CITIC Limited's remuneration policies are set out in the Environmental, Social and Governance Report on page 136 and directors' remuneration and retirement benefits are disclosed on pages 241 to 244.

The remuneration paid to the directors, by name, for the year ended 31 December 2019 is set out in Note 13 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2019 is set out below:

Remuneration of senior management other than directors for the full year 2019

Total Remuneration Bands	Number of Executives
Below HK$500,000	1
HK$500,001 – HK$1,000,000	4
	5

Note:
Although the discretionary bonuses have yet to be confirmed by the relevant regulatory authority, it is expected that the unsealed remuneration will have no material impact on the consolidated financial statements of CITIC Limited for 2019.

Strategic committee

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

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

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

The committee is chaired by the chairman of the board (Mr Chang Zhenming served as chairman until 29 March 2020 and Mr Zhu Hexin was appointed in his stead with effect from 30 March 2020), and other members include an executive director, Mr Wang Jiong (being vice chairman and president of CITIC Limited), three non-executive directors, Mr Song Kangle, Ms Yan Shuqin and Mr Yang Xiaoping, and two independent non-executive directors, Mr Anthony Francis Neoh and Mr Shohei Harada. Mr Li Rucheng (being a former non-executive director of CITIC Limited) serves as a consultant to the committee. During the year under review, one strategic committee meeting was held. The Strategic Development Department prepared full minutes of the strategic committee meeting and the draft minutes were circulated to all the committee members within a reasonable time after the meeting. A joint company secretary is responsible for keeping all the minutes of the meetings.

Special committee to deal with matters relating to investigations of CITIC Limited

A special committee has been established to deal with all matters relating to all investigations (including enquiries) of, and proceedings involving, CITIC Limited and its directors, arising from the 2008 forex incident, including but not limited to by the Market Misconduct Tribunal, the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force. This committee was dissolved on 24 September 2019.

Management Committees

Executive committee

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

The functions and powers of the executive committee are:

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

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

The committee is chaired by the chairman of the board (Mr Chang Zhenming served as chairman until 29 March 2020 and Mr Zhu Hexin was appointed in his stead with effect from 30 March 2020), and other members are Mr Wang Jiong (being executive director, vice chairman and president of CITIC Limited, and also serves as vice chairman of the committee), Mr Cai Huaxiang (serving as vice chairman of the committee), Ms Li Qingping (being executive director and vice president of CITIC Limited), Mr Cui Jun, Mr Liu Zhengjun (being vice president of CITIC Limited), Mr Cai Xiliang (being vice president of CITIC Limited) and Mr Xu Zuo (being vice president of CITIC Limited). Mr Huang Zhiqiang who was appointed as a member of the executive committee and vice president of CITIC Limited on 15 August 2019 subsequently resigned from both positions on 17 December 2019. Five committee meetings were held in 2019. The minutes of the meetings are kept at the executive office, which are circulated to the committee members after each meeting.

Strategy and Investment Management Committee

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

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

The committee is led by the chairman of the committee Mr Wang Jiong (being executive director, vice chairman and president of CITIC Limited), and the vice chairman of the committee Mr Cai Xiliang (being vice president of CITIC Limited), and other members of the committee include Mr Zhang Youjun (being assistant president of CITIC Limited), responsible persons of the strategic development department, financial control department, legal and compliance functions and treasury department.

Asset and Liability Management Committee

CITIC Limited has established the asset and liability management committee (the "ALCO") as a sub-committee under the executive committee to be in charge of monitoring and controlling the financial risks of CITIC Limited. The principal responsibilities of the ALCO are to

- monitor and control the asset and liability financial position of CITIC Limited on a regular basis;
- monitor and control the following issues of CITIC Limited
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commodities
  - commitments and contingent liabilities
- review financing plans and manage the cash flow of CITIC Limited on the basis of the annual budget; and
- establish hedging policies and approve the use of new financial instruments for hedging.

The acting chairman of the committee is Mr Cao Guoqiang (being Chief Financial Officer of CITIC Limited), and other members of the ALCO include responsible persons of the financial control department, treasury department, strategic development department, the office of the board of directors and legal and compliance functions.

Accountability and Audit

Financial reporting

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

New or revised accounting standards became effective during the year under review, and those most significant and relevant to the Group are disclosed in Note 2 to the consolidated financial statements on page 186.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2019 are set out in the Independent Auditor's Report on pages 357 to 366.

External auditors and their remuneration

The external auditors perform independent reviews or audits of the financial statements prepared by the management. PricewaterhouseCoopers ("PwC") was engaged as CITIC Limited's external auditor since 1989 and retired at the close of annual general meeting held on 16 May 2013. KPMG was engaged in place of PwC as CITIC Limited's external auditor and subsequently retired at the close of the annual general meeting held on 2 June 2015 ("2015 AGM"). Since then, PwC has been appointed as CITIC Limited's external auditor in place of KPMG with effect from the close of the 2015 AGM as its largest listed subsidiary, China CITIC Bank Corporation Limited, was required to change its external auditor. For 2019, PwC's fees were approximately as follows:

Statutory audit fee: HK$107 million (2018: HK$99 million).

Fees for other services, including special audits, advisory services relating to systems and tax services: HK$40 million (2018: HK$33 million).

Other audit firms provided statutory audit services at a fee of approximately HK$72 million (2018: HK$99 million) as well as other services for fees of HK$27 million (2018: HK$18 million).

Risk management and internal control

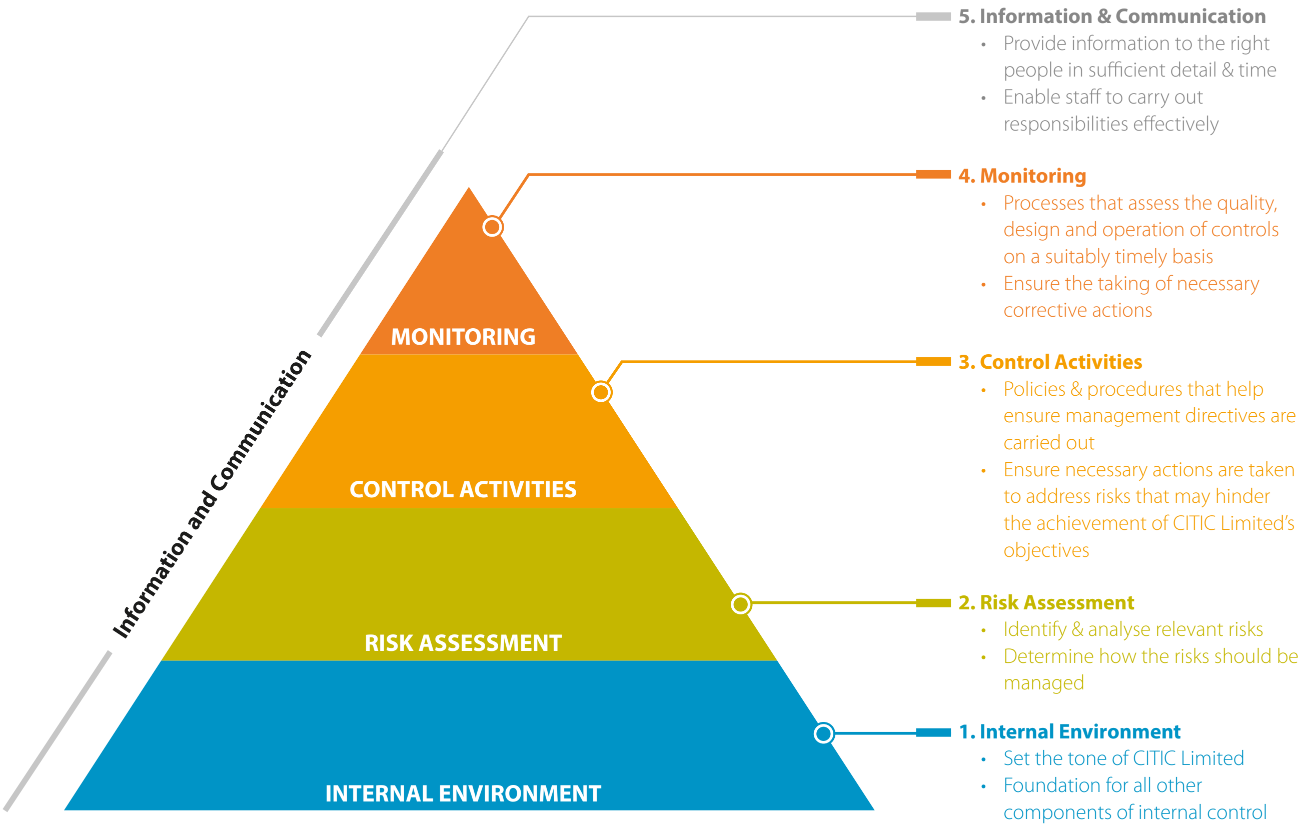
The Group's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Group. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of CITIC Limited in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

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

Overview of risk management and internal control

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

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



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

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

As a sub-committee of the Executive Committee, the Asset and Liability Management Committee ("ALCO") has been established to monitor financial risks of the Group in accordance with the relevant treasury and financial risk management policies. Based on the annual budget, ALCO reviews CITIC Limited's financing plan and instruments, oversees fund management and cash flow positions, and manages risks relating to counterparties, interest rates, currencies, commodities, commitments and contingent liabilities. It is also responsible for formulating hedging policy and approving the use of new risk management tools.

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

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

Key control policies and measures

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

Key control policies and measures	
Internal environment	• The Group has corporate governance policy, human resources policy and code of conduct for its business operation and governance, as well as periodic reviews and refresher training sessions on important ethical practices. • A whistle-blowing policy has been implemented for facilitating internal reporting of suspected malpractice. • An inside information and price sensitive disclosure policy is in place covering the reporting and dissemination of price-sensitive information.
Risk assessment	• The executive committee of CITIC Limited constantly monitors the business, operational and other risks of the business units. • The risk management function identifies and assesses the systematic risks that CITIC Limited is facing through regular risk assessments. It also controls the risks of subsidiaries through regular risk management reporting and risk assessment as well as the monitoring of major projects and businesses. • Risk management reports are collated, prepared and submitted to the board for deliberation, and corresponding risk management measures will be adopted immediately. • In addition to the risk management function, relevant functions of CITIC Limited will also identify and assess financial and other risks in terms of investment review, strategic planning, financial management and compliance with laws. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management section of this annual report.
Control activities	• Major control systems and processes include budgetary and cost controls, relevant reporting systems and processes for management reporting, corporate policies and procedures for approval, review and segregation of duties across the Group.
Monitoring	• Constant monitoring of compliance and review of risk management and internal control are conducted under the supervision of the audit and risk management committee. (Please refer to the section "Monitoring of risk management and internal control effectiveness"). • The joint company secretaries of CITIC Limited and related functions are responsible for the overall assessment and monitoring of established procedures to ensure compliance with the Listing Rules and supervision of compliance matters related to applicable laws and other major requirements.

Key control policies and measures	
	• The internal audit function reports directly to the audit and risk management committee, and is responsible for examination of risk management and internal control.
Information and communication	• Implementation, maintenance and constant development of business and management information systems support CITIC Limited's businesses and operations, including finance, information disclosure and collaborative supervision. • Corporate information is disseminated in a timely manner through the intranet, collaborative office system and corporate email system of CITIC Limited. • A corporate website and shareholders communication policy ensure that shareholders receive complete and clear information about CITIC Limited and are encouraged to participate in general meetings of CITIC Limited.

Monitoring of risk management and internal control effectiveness

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

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

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Internal audit	• Reviewed the internal audit report. • Reviewed the progress and outcomes of internal audit in accordance with the approved annual internal audit plan.	• Internal audit findings and recommendations, and management's remedial actions taken were considered at each audit and risk management committee meeting. • Reported to the board on such reviews when necessary.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Compliance assessment	• Reviewed the compliance assessments made by business units and head office functions of CITIC Limited; reported on a regular basis cases of non-compliance with laws and regulations, listing rules, provisions under industry regulation, internal policies and rules; reported on an annual basis any matters subject to criminal convictions, administrative punishments, investigation by competent authorities and other punitive measures as a result of non- compliance; rectified non-compliance and ongoing supervision to ensure completion of such rectification.	• No major non-compliance cases were noted during the year.
Review of risk management and internal control system	• Reviewed the business operation and risk management, the changes of risks, and ability to respond in several meetings during the year. • Reviewed and confirmed the results of self-assessment on risk management and internal control effectiveness, and the written statements issued by senior management. • Reviewed the results of the comprehensive assessment of the major control and risk management activities undertaken by business units and head office functions. Ensured that the supporting documents of the self- assessments on risk management and internal control by the management were reviewed by the internal audit function or risk management function. • Reviewed the written statements issued by senior management of business units to confirm that their self-assessments remained correct and that their accounts were prepared in accordance with the financial reporting policies of the corporation.	• No material issues were identified during the year, but business units and the Group's head office functions indicated certain areas of risk management and internal control meriting improvement. • Management issued a positive confirmation.

Monitoring of risk management and internal control	Particulars of major tasks completed	Observations
Review of the internal audit, risk management, accounting and financial functions	• Reviewed the self-assessments made by business units and the finance, audit, monitoring and compliance functions on the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and budget.	• Resources in the internal audit, risk management, accounting and finance functions were adequate. • On the whole, the qualifications and experience of the staff of the internal audit, risk management, accounting and finance functions were satisfactory. • Training activities and budgets were given constant attention and remained satisfactory during the year.

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

Internal Audit

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

Authority

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

Responsibility

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

Internal audit staffing and tasks completed in 2019

At 31 December 2019, CITIC Limited had approximately 480 internal audit staff members in the internal audit departments of the head office and major subsidiaries, providing audit services to various business units and functions of the Company.

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

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

- Implementation of internal audit assessment to evaluate the audit work of major subsidiaries in terms of management, quality, performance, communication and coordination, in order to facilitate the effective execution of internal audit.

- Continuous training and development programme, including online training, sharing sessions and seminars, for internal audit staff to enhance their audit skills and knowledge.

Business Ethics

Code of Conduct

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

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

We stick to core values and corporate culture & spirits with the characteristics of "CITIC SPIRIT", think highly of employees' integrity, morality and professional integrity. The company's Code of Conducts requires employees to strictly obey the laws, regulations and disciplines in their operational activities. It is a code that the employees must abide by and a standard for assessing professional conducts of employees. In 2019, we organised trainings in terms of professional integrity, anti-fraud and anti-corruption based on the types of industries and levels of posts. Various publicizing platforms including the internal network, official accounts of Wechat and APP were utilised to educate and guide employees to establish and maintain their excellent conducts and behaviors. The heads of every branches were required to conduct education, supervision and assessment regarding employees' conducts. The company developed the system of regular self-criticism to detect the risks to honesty and justice, to investigate and punish all sorts of illegal behaviors, to analyze and evaluate the effective implementation of this system, to propose advices for further improvement and correction, and to stably improve the levels of internal control management.

Whistle-blowing policy

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

Inside information/price sensitive information disclosure policy

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

Good employment practices

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

Directors' and relevant employees' securities transactions

CITIC Limited has adopted the model code for securities transactions by directors of listed companies ("Model Code") contained in Appendix 10 to the Listing Rules. All directors and senior management confirmed that they have complied with the required standard set out in the Model Code throughout 2019. As at 31 December 2019, none of the directors of CITIC Limited had interests in the securities of CITIC Limited as referred to in the Report of the Directors on page 132.

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

Joint Company Secretaries

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

Constitutional Documents

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

Communication with Shareholders

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

Information disclosure at corporate website

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

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

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

General meetings with shareholders

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

Dividend policy

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

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

Voting by poll

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

Investor relations

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

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

Shareholders' rights

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

Convening of extraordinary general meeting on requisition by shareholders

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

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

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

Procedures for directing shareholders' enquiries to the board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

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

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at the AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at the AGM.

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

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

Board of Directors

ZHU Hexin *(Executive Director and Chairman)*
Age 52: an executive director, chairman of the board, chairman of the nomination committee, strategic committee and executive committee with effect from 30 March 2020. Mr Zhu is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for the Company. Mr Zhu has been appointed as the chairman of CITIC Group Corporation and CITIC Corporation Limited since 2020. Mr Zhu was vice president of Bank of Communications, executive director and vice president of Bank of China, vice governor of Sichuan Province, vice president of the People's Bank of China. He has over 20 years' extensive knowledge and experience in the financial industry. He graduated from Shanghai University of Finance and Economics with a degree of Bachelor in engineering, majored in economic information management system. He is a senior economist.

WANG Jiong *(Executive Director, Vice Chairman and President)*
Age 60: an executive director, vice chairman and president of the Company since 2014. Mr Wang is a vice chairman of the executive committee, a member of the nomination committee and the strategic committee and the chairman of the strategy and investment management committee. He is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy general manager of CITIC Shanghai Co., Ltd; general manager and chairman of CITIC Shanghai (Group) Co., Ltd; chairman and general manager of CITIC East China (Group) Co., Ltd; assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Wang has a background of more than 20 years in finance and industry, with extensive knowledge and experience particularly in corporate strategy planning, operating management, investment financing, mergers, acquisitions and restructuring. He graduated from Shanghai University of Finance & Economics with a Master's degree in economics.

LI Qingping *(Executive Director)*
Age 57: an executive director of the Company since 2015. Ms Li is the vice president of the Company and a member of the executive committee. She is currently executive director and vice president of CITIC Group Corporation, executive director and vice president of CITIC Corporation Limited, and chairperson and executive director of China CITIC Bank Corporation Limited ("China CITIC Bank"). She was formerly president of China CITIC Bank, general manager of the International Department of Agricultural Bank of China, general manager of Guangxi Branch, and director of the Retail Business Department. Ms Li is a senior economist with over 30 years' experience in the banking industry, with particular emphasis on international business and retail business. She graduated from Nankai University in International Finance Programme with a Master's degree in Economics.

SONG Kangle *(Non-executive Director)*
Age 56: a non-executive director of the Company since 2016. Mr Song is a member of the strategic committee. He worked with several posts in Ministry of Finance ("MOF") as staff member, senior staff member, principal staff member, deputy director, consultant at director level, associate counsel, deputy director general and counsel at director general level in various departments, such as Department of Human Resource Development, Department of External Financing, Department of External Affairs, Department of Enterprise and Department of Asset Management. He graduated from School of Public Finance and Taxation of Liaoning Institute of Finance and Economics (now known as Dongbei University of Finance and Economics) with a Bachelor's degree in public finance and China Europe International Business School of Shanghai Jiao Tong University. He is a Postgraduate degree holder.

YAN Shuqin *(Non-executive Director)*
Age 59: a non-executive director of the Company since 2016. Ms Yan is a member of the nomination committee and the strategic committee. She worked with several posts in MOF as staff member, senior staff member, principal staff member, deputy director, director, assistant inspector, deputy inspector and chief inspector in Jiangxi Supervision & Inspection Office and Ningbo Supervision & Inspection Office. She graduated from Jiangxi University of Finance and Economics with a Bachelor's degree in economics. She is a certified public accountant.

LIU Zhuyu *(Non-executive Director)*
Age 58: a non-executive director of the Company since 2017. Mr Liu is a member of the remuneration committee. He worked with several posts in MOF as senior staff member, principal staff member, deputy director and director at Department of Industry, Transportation and Finance, director at Economic Trade Department of MOF, deputy inspector at Beijing Supervision & Inspection Office, deputy director at State Equity & Corporate Finance Department and director general at Network Information Center, director general of Department of Treasury and Treasury Payment Center of MOF. Mr Liu graduated from Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law). He is a senior accountant and also a Certified Public Accountant.

PENG Yanxiang *(Non-executive Director)*
Age 57: a non-executive director of the Company since 2018. Mr Peng is a member of the audit and risk management committee. Mr Peng is currently non-executive director of CITIC Group Corporation. He worked with several posts in the MOF as assistant engineer, engineer, deputy director, senior engineer, director of Computing Center, deputy chief engineer (director level), deputy director general, director general of Network Information Center. He graduated from Beijing Institute of Technology. He is a senior engineer. He worked and studied at TKC Corp. in Japan from February 1987 to February 1988 and acquired bookkeeping qualification.

LIU Zhongyuan *(Non-executive Director)*
Age 50: a non-executive director of the Company since 2014. Mr Liu is currently director-general of Equity & Fixed-Income Investment Department of the National Council for Social Security Fund. He was formerly an officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for Social Security Fund; director-general of the Overseas Investment Department of the National Council for Social Security Fund. Mr Liu has a Doctorate degree in economics from the School of Economics at Renmin University of China.

YANG Xiaoping *(Non-executive Director)*
Age 56: a non-executive director of the Company since 2015. Mr Yang is a member of the audit and risk management committee and the strategic committee. He is currently the senior vice chairman of CP Group, the vice chairman and CEO of CPG China, executive director and the vice chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, a non-executive director of Ping An Insurance (Group) Company of China Ltd., Tianjin Binhai Teda Logistics (Group) Corporation Limited and Honma Golf and the director of related party transaction and audit committee of the board of directors of China Minsheng Investment (Group) Corp., Ltd.. Mr Yang is also a member of the 12th National Committee of Chinese People's Political Consultative Conference, vice president of China Rural Research Institute of Tsinghua University, vice president of Global Co-Development Research Institute of Tsinghua University and president of Beijing Association of Foreign Investment Enterprises. Mr Yang graduated from the School of Economics and Management of Tsinghua University with Doctoral degree and has both studying and working experiences in Japan.

Francis SIU Wai Keung *(Independent Non-executive Director)*
Age 65: an independent non-executive director of the Company since 2011. Mr Siu is the chairman of the audit and risk management committee and a member of the remuneration committee and the nomination committee. He is an independent non-executive director of GuocoLand Limited, China Communications Services Corporation Limited, CGN Power Co., Ltd., China International Capital Corporation Limited and Beijing Gao Hua Securities Company Limited. He is also the chairman and independent non-executive director of BHG Retail Trust Management Pte. Ltd.. He has been appointed as a non-executive director of the Financial Reporting Council for a two-year term from 1 October 2019 to 30 September 2021. Mr Siu joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China.

XU Jinwu *(Dr.-Ing.) (Independent Non-executive Director)*
Age 70: an independent non-executive director of the Company since 2012. Dr Xu is a member of the audit and risk management committee, the remuneration committee and the nomination committee. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

Anthony Francis NEOH *(Independent Non-executive Director)*
Age 73: an independent non-executive director of the Company since 2014. Mr Neoh is the chairman of the remuneration committee, and a member of the audit and risk management committee, the nomination committee and the strategic committee. He has until October 2016, been a member of the International Advisory Council of the China Securities Regulatory Commission ("CSRC"). He also previously served as chief advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was formerly elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of Hong Kong and in 2016, he was also awarded the Degree of Doctor of Social Science, *honoris causa*, by Lingnan University. Mr Neoh is currently an independent non-executive director of Industrial and Commercial Bank of China Limited. He is also the chairman of the Independent Police Complaints Council with a term of two years from 1 June 2018 to 31 May 2020. He was formerly a non-executive director of Global Digital Creations Holdings Limited. He also previously served as an independent non-executive director of Link Asset Management Limited (manager of Link Real Estate Investment Trust), China Shenhua Energy Company Limited, Bank of China Limited, China Life Insurance Company Limited and New China Life Insurance Company Ltd..

Shohei HARADA *(Independent Non-executive Director)*
Age 62: an independent non-executive director of the Company and a member of the strategic committee since 2018. Mr Harada is currently an executive partner at Sengokuyama Audit Firm (formerly known as Sengokuyama Partners Accounting Office). He also serves on the Audit & Supervisory Board for The Nation Federation of Agricultural Cooperative Association (ZEN-NOH). He is also an Audit & Supervisory Board Member of Kasumigaseki Capital Co., Ltd. (listed on the Tokyo Stock Exchange). Mr Harada joined Tetsuzo Ota & Co. (later became Ernst & Young ShinNihon, LLC) in October 1984, where he performed audit engagements of major banks and real estate companies. From July 1993 to August 1997, he was seconded to the Ernst & Young London office. Mr Harada became a partner of Ernst & Young ShinNihon, LLC in May 1999 and a senior partner in May 2004. From September 2012 to February 2016, he was an executive partner of Ernst & Young ShinNihon, LLC and has served as the Advisory Japan Leader and Real Estate Sector Japan Leader. He retired from Ernst & Young ShinNihon, LLC in June 2017. He set up Sengokuyama Audit Firm in July 2018 and started his new career. He is a licensed Certified Public Accountant in Japan. As an accounting professional, Mr Harada has extensive experience in real estate securitization, fund business, and advisory. Mr Harada graduated from Chuo University with a Bachelor degree in Commerce in March 1980.

Gregory Lynn CURL *(Independent Non-executive Director)*
Age 71: an independent non-executive director and a member of the nomination committee of the Company since March 2019. Mr Curl joined Temasek International as president on 1 September 2010, following his retirement from Bank of America ("BAC") in March 2010. He brings with him a banking career of over 30 years. During his time with BAC, Mr Curl served in a number of senior executive capacities including vice chairman of corporate development, and last held the position of chief risk officer. He is also a director of Post Holdings, Inc. (listed on the New York Stock Exchange). Mr Curl was appointed as an independent non-executive director of the Company in May 2011 and was re-designated as a non-executive director in August 2014 by reason of a shareholding interest held by Temasek group in a subsidiary of CITIC Pacific Limited (further details of which are set out in the Company's announcement dated 25 August 2014). Such shareholding interest has since been disposed. Mr Curl held such position until September 2014. He was also a director of the University of Virginia's Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr Curl received a Bachelor degree in Political Science from Southwest Missouri State University and a Master degree in Government from the University of Virginia. He was named a Woodrow Wilson Fellow in 1970 and was a Philip Dupont Scholar and a McIntire Fellow at the University of Virginia.

Senior Management

CAI Huaxiang
Age 60: a vice chairman of the executive committee of the Company since 2016. Mr Cai formerly served as deputy director general of the Human Resources Department, president of Nanchang branch, president of Jiangxi branch, general manager of the Operations Department and president of Beijing branch of China Development Bank; vice president of China Development Bank Corporation; vice president and executive director of Agricultural Bank of China Limited. Mr Cai is a Senior Economist. He graduated from China University of Geosciences in industrial engineering with a college diploma and holds a Master's degree in engineering.

CUI Jun
Age 55: a member of the executive committee of the Company since 2018. Mr Cui currently serves as leader of Discipline Inspection and Supervision Group of CITIC Group Corporation for The Central Commission for Discipline Inspection of the CPC and The National Supervisory Commission. He formerly served as presiding judge of the second economic tribunal, presiding judge of the second civil tribunal, vice president of High People's Court of Heilongjiang Province, chief of Supervision Department of Heilongjiang Province, executive deputy secretary of CPC Party Discipline Inspection Commission and deputy director general of Supervision Commission of Heilongjiang Province, and the secretary of the CPC Party Discipline Inspection Commission of CITIC Group Corporation. He graduated from Jilin University in jurisprudence with a Master's degree and Doctorate in law.

LIU Zhengjun
Age 54: vice president of the Company and a member of the executive committee since 2018. He has been appointed as chairman of CITIC Asset Operation Corporation Ltd. with effect from 2 April 2019, a non-executive director of CITIC Telecom International Holdings Limited with effect from 14 August 2019, and chairman of CITIC Asset Management Corporation Ltd. with effect from 3 September 2019. He has also been appointed as a non-executive director and chairman of the board of Asia Satellite Telecommunications Holdings Limited with effect from 18 June 2019 and 1 January 2020, respectively. Mr Liu formerly served as staff member, deputy director, director of Jinan Regional Office of National Audit Office of the People's Republic of China ("CNAO"), director general of Department of Public Finance Audit of CNAO, director general of Changchun Regional Office of CNAO, director general of Department of Non-profit Government Agencies Audit of CNAO, director general of Law Department of CNAO. He graduated from Nankai University in finance with a Master's degree and Doctorate in economics.

CAI Xiliang
Age 53: vice president of the Company and a member of the executive committee since 2016; and a vice chairman of the strategy and investment management committee since 2018. Mr Cai formerly served as deputy dean of Shanghai University of Finance and Economics, president of Shanghai Jinzhong Development Co., Ltd., president of CITIC East China (Group) Corp., Ltd., president and chairman of CITIC Daxie Development Company, dean of Ningbo Daxie Development Zone Economic Development Bureau, director of CITIC Group, president of CITIC Industrial Investment Group Corp., Ltd. Mr Cai has extensive experience in industrial investment. He graduated from Shanghai University of Finance and Economics with a Master's degree in economics.

XU Zuo
Age 54: vice president of the Company and a member of the executive committee with effect from 5 June 2019. Mr Xu started his career in Bohai aluminium Co., Ltd in 1987. He participated in the establishment of Dicastal Wheel Manufacturing Co., Ltd. in 1988, and has successively held the posts of senior manager, assistant to president, vice president, president and vice chairman. Currently he is vice president of CITIC Group Corporation, chairman of CITIC Dicastal Co., Ltd.; chairman of supervisory and advisory board meeting of the KSM Castings Group GmbH in Germany. Mr Xu has over 30 years' working experience in automotive parts manufacturing, over 20 years' experience in the international market development, overseas acquisitions and restructuring. He graduated from Renmin University of China, with an Executive Master of Business Administration. He is also a senior economist.

Report of the Directors

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2019.

Principal Activities

CITIC Limited is one of China's largest conglomerates. The principal activity of CITIC Limited is investment holding and its subsidiaries are engaged in financial services, resources and energy, manufacturing, engineering contracting and real estate as well as other businesses both in mainland China and overseas.

Subsidiary Companies

The name of the principal subsidiaries, their place of incorporation, principal activities and shares issued are set out in note 58 to the consolidated financial statements.

Business Review

A fair review, discussion and analysis of the Group's business as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the material factors underlying its results and financial position are set out in the sections headed "Chairman's Letter to Shareholders", "Our Businesses" and "Financial Review" on pages 4 to 70 of this annual report. An account of the principal risks and uncertainties facing the Group is provided in the "Risk Management" section on pages 71 to 76 of this annual report. Particulars of important events affecting CITIC Limited that have occurred since the end of the financial year 2019 (if any) and the likely future development in CITIC Limited's business can also be found in this annual report. The above discussions form an integral part of the Report of the Directors.

In addition, an account of CITIC Limited's performance by reference to environmental and social-related policies is provided in the "Environmental, Social and Governance Report" on pages 136 to 175 of this annual report.

Dividends

On 29 August 2019, the directors declared an interim dividend of HK$0.18 per share (2018: HK$0.15 per share) for the year ended 31 December 2019 which was paid on 4 October 2019. At the board meeting held on 31 March 2020, the directors recommended a final dividend of HK$0.285 per share (2018: HK$0.26 per share) in respect of the year ended 31 December 2019. Subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Limited to be held on 19 June 2020 (the "2020 AGM"), the proposed final dividend will be paid on Tuesday, 11 August 2020 to shareholders on CITIC Limited's register of members at the close of business on Tuesday, 30 June 2020. This represents a total distribution for the year of HK$13,527 million.

The proposed 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 2019 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 19 June 2020 (inclusive), being the date of the 2020 AGM. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders in early July 2020 as soon as practicable after the record date of 30 June 2020 to determine shareholders' entitlement to the proposed final dividend, and return it to CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 July 2020.

If an election is made by a shareholder to receive the 2019 final dividend in RMB in respect of all (but not part) of the shareholder's entitlement, the RMB dividend will be paid by cheques which are expected to be posted to the relevant shareholders by ordinary post on Tuesday, 11 August 2020 at the shareholders' own risk.

Shareholders who are minded to elect to receive their dividends in RMB should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong.

If no election is made by a shareholder or no Dividend Currency Election Form is received by CITIC Limited's Share Registrar by 4:30 p.m. on Tuesday, 21 July 2020, such shareholder will automatically receive the 2019 final dividend in HKD. All dividend payments in HKD will be made in the usual ways on Tuesday, 11 August 2020.

If shareholders wish to receive the 2019 final dividend in HKD in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the proposed dividend payment.

Donations

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

Share Capital and Reserves

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

Fixed Assets

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

Major Customers and Suppliers

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

Borrowings, Debt Instruments Issued and Perpetual Capital Securities

Particulars of borrowings, debt instruments issued and perpetual capital securities of CITIC Limited and its subsidiary companies as at 31 December 2019 are set out in notes 42, 43 and 45 to the consolidated financial statements.

Equity-linked Agreements

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

Directors

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

Executive Directors	
Mr Zhu Hexin *(Chairman)*	*(appointed on 30 March 2020)*
Mr Chang Zhenming *(Chairman)*	*(resigned on 30 March 2020)*
Mr Wang Jiong *(Vice Chairman and President)*	
Ms Li Qingping	
Mr Pu Jian	*(resigned on 21 February 2019)*
Non-executive Directors	
Mr Song Kangle	
Ms Yan Shuqin	
Mr Liu Zhuyu	
Mr Peng Yanxiang	
Mr Liu Zhongyuan	
Mr Yang Xiaoping	
Mr Wu Youguang	*(resigned on 29 January 2019)*
Independent Non-executive Directors	
Mr Francis Siu Wai Keung	
Dr Xu Jinwu	
Mr Anthony Francis Neoh	
Mr Shohei Harada	
Mr Gregory Lynn Curl	*(appointed on 28 March 2019)*
Ms Lee Boo Jin	*(resigned on 28 March 2019)*
Mr Paul Chow Man Yiu	*(retired with effect from the conclusion of the annual general meeting held on 5 June 2019)*

Mr Chang Zhenming, Mr Wu Youguang, Mr Pu Jian, Ms Lee Boo Jin and Mr Paul Chow Man Yiu have confirmed that they have no disagreement with the board and nothing relating to their resignation that need to be brought to the attention of the shareholders of CITIC Limited.

Mr Gregory Lynn Curl who was appointed by the board as director of CITIC Limited on 28 March 2019 was re-elected as director at the annual general meeting held on 5 June 2019. Pursuant to Article 95 of the articles of association of CITIC Limited, Mr Zhu Hexin who was appointed by the board as director of CITIC Limited on 30 March 2020 shall hold office only until the next following annual general meeting, or if earlier, the next following extraordinary general meeting of CITIC Limited and, being eligible, offer himself for re-election. In addition, pursuant to Article 104(A) of CITIC Limited's articles of association, Mr Wang Jiong, Mr Yang Xiaoping, Mr Francis Siu Wai Keung and Mr Anthony Francis Neoh shall retire by rotation at the 2020 AGM and, all being eligible, have offered themselves for re-election at the 2020 AGM.

The biographical details of directors and senior management as at the date of this report are set out in the "Board of Directors" and "Senior Management" sections on pages 110 to 114 of this annual report.

Directors of Subsidiaries

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

Directors' Material Interests in Transactions, Arrangements or Contracts

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

Directors' Service Contracts

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

Management Contracts

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

Permitted Indemnity

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

Related Party Transactions

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

Connected Transaction

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

Reference is made to the announcement dated 16 October 2015 issued by CITIC Limited in relation to the shareholders' agreement (the "Joint Venture Agreement") entered into among CITIC Holdings Co. Ltd. (an indirect wholly-owned subsidiary of CITIC Limited), CPG Overseas Company Limited, SII International Holding Ltd., ITOCHU Corporation, China Mobile International Holdings Limited and Wealth Partner Global Limited, pursuant to which all parties agreed to set up a joint venture company F2F Cayman Islands Holdings Limited (the "Joint Venture") in order to operate cross-border e-commerce business in the People's Republic of China. The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") confirmed that as the transaction was conducted with CPG Overseas Company Limited and ITOCHU Corporation (both being beneficial shareholders of Chia Tai Bright Investment Company Limited ("CT Bright") in which each holds 50% equity interests and CT Bright in turn holds 20% equity interest in CITIC Limited), the transaction contemplated under the Joint Venture Agreement would constitute a connected transaction of CITIC Limited.

Due to the adjustment of China's cross-border e-commerce policy, the Joint Venture has not conducted any business operation since establishment. On 5 June 2019, all parties entered into a termination agreement, with effect upon the date of signing, to terminate the Joint Venture Agreement and provide for orderly winding up of the Joint Venture. Details of the above were set out in CITIC Limited's announcement dated 5 June 2019.

Non-Exempt Continuing Connected Transactions

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

1. Sales Framework Agreement — sale of manganese ore by the Group to the Connected Persons

   The original Sales Framework Agreement dated 30 September 2014 ended on 31 December 2016. As CITIC Limited and CITIC Group intended to continue to carry out the relevant transactions, both parties entered into a new sales framework agreement ("New Sales FA") on 30 November 2016, details of which were set out in CITIC Limited's announcement dated 30 November 2016.

   New Sales FA

Period:	commencing from 1 January 2017 and ended on 31 December 2019
Annual Cap:	*for year ended 31/12/2019* RMB1,050,000,000

   There were no transactions under the New Sales FA for the year ended 31 December 2019.

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

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

   2016 Financial Assistance FA

Period:	commencing from 1 January 2017 and ended on 31 December 2019
Maximum Daily Balance:	*for year ended 31/12/2019* RMB11,000,000,000

   New Financial Assistance FA

Period:	commencing from 1 January 2020 and ending on 31 December 2022		
Maximum Daily Balance:	*for year ending 31/12/2020* RMB10,000,000,000	*for year ending 31/12/2021* RMB11,000,000,000	*for year ending 31/12/2022* RMB12,000,000,000

   The maximum daily balance of the financial assistance under the 2016 Financial Assistance FA for the year ended 31 December 2019 was approximately RMB1,783,310,000.

3. Asset Transfer Framework Agreement

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

New Asset Transfer FA

Annual Caps:	*for year ended 31/12/2019*	*for year ending 31/12/2020*
	RMB13,000,000,000	RMB13,000,000,000

There were no transactions under the New Asset Transfer FA for the year ended 31 December 2019.

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

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

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

Annual Caps:	*for year ended 31/12/2019*	*for year ending 31/12/2020*
	RMB400,000,000	RMB430,000,000

The transaction amount under the Aluminium Alloy Hub Procurement FA for the year ended 31 December 2019 was approximately RMB285,571,449.81(Note).

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

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

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

Annual Caps:	*for year ended 31/12/2019*	*for year ending 31/12/2020*
– Raw Materials	RMB530,000,000	RMB550,000,000
– Equipment and Accessories	RMB35,000,000	RMB38,000,000
Total Annual Caps:	RMB565,000,000	RMB588,000,000

The transaction amounts under the Raw Materials, Equipment and Accessories Sales FA for the year ended 31 December 2019 were approximately RMB124,107,900.13(Note) for the sales of raw materials and approximately RMB92,703.08(Note) for the sales of equipment and accessories.

Note: Upon completion of the share transfer on 23 December 2019, CITIC Dicastal Co., Ltd. ("CITIC Dicastal") was no longer a subsidiary of CITIC Limited. Accordingly, the transaction between CITIC Dicastal and CITIC Group's associate no longer constituted a connected transaction and the above transaction amount was as of the completion date.

6. Reference is made to the joint announcement dated 14 June 2018 issued by CITIC Limited and CITIC Telecom International Holdings Limited ("CITIC Telecom", a subsidiary of CITIC Limited) relating to the renewal of exclusive service agreement* ("ESA") for technical and support services entered into between CITIC Telecom International CPC Limited ("CPC", a wholly-owned subsidiary of CITIC Telecom), China Enterprise Netcom Corporation Limited ("CEC-HK", a wholly-owned subsidiary of CITIC Telecom) and China Enterprise ICT Solutions Limited (中企網絡通信技術有限公司) ("CEC").

   Pursuant to the ESA, CEC shall provide technical and support services to the customers of CEC-HK and CPC in the PRC to facilitate the provision of value-added telecoms services to these customers. A service fee is payable to CEC monthly with reference to CEC's costs in servicing such customers provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPC on the other shall be entitled to share the surplus equally. Such service fee was agreed by CPC, CEC-HK and CEC on an arms' length basis and shall be settled monthly. Details were set out in the joint announcement of CITIC Limited and CITIC Telecom dated 14 June 2018.

   On 25 September 2018, CEC was given consent in accordance with the terms of the ESA to provide similar services to and enter into relevant agreements with some of the other telecom operators for the period from 25 September 2018 until expiry of the subsisting term of the ESA.

   CEC is a non-wholly owned subsidiary of CITIC Telecom and also an associate of CITIC Group as CITIC Group holds approximately 45.09% equity interest in CEC. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of CITIC Telecom. Therefore, CEC, being an associate of CITIC Group, is a connected person of CITIC Limited as well as CITIC Telecom.

   The service fees payable by CITIC Telecom and its subsidiaries to CEC under the ESA shall not exceed the maximum amount of RMB148.45 million for the period from 1 January 2019 to 23 June 2019.

   The aggregate service fee paid by CEC-HK and CPC to CEC for the period from 1 January 2019 to 23 June 2019 under the ESA was approximately RMB80.80 million.

   * The ESA was first entered into on 24 November 2010 and was subsequently renewed or supplemented by supplemental agreements dated 7 August 2013, 19 February 2014, 22 April 2015 and 14 June 2018. The subsisting term of ESA expired on 23 June 2019.

The independent non-executive directors of CITIC Limited have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2019 (collectively the "Transactions") and confirmed that:

a. the Transactions have been entered into in the ordinary and usual course of business of the Group;

b. the Transactions have been entered into on normal commercial terms or better; and

c. the Transactions were entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Limited as a whole.

CITIC Limited's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 120 to 122 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Limited to the Hong Kong Stock Exchange.

Share Option Plan Adopted by CITIC Limited

CITIC Pacific Share Incentive Plan 2011

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

1. The purpose of the Plan 2011 is to promote the interests of CITIC Limited and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of the Group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of Group.

2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Limited as the board may in its discretion select.

3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 31 March 2020, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of CITIC Limited in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of CITIC Limited's shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Limited in general meeting.

5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The subscription price determined by the board will be at least the higher of (i) the nominal value of CITIC Limited's shares; (ii) the closing price of CITIC Limited's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Limited's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.

8. The Plan 2011 shall be valid and effective until 11 May 2021.

No share options were granted under the Plan 2011 during the year ended 31 December 2019.

Share Option Plan Adopted by Subsidiaries of CITIC Limited

CITIC Telecom International Holdings Limited ("CITIC Telecom")

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

1. The purpose of the CITIC Telecom Share Option Plan is to attract and retain the best quality personnel for the development of CITIC Telecom's businesses; to provide additional incentives to CITIC Telecom Directors, Officers and Employees (as defined here below); and to promote the long term financial success of CITIC Telecom by aligning the interests of grantees to shareholders of CITIC Telecom.

2. The grantees of the CITIC Telecom Share Option Plan are any person employed by CITIC Telecom or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries (collectively the "CITIC Telecom Directors, Officers and Employees") as the board of CITIC Telecom may, in its absolute discretion, select.

3. The total number of shares of CITIC Telecom (the "CITIC Telecom Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC Telecom Shares in issue. Where any further grant of options to a grantee would result in the CITIC Telecom Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the CITIC Telecom Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Telecom in general meeting.

4. The exercise period of any option granted under the CITIC Telecom Share Option Plan must not be more than ten years commencing on the date of grant.

5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

6. The subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing price of CITIC Telecom's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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

Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share *HK$*
23.05.2007	18,720,000	23.05.2007 – 22.05.2012	3.26
17.09.2009	17,912,500	17.09.2010 – 16.09.2015	2.10
17.09.2009	17,912,500	17.09.2011 – 16.09.2016	2.10
19.08.2011	24,227,500	19.08.2012 – 18.08.2017	1.54
19.08.2011	24,227,500	19.08.2013 – 18.08.2018	1.54
26.06.2013	81,347,000	26.06.2013 – 25.06.2018	2.25
24.03.2015	43,756,250	24.03.2016 – 23.03.2021	2.612
24.03.2015	43,756,250	24.03.2017 – 23.03.2022	2.612
24.03.2017	45,339,500	24.03.2018 – 23.03.2023	2.45
24.03.2017	45,339,500	24.03.2019 – 23.03.2024	2.45

Upon completion of the rights issue of CITIC Telecom on 7 June 2013, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of CITIC Telecom as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before Adjustments		After Adjustments	
Date of grant	Number of outstanding share options	Exercise price per share *HK$*	Number of outstanding share options	Exercise price per share *HK$*
17.09.2009	19,451,000	2.10	21,438,072	1.91
19.08.2011	32,332,500	1.54	35,635,462	1.40

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

The share options granted on 23 May 2007, 17 September 2009, 19 August 2011 and 26 June 2013 have expired. The remaining options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

As at 1 January 2019, options for 138,491,317 CITIC Telecom Shares were outstanding under the CITIC Telecom Share Option Plan. During the year ended 31 December 2019, options for 71,979,500 CITIC Telecom Shares were exercised, options for 1,628,000 CITIC Telecom Shares have lapsed. No share options were granted nor cancelled in 2019. As at 31 December 2019, options for 64,883,817 CITIC Telecom Shares under the CITIC Telecom Share Option Plan were exercisable.

A summary of the movements of the share options during the year ended 31 December 2019 is as follows:

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

		Number of share options			
Date of grant	Exercise period	Balance as at 01.01.2019	Exercised during the year ended 31.12.2019 (Note 1)	Lapsed during the year ended 31.12.2019 (Note 2)	Balance as at 31.12.2019
24.03.2015	24.03.2016 – 23.03.2021	30,259,567	17,561,500	565,000	12,133,067
24.03.2015	24.03.2017 – 23.03.2022	34,580,250	16,833,000	584,000	17,163,250
24.03.2017	24.03.2018 – 23.03.2023	32,181,500	16,103,500	223,500	15,854,500
24.03.2017	24.03.2019 – 23.03.2024	39,470,000	19,481,500	255,500	19,733,000

B. Others (Note 3)

		Number of share options			
Date of grant	Exercise period	Balance as at 01.01.2019	Exercised during the year ended 31.12.2019 (Note 4)	Lapsed during the year ended 31.12.2019	Balance as at 31.12.2019
24.03.2015	24.03.2016 – 23.03.2021	200,000	200,000	–	–
24.03.2015	24.03.2017 – 23.03.2022	600,000	600,000	–	–
24.03.2017	24.03.2018 – 23.03.2023	600,000	600,000	–	–
24.03.2017	24.03.2019 – 23.03.2024	600,000	600,000	–	–

Notes:

1. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.28.
2. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2019.
3. These are in respect of options granted to independent non-executive directors (including a former independent non-executive director) of CITIC Telecom who are not employees under continuous contracts.
4. The weighted average closing price of CITIC Telecom Shares immediately before the dates on which the options were exercised was HK$3.30.

Dah Chong Hong Holdings Limited ("Dah Chong Hong")

Dah Chong Hong adopted a share option scheme (the "DCHH Scheme") on 28 September 2007 which was valid and effective till 27 September 2017, after which no further share options will be granted. The major terms of the DCHH Scheme are as follows:

1. The purpose of the DCHH Scheme is to attract and retain the best quality personnel for the development of Dah Chong Hong's businesses; to provide additional incentives to the employees of the Dah Chong Hong group and to promote the long term financial success of Dah Chong Hong by aligning the interests of grantees to Dah Chong Hong's shareholders.

2. The participants of the DCHH Scheme are any employee of the Dah Chong Hong group as the board of Dah Chong Hong may in its absolute discretion select.

3. The maximum number of shares over which share options may be granted under the DCHH Scheme and any other schemes of Dah Chong Hong shall not in aggregate exceed 10% of (i) the shares of Dah Chong Hong in issue immediately following the commencement of dealings in Dah Chong Hong's shares on the Hong Kong Stock Exchange or (ii) the shares of Dah Chong Hong in issue from time to time, whichever is the lower.

4. The total number of shares issued and to be issued upon exercise of share options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of Dah Chong Hong in issue.

5. The exercise period of any share option granted under the DCHH Scheme must not be more than 10 years commencing on the date of grant.

6. The acceptance of an offer of the grant of the share option must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee.

7. The subscription price determined by the board of Dah Chong Hong will not be less than whichever is the higher of (i) the closing price of Dah Chong Hong's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of grant; and (ii) the average closing price of Dah Chong Hong' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

8. The DCHH Scheme was valid and effective till 27 September 2017, after which no further share options will be granted.

DCHH Scheme has expired on 27 September 2017.

During the period between the adoption of the DCHH Scheme and its expiry, Dah Chong Hong has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share *HK$*
07.07.2010	23,400,000	07.07.2010 – 06.07.2015	4.766
08.06.2012	24,450,000	08.06.2013 – 07.06.2017*	7.400
30.04.2014	28,200,000	30.04.2015 – 29.04.2019*	4.930

* Subject to a vesting scale

The share options granted on 7 July 2010, 8 June 2012 and 30 April 2014 had expired by the close of business on 6 July 2015, 7 June 2017 and 29 April 2019 respectively.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within five years from the date of grant. The closing price of the shares of Dah Chong Hong immediately before the grant on 30 April 2014 was HK$4.91 per share. The share options expired by the close of business on 29 April 2019.

The grantees were certain directors or employees of Dah Chong Hong group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

A. Employees of the Dah Chong Hong group working under continuous contracts (as defined in the Employment Ordinance)

	Number of share options					
Date of grant	Balance as at 01.01.2019	Granted during the year ended 31.12.2019	Cancelled during the year ended 31.12.2019	Lapsed during the year ended 31.12.2019	Exercised during the year ended 31.12.2019	Balance as at 31.12.2019
30.04.2014	6,800,000 (Note 2)	–	–	(6,800,000)	–	–

B. Others (Note 1)

	Number of share options					
Date of grant	Balance as at 01.01.2019	Granted during the year ended 31.12.2019	Cancelled during the year ended 31.12.2019	Lapsed during the year ended 31.12.2019	Exercised during the year ended 31.12.2019	Balance as at 31.12.2019
30.04.2014	14,250,000 (Note 2)	–	–	(14,250,000)	–	–

Notes:

1. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.
2. 700,000 share options were reclassified to the opening balance of "Others", subsequent to certain employees of Dah Chong Hong Group having retired on 1 January 2019.

As at 1 January 2019, options for 21,050,000 Dah Chong Hong's shares were outstanding under the DCHH Scheme. During the year ended 31 December 2019, 21,050,000 share options have lapsed and none of the share options under the DCHH Scheme were exercised and cancelled.

The listing of the shares of Dah Chong Hong on the Hong Kong Stock Exchange was withdrawn on 10 January 2020.

CITIC Resources Holdings Limited ("CITIC Resources")

The share option scheme adopted by CITIC Resources on 30 June 2004 (the "Old Scheme") for a term of 10 years expired on 29 June 2014. The share options granted under the Old Scheme have been lapsed.

To enable CITIC Resources to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by CITIC Resources on 27 June 2014 (the "New Scheme").

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

(a) To allow CITIC Resources (i) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the CITIC Resources group attain its strategic objectives by offering share options to enhance general remuneration packages; (ii) to align the interests of the directors and employees of the CITIC Resources group with the performance of CITIC Resources and the value of the shares; and (iii) to align the commercial interests of business associates, customers and suppliers of the CITIC Resources group with the interests and success of the CITIC Resources group.

(b) The eligible persons include employees and directors of CITIC Resources and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the CITIC Resources group.

(c) The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of CITIC Resources shall not exceed 10% of the total number of shares of CITIC Resources in issue as at the date of adoption of the New Scheme.

(d) The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of CITIC Resources in issue at the date of grant.

(e) The period during which an option may be exercised is determined by the board of directors of CITIC Resources at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.

(f) The minimum period for which an option must be held before it can be exercised is one year.

(g) The exercise price payable in respect of each share of CITIC Resources shall be not less than the greater of (i) the closing price of the shares of CITIC Resources on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the shares of CITIC Resources on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of CITIC Resources.

(h) The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

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

No share options were granted under the New Scheme during the year ended 31 December 2019.

CITIC Envirotech Ltd. ("CITIC Envirotech")

CITIC Envirotech adopted the Employee Share Option Scheme (the "Scheme") on 2 February 2010. A summary of some of the principal terms of the Scheme is as follows:

1. The Scheme is primarily a share incentive scheme. It provides CITIC Envirotech with the means to use share options as part of a compensation scheme for attracting as well as promoting long-term staff retention. The objectives of the Scheme are (a) to motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the CITIC Envirotech group; (b) to make employee remuneration sufficiently competitive to recruit and retain participants whose contributions are important to the long-term growth and profitability of the CITIC Envirotech group; (c) to instil loyalty to, and a stronger identification by the participants with the long-term development and growth of, CITIC Envirotech; (d) to attract potential employees with relevant skills to contribute to the CITIC Envirotech group and to create value for the shareholders; (e) to align the interests of the participants with the interests of the shareholders; and (f) to give recognition to the contributions made or to be made by the CITIC Envirotech group non-executive directors (including independent directors) to the success of the CITIC Envirotech group.

2. The participants of the Scheme are group employees (including group executive directors) and group non-executive directors (including independent directors) of CITIC Envirotech.

3. The aggregate number of shares in respect of which options may be granted on any date under the Scheme, when added to the amount of shares issued and issuable and/or transferred and transferable in respect of:

   (a) all shares available under the Scheme; and

   (b) all shares, options or awards granted under any other share option or share scheme of CITIC Envirotech then in force,

   shall not exceed 15% of the number of issued shares (excluding treasury shares) of CITIC Envirotech on the day immediately preceding the relevant date of grant (or such other limit as the Singapore Exchange Securities Trading Limited (the "Singapore Exchange") may determine from time to time). The options which have already been granted shall not be invalidated in the event that a reduction of CITIC Envirotech's capital or a buy back of its shares (if applicable) results in the shares issuable and/or transferable under outstanding options exceeding 15% of CITIC Envirotech's issued share capital (excluding treasury shares).

   The aggregate number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to all controlling shareholders and their associates of CITIC Envirotech shall not exceed 25% of the shares available under the Scheme.

   The number of shares issued and issuable and/or transferred and transferable in respect of all options granted pursuant to the Scheme available to each controlling shareholder or each of his associates of CITIC Envirotech shall not exceed 10% of the shares available under the Scheme.

4. The aggregate number of shares in respect of which options may be offered to a grantee for subscription in accordance with the Scheme shall be determined at the discretion of the remuneration committee of CITIC Envirotech who shall take into account criteria such as rank, past performance, years of service and potential for future development of the participant.

5. If the options remain unexercised after a period of 10 years (executive directors and employees) and 5 years (non-executive directors) from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

6. The vesting period is 1 year for non-discount options and 2 years for discounted options.

7. The consideration for the grant of an option is S$1.00.

8. The exercise price is based on the price that is equivalent to the Market Price*; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of shareholders shall have been obtained in a separate resolution.

   * Market Price: a price equal to the average of the last dealt prices for the shares on the Singapore Exchange over the five consecutive trading days, immediately preceding the date of grant of that option, as determined by the remuneration committee of CITIC Envirotech by reference to the daily official list or any other publication published by the Singapore Exchange.

9. The Scheme shall continue to be in force at the discretion of the remuneration committee of CITIC Envirotech, subject to a maximum period of 10 years, commencing on February 2010. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required. The Scheme may be terminated at any time by the remuneration committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated, no further options shall be offered by CITIC Envirotech hereunder.

Since the adoption of the Scheme, CITIC Envirotech has granted the following share options:

Date of grant	Number of share options	Exercise price per share *S$*	Exercise period
01.03.2010	4,375,000	0.2780	01.03.2011 – 01.03.2020
01.03.2010	4,375,000	0.2224	01.03.2012 – 01.03.2020
20.07.2010	1,500,000	0.3830	20.07.2011 – 20.07.2020
20.07.2010	1,500,000	0.3064	20.07.2012 – 20.07.2020
15.02.2013	49,950,000	0.552	15.02.2015 – 15.02.2023
28.03.2013	12,000,000	0.584	28.03.2015 – 28.03.2023
25.07.2014	6,000,000	1.135	25.07.2016 – 25.07.2024
25.04.2018	18,364,000	0.563	25.04.2020 – 25.04.2028

Under the Scheme, the ordinary shares of CITIC Envirotech under option may be exercised in full or a multiple thereof, on the payment of the exercise price. On 1 February 2017, CITIC Envirotech split every one existing ordinary share in its share capital into two shares.

The grantees were certain directors and employees of CITIC Envirotech. None were granted to the directors, chief executives or substantial shareholders of CITIC Limited.

As at 1 January 2019, 37,995,200 (post-split) ordinary shares of CITIC Envirotech under option were outstanding. During the year ended 31 December 2019, no share options were granted under the Scheme, 11,974,000 (post-split) ordinary shares under option were exercised, 18,344,000 (post-split) ordinary shares under option were cancelled and none of the (post-split) ordinary shares under option have lapsed. As at 31 December 2019, 7,677,200 (post-split) ordinary shares of CITIC Envirotech under option were exercisable.

A summary of the movements of the share options under the Scheme during the year ended 31 December 2019 is as follows:

Employees of CITIC Envirotech

	Number of share options						
Date of grant	Balance as at 01.01.2019	Granted during the year ended 31.12.2019	Cancelled during the year ended 31.12.2019	Lapsed during the year ended 31.12.2019	Exercised during the year ended 31.12.2019	Balance as at 31.12.2019	Weighted average closing price per share* S$
15.02.2013	14,635,000	–	–	–	11,974,000	2,661,000	0.359
25.07.2014	5,196,200	–	180,000	–	–	5,016,200	–
25.04.2018	18,164,000	–	18,164,000	–	–	–	–

* This represents the weighted average closing price per share of CITIC Envirotech immediately before the date on which the options were exercised.

On 16 December 2019, CITIC Envirotech and CKM (Cayman) Company Limited jointly proposed to acquire the 7,677,200 outstanding options ("Options Proposal") under the formal proposal to seek the voluntary delisting of CITIC Envirotech from the Official List of the Singapore Exchange pursuant to Rules 1307 and 1309 of the Listing Manual.

As at the delisting date of 23 January 2020, 2,661,000 outstanding options were accepted under the Options Proposal and 5,016,200 outstanding options have lapsed.

Directors' Interests in Securities

As at 31 December 2019, none of the directors of CITIC Limited had nor were they taken or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares and debentures of CITIC Limited or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by CITIC Limited pursuant to section 352 of the SFO or as otherwise notified to CITIC Limited and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Listing Rules.

Arrangement to Acquire Shares or Debentures

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

Interests of Substantial Shareholders

As at 31 December 2019, substantial shareholders of CITIC Limited (other than directors of CITIC Limited) who had interests or short positions in the shares or underlying shares of CITIC Limited which would fall to be disclosed to CITIC Limited under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by CITIC Limited under section 336 of the SFO, or which were notified to CITIC Limited, were as follows:

Name	Nature of interest/capacity	Number of ordinary shares held	Approximate percentage to the total number of issued shares
CITIC Group Corporation ("CITIC Group") (Note 1)	Interests in a controlled corporation and interests in a section 317 concert party agreement	26,055,943,755 (Long position)	89.57% (Long position)
CITIC Glory Limited ("CITIC Glory") (Note 2)	Beneficial owner	7,446,906,755 (Long position)	25.60% (Long position)
CITIC Polaris Limited ("CITIC Polaris") (Note 3)	Beneficial owner and interests in a section 317 concert party agreement	18,609,037,000 (Long position)	63.97% (Long position)
Chia Tai Bright Investment Company Limited ("CT Bright") (Note 4)	Beneficial owner and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
CT Brilliant Investment Holdings Limited ("CT Brilliant") (Note 5)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
Charoen Pokphand Group Company Limited ("CPG") (Note 6)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)
ITOCHU Corporation ("ITOCHU") (Note 7)	Interests in a controlled corporation and interests in a section 317 concert party agreement	22,728,222,755 (Long position) 5,818,053,363 (Short position)	78.13% (Long position) 20.00% (Short position)

Notes:

(1) CITIC Group is deemed to be interested in 26,055,943,755 shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (9,463,262,637 shares) and CITIC Glory (7,446,906,755 shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.

(2) CITIC Glory is beneficially interested in 7,446,906,755 shares of CITIC Limited.

(3) CITIC Polaris is deemed to be interested in 18,609,037,000 shares: (i) by including 9,463,262,637 shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Preferred Shares Subscription Agreement, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement.

(4) CT Bright is deemed to be interested in 22,728,222,755 shares: (i) by including 5,818,053,363 shares it holds as beneficial owner; and (ii) because CT Bright is a party to the Share Purchase Agreement and the Preferred Shares Subscription Agreement which, reading together, constitute an agreement to which section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the shares with the interests of the other parties to the Share Purchase Agreement and the Preferred Shares Subscription Agreement. CT Bright has a short position of 5,818,053,363 shares because it is under an obligation to deliver a maximum of 5,818,053,363 shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.

(5) CT Brilliant is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

(6) CPG is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant, its wholly-owned subsidiary.

(7) ITOCHU is deemed to be interested in 22,728,222,755 shares and to have a short position of 5,818,053,363 shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

Shareholding Statistics

Based on the share register records of CITIC Limited, set out below is a shareholding statistics chart of the registered shareholders of CITIC Limited as at 31 December 2019:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,003	55.760
1,001 to 10,000	2,477	34.503
10,001 to 100,000	641	8.929
100,001 to 1,000,000	51	0.710
1,000,001 to 100,000,000	1	0.014
100,000,001 to 500,000,000	1	0.014
500,000,001 to 2,000,000,000	1	0.014
2,000,000,001 above	4	0.056
Total:	7,179	100

As at 31 December 2019, the total number of ordinary shares in issue of CITIC Limited was 29,090,262,630 and based on the share register records of CITIC Limited, HKSCC Nominees Limited held 9,817,721,603 ordinary shares in entities ranging from 1,000 to 1,000,000,000 ordinary shares and representing 33.75% of the total number of ordinary shares in issue of CITIC Limited.

Purchase, Sale or Redemption of Listed Securities

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 2019.

Sufficiency of Public Float

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

Auditor

The Group's consolidated financial statements for the year have been audited by Messrs PricewaterhouseCoopers, Certified Public Accountants and registered PIE Auditor, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs PricewaterhouseCoopers as auditor of CITIC Limited is to be proposed at the 2020 AGM.

By Order of the Board,
Zhu Hexin
Chairman
Hong Kong, 31 March 2020

Environmental, Social and Governance Report

Pioneering New Possibilities after Forty Years of Success

The year 2019 marked the 70th anniversary of the founding of PRC, while it is also the 40th anniversary of the CITIC group. In the past 40 years, we have always been committed to contributing to the country by positioning ourselves as the pioneer to innovate, while persisting in fulfilling our political, economic and social responsibilities as a state-owned enterprise. At CITIC, we strive to excel in every aspect of our business to eventually contribute to every community in China. To achieve it, we closely connect ourselves with the public, country and society and the era we live in.

We strive to build on our success of the past forty years and continue our good practice. At the same time, we see it as a starting point, as the CITIC group has greater responsibility, for which clearer goals and direction for our future are necessary. We will continue to live up to our core values of "integrity, innovation, cohesion, integration, dedication and excellence" as our core values and bring "CITIC 32 characters" to life. To fulfill our corporate responsibility, we will also continue to improve our employee, environmental, brand, and community welfare management, while exploring new ways to build a better future for humanity and the natural environment together with our country.

Staff responsibility

- We employed a workforce of 287,910, including 154,647 from Golden Arches (China) Co. Ltd. Management Company Limited, an increase of 14,566 as compared with that in 2018.
- We received the "Best Employers' Award" for four consecutive years.
- Three employees from our subsidiaries received "State Council Special Allowance"; one received "2019 Friendship Award" from the Government; one received "2019 Cultural Master and 'Four Essential Project Skills' Award".

Environmental responsibility

- Chongqing Sanfeng Environment, a subsidiary of CITIC Environment, was included in the Green Supply Chain CITI Index, ranking first in the environmental protection industry.
- In 2019, there were no substantial environment pollution incidents.

Customer responsibility

- Announced the list of authorised companies that can use the CITIC brand.
- CITIC Bank won the "Excellent Financial Services Bank for Major Clients 2019" award at the 14th Asian Finance Conference.
- CITIC Tower (Beijing) won the 2019 RICS Awards – China Annual Construction Project Champion.

Industrial responsibility

- CITIC Bank won several industry awards, such as the "Custodian Bank of the Year (Shareholding Bank)" by *The Asian Banker*.
- CITIC Construction was ranked 54th in the United States' Engineering News Record (ENR) 2019 Top 250 International Contractors.
- CITIC Heavy Industry Kaicheng Intelligence was awarded "China's Intelligent Special Robot Industry First Echelon Representative Enterprise" by the Ministry of Industry and Information Technology for three consecutive years.
- CITIC Dicastal was ranked 65th in the Global Top 100 Auto Parts Suppliers.

Social responsibility

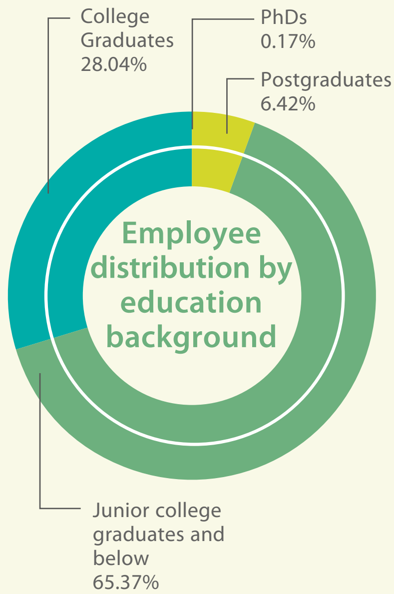
- CITIC Limited and its subsidiaries donated approximately RMB184.12 million to local communities.
- CITIC Construction was awarded the "Outstanding Overseas Sustainable Enterprise Award" at the China Corporate Social Responsibility Annual Conference.
- China CITIC Bank received the "Effectively Tackling Three Challenges" Award at the Top 100 Social Responsibility Commendation Conference by the China Banking Association – the only bank to receive this award.

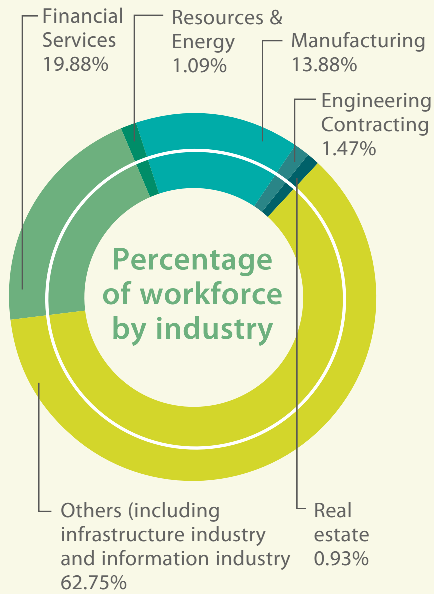
Staff responsibility: Building a staff development platform

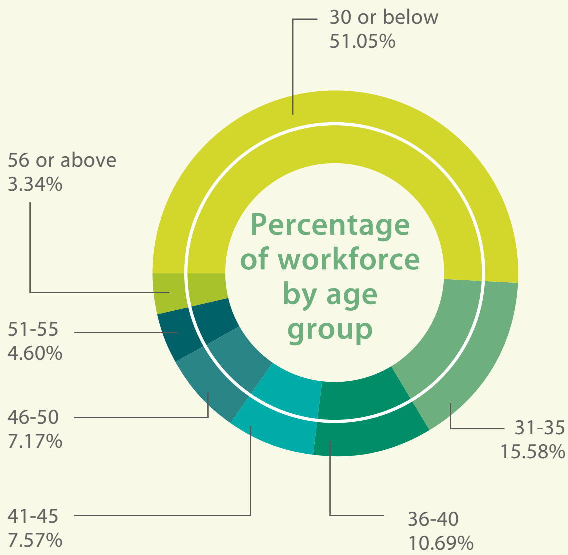
"Providing a platform for employees to excel their talents" has always been one of the corporate missions at CITIC. We not only care about "what our employees should do", but also "what we can do for them". Our diversified approach allows us to grow together with our employees.

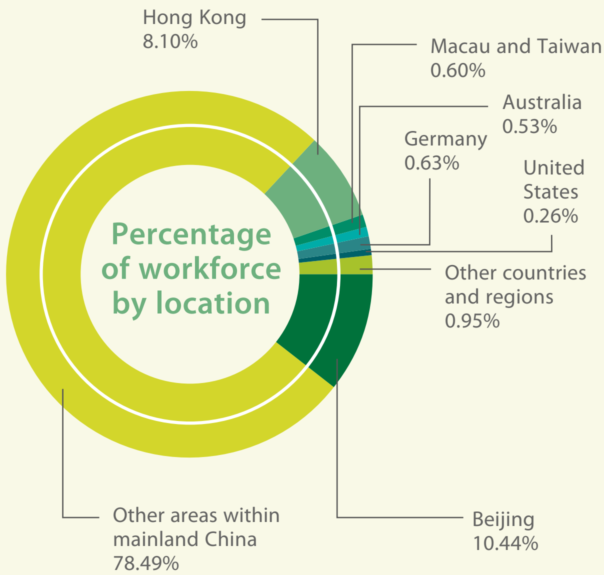
Growing together with a diversified workforce

As of the end of 2019, CITIC had a total of 287,910 full-time employees (including 154,647 people from Golden Arches (China) Co., Ltd.) representing an increase of 14,566 over 2018. Of these, 49.15% were women and 66.63% were age 35 or below.









Promoting staff growth through incentives

Remuneration Policy

We and our subsidiaries have established a competitive remuneration policy, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism puts an equal emphasis on market competitiveness and fairness. It also correlates salary with performance to reward top talent with competitive pay. Staff morale and cohesion is thus enhanced as is the healthy and sustainable growth of the Company.

Staff Benefits

We continued to improve our staff benefits schemes, including insurance and policies on working hours and rest periods. As required by the Hong Kong SAR Government, we made contributions to the Mandatory Provident Fund for all staff based in Hong Kong and provided full coverage of basic social insurance for our mainland staff according to the requirements of local governments. Most of our mainland subsidiaries offered a corporate annuity (supplemental pension insurance) scheme and supplemental medical insurance for the more than 138,000 staff they employ.

Promoting staff development through training

Talent strategy

We are committed to building a talented workforce according to the strategy announced during the 13th Five-year period. To achieve it, we focused on building talents of the five major teams, including senior management, industry leaders, advanced technology specialists and skilled professionals, international staff and outstanding young executives. We aim to build the five major teams through "four major tasks", including recruitment, internal deployment, training and development, as well as staff incentives, to secure a stable and smart workforce for the Company's development. We support our subsidiaries to establish scientific research institutions and we already gained the support of 7 state enterprise technology centres, 10 academic workstations and 11 post-doctoral scientific research workstations with an attempt to recruit national science academic leaders. We will also update and improve our professional and technical expert pool to attract talents in society to enrich our professional team.

Professional qualification

We optimised our performance appraisal systems and implemented the national policy on reforming accredited "professional titles" and job appointments. Under this new policy, we amended and issued relevant accreditation requirements and procedures. We also applied for the permission to review senior accredited professional titles to improve the judging criteria that are based on work performance and professional ability.
As a result, those who have accredited professional titles truly possess professional knowledge and skills. We also assist our employees to get accreditation, with two gaining senior professional titles and 197 gaining Associate senior profession titles.
A total of 83 employees, who are senior professionals and high-skilled workers, were divided into two groups for vacation at health resort.

CITIC Awards and recognitions

CITIC recognises the importance to care and reward our staff. Chang Zhenming, the Chairman, met with three recipients of the "Special Allowance of the State Council"; awarded 103 local and overseas employees with "Top 100 CITIC People"; recommended one employee to receive the "2019 Friendship Award" by the Chinese Government and another one to receive the "2019 Cultural Master and 'Four Essential Project Skills' Award"; supported Daye Special Steel to apply for "Academician Expert Workstation" successfully; and the Company received the "Best Employers' Award" for four consecutive years.

Training system

We organised a series of key training programmes at the headquarter level. For example, the three-year CITIC Excellent Talent Training Programme trained a total of 146 outstanding young professionals to prepare them to help with the company's future development. To align with the Company's strategy of developing high-quality talent, we held quality management seminars for the leaders of our departments and subsidiaries and assisted them in implementing the strategy better. To support the "Belt and Road" initiatives, we adopted an on-site training approach for the first time, focusing on training our employees in Kazakhstan to learn the latest national policies and company requirements. By doing so, we enhanced the ability of our staff to perform their duties and also let them have a chance to get together. To realise the social responsibility of a state-owned enterprise, we organised job rotation for our staff in Hong Kong and Macau for four consecutive years to deepen their understanding of the Group and in mainland China as well as to promote mutual exchange.

1 2

1 Chairman Chang Zhenming met with Mr. Marcos Stewart, the winner of the "2019 Chinese Government Friendship Award" at the Capital Mansion, Mr. Steward is a Brazilian specialist at CITIC Metal.

2 Participants in the third CITIC Excellent Talent Training Programme.

STAFF RESPONSIBILITY

Supporting our staff's growth

Care for all staff

We strictly follow the relevant laws, regulations and policies to regulate the conclusion, execution, alteration and termination of labour contracts. We are committed to protecting the lawful rights and interests of our staff to build harmonious relationship with our employees. In our recruitment and career development practices, we provide equal opportunities for all, based on individual merits and overall fairness, without regard to race, gender, religion, ethnicity, nationality or physical disability. We also prohibit the employment of child or forced labour.

Care for young staff

We built youth apartments in Beijing and other places, and constantly improved our supporting services to make the living environment more comfortable and convenient, while solving housing needs amongst our young staff. More than 600 young staff have moved into our youth apartments in Beijing, which has effectively relieved their living pressure.

Care for retirees

While enjoying the basic medical benefit, the Company has established a supplementary medical security system for our retirees. This includes commercial health insurance, secondary reimbursement for the basic medical care, and issuing medical funds. Every year at the headquarters, we arrange annual medical check-ups for our retirees and update their health records. For retirees suffering from major illnesses for the first time, we offer them an ex gratia payment. In addition to medical care, we organised various activities for retirees, such as visiting Yanqi Lake and the World Horticultural Exposition. On the 70th anniversary of the founding of PRC, 258 of our retirees were awarded a medal of "Celebration of the 70th Anniversary of the Founding of the People's Republic of China".

Staff activities

During Chung Yeung Festival, we held a special event called "Having Fun with your family in Ocean Park". With the help of the CITIC Hong Kong and Macau Employees Association, more than 6,000 employees and citizens in Hong Kong enjoyed the amusement rides as well as watched the CITIC promotional video and special show. This event further united CITIC's employees in Hong Kong as well as expanded the influence and built the reputation of CITIC in Hong Kong. At the same time, it aroused the passion of our people about the country and Hong Kong to jointly protect our beautiful home.

1 2

1 The CITIC Table Tennis Team won the second place in the China Enterprise Association Table Tennis Competition.

2 The Having Fun with your family event organised by the CITIC Hong Kong and Macau Employees Association.

In the spring of 2019, the Hong Kong Chinese Enterprises Association 2019 organised Table Tennis Competition 2019 at the South China Association of Hong Kong. A total of 40 Hong Kong based Chinese companies joined the Competition. The CITIC Table Tennis Team joined this Competition for the first time and won second place. It was the first time we joined a sport event since the establishment of the CITIC Hong Kong and Macau Staff Association. This not only demonstrated our united and uplifting spirit, but also enhanced the relationship amongst CITIC's companies in Hong Kong, while expanding CITIC's influence to Hong Kong.

Protecting our staff's physical and mental Health

We believe that the safety and health of our staff is our primary responsibility. In response to this, we strengthened our safety management, supervision and inspection. We also enhanced the sense of responsibility, with the ability to think of the bottom line and ability to work safely through promotion and education.

Enhancing safety management by monitoring our risks

We strictly comply with the relevant laws and regulations on occupational safety. We have improved our safety management system to ensure all our safety measures can be implemented thoroughly and effectively at every level of the organisation.

Improvement to our risk management system

CITIC Mining International (CITIC Sino Iron Project) has implemented a major work injury risk management system since 2018, which has significantly improved the safety production performance. According to the system, each project operating department is required to conduct self-inspection and assessment of 16 major security risks to ensure the effective implementation of key safety management and control measures. All self-inspection and evaluation results are analysed by the safety production management system and reported to the management monthly. CITIC Mining International plans to further improve the safety production management system in 2020, and will gradually promote it to the daily work of all project contractors to further improve the safety production management level.

To encourage our staff to take ownership of safety production and management, CITIC Construction further improved the management system on a 2018 basis and appointed fulltime safety management personnel. Certified safety personnel increased significantly over the previous year.

Safety inspections on our offshore oil facilities

To further improve the safety management of offshore oil, CITIC Resources Yuedong Oilfield commissioned a professional organisation to conduct comprehensive, systematic and in-depth safety inspections of some regional projects to see if the offshore oil and gas extraction activities are in compliance with national laws and regulations, and other safety standards. Diagnoses were made to identify potential risks and hidden hazards, while making scientific, reasonable and effective safety measures and recommendations for continual improvement.

Building reliable safety protection system to ensure staff's health

We attach great importance to the protection and management of all aspects of work and strengthen security protection measures. We distribute protective equipment to employees who engage in occupational hazard-related work, and conduct health checks for them regularly to ensure safety and occupational health.

Caring for staff's physical and mental health

CITIC Mining International developed the "Employee Mental Health Management System" and organised a mental health seminar for employees on "mental health and stress management".

CITIC Heavy Industries attaches great importance to the prevention and control of occupational diseases, and continuously monitors and inspects those who engage in hazard-related works to ensure they are wearing occupational hazard protective equipment so that they are fully protected. In 2019, we also offered medical check-ups for 1,390 members of its staff engaged in hazardous operations. The Company also tested for the risks of occupational diseases in 164 areas at 108 work posts. The failure areas are required to be rectified.

Caring for the safety of overseas employees

To enhance and align our training and education for our overseas staff, CITIC Construction organised special training for staff working in our Latin America, the Middle East, Eastern Europe and CIS branches on how to deal with emergencies abroad. CITIC Construction also collaborated with International SOS to provide online safety and health training for the company's overseas frontline employees (about 300 people) and overseas travel safety training for women leaders. In response to individual political crises and areas with high public security risks, the Company will make a timely response to avoid property and personal safety risks by evacuating relevant staff, retaining minimum personnel and rotating them regularly. In addition, the Company strengthened the protection of camp facilities in accordance with changes in the situation, improved emergency plans, and prepared an emergency supplies to protect the Company's personnel and property.

Safety training to increase awareness and ability to work safely

Through regular training and practical exercises, employees can acquire extensive and in-depth safety knowledge to effectively improve their awareness and ability to work safely. In 2019, CITIC Resources Karazhanbas Oilfield organised safety training in industrial safety, labour protection, civil defense, fire protection, etc. A total of 5000 staff attended the training. On the other hand, CITIC Construction organised a construction project competition called "Safety and Quality Winning Cup". All business departments mobilised their members to take part in this competition with a view to enhance their enthusiasm and construction quality and safety. Eight out of ten construction projects joined this competition.

CASE STUDIES

CITIC Heye:
Training in fire safety our CITIC Tower

Fire safety in high-rise buildings has always been a worldwide problem because evacuation, ventilation and smoke extraction, and rescue work are difficult. In 2019, the construction of CITIC Beijing headquarters, a new office building, was completed. As the highest building in Beijing, the safety of CITIC Tower is not only related to CITIC's future development, but also social stability and security. As the developer and management company of CITIC Tower, CITIC Heye has implemented safety management with higher standards and stricter requirements to fulfill its responsibility. The Company also increased the awareness of risk management and control by establishing and continuously improving the fire safety management system of the building to ensure the safety of life and property of personnel.

Gain advanced experience

The management of CITIC Heye led a team to Guangzhou, Shenzhen and other places to learn their fire operation and maintenance management and experience in setting up "one station and two teams" (mini fire station, technical rescue team and firefighting team) of high-rise buildings such as Guangzhou Tower and Shenzhen Ping An Finance Center Rescue). They also had in-depth conversations with local fire management departments, such as the Guangzhou Fire Brigade, to learn about their experience in fire safety for CITIC Tower.

Improve the organisational system

The "one station, two teams" of CITIC Tower was established in accordance with our own actual needs, realising the internal and external linkage service mechanism, and opening up the "last mile" of fire prevention and control. CITIC Tower is the first high-rise building in Beijing to establish a "one station, two teams" fire management system.

Carry out integrated practical exercises

On July 30, 2019, a comprehensive fire drill for high-rise buildings was held at CITIC Tower in Beijing. This exercise comprehensively tested the resilience of the full-time firefighting team of CITIC Tower, and laid a solid foundation for the safe and efficient operation and maintenance of the building.

1 On 13 August 2019, the Beijing Fire Rescue Corps hosted the launch ceremony for the CITIC Tower fire rescue technical team.

2 The fire Fighting Team at CITIC Tower.

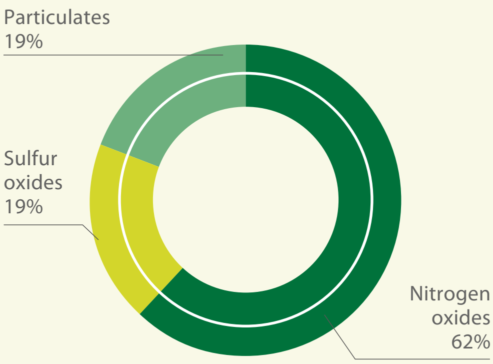
3 The fire-fighting robots in the integrated fire drill.

Environmental responsibility: building a harmonious ecosystem

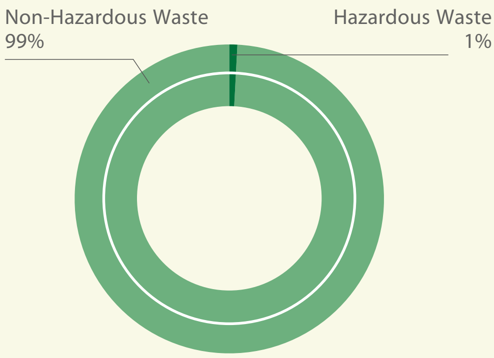
We believe that we can develop the economy while protecting the environment. For CITIC, protecting the natural environment is not only about fulfilling its corporate social responsibility, but also closely related to sustainable corporate development. We are committed to working out the best in green management, operation and office practices, as well as providing high-quality environmental protection services so that we can continue to improve our competitiveness. We are also committed to preventing pollution to pave the way to a "beautiful China".

Performance:

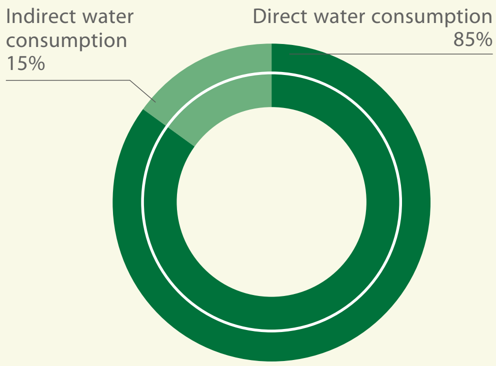
Air Pollutants 29,692.85 Tonnes



Waste 58,661,000 Tonnes



Water Consumption 2,532,788,500 Tonnes



Greenhouse gas
42,386,700
Tonnes

Power
consumption
11,647,400.9
MWh

Natural gas
786,163,900
m^3

Environmental Business Platform – CITIC Environmental Performance Overview

Water Management

- CITIC Environmental Technology focuses on the investment, construction and operation of environmental protection businesses, such as water and hazardous waste, as well as research and development, production and application of advanced membrane materials. It has more than 65 sewage treatment plants across the country with a daily sewage treatment capacity of more than 6 million tonnes.

Energy Saving Service

- CITIC Energy Conservation Technology invested in a number of furnace combustion control system upgrade projects in Daye Special Steel, Xingcheng Special Steel, etc. In 2019, 57.38 million cubic metres of gas consumption was saved, which was equivalent to about RMB 12 million.

Solid Waste Management

- Chongqing Sanfeng Environment is currently investing in 41 domestic waste incineration power generation BOT projects. In 2019, the facility was put into operation, capable of processing about 6 million tonnes of domestic waste, as well as generating 2 billion KwH of electricity by domestic waste incineration; Chongqing Sanfeng Environment has been included in the CITI index of green suppliers chain, ranking first in the environmental protection industry.

Energy Management

- In 2019, Guangdong Ake had about 270 building energy management projects, covering 13.5 million square metres in total, helping to save about RMB270 million; the area of the smart heating management platform is about 40 million square metres. It helps to save approximately 54,000 tonnes of standard coal, an equivalent to reducing 132,000 tonnes of carbon dioxide emissions.

Green management

We strictly comply with all environmental laws and regulations in the countries and regions where we operate. We have also improved our environmental management system and established a green development plan as a solid foundation for the continuous improvement of our environmental performance. Additionally, we actively support green finance and provide financial protection for the development of low-carbon industries. We are committed to optimising the ecological environment and carried our various publicity campaigns to increase environmental protection awareness. In 2019, the Company had no major environmental incidents.

Improving the environmental management system

To improve resource utilisation and thus increase resource efficiency, CITIC Heavy Industries established a scientific energy management system in 2019. Together with a professional team and "Internet +" energy management system, the energy management system efficiency increased significantly. While achieving good economic and safety results, the Company helped to promote energy conservation and consumption reduction. CITIC Heavy Industries also developed an "Assessment Methods for Comprehensive Saving Plan 2019", covering more than 119 energy consumption quotas, to audit energy consumption by category for strengthening energy cost control. The Company focuses on monitoring and analysing energy consumption processes, and sent a total of 132 letters to 12 major production units for checking unusual use of energy throughout the year. This has greatly strengthened the awareness of the main energy consumption units on cost reduction and energy efficiency. Every week, the Company conducts on-site energy leakage inspections for each energy-using unit. A total of 106 inspections were performed throughout the year, with a total of 139 corrections and 65 on-site rectifications.

CITIC Titanium, a subsidiary of CITIC Metals, developed the "Safety and Environmental Protection Management Targets and Assessment Indicators 2019", which set safety and environmental protection work indicators for staff at all levels across the operation, from the Company's managers to various workshop teams, making safety everyone's responsibility. In 2019, the synchronisation rate of environmental protection facilities, the rate of harmless solid waste disposal, and the compliance rate of radioactive material management reached 100%.

Financial protection for a low-carbon environmental industry

In terms of green credit, CITIC Bank implemented relevant regulatory requirements, and increased its support for green, low-carbon and circular economy. To prevent environmental and social risks, the Company improved its environmental and social performance, thereby optimising its credit structure, improving its service, and promoting mode of development transformation. With the aim of controlling risks and developing sustainable business, CITIC Bank progressively has been moving towards green finance by including more sustainable businesses in its customer structure. As of the end of 2019, CITIC Bank's green credit loan balance was 65.148 billion yuan, an increase of 3.51% over the previous year. CITIC Bank strictly follows national macroeconomic and industrial policies to control credit distribution to "high pollution, high energy consumption" industries. Under these polices, the Company will tighten credit to "high pollution, high energy consumption" businesses, while relaxing credit to leading sustainable businesses.

The Company will also strengthen the risk management assessment to "high pollution, high energy consumption" businesses by increasing its review of their environmental and social risks, such as compliance, site selection, production technology, resource consumption, and pollutant emissions. At the end of 2019, the total balance of green credit loans was RMB46.53 billion.

During the year, CITIC Securities assisted the China Three Gorges Corporation, Guangzhou Metro Group and other companies in issuing green bonds of a total amount of RMB49 billion. The funds raised were all used for green industry projects in accordance with laws and regulations and the approval of regulatory authorities.

China Securities issued 19 green bonds for 12 enterprises, including Dongguan Rural Commercial Bank, Guangzhou Metro Group and Three Gorges Group, etc. The total amount is RMB9.032 billion.

CITIC Trust cooperated with Bayan Zhuoer Hetao Water Affairs Group to raise funds to support its water treatment project. Wuliangsu Lake is located in Urad Front Banner, Bayannur City, Inner Mongolia and is one of the eight largest freshwater lakes in China. Since the 1990s, the lake's water has been seriously polluted, and its ecological functions have been degraded. Through comprehensive management in recent years, the environment has improved significantly.

CITIC Finance has strengthened its financial services for environmental protection enterprises supported by CITIC Strategy. In 2019, it issued loans of approximately RMB2.461 billion to environmental protection member enterprises.

Since 2013, CITIC Mining International has conducted coral reef reproduction tests in the project ports every three years, and the results show that the coral coverage is increasing. In June 2019, we found that the coral regeneration area reached 2.1 hectares, far exceeding the original 1.72 hectares when the project started.

Optimising the ecological environment

CITIC Resources Seram Oilfield has carried out a two-year afforestation plan within the operating area since 2017. As of the end of 2019, 450 hectares of plantation nurseries in the oilfield had been completed as scheduled.

Public environmental protection activities

As an eco-friendly enterprise, CITIC Environment actively engages in environmental education, while carrying out high-quality environmental protection projects. In 2018, CITIC Envirotech established a special environmental protection charity fund to support community education, community environment and related community charity activities in the Pearl River Basin. In 2019, the Environmental Protection Public Welfare Special Fund and the Qianhe Community Public Welfare Foundation of Guangdong Province jointly built a community-friendly space for children, “Xiaohe’s Home @ CITIC Envirotech”, which aims to increase public environmental awareness and promote children’s environmental protection education. During the year, various activities were organised, including the “Multi-source” Water Conservation Annual Conference jointly organised by various NGOs, “South Guangdong little reporters - community environmental trip”, “World Water Day 2019 – Clear Water in Nansha” Forum and other activities.

1. CITIC Resources Plantation Nursery in Seram Oilfield
2. Coral reef coverage at CITIC Sino Iron project ports is increasing
3. Xiaohe’s Home @ CITIC Envirotech conducted training for environment protection volunteers.
4. CITIC Environment organised environment protection publicity event with kindergarten themed “Examine River Water Quality on 5th June World Environment Day”
5. CITIC Envirotech participated in “Multi-source” Water Conservation Annual Conference
6. CITIC Envirotech participated in the “Clear Water in Nansha” Forum

Green operations

We adhere to green operation principles throughout our corporate production and business management processes with a view to occupying the leading position in the industry to support national industrial transformation and upgrade. We also use strict pollution prevention and control measures as well as strengthen the development and application of environmental protection technologies to reduce our pollutant emissions and waste, thereby improving the efficiency of resource and energy utilisation and achieving green low-carbon development.

Continuous reduction of pollutant emissions

We attach great importance to the balanced development of economy and environmental protection and advocate clean production, the circular economy, energy conservation and emission reduction. Our dual methods, technology and management, in the green development model have helped us continuously reduce waste gas emissions, wastewater and solid waste.

Air pollutant control

	Initiatives	Achievements
CITIC Resources	Yuedong Oilfield purchased steam to provide a heat source for crude oil production at the onshore central processing station and phased out the original three coal-fired boilers.	Achieved zero GHG emissions by the coal-fired boilers at the onshore central processing station.
CITIC Pacific Special Steel	Daye Special Steel optimised the energy efficiency of the blast furnace, including increasing the air temperature and air volume, stabilising raw material structure and improving material quality, as well as increasing the coal injection ratio and reducing the comprehensive coke ratio. In addition, the overall recycling level increased by recovering the waste heat of the blast furnace for power supply.	Reduced carbon emissions per tonne of steel produced by 8.95% over the previous year.

Sewage and waste treatment

	Initiatives	Achievements
CITIC Resources	On 9 September 2019, the construction of the "Produced Water Treatment Plant Project at Karazhanbas Oilfield" officially commenced. This project is jointly invested and constructed by CITIC Resources KBM and CITIC Environmental Technology. It is expected to be completed and in operation by the end of 2020.	The project will process the oilfield produced water to provide water for the boilers needed for steam extraction, which will not only greatly reduce the large-scale water outflow problem caused by the reinjection, but also avoid the risk of environmental pollution. The utilisation of produced water also reduces the reliance of Volga River water. It will save more than 6.2 million cubic metres of river water that can be used for local industrial and agricultural development.
CITIC Pacific Special Steel	Xingcheng Special Steel completed its low emissions modification project.	The project reduced particulate emissions by 50 tonnes per month, sulphide emissions by 120 tonnes per month, nitrogen oxide by 150 tonnes per month, and the Company's total pollutants by 44%.
CITIC Press	CITIC Press is strictly forbidden to use the procedures and processes listed on the environmental protection department emission inventory, such as the traditional UV process and screen-printing process. In terms of printing inks, environmental protection inks such as vegetable oil inks are required.	The use of non-fluorescent paper has been increasing year by year; during the year, over 20% of non-fluorescent paper was used in book publishing.

CITIC Mining International: Reducing greenhouse gas emissions

In recent years, the Australian government has forecasted the climate in northern Australia, indicating that the region's average temperature will continue to rise in the future, and extreme marine climate events will increase. This means that reducing greenhouse gas emissions will become increasingly important.

CITIC Mining International adheres to an operation model that has high energy-efficiency, low-pollution and efficient production. Although the output of the CITIC Australia mine project continued to increase in 2019, the emission monitoring report released by the Australian Clean Energy Regulatory Authority shows that the total emissions of the project during the financial year were still below the government's guaranteed baseline.

The project power plant uses combined cycle power generation technology and incorporates a waste heat recovery system into the design, which is estimated to save about 440,000 tonnes of carbon dioxide equivalent emissions each year. By benchmarking with other mining power plants in Australia, the unit emissions of CITIC Mining International Combined Circle Power Plant for the financial year 2018 to 2019 were 0.424 CO_2e, which was lower than the industry average of 0.587 CO_2e.

In 2019, we quantified the expected energy savings of the energy recovery unit of the desalination plant. This recovery unit uses energy recycling technology to use the residual pressure in the wastewater stream to pressurise the feedwater by about 50%. This alone reduces the project's emissions by approximately 27,500 tonnes of carbon dioxide equivalent.

CITIC Mining International will continue to improve its production processes and increase investment in environmental protection to ensure that total greenhouse gas emissions in 2020 will continue to be lower than the guarantee baseline set by the government.

1 The Sino Iron project combined cycle power plant

Effective resources and energy saving

We are committed to advancing our technology to improve our resource efficiency and reduce resources and energy consumption by strengthening our energy management, upgrading production equipment, optimising production capacity and introducing innovative production technologies.

	Initiatives	Achievements
CITIC Resources	Yuedong Oilfield has adjusted its operating parameters and operating schemes by reducing the electric heating operation current and optimising the electric heating operation according to the production conditions, thereby reducing power consumption.	The unit consumption of liquid electricity decreased by 1.69 kilowatt-hours per ton year-on-year, and the total electricity consumption decreased by 381,000 kilowatt-hours when the amount of fluid increased.
CITIC Resources	Yuedong Oilfield started a comprehensive natural gas utilisation project by operating the C29 gas well to transfer the natural gas from Island C to Island B's steam injection boilers. In addition, some boiler equipment on the oilfield island has been upgraded.	It saved 1,790 tonnes of fuel during the year.
CITIC Heavy Industries	The Company effectively monitored the high electrical loads period and increased the load utilisation by peak shaving. In doing so, it also reduced the impact on the grid system and ensures the quality of power supply. The cost of electricity was reduced as well. In addition, we introduced the kinetic energy information platform to collect and analyse user power consumption information. This can configure the reactive power compensation devices for power users, strengthen reactive power management, and optimise power consumption methods.	During the year, the Company reduced electricity purchase costs by RMB2.2495 million through electricity trading.

	Initiatives	Achievements
CITIC Dicastal	The Company optimised and upgraded the compressed air system of the industrial park. This included the reconstruction of the outdoor main pipe network, modification of radial pipe network into a ring shape, and set up gas storage tanks at key nodes of the pipe network to buffer the compressed air flow, thereby balancing the compressed air pressure at the end of the pipe network. In addition, the internal pipe network of the air compressor station has also been modified to avoid transmission bottlenecks and unnecessary abrasion. The Company also replaced the manual drain valves with zero air loss drain valves to reduce the consumption of compressed air during the drainage process.	Improved the gas supply quality at the production site and reduced the set pressure of the air output from the compressor.
CITIC Pacific Special Steel	Xingcheng Special Steel completed the construction of energy-saving projects, including the cold junction optimisation of the power generator, the frequency conversion of 400 sintering fans, and the use of energy-saving water pumps.	During the year, the steel output increased by 8% with a total natural gas consumption drop of 3.5 million cubic metres over the previous year. The blast furnace exhaust rate was effectively controlled, and the rate in October was 0.11%, the lowest on record.

Green office

We continuously improve the Company's office system so that all documents (except confidential documents), briefing notes, and information in the system can be electronically stored, printed, and circulated. We strongly encourage the use of video and telephone conferencing and minimising printed paper in meetings. We centralise our management of consumables and control our supply, including printing paper, ink cartridges and other materials. In addition, we and our subsidiaries put up water conservation and electricity saving posters in office areas to provide our staff with environmental protection tips.

Green building design

High-rise buildings consume relatively more resources and energy. Therefore, it is necessary to seek low-carbon and sustainable energy-saving ways to protect the environment. Since the construction of CITIC Tower, its green, eco-friendly and intelligent design and construction concept has been leading the development trend and attracted high attention from the industry. On 23 August 2019, CITIC Heye was invited to attend the RICS Green Economy and Asset Efficiency Summit to share sustainable green building concept and their practical application at CITIC Tower. CITIC Heye will continue to learn from domestic and foreign best practices to bring green buildings and green development to life. The Company will also use innovative energy saving and environmental protection methods to improve its operating strategy and promote green buildings and green construction.

Green construction

Extensive use of prefabrication technology in civil engineering, mechanical and electrical systems, steel structures, curtain walls, decoration and other sub-projects not only improves the accuracy and quality of components and effectively shortens the construction period, but also reduces construction waste by 90% and saves water consumption by 80% compared with projects using traditional methods. This new way of green construction has truly achieved energy savings for a better environment.

Green technology

The adoption of 4 + 1 grade filtration system to control indoor PM2.5 within 50μg/m^3 has improved indoor air quality, while the use of double hollow glass curtain walls and three-layer glass, together with high thermal and airtight performance, to save energy by 7.7% compared with the national standard. Using innovative and advanced integrated air-conditioning systems with "ice storage + large temperature difference + low-temperature air supply + variable air volume + PLC" greatly reduces the operating costs of HVAC systems, saving 25.7% of energy compared to the national standard; installing ultra-thin integrated LED Lamp panels save 15.8% of energy compared with the national standard. The elevator system uses carbon fibre belt technology to reduce the load on the building and achieve low power consumption, high stroke, and high-speed operation. It also uses energy feedback technology to effectively save electricity and costs.

Green operation

CITIC Tower brings the green building life cycle to life, as it ensures energy saving, efficiency as well as safe and smart operations. The use of smart cloud and IoT technology to integrate the building energy management system (BEMS) and "Smart Panel" power monitoring system ensures energy saving and efficiency, while the smart inspection and alarm, two-step authentication security system and fire protection system ensure safe and smart operations. Together, these systems form a safe, reliable, interconnected, and highly efficient intelligent control system, which makes CITIC Tower an internationally leading, intelligent green building.

Customer responsibility: increasing our brand's reputation and trust

The image of the CITIC brand is essential to the Company and always needs to align with the notion of "delivering the best services to customers" that exceeds their expectations. To achieve it, we set higher requirements for ourselves to provide quality and safe products and services for our customers so that CITIC's reputation will continue to improve and trusting relationships with our customers can be built.

Performance

Awards and Recognitions

- CITIC Bank won the "Excellent Financial Services Bank for Major Clients 2019" at the 14th Asian Finance Conference.
- China Securities was named an "Excellent Investment Education Member" by the Shenzhen Stock Exchange and "Best Organization Award" by the Shanghai Stock Exchange for 2019 investor education and protection thematic activities. "Jingxin Academy", our investor education hub, received an "Excellent" rating from the China Securities Regulatory Commission in recognition of our 2018 operating results. The Beijing Securities Regulatory Bureau therefore gave an additional 0.25 points to the classified evaluation of CITIC Securities.
- CITIC Trust won the "2019 Outstanding Brand Image Award" at the 8th China Finance Summit.
- CITIC Prudential Life won the "2019 Gold Insurance Brand Ark Award" selected by the *Securities Times*.
- CITIC's Construction's first phase of the Royal Albert Dock project in the UK received a "Gold Award of the Royal Accident Prevention Association" and the "BREEAM Certificate of Excellence" in the British Building Research Institute's Green Building Assessment System. Belarus Geely Auto Production Line Project won the "China Construction Engineering Luban Award".
- CITIC Tower (Beijing) won the 2019 World Structure Awards Towering / Slim Structure Award, the CTBUH 2019 Best Tall Building Excellence Award of 400 metres and above and the 2019 RICS Awards - China Annual Construction Project Champion.
- The *Principles* and *Genetics* published by CITIC Press were selected as annual management and science books respectively in the "2018 Annual Book Industry Awards ".
- CITIC Environmental Technology "Memstar Membrane" was named the "2018-2019 Most Valuable Environmental Protection Equipment Brand" at the Shanghai Water Industry Hotspot Forum 2019.

Enhancing brand management

We provide high quality products and services to create value for our customers and gain the advantage of being a highly recognisable brand. To maintain and make the CITIC brand more identifiable amongst customers, we launched a brand standardisation and rectification programme in 2019 to strengthen our brand management with a clearer brand guideline. We also announced the authorised online brand users list and conducted the reputation risk assessment to strengthen our trademark protection.

Strengthening the authorisation management of the CITIC main brand

- To align how the main CITIC brand is used, we consolidated the equity registration information of the subsidiaries, and strictly managed the brand usage approval record. Based on stringent management principles and mechanisms, as well as the management hierarchy standards, we developed and put forward a rectification list for current companies and the brand use standards for new joint companies, and established an annual review mechanism for exemptions.

Strengthening protection against reputational risks

- To strengthen the reputation risk prevention mechanism, we revised the Company's "reputational risk management system" and "media spokesperson system". We also proposed to develop more detailed management processes to guide our subsidiaries and establish a correct view on reputational risks, emphasising the importance of investigating risks from the source to better manage the reputation risks.

- We focused on reputation risk investigations for key subsidiaries, such as CITIC Bank, CITIC Securities and China Securities, and made recommendations on their reputation risk management by reviewing their compliance situation and internal control risks.

Strengthening guidance to subsidiaries

- Based on actual situations, we set up individual meetings with more than 10 subsidiaries to provide them with recommendations on brand management. We also visited some of the subsidiaries to give them onsite guidance and recommendations.

- We continued to organise brand salons for subsidiaries, bringing together high-quality brand experts to discuss various brand topics, such as overseas brand building and B2B corporate brand building. We also invited representatives of well-known brands such as Huawei, Siemens and IBM, as well as the international judges of the New York Advertising Festival, to share with us. The brand salons were well received by the attendees who participated actively.

Providing excellent products and service

"Customer-centric" is our business philosophy, while customer needs are the guide. To put what we advocate into practice, we continued to provide high-quality products and improve and upgrade our products. We also listen to our customers' opinions and strive to improve service quality to gain superior performance with superior products and services in customer markets.

Promoting innovative products

- CITIC Prudential Life launched the "Enjoy Good Health" 2019 for adults and children. The insurance plan for adults provides multiple protections for insured persons with complications of diabetes and diabetes management services. The plan for children provides protection for those with congenital diseases and a variety of children-specific diseases. In addition, the Company launched insurance products that cover expensive medications or potent drugs, such as targeted therapy drugs for cancer. This provides insured persons with multiple health protection solutions, alleviating their financial pressure and difficulty in using expensive drugs. Another insurance plan is called "Medical Treatment Reassurance", which meets the needs of high-end customers seeking cancer treatments in the US.

Improving our high standard quality management system

- To achieve our "zero defect" quality goal, CITIC Dicastal employs the PDCA cycle for its quality management system through internal system audits, internal process audits, and staged audits, while evaluating the problems reflected in the customer evaluation, product audits and management audits. Before the products are dispatched from the warehouse, multiple production procedures are required to ensure product quality, such as observations, measurements and tests. These results will be used to compare against the specific customer standards to determine whether the product meets all the quality standards. In 2019, no products were recalled due to safety or health reasons.

Providing more convenient customer services

- To provide self-service like that at the physical counter, CITIC Securities' provides off-site business processing functions through the CITIC e-investment app, such as linking online security accounts, changing a third-party depository bank, resetting mobile phone numbers, and retrieving account numbers for funds. This one-stop service allows customers to open and cancel the accounts on an iPad as well. For premium customers, we provide onsite support service. We have also set up customer service centres in Qingdao, Hangzhou, and Xi'an. With the CITIC Securities' information resources and R&D advantages, we continue to optimise voice and online interactive platforms to provide investors with online business processing, securities trading, business consulting, return customers and other comprehensive standardised business services.

- CITIC Prudential Life launched and expanded the "Quick Claims" service. With the help of information technology and Internet technology, it seamlessly connects hospitals and company systems by opening an interactive, honest and reliable channel between medical data and the company's claims system, which reduces their efforts filling the forms. As of the end of 2019, a total of 110 hospitals in 14 provinces, municipalities, and autonomous regions across the country had launched the "Quick Claims" service.

Focusing on after-sale management

- CITIC Heavy Industries takes the complaints seriously and has established a comprehensive complaint management mechanism. When a complaint is received, the service department first preprocesses and judges its validity before passing it to the responsible department for rectification. Then the quality assurance department verifies the processing results and oversees the assessment. To complete the PDCA cycle, the service department feeds back the customer. In 2019, we successfully achieved the quality target with a customer satisfaction rate of over 92%, which is higher than our target set at the beginning of the year.

- The quality assurance department at CITIC Dicastal closely monitors the client system to ensure that it quickly responds to complaints once relevant information is received by making an initial response within 24 hours. Based on the after-sales quality problem handling process, an internal analysis meeting is held to find the cause and make improvement recommendations to ensure that all measures can be fully implemented to avoid a recurrence. In 2019, all types of complaints were responded to within the prescribed time, and the customer response rate reached 100% without escalating incidents.

- CITIC Pacific Special Steel conducts customer satisfaction surveys on a regular basis and invites third-party survey agencies to conduct independent surveys on various product quality features, such as packaging and interior and appearance. It also surveys the service before, during and after sales, as well as product delivery and price. The survey response rate is no less than 80%, while the sample size is no less than 10% of our users. We set up a customer database to record basic information, order records, delivery status, purchase volume, quality objection status, satisfaction survey, special requirements, demand changes and other information of each customer. The statistical analysis will help us understand our customer dynamics and will be passed to relevant departments for continuous improvement. The CITIC Pacific Special Steel customer satisfaction survey scored 89.1 points in 2019.

CASE STUDIES

CITIC Construction Signature Projects

In recent years, CITIC Construction has implemented a range of local signature projects that have helped to improve its brand image. These projects have earned widespread public and government praise as well as several awards in the countries where CITIC Construction operates. In 2019, CITIC Construction received many awards and recognitions, including being ranked 54th amongst the 250 top International Contractors "Engineering News Record" (ENR), the U.S. and is ranked 12th amongst the 75 Chinese corporates on this list.

Royal Albert Dock, the U.K.

The first phase of the project was completed and delivered as scheduled. The project has met or exceeded the contract requirements in terms of safety, environmental protection, quality and cost control, which fully achieved the expected goals. The project received the Royal Accident Prevention Association Gold Award, as well as the BREEAM Certificate of Excellence from the British Institute of Building Green Building Assessment System.

Angola Aluminum Profile Factory

On May 21, 2019, the Angola Aluminum profile Factory in which CITIC Construction has invested formally went into production, and the opening ceremony was held in the Luanda Bengo Special Economic Zone in Angola. The plant is one of the large-scale investment projects of Chinese enterprises in Angola, which will help promote the economy and development of Angola, alleviating employment difficulties and improving people's living standards. A number of local media such as Angola's National Television Station and the *Angola Daily* reported on the opening.

Angola RED Social Housing Project

In 2019, when the project was nearly completed, 23,717 units had been delivered, accounting for 91% of the total number of units. The President of Angola attended the delivery ceremony and expressed his appreciation for the construction work of CITIC.

1
2
3

1 The first phase of the Royal Albert Dock in the UK received a BREEAM Certificate of Excellence

2 The opening ceremony of the Angola aluminum profile factory

3 25 June 2019, the President of Angola inspected the Lubango project, Kiramba New City, and hosted the handover ceremony for the first batch of housing.

Safeguarding customers' legal interests

While providing customers with quality products and services, we make every effort to safeguard their legal rights and interests. We provide industry updates and professional knowledge to our customers to increase their awareness of 'right to know' as well as enhance their ability to analyse relevant information.

Protecting customer funds

- CITIC Bank always puts the safety of customer funds first. The Company constantly improves the customer funds security mechanism and innovates protection methods to ensure security and reassure customers. In terms of customer online service, we put up risk alerts on the login interface of online banking and mobile banking; a risk statement will also pop-up for key transfer transactions at our smart counters; an additional risk alert page will be shown when customers use face recognition. A mobile message will be sent to a specific customer group when a certain amount of money is transferred to a third-party personal account, or an external transfer of over RMB50,000 is made. For transactions of consecutive purchases, cancellations and third-party account transfers, we will send additional verification messages. In addition, when a representative opens a personal account on someone's behalf, we will verify the identity of the representative by phone. When a non-legal representative opens a settlement account, we will verify the identity with the legal representative.

- In terms of technical security, we continued to improve the information security system and added or revised eight information security system specifications. At the same time, we promote the use of ciphers to corporate bank customers and have adopted more advanced and effective methods to ensure the security of customer funds. All self-service banks have installed a video surveillance system and are connected to a higher-level monitoring centre for 24-hour remote monitoring. If suspicious persons are found placing illegal card readers or commit violent crimes, the monitoring centre will immediately notify nearby security guards and have them go to the scene immediately, and report to the police via 110.

Safeguarding customers' right to information

- CITIC Heavy Industries independently developed a Φ8.8 × 4.8m semi-self-grinding mill and Φ6.2 × 10.5m overflow ball mill for the Tibet Yulong Copper Mine, with an annual output of 18 million tonnes. In mid-September 2019, after the commissioning and factory delivery ceremony, our customers from Western Mining, China Enfi and other potential customers were invited to attend the ceremony. This increased customers' confidence in the Company's manufacturing ability.

Popularising industry knowledge

- China Securities continued to develop investor education based on its national "Jingxin Academy". A total of 15,476 visitors were received in 2019. A total of 396 new and original investment education products were invented, attracting 974,739 visitors. There was also a total of 262,876 attendees for 2,520 charity investment education activities. We have actively promoted investor education to replace the national education system and signed an investor education co-construction agreement with Beijing Jiaotong University to develop 71 investment education products suitable for students. The Academy hosted 43 universities and colleges in Beijing with a total of 6,572 students joining the visit. At the same time, it trained 40 school teachers in investment education. The Company also communicated and coordinated with the Shaanxi Securities and Futures Industry Association, and signed a strategic co-construction agreement with Jingxin Academy to help with investor education related to "Belt and Road" initiatives.

- CITIC Prudential Life promotes consumer rights through 3.15 Consumer Rights Day, 7.8 Insurance Publicity Day, and Financial Knowledge Month. We made use of WeChat to publish publicity articles, organised consumer legal rights and knowledge quizzes to improve consumers' awareness of financial products and services and financial safety. We were awarded "the Outstanding Organisational Unit" for Financial Joint Educational Promotion Activities in 2019 by the China Banking Regulatory Commission. Since 2018, CITIC Prudential Life has organised the "Wealth Legend of Youth" financial and business competition, which helps children to establish a correct view of wealth through games. In 2019, CITIC Prudential Life held this competition for the second time. Twenty-two branches across the country held more than 900 rounds of competition, with a total of 15,788 participants.

1 2

1. The ceremony for commissioning and delivering the Φ8.8 × 4.8m semi-self-grinding mill and Φ6.2 × 10.5m overflow ball mill for the Tibet Yulong Copper Mine.
2. CITIC Prudential Life's second "Wealth Legend of Youth" financial and business competition

Industrial responsibility: building partnerships for better development

We believe working with our business partners should be mutual beneficial and will bring the greatest results. While enjoying the support and help of our partners, we do our best to fulfil industrial responsibilities by building cooperative platforms and promoting close cooperation between the government and enterprises to create mutually rewarding partnerships. We support fair competition, contribute to advanced technology and promote healthy industrial development. At the same time, we take a multi-pronged approach to prevent corruption and create a positive industrial environment.

Awards and Recognitions

- CITIC Bank was selected as "Custodian Bank of the Year (Shareholding Bank)" by *The Asian Banker*. The Company also won the "Best Spot Market Maker Award" (the fourth item) from the China Foreign Exchange Trading Center and the "Best Treasury" Award from the US Dollar Debt Project; Baixin Bank, a subsidiary of CITIC Bank, was awarded "National High-tech Enterprise" – the first state-controlled bank to receive this award.
- CITIC Securities received the "Best Investment Bank (Asia), the Best Green Financial Services Broker (Asia)" the Sixth Grand Award at Asian Finance 2019; CITIC Securities and CITIC-CLSA received special awards – "Best for Overall Research" and "Best Local Brokerage", Asia-Pacific Region, at the 30th anniversary of *Asia Money*.
- CITIC Trust received the "Excellent the ABS Issuer Award" from the "2018 China Bond Outstanding Member Annual Selection Activity" and "Sustainable Development Risk Control Award" by *Finance Magazine*. The Company once again received "China Trust Company of the Year" from *The Asian Banker*, the only one in the industry.
- CITIC Heavy Industries was awarded "China's Intelligent Special Robot – the Industry's First Echelon Representative Enterprise" award by the Ministry of Industry and Information Technology for the third consecutive year.
- CITIC Dicastal was ranked 65th amongst the top 100 global auto parts suppliers; its Engineering Technology Research Institute was approved as a national industrial design centre.
- CITIC Construction was ranked 54th in the United States' "Engineering News Record (ENR) 2019 Top 250 International Contractors" and was ranked 12th amongst the 75 Chinese corporates on this list.
- CITIC Engineering won 35 national awards for its outstanding engineering survey and design in 2019.
- CITIC Telecom International (Information Technology) Company Limited won the "2019 Best Practice Award-Innovation and Leadership in Competitive Strategy for Asian Pacific Cloud Management Services" from Frost & Sullivan.

Working partnerships for mutual benefit

We recognise the importance of building relationships with the government, while promoting our own development and contributing to local economic and social development. We are guided by the notion of "even if we are not an industry leader, we will cooperate with the industry leader". Therefore, we engage with other high-quality companies and external think tanks to support the construction of the industry-university-research platform.

Enhancing cooperation between the Government and Enterprises

In 2019, the senior management had hundreds of meetings with the government and corporate partners, and visited Japan, the Czech Republic, Israel and other countries and regions to seek cooperation opportunities in various fields, including financial services, high-end manufacturing, elderly-care and modern agriculture.

Supporting research and innovation

We continued to strengthen our cooperation with external think tanks and contacted with innovative organisations, such as leading consulting institutions at home and abroad, famous universities and research institutes. We sought close cooperation with them through education, research and development, innovation projects and industry integration.

We donated RMB3 million to the Central University of Finance and Economics and China Pubic Private Partnership Centre to support research and to promote national PPP theory into practice. This cooperation aims to put national PPP theory into practice, and to study the financial and legal aspects of PPP theory to promote implementation, industry standards, talent training and international exchanges.

CITIC Trust signed a strategic cooperation agreement with the National University of Science and Technology and Weiqiao Venture to jointly build an innovation research institute. This cooperation aims to create an open scientific research platform to put scientific research results into practice, integrate global resources, and play a guiding and demonstrative role in the development of emerging technologies as well as explore industry-university-research cooperation mechanisms.

Promoting healthy industry development

While demonstrating our social responsibility, we promote what we believe to our upstream and downstream supply chain and share our standards and requirements with them. We manage our supply chain carefully, and effectively prevent supply chain risks. We also participate in industry organisations to share our management, brand, and technology approach to help the industry to progress and develop. In addition, we fight against piracy, protect intellectual property and encourage innovation with practical action.

Strengthening supply chain management

In the process of working with our suppliers, we and our subsidiaries always embed the principles of social responsibility into our corporate bidding and procurement policies, contract terms and assessment indicators. We have also worked with our partners to build a fairer and more responsible industry ecosystem.

Responsible sourcing

- To better support suppliers in remote areas, CITIC Mining International participated in the "Entrepreneur Project" initiated by the Australian Government. This project is led by the Commonwealth Department of Industry, Science and Innovation, which aims to enhance the competitiveness of Pilbara and Western Australian companies through cooperation with mining companies, including CITIC Mining International. Currently, 11 local mining companies are cooperating with CITIC Mining International. Through long-term cooperation with multinational companies such as CITIC, these companies can enhance their business experience and capabilities as well as gain opportunities to cooperate with more companies, thereby further promoting the economic growth of local communities.

1 A Global Supplier Conference of Appreciation organised by CITIC Heavy Industries

- CITIC Heavy Industries organised a global supplier conference of appreciation under the theme of "Heading to the World and Creating the Future Together". A total of 81 guests attended the conference, including suppliers, high-end customers, university leaders and expert teams. The Company reviewed the experience of working with them and showed its appreciation to some quality suppliers. At the Conference, the Company also signed a "2020 strategic cooperation agreement" with 12 suppliers. This was the second time that CITIC Heavy Industries held conferences on such a large scale with the aim to work with global partners to ultimately build a high-quality global supply chain system.

Supply Chain Management

- CITIC Bank's first "blockchain + supply chain" pilot innovation project was under way during the year. This allows traceability of each transaction, improves the transparency of supply chain data, reduces the risk of false financing and effectively improves the credibility of the supply chain trade. This project uses blockchain as a trusted information transmission and collaboration platform so that the financing process can be traced and monitored with quantifiable data. At the same time, by making use of smart contracts all related financial data and information can be integrated, authenticated and circulated automatically. All transactions by core enterprises, financing platforms and banks are permanently recorded and shared, forming an unbreakable chain of trust, to ensure real-time synchronisation and efficient collaboration through the supply chain financing processes. CITIC Bank will further enhance "the blockchain + supply chain" financial innovation to create greater value for our customers, and promote a new and open supply chain ecosystem.

- CITIC Wutong Port Supply Chain Management, a subsidiary of CITIC Metal won the second prize of "National Enterprise Management Modernisation Innovation" for its Digital Material-Based Bulk Material Supply Chain Financial Service.

Promoting industry advancement

We make use of our advantage to explore innovative business and management models so that we can share our experience with the industry for further development. We are committed to promoting industry development by participating in major national projects, solving industry issues and developing industry standards. We also organise/co-organise/participate in various industry forums and exchange activities and act as the Chairman and Vice-chairman of various industry associations.

Innovative business management

- CITIC Securities cooperated with the China Securities Regulatory Commission and China Securities Depository and Clearing Corporation to promote the "full circulation" pilot business of H shares. This aim of this project is to solve the prolonged problems of H share market equity structure, share circulation, market value management and other mechanisms. At the same time, it allows the exploration of a new capital market foreign exchange management model, to further consolidate the foundation for the long-term development of the Hong Kong securities market and H-share listed companies.

Promote operational and technological advancement

- Since 2017, CITIC Trust has been conducting in-depth research on the service trust business. In 2019, CITIC Trust stood out from the six bidding corporates at the "China Trust Industry Association – 2019 Trust Industry Thematic Research Project Bidding and Review Meeting" and became the leading corporate in "Trust Service Business Research" of the trust industry thematic research project 2019.

- CITIC Heavy Industries led a key national research and development plan called "Key Technology Research and Application Verification of Hydraulic Heavy-Duty Manipulators". The prototype was tested and the data will be used to support the next simulation analysis, subsequent design improvement, and system optimisation. "Smart Robots" is one of the 16 key projects established by the Ministry of Science and Technology. It represents the highest level of scientific research in the field of industrial heavy-duty robots.

Enhance industry communication

- CITIC Construction attended the first China-Italy Third-Party Market Cooperation Forum, moderated a parallel session on infrastructure and transportation, and made a keynote speech entitled "Working with Third-Party Markets to Inspire New Momentums in Cooperation". The forum was hosted by the Italian Ministry of Economic Development and the National Development and Reform Commission of China. Hundreds of representative companies and financial institutions from

1 The CITIC Environment team attended Shanghai Water Industry Hotspot Forum 2019 and makes a keynote speech.

various industries in China and Italy participated in the forum, which vigorously promoted economic and trading exchange, cooperation and development between the two countries.

- CITIC Heavy Industries showcased more than 10 special robots at the World Robot Conference 2019, which featured fire protection, inspection, underwater and military and security robots. It not only showed the latest technological achievements of special robots, but also expanded the Company's image as a smart brand.

- CITIC Envirotech cooperated with the E20 platform. Through this platform, the Company co-sponsored the Shanghai Water Industry Hotspot Forum and Shanghai Solid Waste Hotspot Forum. The Company made keynote speeches in several sub-forums, showing the latest findings and development of CITIC Environmental Technology. In addition, we were invited by the "Macao International Environmental Cooperation and Development Forum and Exhibition (MIECF)" as a special exhibitor for three consecutive years. At which, CITIC Environmental Technology demonstrated its technological advantages in the environmental field, including membrane equipment, membrane technology applications, large municipal sewage treatment, industrial wastewater treatment, hazardous and solid waste treatment, river basin treatment and circular economy industrial parks. In addition to technical information, the Company showcased its business results, integrated capabilities and brand influence, which will help the development of the Green Greater Bay Area.

Safeguarding intellectual property

CITIC Pacific Special Steel pre-assesses patent related matters, such as patent applications, maintenance and management, as well as exclusive technology validation and intellectual property disputes. To have our core technologies have patented, we strive to standardise our products and processes in order to achieve international standards for our patented technologies and for us to own independent intellectual property rights. Through layer-by-layer protection, the Company is able to ensure that core technologies will not be infringed, laying a solid foundation for further research and development and marketing.

CITIC Publishing passed the bid evaluation and hired a professional rights protection company to combat infringement and piracy. The Company also cooperated with the provincial and municipal cultural law enforcement departments to combat infringement and piracy and achieved significant results. After nearly a year of hard work, the sales of pirated books on the online book sales platform have decreased significantly and pirating best-selling books has been significantly reduced.

Anti-corruption

We always regard anti-corruption as a top priority in our internal risk management and control. In 2019, we and our subsidiaries continued to improve our disciplinary body by responsibilities adjustment, staffing and strengthening our inspection work force. We also promoted work standardisation, increased the training of our disciplinary inspectors, and took multiple measures to maintain the Company's brand image of integrity and a sound industrial environment. In addition, we centralised on-site risk inspections for all our major companies, while carrying out company-wide risk management training under the theme of "adhering to the bottom line and focusing on preventing and resolving major risks". We also included content around new trends in financial management, company supervision and management. Our subsidiaries have also achieved significant results in the areas of institution building and anti-money laundering.

Optimising rules and regulations

- CITIC Securities established an integrity work system and revised the Regulations on the Integrity of CITIC Securities Co., Ltd. and the Measures for Rewarding and Punishing Employees of CITIC Securities Co., Ltd. This further improved the organisational structure and clarified the management and work responsibilities of relevant departments and entities. A comprehensive mechanism was thus formed to cover all business processes, including preventive, ongoing and rectified measures. We also embed integrity risk management into our daily operations and business activities. At the same time, the Company has established a database to record integrity practices, and incorporated the integrity practices into employee performance assessments and personnel management of all departments.

- CITIC Resources Karazhanbas Project Company developed the "Karazhanbas Petroleum Corporation's Anti-Corruption Regulations". The regulations were developed in accordance with Kazakhstan's "Anti-Corruption Law" and the Company's Constitutions to regulate the behaviour of employees and internal business departments in communicating with state agencies and external companies. We are committed to forming a company culture with zero tolerance for corruption and maintaining an transparent and clean corporate image.

Anti-money laundering

- CITIC Bank has built a team of anti-money laundering experts to strengthen the anti-money laundering internal control systems and perform five major works, including combating money laundering and terrorist financing transactions, monitoring and managing customer identity information, conducting product business money laundering risk assessment, as well as strengthening anti-money laundering management for sanctioned countries. In 2019, CITIC Bank continued to strengthen its anti-money laundering work management and organised anti-money laundering video training sessions for operating staff. All staff of the head office's operation management department were required to participate in the training. More than 7,000 people including 38 branch managers and related staff participated. We are very proud to see that our work in anti-money laundering is recognised with many branches obtaining Grade "A" in anti-money laundering regulations. Because of this, the Head of the Business Department of CITIC Bank was invited to share their experience in anti-money laundering risk control management at the 2019 working conference of the Business Management Department of the People's Bank of China.

- CITIC Trust held anti-money laundering special compliance training, covering anti-money laundering laws and regulations and regulatory requirements as well as the responsibilities of various departments and anti-money laundering information officers. The training used business cases, such as customer identification, Customer identification and transaction records and reporting suspicious transactions to explain core knowledge points and discuss the issues in detail. The training enhanced the professional knowledge of our staff and strengthened their sense of responsibility. This laid a good foundation for further improving the quality and effectiveness of the Company's anti-money laundering work.

Social responsibility: helping the community thrive

Our businesses cover many countries and regions and we have received unfailing support and attention from the government and the public. Therefore, we recognise the importance of our social responsibility and are committed to giving back to promote the prosperity and progress of the local communities.

We align our community investment approach with the national policies and support the prosperity and development of the community in various ways. In 2019, the total donations of CITIC and its subsidiaries were about RMB184.12 million.

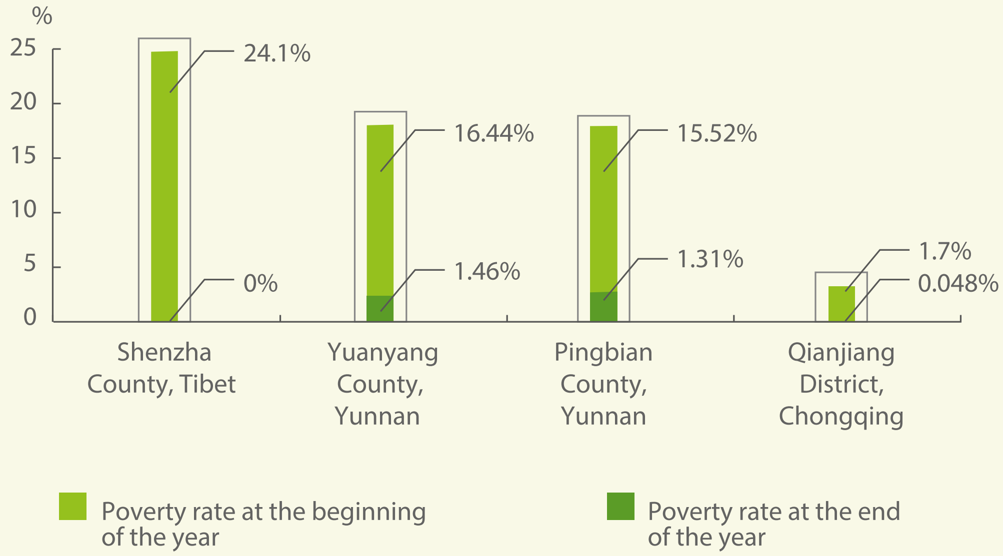
Performance

Awards and Recognitions

- China CITIC Bank received the "Effectively Tackling Three Challenges" Award at the Top 100 Social Responsibility Commendation Conference organised by the China Banking Association – the only bank to receive this award. The Company also received the "30 years/30 people" Funder Award from the China Foundation for Poverty Alleviation and "2019 China Excellent Case of Precision Poverty Alleviation" by the 21st Century Asian Finance Conference for the poverty alleviation project in Xiementong County, Tibet.
- CITIC Trust received the "Poverty Alleviation Model Award 2019" at the 9th China Charity Festival.
- CITIC Pacific has been rated as a "Caring Company" by the Hong Kong Council of Social Service for five consecutive years. The Company also received the "Public Welfare Excellence Award" by the Hong Kong Community Chest.
- CITIC Construction received the "Outstanding Overseas Sustainable Development Enterprise Award" at the China Corporate Social Responsibility Annual Conference.
- CITIC Telecom International received the "Social Capital Builder" Award from the Community Investment and Inclusion Fund (CIIF) of the Labour and Welfare Bureau.
- Dah Chong Hong received the "Merit Award" in the Volunteer Team Group and ""Corporate Citizenship Logo"" in the Enterprise Group from the "The 10th Hong Kong Outstanding Corporate Citizenship Awards" organised by the Hong Kong Productivity Council.

Helping to eliminate poverty

As a state-owned enterprise, we honour our responsibility to the society. To show our care and support to the community, we help the underprivileged and our community work to alleviate poverty achieved remarkable results. In 2019, we stepped up our efforts and launched 37 projects to help Shenzha County in Tibet, Yuanyang County and Pingbian County in Yunnan to alleviate poverty. We also took further steps help Qianjiang District of Chongqing to sustain the results of poverty alleviation achieved in previous years.



Poverty alleviation through education

The "CITIC Scholarships" provided RMB2 million to help underprivileged but outstanding students in Yuanyang and Pingbian Counties, motivating them to pursue a better future. The Scholarships also provided RMB5.09 million to Shaba Township Central School to build a new CITIC Science Building to solve the problem of insufficient rooms. In Yuanyang County, an investment of RMB4.6 million was made to help eight schools to improve the educational facilities, which benefited 5,873 students. CITIC Trust and Beijing Daisy Flower Public Welfare Foundation signed a tripartite agreement with the 14th Division Education Bureau of the Xinjiang Production and Construction Corps. A donation of RMB1 million was made to 472 students from the underprivileged ethnic minority and their families to provide them with a subsistence allowance.

Every quarter, CITIC Press sends books on economics and management to government officers in designated poverty-stricken counties to help them broaden their knowledge and improve their management capabilities. CITIC Press also donated two sets of e-book equipment and books to the Honghe State Library, helping to create a "CITIC reading space" for the people of Honghe Prefecture to read and learn. CITIC Press also donated RMB400,000 worth of books and shelves to 10 primary schools in Yuanyang County to help students open their horizons and increase their knowledge through reading.

Poverty alleviation through industrial development

A donation of RMB23 million was made for the construction of the Poverty Alleviation Centre Project in Shenzha County. After its completion, it will provide a platform to demonstrate animal husbandry and ethnic handicraft products of 62 administrative villages in Shenzha County. At the same time, it provides an employment and entrepreneurship platform for 43 Shenzha university graduates.

We introduced Yiwen Group to Yuanyang and Pingbian Counties to help the underprivileged to develop an embroidery industry so that women engaging in embroidery can enjoy a stable income. In 2019, RMB1.95 million was invested to carry out embroidery training, family workshops and embroidery museum building projects in these two counties. Two sessions of embroidery industrialisation and intangible cultural heritage training courses were conducted with 282 people.

We helped Qianjiang District to introduce five high-quality enterprises. An example was the donation of a total RMB500 million for the first batch of 118,000 yew trees in the "10 million yew into Qianjiang" project in Jiangdong Gandong Botanical Garden. After the Xinyuan Cocoon Silk Group project in Haian City, Jiangsu Province is completed, it will create 5000 employment opportunities in five years.

Assisting the underprivileged through infrastructure and medical care

A donation of RMB5.99 million was made to Yuanyang County to help 618 underprivileged people in 92 villages to rebuild their dangerous houses. In Pingbian County, a RMB3 million donation was made to help underprivileged people in the Liumao Village, Mama Village and other places to relocate, which help to solve problems of poor living environments and hidden safety hazards. Another project is in Shenzha County to use the RMB6.5 donation to help 500 farmers and herdsmen to repair or reconstruct their houses. A Shaba Mutual Aid Care Centre was built in Qianjiang District with a RMB870,000 donation. This not only supported the elderly people with special difficulties, but also explored a new model for supporting the elderly in rural areas. This project has been included in Qianjiang District as the core senior care demonstration project.

In Shenza County, more than RMB4 million has been invested to carry out supporting projects for the Tibetan Hospital. Each year, RMB100,000 is injected into the "Muliang Village Medical Assistance Fund" in Shaba Township, Qianjiang District. Over the past three years, nearly 110 people in Muliang Village have been given medical assistance worth nearly RMB270,000, which effectively helped more than people 60 who became impoverished because of illness or from suffering poverty. CITIC Trust, CITIC Investment Holdings and CITIC Holdings donated a total of RMB490,000 to purchase medical equipment for the clinics in the poor villages in Yuanyang and Pingbian County to improve the medical conditions at the primitive clinics and facilitate the poor to see the doctors and treat the diseases.

Establishing economic circles in poor counties

We encouraged our employees to purchase agricultural products and byproducts in poor counties. Through organising caring activities, such as a charity walk, we spent RMB7,690,700 on their products throughout the year. We also helped the three designated areas to open online stores on the CITIC Easy Home Appliances Platform and set up a poverty alleviation zone on the WeChat public account platform of the Duanhe Employees Home, CITIC Bank Mobile Banking. On this platform, RMB760,200 worth of agricultural products was sold.

CITIC Trust: Exploring New Ways of Poverty Alleviation

Since the launch of poverty alleviation and public welfare projects in 2009, CITIC Trust has taken real action to explore, innovate and discover the institutional advantages of trust companies and functional positioning in poverty alleviation. CITIC Trust has adopted both traditional and trust projects in poverty alleviation, and have created numerous projects, such as "dual trustees", "investment + poverty alleviation", and the Chinese version of the development assistance framework. With "collection and sharing", the special features of trust, the effectiveness of CITIC Trust's projects has been greatly enhanced, which has brought multiplying effects to the charitable actions and social cohesion to society. Among the twelve poverty-relief public trust projects, six charitable trust funds were established by wealthy clients, the scale of trust funds has reached RMB537 million. According to data from the National Charity Information Public Platform, it accounts for more than a quarter of the charitable sector.

"CITIC Shanghai Charity Foundation - Love under the Blue Sky No. 2 Huifu Charitable Trust" was established in 2017 with RMB6 million in initial trust funds. It is the first "dual trustees" charitable trust in Shanghai. In 2018, CITIC Trust pioneered the "investment + poverty alleviation" model for this charitable trust where investors took part of their investment income for charity, which matched the funds directly with the targeted poverty alleviation projects. In 2019, CITIC Trust and Shenzhen Dalifu Charity Foundation jointly made the first DAF donation (Donor-advised fund) in China. By the end of 2019, CITIC Trust had launched poverty alleviation activities in 34 provinces, municipalities and autonomous regions across the country, and cooperated with several charity organisations, such as the Soong Ching Ling Foundation, Guanghua Science and Technology Foundation, China Disabled Persons Welfare Foundation and 43 other community charities. These projects together with five other environmental protection projects benefited more than 80,000 people, proving that the trust platform model is effective.

On 11 January 2019, CITIC Trust successfully held the "Responsibility of Wealth-2019 CITIC Trust Wealth Annual Meeting and CITIC Trust Poverty Alleviation Report issuing Ceremony", the first of its kind. In the future, CITIC Trust will further demonstrate the social responsibility of a state-owned enterprise to further explore and innovate. CITIC Trust will also optimise the public welfare model for poverty alleviation under the trust system to establish a long-term mechanism for participating in public welfare. CITIC trust wishes to build a broader platform and motivate more people to participate to fight against poverty and achieve a better life for everyone.

Giving back to society

We continued to support education, sports and public health activities by donating funds to help the disadvantaged and to strengthen community infrastructure construction. We use our industrial advantage to create public welfare activities with CITIC characteristics.

Summer Internship for Hong Kong University Students

As the base of student internships for university students in Hong Kong, CITIC has organised summer internships for Hong Kong university students for five consecutive years. In 2019, 40 students from universities such as the University of Hong Kong, the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, and the Hong Kong Polytechnic University were arranged to go on an eight-week internship programme at CITIC Bank, CITIC Securities, China Securities, CITIC Trust and other financial companies. During their internship, students watched the match of Beijing Sinobo Guoan Football Team, which further strengthened the communication between young people in the Mainland and Hong Kong. Young people from Mainland were warmly welcomed by Hong Kong students. The programme was well received by the students and recognized by the general public.

Serving the Hong Kong and Macau community

The CITIC Pacific Volunteer Team participated in the food redistribution programme, a regular volunteer activity organised by YMCA Hong Kong. Volunteers regularly visit Cheung Sha Wan to collect vegetables and bread and donate them to the elderly or

1 Hong Kong university students attend the Summer Internship Meeting.

2 The university summer interns from Hong Kong watched the football match of Beijing Sinobo Guoan Football Team.

3 The CITIC Pacific Volunteer Team collects vegetables and bread.

underprivileged families in the district. The Company also organised the "Elderly Household Cleaning and Caring Campaign" to help the elderly clean their homes and provide healthy food and daily necessities.

Macau Telecom, a subsidiary of CITIC Telecom International, has promoted information technology over the years and is committed to fostering local IT professionals. In 2019, the 34th China Adolescents Science and Technology Innovation Contest was held in Macau, with 35 representatives from 31 provinces, autonomous regions and municipalities across the country, including Xinjiang Production and Construction Corps, Hong Kong, Macau, and Taiwan. Representatives from 52 countries and regions including Africa, North America and South America also participated. Macau Telecom participated in the event and presented five "Digital Macau" Special Awards to recognise and reward young people who made outstanding and innovative achievements in information technology, smart applications, cloud applications, IoT technology and other aspects.

Carrying out emergency rescue

CITIC Offshore Helicopter actively participated in maritime search and rescue and emergency rescue work. It mobilised five helicopters to the East China Sea region for more than 30 hours and completed the evacuation of more than 700 people from 16 helipads before the arrival of Typhoon Taba. The Team was given a flag of appreciation for their brave actions. What's more, Haitong sent four helicopters and 26 crew members to Sichuan Muli, Shanxi Qinyuan, and other places to carry about fire and disaster fire actions by aerial firefighting. The Team used a helicopter bucket to sprinkle water and successfully extinguished the forest fires in these two places and was respectfully named as the "Air Rescue Iron Army". Our 35th Antarctic Scientific Research Team completed material lifting, personnel transport and other flight support tasks and received the unanimous recognition by the Scientific Research Team.

1. Macau Telecom received five "Digital Macau" Special Awards at the 34th China Adolescents Science and Technology Innovation Contest.
2. CITIC Offshore Helicopter takes part in a forest firefighting mission. The picture shows a water delivery for aerial firefighting.
3. CITIC Offshore Helicopter lifted supplies for the "Snow Dragon" ship on China's 35th Antarctic expedition.

Community involvement overseas

CITIC Mining International and Robina Town Police and Aboriginal Youth Centre, an NGO in Australia, co-organised the first "Sino Iron Mile-CITIC Australian Mining Project Charity Race" at the CITIC Australian Mining project site. Numerous partipants took part in the event, including CITIC Australian Mining employees, contractors, business partners and Robina town police officers. More than AUS$2,000 was raised for supporting activities of the Youth Centre. In addition, CITIC Mining International continued to sponsor the Clontarf Foundation to support the education of indigenous people in remote areas of Australia, by sponsoring activities of the annual National Aboriginal and Islander Day Celebration Committee as well as community art and sports awards in remote areas. In addition, we organised career talks for high school students in the project area to encourage and promote the education of adolescent women and indigenous adolescents.

On 19 July 2019, the CITIC (Angola) Centennial Vocational School held the first graduation ceremony for a total of 66 students. Since its establishment, CITIC Centennial Vocational School has provided free training and accommodation for 386 young people from under-privileged families and helped them find jobs. The outstanding performance of graduates has been recognised by the Chinese and Angola Governments, the industry and the public.

CITIC Construction is working on some social housing projects in Angola and Venezuela. In Angola, we developed a city operation system plan and provided professional training for seven major systems, including municipal power, water supply and irrigation systems. Joint operations of substations and water purification plants is to be carried out to truly drive the development and energising the community. In Venezuela, we donated furniture to every household Tiuna Social Housing Project.

1 The first "Sino Iron Mile Charity Race".

2 The first graduation ceremony of the CITIC (Angola) Centennial Vocational School.

Caring and serving the community

In 2019, tens of thousands of CITIC Volunteers provided community service in more than 30 cities and regions, including Beijing, Hebei, Henan, Chongqing, and Jiangsu, to help the disabled, raise education funds, and protect the environment by tree planting.

Forge ahead with the motherland – youth voluntary service by six regions

To celebrate the 70th anniversary of the founding of PRC, more than 270 CITIC youth volunteers from six regions, including Central, Eastern, Southern, Southwest, North and Northeast China, jointly took part in the youth volunteer service activity.

CITIC Hong Kong and Macau Staff Association Held Volunteer Symposium

The volunteer team of CITIC Hong Kong and Macau Staff Association has grown from a dozen in the beginning to more than 40 now. The Association carried out a variety of activities in 2019, including a seminar that attracted a total of 36 volunteers from 13 CITIC branches in Hong Kong. At the seminar, our volunteers expressed themselves and talked about their own feelings about volunteering and suggested how the volunteer team should organise. Through this seminar, the mutual understanding between volunteers was enhanced which laid a solid foundation for CITIC's volunteers to further develop and fulfill its social responsibilities in Hong Kong.

Community service highlights

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5	6

1. CITIC Volunteers take part in a youth volunteer service activity for children.
2. CITIC Volunteers participated in the “Xinjiang Youth Summer Camp”.
3. Volunteers of CITIC Securities join the tree planting activities.
4. The staff of CITIC Heavy Industries take part in blood donations.
5. Volunteers from CITIC Bank (Changchun Branch) participate in a youth volunteer service activity for children in poor villages.
6. Volunteers of CITIC Bank (Shanghai Branch) attend First-aid Training.

Past Performance and Forward Looking Statements

Performance and results of the operations of CITIC Limited for previous years described within this Annual Report are historical in nature. Past performance is no guarantee of the future results of CITIC Limited. This Annual Report may contain forward looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward looking statements and opinions. None of CITIC Limited, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Annual Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

Contents of Financial Statements and Notes

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Interest income		307,913	288,784
Interest expenses		(160,125)	(152,895)
Net interest income	5(a)	147,788	135,889
Fee and commission income		65,124	57,034
Fee and commission expenses		(6,807)	(6,641)
Net fee and commission income	5(b)	58,317	50,393
Sales of goods and services	5(c)	344,076	330,288
Other revenue	5(d)	16,316	16,715
		360,392	347,003
Total revenue		566,497	533,285
Cost of sales and services	6, 11	(283,148)	(270,863)
Other net income	7	9,944	7,713
Expected credit losses	8	(88,722)	(69,059)
Impairment losses	9	(7,024)	(6,511)
Other operating expenses	11	(103,894)	(102,685)
Net valuation (loss)/gain on investment properties	31	(756)	954
Share of profits of associates, net of tax		8,083	7,914
Share of profits of joint ventures, net of tax		5,474	2,786
Profit before net finance charges and taxation		106,454	103,534
Finance income		2,264	2,729
Finance costs		(12,703)	(12,294)
Net finance charges	10	(10,439)	(9,565)
Profit before taxation	11	96,015	93,969
Income tax	12	(17,827)	(18,944)
Profit for the year		78,188	75,025
Attributable to:			
– Ordinary shareholders of the Company		53,903	50,239
– Holders of perpetual capital securities		–	600
– Non-controlling interests		24,285	24,186
Profit for the year		78,188	75,025
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic and diluted earnings per share (HK$)	16	1.85	1.73

The notes on pages 186 to 356 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 HK$ million	2018 HK$ million
Profit for the year		**78,188**	75,025
Other comprehensive loss for the year (after tax and reclassification adjustments)	17		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		**1,948**	11,885
Loss allowance changes on financial assets at fair value through other comprehensive income		**780**	166
Cash flow hedge: net movement in the hedging reserve		**(588)**	234
Share of other comprehensive income/(loss) of associates and joint ventures		**85**	(1,938)
Exchange differences on translation of financial statements and others		**(19,027)**	(34,735)
Items that will not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		**1,117**	164
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		**(436)**	(844)
Other comprehensive loss for the year, net of tax		**(16,121)**	(25,068)
Total comprehensive income for the year		**62,067**	49,957
Attributable to:			
– Ordinary shareholders of the Company		**43,656**	32,081
– Holders of perpetual capital securities		**–**	600
– Non-controlling interests		**18,411**	17,276
Total comprehensive income for the year		**62,067**	49,957

The notes on pages 186 to 356 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 HK$ million	 2018 HK$ million
Assets			
Cash and deposits	19	740,434	832,968
Placements with banks and non-bank financial institutions	20	226,686	200,030
Derivative financial instruments	21	19,580	37,294
Trade and other receivables	22	167,427	111,057
Contract assets	23	11,504	11,068
Inventories	24	54,735	58,087
Financial assets held under resale agreements	25	11,117	12,955
Loans and advances to customers and other parties	26	4,366,639	4,024,401
Investments in financial assets	27		
– Financial assets at amortised cost		1,040,997	899,348
– Financial assets at fair value through profit or loss		403,776	395,259
– Debt investments at fair value through other comprehensive income		701,936	582,899
– Equity investments at fair value through other comprehensive income		7,020	6,921
Assets classified as held for sale	36	28,819	–
Interests in associates	29	123,345	116,631
Interests in joint ventures	30	40,963	38,620
Fixed assets	31	150,075	189,647
Investment properties	31	37,555	32,579
Right-of-use assets	32	36,494	N/A
Intangible assets	33	11,977	14,387
Goodwill	34	21,203	22,885
Deferred tax assets	35	58,729	50,011
Other assets		28,913	23,666
Total assets		8,289,924	7,660,713

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 HK$ million	2018 HK$ million
Liabilities			
Borrowing from central banks		**268,256**	327,629
Deposits from banks and non-bank financial institutions	37	**1,061,380**	888,966
Placements from banks and non-bank financial institutions	38	**107,400**	129,163
Financial liabilities at fair value through profit or loss		**1,436**	1,468
Derivative financial instruments	21	**20,763**	37,676
Trade and other payables	39	**148,908**	171,093
Contract liabilities	23	**21,380**	18,535
Financial assets sold under repurchase agreements	40	**127,766**	138,589
Deposits from customers	41	**4,541,841**	4,159,924
Employee benefits payables		**23,542**	22,705
Income tax payable	35	**13,989**	11,551
Bank and other loans	42	**151,312**	156,678
Debt instruments issued	43	**823,964**	745,031
Lease liabilities	32	**17,435**	N/A
Liabilities directly associated with assets classified as held for sale	36	**20,674**	–
Provisions	44	**11,155**	9,713
Deferred tax liabilities	35	**9,963**	8,756
Other liabilities		**24,269**	22,576
Total liabilities		**7,395,433**	6,850,053
Equity	45		
Share capital		**381,710**	381,710
Reserves		**209,816**	176,835
Total ordinary shareholders' funds		**591,526**	558,545
Non-controlling interests		**302,965**	252,115
Total equity		**894,491**	810,660
Total liabilities and equity		**8,289,924**	7,660,713

Approved and authorised for issue by the board of directors on 31 March 2020.

Director: **Zhu Hexin** *Director:* **Wang Jiong**

The notes on pages 186 to 356 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital HK$ million (Note 45(a))	Capital reserve HK$ million (Note 45(d)(i))	Hedging reserve HK$ million (Note 45(d)(ii))	Investment related reserves HK$ million (Note 45(d)(iii))	General reserve HK$ million (Note 45(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 45(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 31 December 2018		381,710	(62,239)	2,253	905	45,354	221,409	(30,847)	558,545	252,115	810,660
Changes in accounting policies	2(f)	–	–	–	–	–	(162)	–	(162)	(282)	(444)
Balance at 1 January 2019		381,710	(62,239)	2,253	905	45,354	221,247	(30,847)	558,383	251,833	810,216
Profit for the year		–	–	–	–	–	53,903	–	53,903	24,285	78,188
Other comprehensive (loss)/income for the year	17	–	–	(530)	2,888	–	–	(12,605)	(10,247)	(5,874)	(16,121)
Total comprehensive (loss)/income for the year		–	–	(530)	2,888	–	53,903	(12,605)	43,656	18,411	62,067
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	679	679
Issue of other equity instruments by subsidiaries	51(d)	–	–	–	–	–	–	–	–	46,701	46,701
Transfer of profits to general reserve		–	–	–	–	5,791	(5,791)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	15	–	–	–	–	–	(12,799)	–	(12,799)	–	(12,799)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(8,154)	(8,154)
Redemption of other equity instruments by subsidiaries	51(d)	–	–	–	–	–	–	–	–	(2,076)	(2,076)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	73	73
Disposal of subsidiaries	51(b)	–	–	–	108	–	(108)	–	–	(128)	(128)
Transactions with non-controlling interests	52	–	2,202	–	–	–	–	–	2,202	(4,680)	(2,478)
Disposal of equity investments at fair value through other comprehensive income		–	–	–	645	–	(645)	–	–	–	–
Others		–	84	–	–	–	–	–	84	306	390
Other changes in equity		–	2,286	–	753	5,791	(19,343)	–	(10,513)	32,721	22,208
Balance at 31 December 2019		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital HK$ million (Note 45(a))	Perpetual capital securities HK$ million (Note 45(c))	Capital reserve HK$ million (Note 45(d)(i))	Hedging reserve HK$ million (Note 45(d)(ii))	Investment related reserves HK$ million (Note 45(d)(iii))	General reserve HK$ million (Note 45(d)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note 45(d)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 31 December 2017		381,710	7,873	(62,523)	1,917	(7,603)	45,088	191,554	(7,065)	550,951	242,690	793,641
Changes in accounting policies		–	–	–	–	3,220	14	(8,495)	–	(5,261)	(2,708)	(7,969)
Balance at 1 January 2018		381,710	7,873	(62,523)	1,917	(4,383)	45,102	183,059	(7,065)	545,690	239,982	785,672
Profit for the year		–	600	–	–	–	–	50,239	–	50,839	24,186	75,025
Other comprehensive income/(loss) for the year	17	–	–	–	336	5,288	–	–	(23,782)	(18,158)	(6,910)	(25,068)
Total comprehensive income/(loss) for the year		–	600	–	336	5,288	–	50,239	(23,782)	32,681	17,276	49,957
Redemption of perpetual capital securities	45(c)	–	(7,800)	–	–	–	–	–	–	(7,800)	–	(7,800)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	642	642
Issue of other equity instruments by subsidiaries	51(d)	–	–	–	–	–	–	–	–	–	3,957	3,957
Transfer of profits to general reserve		–	–	–	–	–	252	(252)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	15	–	–	–	–	–	–	(11,637)	–	(11,637)	–	(11,637)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(8,773)	(8,773)
Distribution to holders of perpetual capital securities		–	(673)	–	–	–	–	–	–	(673)	–	(673)
Redemption of other equity instruments by subsidiaries	51(d)	–	–	–	–	–	–	–	–	–	(2,689)	(2,689)
Disposal of subsidiaries	51(b)	–	–	–	–	–	–	–	–	–	(760)	(760)
Transactions with non-controlling interests		–	–	316	–	–	–	–	–	316	2,661	2,977
Others		–	–	(32)	–	–	–	–	–	(32)	(181)	(213)
Other changes in equity		–	(8,473)	284	–	–	252	(11,889)	–	(19,826)	(5,143)	(24,969)
Balance at 31 December 2018		381,710	–	(62,239)	2,253	905	45,354	221,409	(30,847)	558,545	252,115	810,660

The notes on pages 186 to 356 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 HK$ million	2018 HK$ million
Cash flows from operating activities			
Profit before taxation		**96,015**	93,969
Adjustments for:			
– Depreciation and amortisation	11(b)	**21,806**	15,091
– Expected credit losses	8	**88,722**	69,059
– Impairment losses	9	**7,024**	6,511
– Net valuation loss/(gain) on investment properties	31	**756**	(954)
– Net valuation (gain)/loss on investments		**(831)**	7,301
– Share of profits of associates and joint ventures, net of tax		**(13,557)**	(10,700)
– Interest expenses on debts instruments issued	5(a)	**24,574**	26,667
– Finance income	10	**(2,264)**	(2,729)
– Finance costs	10	**12,703**	12,294
– Net gain on investments in financial assets		**(10,475)**	(12,729)
– Net gain on disposal of subsidiaries, associates and joint ventures		**(3,751)**	(3,212)
		220,722	200,568
Changes in working capital			
(Increase)/decrease in deposits with central banks, banks and non-bank financial institutions		**(32,147)**	82,995
(Increase)/decrease in placements with banks and non-bank financial institutions		**(20,380)**	50,873
Increase in trade and other receivables		**(56,899)**	(8,477)
Increase in contract assets		**(436)**	(7,542)
Decrease/(increase) in inventories		**7,333**	(2,398)
Decrease in financial assets held under resale agreements		**1,523**	51,232
Increase in loans and advances to customers and other parties		**(510,536)**	(535,417)
Decrease in investments in financial assets held for trading purposes		**24,368**	14,854
(Increase)/decrease in other assets		**(27,372)**	19,073
Increase/(decrease) in deposits from banks and non-bank financial institutions		**198,096**	(23,664)
(Decrease)/increase in placements from banks and non-bank financial institutions		**(19,791)**	39,950
(Decrease)/increase in financial liabilities at fair value through profit or loss		**(276)**	1,134
(Decrease)/increase in trade and other payables		**(18,933)**	7,220
Increase in contract liabilities		**2,959**	4,470
Decrease in financial assets sold under repurchase agreements		**(7,928)**	(15,523)
Increase in deposits from customers		**471,209**	246,834
(Decrease)/increase in borrowing from central banks		**(51,726)**	52,248
Increase/(decrease) in other liabilities		**1,047**	(8,996)
Increase in employee benefits payables		**1,419**	2,276
Increase/(decrease) in provisions		**1,442**	(732)
Cash generated from operating activities		**183,694**	170,978
Income tax paid		**(23,612)**	(19,079)
Net cash generated from operating activities		**160,082**	151,899

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 HK$ million	2018 HK$ million
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		**2,239,189**	1,691,875
Proceeds from disposal of fixed assets, intangible assets and other assets		**1,689**	2,901
Proceeds from disposal of associates and joint ventures		**1,348**	3,679
Net cash received from disposal of subsidiaries	51(b)	**1,082**	2,734
Dividends received from equity investments, associates and joint ventures		**6,613**	4,989
Payments for purchase of financial investments		**(2,519,759)**	(1,845,989)
Payments for additions of fixed assets, intangible assets and other assets		**(19,626)**	(16,421)
Net cash payment for acquisition of subsidiaries		**(981)**	(7,266)
Net cash payment for acquisition of associates and joint ventures		**(6,066)**	(14,193)
Net cash used in investing activities		**(296,511)**	(177,691)
Cash flows from financing activities			
Capital injection received from non-controlling interests		**679**	606
Transaction with non-controlling interests	52	**494**	2,977
Proceeds from new bank and other loans	51(c)	**127,134**	121,703
Repayment of bank and other loans and debt instruments issued	51(c)	**(685,251)**	(1,088,334)
Proceeds from new debt instruments issued	51(c)	**661,283**	1,108,072
Issue of other equity instruments by subsidiaries	51(d)	**46,701**	3,957
Principal and interest elements of lease payment	51(c)	**(6,673)**	N/A
Interest paid on bank and other loans and debt instruments issued	51(c)	**(37,043)**	(38,103)
Dividends paid to non-controlling interests		**(8,369)**	(9,065)
Dividends paid to ordinary shareholders of the Company	15	**(12,799)**	(11,637)
Redemption of other equity instruments by subsidiaries	51(d)	**(2,076)**	(2,689)
Redemption of perpetual capital securities		**–**	(7,800)
Distribution paid to holders of perpetual capital securities		**–**	(673)
Net cash generated from financing activities		**84,080**	79,014
Net (decrease)/increase in cash and cash equivalents		**(52,349)**	53,222
Cash and cash equivalents at 1 January		**522,808**	491,363
Effect of exchange changes		**(7,421)**	(21,777)
Cash and cash equivalents at 31 December	51(a)	**463,038**	522,808

The notes on pages 186 to 356 form part of these consolidated financial statements.

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 financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group"). As at 31 December 2019, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2018: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group, except for the adoption of HKFRS 16 Leases ("HKFRS 16").

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) HKFRS 16, Leases

HKFRS 16 has affected primarily the accounting by lessees and has resulted in the recognition of almost all leases on balance sheet. The standard has removed the current distinction between operating and financing leases and has required recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

Lease charges has been replaced with interest and depreciation. The statement of profit or loss has also been affected because the total expense is typically higher in the earlier years of a lease and lower in later years.

Operating cash flows has been higher as cash payments for the lease liability are classified within financing activities.

The accounting by lessors has not significantly changed.

The specific HKFRS 16 accounting policies applied in the current period are set out in Note 2(s). The impact of the adoption of HKFRS 16 on the Group are described in Note 2(e).

(ii) Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

(iii) Prepayment Features with Negative Compensation – Amendments to HKFRS 9

The amendments made to HKFRS 9 Financial Instruments enable the Group to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

(iv) Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. The Group accounts for such interests under HKFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in HKAS 28 Investments in Associates and Joint Ventures.

(v) Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19

The amendments to HKAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(vi) Annual Improvements to HKFRS Standards 2015-2017 Cycle

HKFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

HKFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

HKAS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

HKAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

(b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). The functional currencies of subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK$ for the preparation of the consolidated financial statements (see Note 2(j)). The financial statements of the Group are presented in HK$ and, unless otherwise stated, expressed in million of HK$.

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– investment properties (see Note 2(n));

– financial assets and liabilities at fair value through profit or loss (see Note 2(k));

– financial assets at fair value through other comprehensive income (see Note 2(k)); and

– fair value hedged items (see Note 2(l)(i)).

2 Significant accounting policies (Continued)

(d) Use of estimates and judgement

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in Note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

(e) Changes in significant accounting policies and accounting estimates

HKFRS 16 Leases

The Group leases various fixed assets. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(s).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use ("ROU") asset of the Group were measured on a retrospective basis or at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. With the adoption of new leasing standard, a decrease in retained earnings of HK$162 million as at 1 January 2019 was recognised.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

2 Significant accounting policies (Continued)

(e) Changes in significant accounting policies and accounting estimates (Continued)

HKFRS 16 Leases (Continued)

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the lease term may be determined on the basis of the actual exercise of the option before the initial application date and other latest information.

(f) Impact of changes in significant accounting policies

(i) Measurement of lease liabilities as at 1 January 2019

	HK$ million
Operating lease commitments disclosed as at 31 December 2018	28,607
Discounted using the lessee's incremental borrowing rate of at the date of initial application (note)	27,211
Add: finance lease liabilities recognised as at 31 December 2018	259
Less: short-term leases recognised on a straight-line basis as expense	(199)
Less: low-value leases recognised on a straight-line basis as expense	–
Less: contracts reassessed as service components	(474)
Add: adjustments as a result of a different treatment of extension and termination options	1,080
Others	(285)
Lease liability recognised as at 1 January 2019	27,592

Note:

As at 1 January 2019, for the purpose of measuring lease liabilities, the Group adopted the same discount rate for lease contracts with similar characteristics. The incremental borrowing rates used were from 3.10% to 6.00%.

2 Significant accounting policies (Continued)

(f) Impact of changes in significant accounting policies (Continued)

(ii) Impact of the Group's adoption of HKFRS 16 on 1 January 2019 on the consolidated balance sheet

	As at 31 December 2018 HK$ million	Impact of first-time adoption of HKFRS 16 HK$ million	As at 1 January 2019 HK$ million
ROU assets	N/A	48,958	48,958
Fixed assets	189,647	(20,878)	168,769
Trade and other receivables	111,057	(1,689)	109,368
Lease liabilities	N/A	27,592	27,592
Trade and other payables	171,093	(757)	170,336
Reserves	176,835	(162)	176,673
Non-controlling interests	252,115	(282)	251,833

(g) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets or liabilities transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

2 Significant accounting policies (Continued)

(g) Subsidiaries and non-controlling interests (Continued)

(ii) Business combinations not involving entities under common control (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised in profit or loss for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree are transferred to profit or loss in the period in which the acquisition occurs.

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries which includes structured entities controlled by the Group.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Group has power, only substantive rights are considered including the substantive rights held by the Group and other parties.

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established.

2 Significant accounting policies (Continued)

(g) Subsidiaries and non-controlling interests (Continued)

(iii) Consolidated financial statements (Continued)

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the ordinary shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 2(k).

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

If there is a difference between the accounting entity of the Group and the accounting entity of the company or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (capital reserve) in the consolidated balance sheet.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(k)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(h)).

2 Significant accounting policies (Continued)

(g) Subsidiaries and non-controlling interests (Continued)

(iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(u)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(h) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. The Group uses the equity method on the basis of an adjustment to the financial statements of associate or joint venture in accordance with the Group's accounting policies, unless an associate or joint venture does not apply HKFRS 9 Financial Instruments ("HKFRS 9") temporarily by applying the temporary exemption of HKFRS 9 until annual periods beginning 1 January 2021. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(u)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 Significant accounting policies (Continued)

(h) Associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see Note 2(k)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 2(u)).

(i) Goodwill

Goodwill represents the excess of the consideration transferred, including the amount of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition, over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Impairment losses on goodwill can not be reversed in the future.

(j) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK$ at the foreign exchange rates at the transaction dates or the rates approximate to. The resulting exchange differences are presented as "Reserves" (exchange reserve) in the consolidated balance sheet within the shareholder's equity. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

2 Significant accounting policies (Continued)

(j) Translation of foreign currencies (Continued)

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(k) Financial instruments

Financial instruments refer to a contract that forms one party's financial asset and another party's liabilities or equities. Financial assets and financial liabilities are recognised when the Group becomes a party of the financial instrument contracts.

(i) Financial assets

(1) Classification and Measurement

The Group classifies its financial assets into the following categories based on their business model and the contractual cash flow characteristics:

– Financial assets at amortised cost;

– Financial assets at fair value through other comprehensive income ("FVOCI");

– Financial assets at fair value through profit or loss ("FVPL").

At initial recognition, the Group measures a financial asset at its fair value. For financial assets that are at FVPL, the transaction costs are expensed in profit or loss; for financial assets with other categories, the transaction costs are recognised in the initial carrying amounts. For trade and other receivables arising from rendering goods or services with no significant financing component, the Group measures their initial carrying amount as the cash flows that the Group is entitled and expected to receive.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, and are measured at the following three categories:

– Amortised cost:

The business model the Group manages these financial assets is to collect the contractual cash flows where those cash flows' characteristics are consistent with those of the basic loans arrangement, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount ("SPPI"), and that are not designated at FVPL. Interest income from these financial assets is recognised using the effective interest rate method.

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Debt instruments (Continued)

– FVOCI:

The business model the Group manages these financial assets is to collect contractual cash flows and to sell the assets, and those cash flows' characteristics are consistent with those of the basic loans arrangements, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount ("SPPI"), and that are not designated at FVPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income on the instrument's amortised cost which are recognised in profit or loss.

– FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are at FVPL. The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Group subsequently measures all equity investments at FVPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is made, fair value gains and losses are recognised in other comprehensive income ("OCI") and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, are recognised in profit or loss when the Group's right to receive payments is established.

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets at amortised cost, debt instrument at FVOCI, lease receivables and contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised. For financial assets with low credit risks as at the balance date, the Group recognises 12-month ECL based on the assumption that the credit risks have not significantly increased after initial recognition.

For financial assets in stage 1 and stage 2, interest income is calculated based on the gross carrying amount of the asset, that is, without deduction for credit allowance, and the effective interest rates. For financial assets in stage 3, interest income is calculated on the net carry amount, that is, net of credit allowances, and the effective interest rates.

The Group recognises the provision and reversal of ECL in profit or loss. For debt instrument at FVOCI, the Group makes relevant adjustments to other comprehensive income at the same time as recognizing ECL in profit and loss.

For account and bills receivables and contract assets whether there is significant financing component or not, the Group recognises life-time ECL.

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

(3) Derecognition

The Group derecognises a financial asset if one of the following conditions is met:

– The contractual rights to receive the cash flows from the financial asset expire;

– The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;

– The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

For the Group's equity instruments not held for trading purposes and designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the securitisation of financial assets qualifies for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets does not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets partially qualifies for de-recognition, where the Group has not retained control, it derecognises these financial assets. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement and recognises an associated liability.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial assets.

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

(4) Modification of investment in financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

– If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

– Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

– Significant extension of the loan term when the borrower is not in financial difficulty.

– Significant change in the interest rate.

– Change in the currency the loan is denominated in.

– Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognises a modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(ii) Financial liabilities

The financial liabilities are classified into those measured at amortised cost and those at fair value through profit or loss at initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group's major financial liabilities are those measured at amortised cost which are measured initially at fair value less transaction costs and are measured subsequently using the effective interest method.

Financial liabilities or a portion thereof, are derecognised when their current obligation are fully or partially expired. The difference between the carrying amount of the derecognised portion and the consideration is recognised in profit or loss.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(v) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2 Significant accounting policies (Continued)

(k) Financial instruments (Continued)

(v) Derivatives (Continued)

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

– Their economic characteristics and risks are not closely related to those of the host contract;

– A separate instrument with the same terms would meet the definition of a derivative; and

– The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged.

(l) Hedging

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items as well as risk management goals and strategies of various hedging transactions. When a hedge no longer meets the criteria for hedge accounting or the Group's risk management goals, the Group terminates the use of hedge accounting prospectively. Situations for the Group to terminate the use of hedge accounting include hedging instrument expires, or is sold, terminated and settled.

(i) Fair value hedge

A fair value hedge refers to a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item. Such changes in fair value are attributable to a particular risk and could affect profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedge of the exposure to changes in the fair value of equity instruments designated at fair value through other comprehensive income not held for trading.

For a fair value hedge, the gain or loss on the hedging instrument is recognised in profit or loss (or OCI, if hedging an equity instrument at FVTOCI) and the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in profit or loss. However, if the hedged item is an equity instrument at FVTOCI, those amounts remain in OCI.

2 Significant accounting policies (Continued)

(l) Hedging (Continued)

(ii) Cash flow hedge

A cash flow hedge refers to a hedge of the exposure to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income as cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability. In other cases the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period(s) as the hedged cash flows affect profit or loss.

If the cash flow hedge reserve recognised in other comprehensive income is a loss, and all or part of the loss is not expected to be reversed in the future. The portion that is not expected to be reversed will be transferred from other comprehensive income and recognised in profit or loss.

When an entity discontinues the use of hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until the period that the hedged item has the impact in profit or loss; otherwise, that amount is immediately reclassified to profit or loss.

(iii) Hedge of a net investment in a foreign operation

A hedge of net investment in a foreign operation refers to hedge of the foreign exchange exposure arising from net investment in a foreign operation. The "net investment in a foreign operation" refers to an enterprise's equity proportion in the net assets in a foreign operation.

Hedge of a net investment in a foreign operation is accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; and the ineffective portion is recognised in profit or loss. The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge is reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

2 Significant accounting policies (Continued)

(l) Hedging (Continued)

(iv) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group continuously evaluate whether the hedging relationship is effective from the hedge date and after.

The hedge relationship meets hedging effectiveness requirements if the hedging meets the following conditions:

– There is an economic relationship between the hedged item and the hedging instrument;

– The effect of credit risk does not dominate the value changes that result from that economic relationship; and

– The hedge ratio of the hedging relationship is equal to the ratio between the actual number of hedged items and the actual number of hedging instruments.

(m) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(n) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Subsequent expenditures related to investment properties are recognised in the cost of investment properties provided it is probable that the economic benefits will flow to the Group and the costs can be measured reliably; otherwise subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

2 Significant accounting policies (Continued)

(n) Investment properties (Continued)

Investment properties transfer to property, plant and equipment or intangible assets at the commencement of owner-occupation. The carrying amount of property, plant and equipment and intangible assets are based on the fair value of investment properties on the day of conversion. The difference between the fair value and the previous carrying amount is recognised in profit or loss for the current period. When owner-occupied properties transfer to investment properties that will be carried at fair value, if the fair value at the date of conversion is less than the previous carrying amount, the difference is recognised in profit or loss for the current period; If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(o) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(u)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(cc)).

Construction-in-progress represents property, plant and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is made on construction-in-progress until it is ready for its intended use. Deprecation policies are set out below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

– Plant and buildings	5 – 70 years
– Machinery and equipment	3 – 33 years
– Office and other equipment, vehicles and vessels and others	2 – 33 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Significant accounting policies (Continued)

(o) Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(p) Land use rights

Land use rights are presented under ROU assets with the adoption of HKFRS16.

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses (if any). Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2(u).

(q) Intangible assets (other than goodwill)

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and if any, impairment losses (see Note 2(u)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

– Mining assets	Over the estimated useful lives using the unit-of-production method
– Franchise right	Over the estimated useful lives of 20 years

Both the period and method of amortization are reviewed annually.

An intangible asset with an indefinite useful life shall not be amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 Significant accounting policies (Continued)

(r) Inventories

(i) Manufacturing, resources and energy segments

Inventories of the manufacturing, and resources and energy segments are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in first-out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion (including systematically allocated production overhead) and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised in profit or loss in the period in which the reversal occurs.

(ii) Real estate segment

Inventories in respect of property development activities under the real estate segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property under development**

The cost of properties under development, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(cc)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

2 Significant accounting policies (Continued)

(s) Leases

As explained in Note 2(e) and Note 2(f) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described as below and the impact of the change in Note 2(f).

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a ROU asset and a corresponding liability by the lessee at the commencement date.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

2 Significant accounting policies (Continued)

(s) Leases (Continued)

(i) Lease liabilities (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and the ROU asset is adjusted accordingly.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

2 Significant accounting policies (Continued)

(s) Leases (Continued)

(ii) ROU assets (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. As leasees, the Group recognises finance leases as finance lease receivables, which are measured at amortised cost. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(t) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are measured at the lower of cost and net realizable value, the amount of any write-down of inventories to net realizable value shall be recognised as an expense in the period the write-down occurs.

(u) Impairment of non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– ROU assets;

– investments in subsidiaries, associates and joint ventures;

– goodwill; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (Continued)

(u) Impairment of non-financial assets (Continued)

Calculation of recoverable amount

The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversable.

(v) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, housing provident funds, labour union fee and staff and workers' education fee, which are all calculated based on the regulated benchmark and ratio.

2 Significant accounting policies (Continued)

(v) Employee benefits (Continued)

(ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in the PRC are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subject to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

(iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

2 Significant accounting policies (Continued)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 with Note 3(b); and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are measured at the higher of the amount initially recognised, less accumulated amount of income recognised in accordance with the Group's principles of revenue recognition where appropriate, and the amount that would be determined in accordance with Note 2(w)(iii).

2 Significant accounting policies (Continued)

(w) Financial guarantees issued, provisions and contingent liabilities (Continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of a good, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that good. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provisions for loss allowance of the receivable and the contract asset using ECL model; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognizing revenue. The incremental cost incurred by the Group to obtain contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss when incurred. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognizing revenue. The Group recognises the excess of the carrying amounts of contract costs over the expected remaining consideration less any costs not yet recognised as an impairment loss. As at the balance sheet date, the Group presents the costs to fulfill and of obtaining a contract, in the net amount after deducting relevant asset impairment provisions, as other assets.

2 Significant accounting policies (Continued)

(x) Revenue recognition (Continued)

The Group recognises revenue for each of its activities in the income statement in accordance with below policies:

(i) Interest income

Interest income is recognised according to HKFRS 9, refer to Note 2(k) financial instruments for details.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and interests paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

(iii) Sales of goods

Revenue from the sale of goods is recognised when the goods are transferred to and accepted by a customer.

When volume discounts are provided to customers, the Group, based on historical experiences, estimates the volume discounts using the expected value method, and recognises revenue net of the estimated volume discounts.

When the customer has a right to return the product within a given period, the Group recognises provisions for returns using the expected value method based on historical experience, as a deduction of the revenue. The Group recognises provisions for the expected refunds to customers; meanwhile, other assets are recognised according to the carry amount of the goods expected to be returned, deducting the expected cost for taking the related goods back.

The Group offers warranties for specific products. If the duration and terms of the warranties are offered in accordance with the requirements of laws and regulations and the Group does not provide any additional services or warranties, such warranties are not recognised as separate performance obligation.

2 Significant accounting policies (Continued)

(x) Revenue recognition (Continued)

(iv) Services rendered to customers

Revenue for construction services of the Group is recognised over the period of the contract by reference to the progress towards completion. Progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the progress towards completion to reflect the changes in obligation performed.

Revenue for other services provided by the Group is recognised based on the pattern of performance obligation of specific services, either over the period in which the services are rendered or at the point of service completion. For revenue recognised over the period by reference to the progress towards completion, progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the estimate of the progress towards completion to reflect the changes in obligation performed.

(y) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilization is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Significant accounting policies (Continued)

(z) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (Continued)

(bb) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

– engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Business segments are identified based on the Group's internal management requirements as well as following aspects. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

– the methods used to distribute the products or provide the services; and

– the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

2 Significant accounting policies (Continued)

(cc) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(dd) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement comprising the total of:(1) the post-tax profit or loss of the discontinued operation and;(2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Critical accounting estimates and judgements (Continued)

(a) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and the way related business management personnel receive payments.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(b) Measurement of ECL

Measurement of ECL for financial assets at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 48(a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of ECL;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and

– Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48(a).

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realizable value. The Group estimates the net realizable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group's profit or loss during the year.

3 Critical accounting estimates and judgements (Continued)

(d) Impairment of non-financial assets

As described in Note 2(u), assets such as fixed assets, intangible assets, ROU assets and interests in associates and joint ventures are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The cost of ROU assets is charged as depreciation expense generally over the shorter of the asset's useful life and the lease term on a straight-line basis.

Management periodically reviews changes in technology and industry conditions, asset retirement activity, residual values to determine adjustments to estimated remaining useful lives and depreciation rates. In determining the lease term of ROU assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3 Critical accounting estimates and judgements (Continued)

(g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilize the deferred tax assets. The outcome of their actual utilization may be different.

(h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

3 Critical accounting estimates and judgements (Continued)

(i) De-recognition of financial assets (Continued)

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

(j) Consolidation of structured entities

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(k) Metallurgical Corporation of China ("MCC") claim

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia ("Sino Iron Project"). The fixed price contract amount was US$3.4 billion.

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

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

3 Critical accounting estimates and judgements (Continued)

(k) Metallurgical Corporation of China ("MCC") claim (Continued)

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

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2019.

(l) Mineralogy Pty Ltd ("Mineralogy") disputes

Each of Sino Iron and Korean Steel Pty Ltd ("Korean Steel"), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement ("MRSLA") with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to develop and operate the Sino Iron Project and to take and process one billion tonnes each of magnetite ore for that purpose.

Option Agreement Dispute

The Company is a party to an Option Agreement with Mineralogy and Mr. Clive Palmer pursuant to which the Company has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. The remaining options have now lapsed. Following the exercise of the first option, Mineralogy and Mr. Palmer alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The Company and its affected subsidiaries, Sino Iron and Korean Steel (together referred to as the "CITIC Parties"), commenced a legal proceeding in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made declarations by consent, including that the Company had not repudiated the Option Agreement in the manner asserted by Mineralogy and Mr. Palmer.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Option Agreement Dispute (Continued)

Notwithstanding the making of these declarations, Mineralogy and Mr. Palmer have not taken the actions necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia in relation to the Option Agreement ("Proceeding CIV 1514/2016") to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. On 26 February 2018, Justice K Martin granted leave for Cape Preston Resource Holdings Pty Ltd to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose.

In its amended defence and counterclaim, Mineralogy makes allegations of breach, repudiation, frustration and termination of the Option Agreement on various grounds, among other allegations. Mr. Palmer filed his own defence, which repeats and relies on the matters pleaded by Mineralogy in its defence. Mineralogy's counterclaim seeks damages of US$205,000,000 (which it says is the purchase consideration for the further company) and damages equating to the royalties that would have been payable by the further company to Mineralogy on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate.

The hearing of the CITIC Parties' application for a separate trial of preliminary issues in this proceeding, which was scheduled for 11 October 2019, was vacated by orders made by the Court with the consent of all parties on 5 September 2019.

On 14 January 2020, Mineralogy indicated that the defendants intend to further amend their defences in this proceeding. On 26 February 2020, Justice K Martin ordered that the defendants must file their further amended defences by 11 March 2020 and the plaintiffs must file any further amended reply by 25 March 2020. His Honour also ordered that there be no further amendments to the pleadings without the leave of the Court. To date, the defendants have not yet filed their further amended defence.

The proceeding has been provisionally listed for a ten day trial, commencing on 7 December 2020.

Royalty Component B Dispute

The MRSLAs provide that Sino Iron and Korean Steel must pay a royalty to Mineralogy, a component of which ("Royalty Component B") is payable on products produced and calculated by reference to "prevailing published annual FOB prices" (expressed in US dollars per dry metric tonne unit) for Brazilian pellets and Mount Newman fines. In Proceeding CIV 1808/2013 (originally commenced in the Supreme Court of New South Wales but transferred to the Supreme Court of Western Australia), Mineralogy pursued a claim against Sino Iron and Korean Steel seeking payment of sums in respect of Royalty Component B on products produced up to 31 March 2017, damages for alleged breaches of the MRSLAs and certain other relief. In that proceeding, Mineralogy also pursued a claim against the Company pursuant to a guarantee given under the Fortescue Coordination Deed ("FCD"), one of the project agreements for the Sino Iron Project.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Royalty Component B Dispute (Continued)

The CITIC Parties' position was that, among other things, because of the cessation of the Annual Benchmark Pricing System ("Benchmark") in early 2010, there was no longer any "prevailing published annual FOB price" ("Disputed Phrase") for the relevant products, and therefore it was no longer possible to calculate Royalty Component B. Mineralogy's position was that the Disputed Phrase was not limited to a reference to Benchmark prices and Royalty Component B was ascertainable by using published data, undertaking certain calculations and making certain adjustments.

The trial in Proceeding CIV 1808/2013 ran for 10 sitting days from 14 June 2017. Justice K Martin delivered his reasons for decision on 24 November 2017, finding in favour of Mineralogy, including as to the proper construction of the Disputed Phrase and the calculation of Royalty Component B.

Following delivery of the reasons for decision in Proceeding CIV 1808/2013, Mineralogy commenced a further proceeding in the Supreme Court of Western Australia against the CITIC Parties ("Proceeding CIV 3024/2017") seeking the same relief as that sought in Proceeding CIV 1808/2013. On 18 December 2017, Justice K Martin ordered, among other things, that Proceeding CIV 1808/2013 and Proceeding CIV 3024/2017 be consolidated and that all claims be determined in the consolidated proceeding.

On 12 January 2018, Sino Iron paid to Mineralogy the judgment sums of US$82,409,227.91, including US$7,702,492.91 interest, plus interest on that amount, in accordance with Justice K Martin's final orders on behalf of itself. Sino Iron paid the same amount on behalf of Korean Steel. From that time and up to the date on which final orders were made by the Western Australian Supreme Court of Appeal, Sino Iron, on behalf of itself and Korean Steel, paid Royalty Component B to Mineralogy quarterly in accordance with the judgment of Justice K Martin.

The CITIC Parties appealed the consolidation orders and final orders made by Justice K Martin. These appeals were heard on 4 and 5 December 2018 by the Court of Appeal of the Supreme Court of Western Australia. President Buss and Justices of Appeal Murphy and Beech delivered their judgment in the appeal on 21 May 2019. The CITIC Parties were largely unsuccessful in the appeal. While the Court of Appeal allowed certain limited parts of the CITIC Parties' appeal, the Court's construction of the Disputed Phrase, which was the key issue for determination, was "broadly consistent" with the decision of Justice K Martin at first instance. Among other things, the Court of Appeal found that the Disputed Phrase should be construed as referring to the "prevailing published export market price" for Mount Newman fines and Brazilian pellets for the preceding quarter. The Court of Appeal also dismissed the CITIC Parties' appeal against the consolidation orders. Final orders were made on 28 June 2019, requiring the CITIC Parties to pay an additional US$3,966,892 (including interest) for the judgment quarters (being all quarters up to and including the quarter ending 31 March 2017).

Sino Iron, on behalf of itself and Korean Steel, has paid Mineralogy the sum required by the final orders of the Court of Appeal. Sino Iron, on behalf of itself and Korean Steel, has also made adjustment payments to Mineralogy (including in respect of interest) for all quarters after the judgment quarters (as required) and has otherwise paid Royalty Component B to Mineralogy quarterly in accordance with the judgment of the Court of Appeal.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Royalty Component B Dispute (Continued)

On 26 July 2019, the CITIC Parties filed an Application for Special Leave to Appeal to the High Court of Australia in respect of the judgment delivered by the Court of Appeal. At an oral hearing held on 14 February 2020, the CITIC Parties' application was refused by the High Court. Accordingly, Sino Iron and Korean Steel are required to continue making payments of Royalty Component B in accordance with the construction of the Disputed Phrase determined by the Court of Appeal. There is no further right of appeal available in respect of the Royalty Component B dispute.

FCD Indemnity Disputes

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

(i) Queensland Nickel FCD Indemnity Claim

On 29 June 2017, the final day of the trial in Proceeding CIV 1808/2013, Mr. Palmer commenced a proceeding against the Company in the Supreme Court of Western Australia ("Proceeding CIV 2072/2017") claiming damages in the sum of AUD2,324,000,000 (now reduced by an amended statement of claim to AUD1,806,438,000). This amount is alleged to represent the reduction in the value of the assets of the joint venture business carried on by the Queensland Nickel group of companies controlled by Mr. Palmer. The joint venture business was a nickel and cobalt refinery located at Yabulu in North Queensland.

As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of Royalty Component B, Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the joint venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

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

On 16 April 2018, the CITIC Parties filed an amended defence, which pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 February 2020, Mineralogy and Mr. Palmer provided an incomplete and informal list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery.

On 19 March 2020, Justice K Martin made orders, including orders that Mineralogy and Mr. Palmer have until 3 April 2020 to file any amended statement of claim and that Mineralogy and Mr. Palmer must provide discovery by 1 May 2020. The proceeding has been listed for a directions hearing on 12 June 2020.

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia ("Proceeding CIV 1267/2018") in which it claims damages in the sum of AUD2,675,400,000. The statement of claim pleads that Mineralogy had agreed to provide:

(a) from December 2009, funding; and

(b) in or about 2013, all future working capital,

to its wholly owned subsidiary, Palmer Petroleum Pty Ltd (now named Aspenglow Pty Ltd) ("Palmer Petroleum"). As Sino Iron and Korean Steel had not paid Royalty Component B from the fourth quarter of 2013 to the second quarter of 2016, it is claimed that Mineralogy did not, and was unable to, provide the funds to Palmer Petroleum

Mineralogy alleges that as a result, Palmer Petroleum was wound up in insolvency. The statement of claim pleads that Palmer Petroleum subsequently lost rights to a Papua New Guinea petroleum prospecting licence and suffered a diminution in value, equivalent to the sale value of oil that allegedly would have been recoverable under that licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum.

On 24 April 2018, the CITIC Parties filed and served their defence, which is in similar terms to their defence in Proceeding CIV 2072/2017. The CITIC Parties have pleaded a number of defences including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 February 2020, Mineralogy provided an incomplete and informal list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. On 19 March 2020, Justice K Martin made orders, including orders that Mineralogy has until 3 April 2020 to file any amended statement of claim and that Mineralogy must provide discovery by 1 May 2020. The proceeding has been listed for a directions hearing on 12 June 2020.

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Mine Continuation Proposals/Tenure Dispute

The continued operation of the Sino Iron Project requires it to extend beyond the footprint it currently occupies. The need for extension is primarily driven by the need to accommodate waste rock and tailings, which are necessary by-products of the mining process. The mining tenements upon which the Sino Iron Project is currently conducted, and those into which the CITIC Parties wish to extend in order to continue operation, are all held by Mineralogy. Without an increased footprint, it will be necessary to suspend operations at the Sino Iron Project.

The CITIC Parties commenced a proceeding against Mineralogy and Mr. Palmer in the Federal Court of Australia ("Proceeding WAD 471/2018") in relation to the failure and refusal of Mineralogy to:

– submit Mine Continuation Proposals for the Sino Iron Project to the State under the State Agreement;

– grant further necessary tenure for the Sino Iron Project;

– take steps to secure the re-purposing of general purpose leases for the Sino Iron Project; and

– submit a Programme of Works for the Sino Iron Project to the State.

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

Mineralogy and Mr. Palmer made a cross-vesting application in which they sought orders that Proceeding WAD 471/2018 be transferred to the Supreme Court of Western Australia. On 17 May 2019, Justice Banks-Smith determined that it was appropriate for this proceeding to be transferred to the Supreme Court of Western Australia. The proceeding was admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 ("Proceeding CIV 1915/2019").

Mediation was conducted in late 2019 but was unsuccessful. Since then, Mineralogy and Mr. Palmer have filed a further amended defence and the CITIC Parties have filed their reply to that defence.

On 19 March 2020, Justice K Martin made orders relating to discovery by categories and applications to strike out or to apply for summary judgment of any part of the pleadings by either party. The proceeding has been listed for a special appointment and directions hearing on 18 and 19 May 2020 to deal with any such applications and any disagreement as to discovery categories.

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by:

(a) an act, matter or thing outside their control;

(b) Mineralogy doing, or failing to do an act (under the MRSLAs or otherwise); or

(c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate ("Minimum Production Royalty"). The Minimum Production Royalty has been the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd ("SIH") in the Supreme Court of Western Australia ("Proceeding CIV 3129/2018"), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer pleaded that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3(a) of the MRSLAs), and accordingly became liable to pay the Minimum Production Royalty by 21 April 2013. Mineralogy sought relief, including:

(a) orders that each of Sino Iron and Korean Steel pay Mineralogy AUD6,865,985 plus US$87,104,633, plus default interest;

(b) an order that the Company pay Mineralogy AUD13,731,970 plus US$174,209,266, plus interest (pursuant to the guarantee under the FCD);

(c) orders for specific performance of the MRSLAs and the FCD; and

(d) a declaration that Sino Iron and Korean Steel have acted in breach of their obligation of good faith.

In the event that Mineralogy was estopped or precluded from seeking the above relief in Proceeding CIV 3129/2018, Mr. Palmer also sought payment by the Company of US$187,941,236 pursuant to the guarantee and indemnity in the FCD.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes (Continued)

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim, on grounds including that it was an abuse of process. That application was heard on 25 September 2019. Justice K Martin delivered his reasons for decision on 13 February 2020, finding in favour of the CITIC Parties. His Honour found that proceeding CIV 3129/2018 was an abuse of process of the court by Mineralogy and Mr. Palmer and that the proceeding should therefore be permanently stayed.

On 20 February 2020, Justice K Martin made orders that Proceeding CIV 3129/2018 be permanently stayed. On 4 March 2020, Mineralogy and Mr. Palmer each filed appeals against Justice K Martin's decision to stay Proceeding CIV 3129 of 2018 (CACV 27 of 2020 and CACV 29 of 2020, respectively). On 5 March 2020, the CITIC Parties and SIH filed notices of intention to take part in the appeals.

No date has been set for the hearing of the appeals.

Site Remediation Fund Dispute

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

(a) Mineralogy will establish the Site Remediation Fund, which will be maintained in a separate interest-bearing trust account, designated as a trust account, and Sino Iron and Korean Steel will make contributions into the Site Remediation Fund; and

(b) for each Operating Year, Mineralogy will "determine an annual charge on account of future Site Remediation Costs … having regard to … Mineralogy's best prevailing estimate of the amount of future Site Remediation Costs … and the number of years remaining until Mine Closure".

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 claims that the CITIC Parties are required to contribute AUD529,378,207 into the Site Remediation Fund established under the MRSLAs, as security for the performance of their obligations relating to the protection of the environment and rehabilitation.

While the CITIC Parties acknowledge their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they dispute the amount claimed by Mineralogy. Among other arguments, the CITIC Parties consider that the amount demanded by Mineralogy is not an "annual charge" as required by clause 20.6(e) of the MRSLAs. Further, the CITIC Parties do not consider that the amount demanded is a "best prevailing estimate" of future site remediation costs, as required by clause 20.6(e) of the MRSLAs.

3 Critical accounting estimates and judgements (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

Site Remediation Fund Dispute (Continued)

The CITIC Parties have filed a defence and counterclaim in Proceeding CIV 2840/2018 seeking, among other things, orders appointing a trustee in place of Mineralogy and a declaration that the annual charge to be made by Sino Iron and Korean Steel in the operating year commencing on 1 July 2018 is AUD6,000,000 or such other amount determined by the Court.

Mediation took place in late 2019, but was unsuccessful.

The parties have been ordered to give discovery by reference to certain categories of documents identified for discovery by 24 April 2020.

On 25 February 2020, Justice K Martin made programming orders and set down the proceeding for a five day trial commencing on 16 November 2020.

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2019 is 16.5% (2018: 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 2019 is 25% (2018: 25%).

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

5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5(a), 5(b) and 5(d)). For non-financial services segment, revenue mainly comprises total invoiced value of sales of goods and services rendered to customers (Note 5(c)).

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

5 Revenue (Continued)

(a) Net interest income

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Interest income arising from(note):		
Deposits with central banks, banks and non-bank financial institutions	9,143	11,819
Placements with banks and non-bank financial institutions	7,167	9,696
Financial assets held under resale agreements	947	1,328
Investments in financial assets		
– Financial assets at amortised cost	44,084	39,301
– Debt investments at FVOCI	23,365	19,573
Loans and advances to customers and other parties	223,189	206,868
Others	18	199
	307,913	288,784
Interest expenses arising from:		
Borrowing from central banks	(9,244)	(10,585)
Deposits from banks and non-bank financial institutions	(28,290)	(31,232)
Placements from banks and non-bank financial institutions	(4,046)	(3,915)
Financial assets sold under repurchase agreements	(1,959)	(1,923)
Deposits from customers	(91,071)	(78,242)
Debt instruments issued	(24,574)	(26,667)
Lease liabilities	(625)	N/A
Others	(316)	(331)
	(160,125)	(152,895)
Net interest income	147,788	135,889

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK$411 million for the year ended 31 December 2019(2018: HK$444 million).

5 Revenue (Continued)

(b) Net fee and commission income

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Guarantee and advisory fees	5,571	6,627
Bank card fees	39,582	29,022
Settlement and clearing fees	1,501	1,502
Agency fees and commission	8,380	5,730
Trustee commission and fees	9,856	13,623
Others	234	530
	65,124	57,034
Fee and commission expenses	(6,807)	(6,641)
Net fee and commission income	58,317	50,393

(c) Sales of goods and services

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Sales of goods	293,731	281,911
Services rendered to customers		
– Revenue from construction contracts	22,853	19,906
– Revenue from other services	27,492	28,471
	344,076	330,288

(d) Other revenue

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Net trading gain (note (i))	5,967	7,708
Net gain on investments in financial assets under financial services segment	10,222	5,575
Net (loss)/gain from securitisation of financial assets	(8)	3,766
Others	135	(334)
	16,316	16,715

5 Revenue (Continued)

(d) Other revenue (Continued)

(i) Net trading gain

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Trading profit:		
– debt securities and certificates of deposits	3,148	4,702
– foreign currencies	2,532	2,354
– derivatives	287	652
	5,967	7,708

6 Costs of sales and services

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Costs of goods sold	244,888	236,327
Costs of services rendered		
– Costs of construction contracts	20,341	17,367
– Costs of other services	17,919	17,169
	283,148	270,863

7 Other net income

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	3,751	3,212
Net gain/(loss) on investments in financial assets under non-financial services segment	2,100	(162)
Net foreign exchange gain	116	1,016
Others	3,977	3,647
	9,944	7,713

8 Expected credit losses

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	**(19)**	12
– financial assets held under resale agreements	**48**	(39)
– account and bills receivables and other receivables	**1,444**	4,067
– loans and advances to customers and other parties	**78,951**	56,447
– investments in financial assets		
– financial assets at amortised cost	**4,060**	1,309
– debt investments at FVOCI	**772**	89
– impairment provision of credit commitments and guarantees provided	**1,261**	(53)
– others	**2,205**	7,227
	88,722	69,059

9 Impairment losses

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Impairment losses charged on/(reversed from):		
– inventories	**1,720**	3,998
– interests in associates (Note 29)	**4,285**	3
– interests in joint ventures	**75**	–
– fixed assets(note)	**26**	1,299
– intangible assets(note)	**22**	65
– prepayments	**(1)**	19
– goodwill	**202**	730
– others	**695**	397
	7,024	6,511

9 Impairment losses (Continued)

Note:

Iron Ore Project

The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operation in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Project have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is compared with its recoverable amount. Impairment is recognised when the carrying amount of the project exceeds its recoverable amount. An impairment assessment was undertaken on the Sino Iron Project by the Group as at 30 June 2019, with an update assessment on 31 December 2019.

In the model a discount rate of 11.88% is used. Iron ore price (including base price, premium on product grade and adjustment on freight) and AU$:US$ exchange rate assumptions are estimated by management with reference to external market forecasts sourced from a range of industry experts. The operating expenditure and capital expenditure for years 2020 to 2022 are forecast based on management's best estimates of costs and expenditures. Beyond the above three-year forecast period, operating expenditure and capital expenditure are forecast to remain relatively stable increasing primarily with inflation.

The impairment testing undertaken at 30 June 2019 and updated at 31 December 2019 did not result in further impairment charge to be recognised (2018: Nil).

The fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);
- Inputs other than quote d prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the CGU that are not based on observable market data (unobservable inputs)(level 3 inputs).

The CGU's fair value hierarchy is Level 3

10 Net finance charges

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Finance costs		
– Interest on bank and other loans	**6,207**	6,446
– Interest on debt instruments issued	**5,786**	5,714
– Interest and finance charges paid/payable for lease liabilities	**684**	N/A
	12,677	12,160
Less: interest expense capitalised (note)	**(349)**	(175)
	12,328	11,985
Other finance charges	**375**	309
	12,703	12,294
Finance income	**(2,264)**	(2,729)
	10,439	9,565

Note:

Capitalisation rates applied to funds borrowed are 2.60% – 5.65% per annum for the year ended 31 December 2019 (2018: capitalisation rate of 2.60% – 5.70%).

11 Profit before taxation

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

(a) Staff costs

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Salaries and bonuses	**49,889**	48,193
Contributions to defined contribution retirement schemes	**5,248**	4,982
Others	**8,918**	9,188
	64,055	62,363

(b) Other items

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Amortisation	**2,387**	2,514
Depreciation (note)	**19,419**	12,577
Lease charges (note)	**1,680**	8,135
Tax and surcharges	**2,673**	2,491
Property management fees	**1,372**	1,308
Non-operating expenses	**1,075**	886
Professional fees (other than auditors' remuneration)	**1,356**	1,191
Auditors' remuneration		
– Audit services	**179**	198
– Non-audit services	**67**	51
	30,208	29,351

Note:

Since 1 January 2019, according to HKFRS 16, ROU assets are depreciated on a straight-line basis, while short-term-leases, low-value leases and variable lease payment are recorded at lease charges.

12 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Current tax – Mainland China		
Provision for enterprise income tax	**24,116**	23,238
Land appreciation tax	**118**	243
	24,234	23,481
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**1,625**	1,993
Current tax – Overseas		
Provision for the year	**191**	174
	26,050	25,648
Deferred tax		
Origination and reversal of temporary differences	**(8,223)**	(6,704)
	17,827	18,944

The particulars of the applicable income tax rates are disclosed in Note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Profit before taxation	**96,015**	93,969
Less: Share of profits of		
– associates	**(8,083)**	(7,914)
– joint ventures	**(5,474)**	(2,786)
	82,458	83,269
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**13,606**	13,739
Effect of different tax rates in other jurisdictions	**7,059**	6,826
Tax effect of unused tax losses not recognised	**900**	387
Tax effect of non-deductible expenses	**4,188**	4,239
Tax effect of non-taxable income (note)	**(8,086)**	(6,532)
Others	**160**	285
Actual tax expense	**17,827**	18,944

Note:

The non-taxable income mainly contains interest income arising from PRC government bonds and local government bonds and dividends from equity investments.

13 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2019 are set out as follows:

	For the year ended 31 December 2019									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i, ii]	–	0.41	0.31	–	0.03	0.15	0.08	–	–	0.98
Wang Jiong [i]	–	0.41	0.31	–	0.03	0.14	0.08	–	–	0.97
Li Qingping [i]	–	0.37	0.28	–	0.03	0.15	0.08	–	–	0.91
Non-executive Directors:										
Song Kangle	–	–	–	–	–	–	–	–	–	–
Yan Shuqin	–	–	–	–	–	–	–	–	–	–
Liu Zhuyu	–	–	–	–	–	–	–	–	–	–
Peng Yanxiang	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.35	–	0.73
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.25	–	0.63
Shohei Harada	0.38	–	–	–	–	–	–	–	–	0.38
Gregory Lynn Curl [ii]	0.29	–	–	–	–	–	–	0.04	–	0.33
Name of Former Directors										
Wu Youguang [ii]	0.03	–	–	–	–	–	–	–	–	0.03
Pu Jian [ii]	–	0.09	0.06	–	0.01	0.04	0.02	–	–	0.22
Lee Boo Jin [ii]	0.09	–	–	–	–	–	–	0.01	–	0.10
Paul Chow Man Yiu [ii]	0.16	–	–	–	–	–	–	0.02	–	0.18
	2.47	1.28	0.96	–	0.10	0.48	0.26	1.07	–	6.62

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The emoluments for the year ended 31 December 2019 in respect of Mr. Chang Zhenming, Mr. Wang Jiong and Ms. Li Qingping have not been finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK$0.219 million for Mr. Chang Zhenming, HK$0.219 million for Mr. Wang Jiong, HK$0.197 million for Ms. Li Qingping and HK$0.084 million for Pu Jian.

(ii) Changes in directors during the year ended 31 December 2019:

(1) On 30 March 2020, Mr. Zhu Hexin was appointed as chairman of the board of directors and executive director of the Company, and Mr. Chang Zhenming was resigned as chairman of the board of directors and executive director of the Company.

(2) In June 2019, Mr. Paul Chow Man Yiu retired as an independent non-executive director of the Company.

(3) In March 2019, Mr Gregory Lynn Curl was appointed as independent non-executive director of the Company, and Ms. Lee Boo Jin resigned as independent non-executive director of the Company.

(4) In February 2019, Mr. Pu Jian resigned as executive director of the Company.

(5) Mr. Wu Youguang was appointed as non-executive director of the Company in March 2018 and subsequently resigned in January 2019.

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2018 are set out as follows:

	For the year ended 31 December 2018									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Social securities in China mainland	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as committee member		Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Name of Current Directors										
Executive Directors:										
Chang Zhenming [i]	–	0.39	0.45	–	0.03	0.15	0.07	–	–	1.09
Wang Jiong [i]	–	0.39	0.44	–	0.03	0.13	0.07	–	–	1.06
Li Qingping [i]	–	0.35	0.40	–	0.02	0.15	0.06	–	–	0.98
Pu Jian [i]	–	0.35	0.40	–	0.02	0.15	0.06	–	–	0.98
Non-executive Directors:										
Song Kangle	–	–	–	–	–	–	–	–	–	–
Yan Shuqin	–	–	–	–	–	–	–	–	–	–
Liu Zhuyu	–	–	–	–	–	–	–	–	–	–
Peng Yanxiang [ii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Wu Youguang [ii]	0.30	–	–	–	–	–	–	–	–	0.30
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.38	–	0.76
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.25	–	0.63
Lee Boo Jin	0.38	–	–	–	–	–	–	0.05	–	0.43
Paul Chow Man Yiu	0.38	–	–	–	–	–	–	0.05	–	0.43
Shohei Harada [ii]	0.27	–	–	–	–	–	–	–	–	0.27
Name of Former Directors										
Liu Yeqiao [ii]	–	–	–	–	–	–	–	–	–	–
Noriharu Fujita [ii]	0.11	–	–	–	–	–	–	–	–	0.11
	2.96	1.48	1.69	–	0.10	0.58	0.26	1.13	–	8.20

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The emoluments for the year ended 31 December 2018 in respect of Mr. Chang Zhenming, Mr. Wang Jiong, Ms. Li Qingping and Mr. Pu Jian were finalised in accordance with the regulations of the relevant local authorities. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK$0.375 million for Mr. Chang Zhenming, HK$0.375 million for Mr. Wang Jiong, HK$0.338 million for Ms. Li Qingping, and HK$0.338 million for Mr. Pu Jian.

(ii) Changes in directors during the year ended 31 December 2018:

(1) Mr. Wu Youguang was appointed as non-executive director of the Company in March 2018 and subsequently resigned in January 2019.

(2) In April 2018, Mr. Shohei Harada was appointed as independent non-executive director of the Company, and Mr. Noriharu Fujita resigned as independent non-executive director of the Company.

(3) In May 2018, Mr. Peng Yanxiang was appointed as non-executive director of the Company, and Mr. Liu Yeqiao resigned as non-executive director of the Company.

(b) Other benefits and interests

For the year ended 31 December 2019, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2018: None). No consideration was provided to or receivable by third parties for making available directors' services (2018: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2019 (2018: None).

14 Individuals with highest emoluments

For the year ended 31 December 2019, none of the five highest paid individuals are directors (2018: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these 5 individuals (2018: five) are as follows:

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Salaries and other emoluments	**13.65**	22.73
Discretionary bonuses	**65.33**	51.46
Retirement scheme contributions	**0.48**	1.04
	79.46	75.23

The emoluments of the 5 individuals (2018: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2019	2018
	Number of individuals	Number of individuals
HK$12,500,001 to HK$13,000,000	**–**	2
HK$13,000,001 to HK$13,500,000	**1**	1
HK$14,000,001 to HK$14,500,000	**1**	–
HK$14,500,001 to HK$15,000,000	**1**	1
HK$16,000,001 to HK$16,500,000	**1**	–
HK$21,000,001 to HK$21,500,000	**1**	–
HK$21,500,001 to HK$22,000,000	**–**	1
	5	5

15 Dividends

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
2018 Final dividend paid: HK$0.26 (2017 Final: HK$0.25) per share	**7,563**	7,273
2019 Interim dividend paid: HK$0.18 (2018 Interim: HK$0.15) per share	**5,236**	4,364
2019 Final dividend proposed: HK$0.285 (2018 Final: HK$0.26) per share	**8,291**	7,563

16 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$53,903 million for the year ended 31 December 2019 (2018: HK$50,239 million) calculated as follows:

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Profit attributable to ordinary shareholders of the Company	**53,903**	50,239
Weighted average number of ordinary shares (in million)	**29,090**	29,090

Diluted earnings per share for the year ended 31 December 2019 and 2018 are same with basic earnings per share. As at 31 December 2019, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2019 (31 December 2018: Nil).

The basic earnings per share and diluted earnings per share for the year ended 31 December 2019 are HK$1.85 (2018: HK$1.73).

17 Other comprehensive loss

Components of other comprehensive loss, including reclassification adjustments

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on financial assets at FVOCI	**5,031**	15,745
Less: Net amounts previously recognised in other comprehensive (income)/loss transferred to profit or loss in the current year	**(2,487)**	177
Tax effect	**(596)**	(4,037)
	1,948	11,885
Allowance change for impairment losses on debt investments at FVOCI	**1,055**	205
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**–**	–
Tax effect	**(275)**	(39)
	780	166
(Loss)/gains arising from cash flow hedge	**(665)**	102
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**21**	102
Tax effect	**56**	30
	(588)	234
Share of other comprehensive income/(loss) of associates and joint ventures	**85**	(1,938)
Exchange differences on translation of financial statements and others	**(19,027)**	(34,735)
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	**1,485**	196
Less: Tax effect	**(368)**	(32)
	1,117	164
Fair value changes on investments in equity instruments designated at FVOCI	**(690)**	(786)
Less: Tax effect	**254**	(58)
	(436)	(844)
	(16,121)	(25,068)

18 Segment reporting

The Group has presented six reportable operating segments which are financial services, resources and energy, manufacturing, engineering contracting, real estate and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that 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 six reportable segments are as follows:

– Financial services: this segment includes banking, trust, asset management, securities and insurance services.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of special steels, heavy machineries, aluminium wheels and other products.

– Engineering contracting: this segment provides contracting and design services for infrastructure, real estate and industrial projects, etc.

– Real estate: this segment includes development, sale and holding of properties.

– Others: others include various businesses including investment and operation of infrastructures, telecommunication services, motor and food and consumer products business, commercial aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit for the year". To arrive at segment results, the Group's profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	For the year ended 31 December 2019								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers	222,316	94,951	119,328	23,373	5,943	100,546	40	–	566,497
Inter-segment revenue	212	6,083	266	1	137	1,211	24	(7,934)	–
Reportable segment revenue	222,528	101,034	119,594	23,374	6,080	101,757	64	(7,934)	566,497
Disaggregation of revenue:									
– Net interest income (Note 5(a))	147,869	–	–	–	65	–	46	(192)	147,788
– Net fee and commission income (Note 5(b))	58,339	–	–	–	–	–	7	(29)	58,317
– Sales of goods (Note 5(c))	–	99,142	116,806	15	3,659	80,141	–	(6,032)	293,731
– Services rendered to customers-construction contracts (Note 5(c))	–	–	1,002	20,277	–	1,598	–	(24)	22,853
– Services rendered to customers-others (Note 5(c))	–	1,892	1,786	3,082	2,356	20,018	–	(1,642)	27,492
– Other revenue (Note 5(d))	16,320	–	–	–	–	–	11	(15)	16,316
Share of profits/(losses) of associates, net of tax (Note 12(b))	3,249	647	160	46	4,128	(435)	288	–	8,083
Share of profits of joint ventures, net of tax (Note 12(b))	1,194	1,539	15	–	1,889	837	–	–	5,474
Finance income (Note 10)	–	253	283	676	639	211	1,599	(1,397)	2,264
Finance costs (Note 10)	–	(2,005)	(1,049)	(127)	(738)	(2,459)	(8,083)	1,758	(12,703)
Depreciation and amortisation (Note 11(b))	(6,972)	(2,940)	(4,669)	(227)	(262)	(6,683)	(53)	–	(21,806)
Expected credit losses (Note 8)	(88,009)	5	(85)	(112)	(386)	(172)	37	–	(88,722)
Impairment losses (Note 9)	(1,735)	(70)	(54)	–	(4,204)	(367)	(594)	–	(7,024)
Profit/(loss) before taxation	73,683	4,369	10,980	2,348	5,294	5,951	(6,444)	(166)	96,015
Income tax (Note 12)	(10,150)	(653)	(2,367)	(497)	(853)	(1,637)	(1,654)	(16)	(17,827)
Profit/(loss) for the year	63,533	3,716	8,613	1,851	4,441	4,314	(8,098)	(182)	78,188
Attributable to:									
– Ordinary shareholders of the Company	42,845	3,015	7,553	1,867	4,347	2,556	(8,098)	(182)	53,903
– Non-controlling interests	20,688	701	1,060	(16)	94	1,758	–	–	24,285

	As at 31 December 2019								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	7,703,980	134,304	117,240	59,030	166,404	162,893	191,563	(245,490)	8,289,924
Including:									
Interests in associates (Note 29)	42,267	21,549	5,262	1,102	38,577	13,013	1,575	–	123,345
Interests in joint ventures (Note 30)	9,871	6,293	197	–	20,341	4,261	–	–	40,963
Reportable segment liabilities	7,027,882	181,491	65,243	44,648	90,368	96,214	234,079	(344,492)	7,395,433
Including:									
Bank and other loans (Note 42) (note)	3,927	39,055	20,070	3,021	11,190	30,817	83,783	(41,185)	150,678
Debt instruments issued (Note 43) (note)	725,589	670	141	–	–	3,845	115,644	(27,860)	818,029

Note:

The amount is the principal excluding interest accrued.

18 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	For the year ended 31 December 2018								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers	202,949	78,722	121,939	19,700	8,968	100,920	87	–	533,285
Inter-segment revenue	(452)	5,009	485	61	3,065	1,308	234	(9,710)	–
Reportable segment revenue	202,497	83,731	122,424	19,761	12,033	102,228	321	(9,710)	533,285
Disaggregation of revenue:									
– Net interest income (Note 5(a))	135,388	–	–	–	–	–	202	299	135,889
– Net fee and commission income (Note 5(b))	50,405	–	–	–	–	–	26	(38)	50,393
– Sales of goods (Note 5(c))	–	82,274	120,224	17	7,998	79,732	–	(8,334)	281,911
– Services rendered to customers-construction contracts (Note 5(c))	–	–	111	16,888	–	2,974	–	(67)	19,906
– Services rendered to customers-others (Note 5(c))	–	1,457	2,089	2,856	4,035	19,522	39	(1,527)	28,471
– Other revenue (Note 5(d))	16,704	–	–	–	–	–	54	(43)	16,715
Share of profits/(losses) of associates, net of tax (Note 12(b))	3,189	1,749	128	119	4,076	(1,491)	144	–	7,914
Share of profits of joint ventures, net of tax (Note 12(b))	337	1,338	3	–	364	744	–	–	2,786
Finance income (Note 10)	–	360	465	510	709	256	1,548	(1,119)	2,729
Finance costs (Note 10)	–	(2,085)	(1,285)	(103)	(736)	(1,588)	(7,532)	1,035	(12,294)
Depreciation and amortisation (Note 11(b))	(3,503)	(2,931)	(4,232)	(188)	(265)	(3,900)	(72)	–	(15,091)
Expected credit losses (Note 8)	(68,501)	19	63	(405)	52	(287)	–	–	(69,059)
Impairment losses (Note 9)	(411)	(1,184)	(532)	–	(3,809)	(575)	–	–	(6,511)
Profit/(loss) before taxation	73,926	3,783	8,085	2,225	8,104	5,675	(6,719)	(1,110)	93,969
Income tax (Note 12)	(12,231)	(811)	(1,399)	(168)	(2,167)	(1,578)	(845)	255	(18,944)
Profit/(loss) for the year	61,695	2,972	6,686	2,057	5,937	4,097	(7,564)	(855)	75,025
Attributable to:									
– Ordinary shareholders of the Company	41,704	2,102	6,008	2,053	5,353	2,049	(8,175)	(855)	50,239
– Non-controlling interests and holders of perpetual capital securities	19,991	870	678	4	584	2,048	611	–	24,786

	As at 31 December 2018								
	Financial services HK$ million	Resources and energy HK$ million	Manufacturing HK$ million	Engineering contracting HK$ million	Real estate HK$ million	Others HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	7,067,565	131,842	134,882	55,432	154,631	151,071	171,453	(206,163)	7,660,713
Including:									
Interests in associates (Note 29)	41,925	19,227	996	867	38,366	14,237	1,013	–	116,631
Interests in joint ventures (Note 30)	8,442	6,409	139	–	17,548	6,082	–	–	38,620
Reportable segment liabilities	6,476,405	175,525	80,894	43,306	92,267	80,208	201,570	(300,122)	6,850,053
Including:									
Bank and other loans (Note 42) (note)	5,898	40,885	31,923	2,657	9,402	34,825	67,778	(37,778)	155,590
Debt instruments issued (Note 43) (note)	628,169	–	144	–	–	3,849	106,561	–	738,723

Note:

The amount is the principal excluding interest accrued.

18 Segment reporting (Continued)

(b) Geographical information

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

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Mainland China	**454,970**	426,667	**7,643,658**	7,011,809
Hong Kong, Macau and Taiwan	**46,494**	59,298	**538,872**	534,766
Overseas	**65,033**	47,320	**107,394**	114,138
	566,497	533,285	**8,289,924**	7,660,713

19 Cash and deposits

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Cash	**7,144**	7,155
Bank deposits	**50,916**	76,214
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**397,724**	459,369
– Surplus deposit reserve funds (note (iii))	**108,958**	146,568
– Fiscal deposits (note (iv))	**2,109**	3,214
– Foreign exchange reserves (note (v))	**3,438**	1,470
Deposits with banks and non-bank financial institutions	**169,119**	138,639
	739,408	832,629
Accrued interest	**1,185**	424
	740,593	833,053
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 46)	**(159)**	(85)
	740,434	832,968

19 Cash and deposits (Continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves funds with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves funds are not available for use in their daily business.

As at 31 December 2019, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 9% (31 December 2018: 12%) of eligible RMB deposits for domestic branches of CITIC Bank and at 9% (31 December 2018: 12%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2018: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 31 December 2019.

As at 31 December 2019, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 7.5% (31 December 2018: 9%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the People's Bank of China.

As at 31 December 2019, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 6% (31 December 2018: 7%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2019, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2018: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$2,635 million (31 December 2018: HK$2,266 million) included in cash and deposits as at 31 December 2019 were restricted in use, mainly including guaranteed deposits.

20 Placements with banks and non-bank financial institutions

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Banks	93,860	70,876
Non-bank financial institutions	131,555	128,345
	225,415	199,221
Accrued interest	1,361	997
	226,776	200,218
Less: allowance for impairment losses (Note 46)	(90)	(188)
	226,686	200,030
Analysed by remaining maturity:		
– Within 1 month	139,968	132,834
– Between 1 month and 1 year	69,316	66,387
– Over 1 year	16,131	–
	225,415	199,221
Accrued interest	1,361	997
	226,776	200,218
Less: allowance for impairment losses (Note 46)	(90)	(188)
	226,686	200,030

21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards, swaps and option transactions. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

21 Derivative financial instruments (Continued)

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks. Hedging instruments are derivatives used as hedge accounting, and non-hedging instruments are derivatives not used as hedge accounting.

	As at 31 December					
	2019			2018		
	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge (note 2(l)(i)):						
– Interest rate derivatives	3,227	16	18	9,570	116	9
– Currency derivatives	807	–	71	446	–	22
Cash flow hedge (note 2(l)(ii)):						
– Interest rate derivatives	13,382	4	1,666	15,214	6	1,370
– Currency derivatives	231	–	5	386	7	–
– Other derivatives	1,406	356	29	2,086	546	59
Non-hedging instruments						
– Interest rate derivatives	3,218,877	5,792	5,760	2,097,185	6,859	6,812
– Currency derivatives	1,691,109	13,175	12,345	2,965,101	28,449	28,061
– Precious metals derivatives	14,194	237	817	66,930	1,195	1,335
– Other derivatives	9,928	–	52	1,272	116	8
	4,953,161	19,580	20,763	5,158,190	37,294	37,676

21 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Within 3 months	**1,962,082**	2,195,091
Between 3 months and 1 year	**1,958,516**	2,327,455
Between 1 year and 5 years	**1,011,931**	623,939
Over 5 years	**20,632**	11,705
	4,953,161	5,158,190

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking and Insurance Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2019, the credit risk weighted amount for counterparty was HK$16,333 million (31 December 2018: HK$23,006 million).

22 Trade and other receivables

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Account and bills receivables (note (a))	**51,393**	46,494
Advanced payments and settlement accounts	**39,290**	2,688
Prepayments, deposits and other receivables (note (b))	**83,207**	67,425
	173,890	116,607
Less: allowance for impairment losses (Note 46)	**(6,463)**	(5,550)
	167,427	111,057

As at 31 December 2019, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$7,382 million (31 December 2018: HK$7,102 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

22 Trade and other receivables (Continued)

(a) Account and bills receivables

(i) Account and bills receivables at amortised cost by overdue analysis

As at 31 December 2019, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account and bills receivables. As at the balance sheet date, the analysis of account and bills receivables at amortised cost of the Group based on the days overdue is as follows:

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million
Current	1%	24,253	(281)
Up to 3 months overdue	11%	2,305	(249)
3 months to 1 year overdue	6%	815	(51)
Over 1 year overdue	30%	9,605	(2,899)
		36,978	(3,480)

	As at 31 December 2018		
	Expected credit loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million
Current	2%	24,222	(386)
Up to 3 months overdue	2%	1,807	(37)
3 months to 1 year overdue	7%	2,230	(151)
Over 1 year overdue	36%	7,848	(2,849)
		36,107	(3,423)

Note:

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

22 Trade and other receivables (Continued)

(a) Account and bills receivables (Continued)

(ii) Account and bills receivables at amortised cost by ageing analysis

As at 31 December 2019 and 2018, the ageing analysis of account and bills receivables at amortised cost of the Group based on invoice date is as follows:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Within 1 year	**26,884**	28,014
Over 1 year	**10,094**	8,093
	36,978	36,107
Less: allowance for impairment losses (Note 46)	**(3,480)**	(3,423)
	33,498	32,684

(iii) As at 31 December 2019, the carrying amount of bills receivables at FVOCI was HK$14,415 million (31 December 2018: HK$10,387 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2019 and 2018 are disclosed in Note 46.

(b) Prepayments, deposits and other receivables

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Prepayments, deposits and other receivables	**83,207**	67,425
Less: allowance for impairment losses (Note 46)	**(2,676)**	(2,127)
	80,531	65,298

23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Contract assets	**11,511**	11,074
Less: Allowance for impairment losses (note(a))	**(7)**	(6)
Total contract assets	**11,504**	11,068
Advances from contracts with customers	**21,380**	18,535
Total contract liabilities	**21,380**	18,535

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Expected credit loss rate (note)	**0.06%**	0.05%
Gross carrying amount	**11,511**	11,074
Loss allowance provision	**(7)**	(6)

Note:

The ECL rate here is the average rate of loss allowance provision divided by gross carrying amount.

(b) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group did not have balances related to costs to fulfil a contract to be recognised as other assets as at 31 December 2019 (31 December 2018: Nil).

(c) Revenue recognised during the year that related to carried-forward contract liabilities

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Revenue from contracts with customers	**7,480**	7,104

(d) Revenue to be recognised in relating to unsatisfied performance obligations

As at 31 December 2019, transaction price allocated to unsatisfied contracts of the Group amounted at HK$76,132 million (2018: HK$73,179 million), of which HK$28,491 million is expected to be recognised as revenue in the next year (2018: HK$19,886 million) and the remaining HK$47,641 million is expected to be recognised after more than one year(2018: HK$53,293 million).

24 Inventories

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Raw materials	**6,384**	6,997
Work-in-progress	**5,898**	6,319
Finished goods	**16,340**	19,939
Properties:		
– Properties under development	**14,818**	17,740
– Properties held-for-sale	**5,166**	2,807
– Others	**3,371**	1,189
Others	**2,758**	3,096
	54,735	58,087

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Carrying amount of inventories sold	**244,888**	236,327
Write-down of inventories (Note 46)	**2,323**	4,854
Reversal of write-down of inventories (Note 46)	**(603)**	(856)
	246,608	240,325

As at 31 December 2019, the Group's inventories included an amount of HK$18,546 million expected to be recovered after more than one year (31 December 2018: HK$19,299 million).

25 Financial assets held under resale agreements

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Analysed by counterparties:		
– Banks	**11,164**	4,977
– Non-bank financial institutions	**5**	7,975
	11,169	12,952
Accrued interest	**1**	8
	11,170	12,960
Less: allowance for impairment losses (Note 46)	**(53)**	(5)
	11,117	12,955

Analysed by types of collateral:

As at 31 December 2019 and 2018, the collateral of the Group's financial assets held under resale agreements are all securities.

Analysed by remaining maturity:

As at 31 December 2019, the Group's financial assets held under resale agreements will expire within one month (31 December 2018: within one month).

26 Loans and advances to customers and other parties

(a) Loans and advances to customers and other parties analysed by nature

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	**2,153,473**	2,106,071
– Discounted bills	**7,995**	169,204
– Finance lease receivables	**48,004**	54,574
	2,209,472	2,329,849
Personal loans:		
– Residential mortgages	**867,018**	734,315
– Credit cards	**574,535**	505,013
– Personal consumption	**232,268**	232,656
– Business loans	**253,525**	222,252
	1,927,346	1,694,236
	4,136,818	4,024,085
Accrued interest	**11,388**	10,016
	4,148,206	4,034,101
Less: allowance for impairment losses (Note 46)	**(134,001)**	(119,857)
Carrying amount of loans and advances to customers and other parties at amortised cost	**4,014,205**	3,914,244
Loans and advances to customers and other parties at FVPL		
Personal loans		
– Residential mortgages	**7,719**	–
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	**1,029**	156
– Discounted bills	**343,686**	110,001
Carrying amount of loans and advances to customers and other parties at FVOCI	**344,715**	110,157
Total carrying amount of loans and advances	**4,366,639**	4,024,401
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 46)	**(521)**	(151)

26 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses

	As at 31 December 2019				
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 (note) HK$ million	Total HK$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	3,948,280	110,636	77,902	4,136,818	1.73%
Accrued interest	10,513	863	12	11,388	
Less: allowance for impairment losses	(43,509)	(30,234)	(60,258)	(134,001)	
Carrying amount of loans and advances at amortised cost	3,915,284	81,265	17,656	4,014,205	
Carrying amount of loans and advances at FVOCI	344,630	53	32	344,715	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	4,259,914	81,318	17,688	4,358,920	
Allowance for impairment losses of loans and advances at FVOCI	(505)	–	(16)	(521)	

26 Loans and advances to customers and other parties (Continued)

(b) Assessment method of allowance for impairment losses (Continued)

As at 31 December 2018

	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 (note) HK$ million	Total HK$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	3,840,531	108,412	75,142	4,024,085	1.81%
Accrued interest	9,008	987	21	10,016	
Less:allowance for impairment losses	(40,174)	(26,464)	(53,219)	(119,857)	
Carrying amount of loans and advances at amortised cost	3,809,365	82,935	21,944	3,914,244	
Carrying amount of loans and advances at FVOCI	110,157	–	–	110,157	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	3,919,522	82,935	21,944	4,024,401	
Allowance for impairment losses of loans and advances at FVOCI	(151)	–	–	(151)	

Notes:

Loans and advances at stage 3 are credit-impaired, details are as follows:

	As at 31 December 2019 HK$ million	2018 HK$ million
Secured portion	**46,686**	43,453
Unsecured portion	**31,260**	31,710
Total loans and advances that are credit-impaired	**77,946**	75,163
Allowance for impairment losses	**(60,274)**	(53,219)
	17,672	21,944

As at 31 December 2019, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK$48,141 million (31 December 2018: HK$41,669 million).

26 Loans and advances to customers and other parties (Continued)

(c) Overdue loans by overdue period

	As at 31 December 2019				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	19,179	11,734	1,682	160	32,755
Guaranteed loans	11,558	7,089	4,679	256	23,582
Secured loans					
– Loans secured by collateral	27,873	12,429	12,067	2,498	54,867
– Pledged loans	2,723	2,082	1,438	113	6,356
	61,333	33,334	19,866	3,027	117,560

	As at 31 December 2018				
	Overdue within 3 months HK$ million	Overdue between 3 months and 1 year HK$ million	Overdue between 1 year and 3 years HK$ million	Overdue over 3 years HK$ million	Total HK$ million
Unsecured loans	11,209	10,959	2,256	562	24,986
Guaranteed loans	10,595	9,464	7,577	715	28,351
Secured loans					
– Loans secured by collateral	18,749	15,224	13,784	3,107	50,864
– Pledged loans	2,805	2,234	1,999	131	7,169
	43,358	37,881	25,616	4,515	111,370

Overdue loans represent loans of which the principal or interest are overdue one day or more.

27 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Financial assets at amortised cost		
Debt securities	645,126	438,361
Investment management products managed by securities companies (note (i))	208,896	262,905
Trust investment plans (note (i))	183,442	178,161
Certificates of deposit and certificates of interbank deposit	111	13,018
Wealth management products	33	1,198
Investments in creditor's rights on assets	570	583
Others	409	445
	1,038,587	894,671
Accrued interest	11,080	9,644
	1,049,667	904,315
Less: allowance for impairment losses (Note 46)	(8,670)	(4,967)
	1,040,997	899,348
Financial assets at FVPL		
Debt securities	50,399	86,115
Including: designated at FVPL	–	60
Investment management products managed by securities companies (note (i))	3,159	3,413
Trust investment plans (note (i))	7,395	36,911
Certificates of deposit and certificates of interbank deposit	52,236	19,074
Wealth management products	4,124	1,946
Investment funds	267,812	233,132
Equity investment	18,576	14,572
Others	75	96
	403,776	395,259
Debt investments at FVOCI (note (ii))		
Debt securities	688,554	560,392
Certificates of deposit and certificates of interbank deposit	5,433	14,431
Others	–	380
	693,987	575,203
Accrued interest	7,949	7,696
	701,936	582,899
Allowance for impairment losses on debt investments at FVOCI	(1,820)	(1,185)
Equity investments at FVOCI (note(ii))		
Equity investment	6,602	6,504
Investment funds	418	417
	7,020	6,921
	2,153,729	1,884,427

27 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

(i) As at 31 December 2019, an aggregate of HK$103,340 million (31 December 2018: HK$113,096 million) of trust investment plans and investment management products were managed by the subsidiaries and related parties of the Group.

The underlying assets of trust investment plans and investment management products managed by securities companies primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills.

(ii) Financial assets measured at FVOCI.

	As at 31 December 2019		
	Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	7,931	685,475	693,406
Accumulative fair value change in OCI	(911)	8,512	7,601
Accrued interest	–	7,949	7,949
Carrying amount	7,020	701,936	708,956
Allowance for impairment losses (Note 46)	N/A	(1,820)	(1,820)

	As at 31 December 2018		
	Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	7,778	568,893	576,671
Accumulative fair value change in OCI	(857)	6,310	5,453
Accrued interest	–	7,696	7,696
Carrying amount	6,921	582,899	589,820
Allowance for impairment losses (Note 46)	N/A	(1,185)	(1,185)

27 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Issued by:		
– Government	**753,257**	560,789
– Policy banks	**110,331**	139,707
– Banks and non-bank financial institutions	**1,100,440**	993,732
– Corporates	**170,267**	170,371
– Public entities	**405**	2,488
	2,134,700	1,867,087
Accrued interest	**19,029**	17,340
	2,153,729	1,884,427
– Listed in Hong Kong	**55,218**	53,747
– Listed outside Hong Kong	**1,586,899**	1,250,302
– Unlisted	**492,583**	563,038
	2,134,700	1,867,087
Accrued interest	**19,029**	17,340
	2,153,729	1,884,427

Bonds traded in China's inter-bank bond market are "listed outside Hong Kong".

27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	As at 31 December 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Gross carrying amount of investments in financial assets at amortised cost	1,015,265	12,709	10,613	1,038,587
Accrued interest	10,995	85	–	11,080
Less: allowance for impairment losses	(4,212)	(515)	(3,943)	(8,670)
Carrying amount of investments in financial assets at amortised cost	1,022,048	12,279	6,670	1,040,997
Gross carrying amount of debt investments in financial assets at FVOCI	693,626	138	223	693,987
Accrued interest	7,949	–	–	7,949
Carrying amount of debt investments in financial assets at FVOCI	701,575	138	223	701,936
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,723,623	12,417	6,893	1,742,933
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,486)	(3)	(331)	(1,820)

27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses (Continued)

	As at 31 December 2018			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Gross carrying amount of investments in financial assets at amortised cost	886,393	5,431	2,847	894,671
Accrued interest	9,635	9	–	9,644
Less: allowance for impairment losses	(3,140)	(325)	(1,502)	(4,967)
Carrying amount of investments in financial assets at amortised cost	892,888	5,115	1,345	899,348
Gross carrying amount of debt investments in financial assets at FVOCI	574,833	118	252	575,203
Accrued interest	7,695	1	–	7,696
Carrying amount of debt investments in financial assets at FVOCI	582,528	119	252	582,899
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,475,416	5,234	1,597	1,482,247
Allowance for impairment losses on debt investments in financial assets at FVOCI	(830)	(2)	(353)	(1,185)

28 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 58.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), CITIC Telecom International Holdings Limited ("CITIC Telecom International") and CITIC Resources Holdings Limited ("CITIC Resources"), which are listed subsidiaries of the Group and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

28 Subsidiaries (Continued)

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	41.81%	40.64%	40.50%	40.50%
Total assets	7,535,815	6,923,892	23,220	22,437	18,376	17,965	12,668	13,680
Mainly including:								
Cash and deposits	652,454	727,986	4,103	4,287	1,313	1,049	1,635	1,921
Placements with banks and non-bank financial institutions	228,345	201,049	–	–	–	–	–	–
Derivative financial assets	19,109	36,511	–	–	–	–	356	534
Financial assets held under resale agreements	11,112	12,315	–	–	–	–	–	–
Loans and advances to customers and other parties	4,345,489	4,012,383	–	–	–	–	–	–
Investments in financial assets	2,091,581	1,826,253	918	1,284	–	–	–	2
Fixed assets	24,975	24,406	5,629	5,851	2,435	2,767	3,004	3,115
ROU assets	12,769	–	32	–	695	–	102	–
Total liabilities	(6,941,336)	(6,406,789)	(14,862)	(14,044)	(8,950)	(9,070)	(6,475)	(7,626)
Mainly including:								
Borrowing from central banks	(268,256)	(326,901)	–	–	–	–	–	–
Deposits from banks and non-bank financial institutions	(1,061,781)	(892,792)	–	–	–	–	–	–
Placements from banks and non-bank financial institutions	(103,306)	(131,658)	–	–	–	–	–	–
Trade and other payables	–	–	(2,734)	(2,600)	(946)	(849)	(137)	(158)
Derivative financial liabilities	(18,795)	(36,117)	–	–	–	–	(7)	(24)
Financial assets sold under repurchase agreements	(124,849)	(137,315)	–	–	–	–	–	–
Deposits from customers	(4,547,163)	(4,165,271)	–	–	–	–	–	–
Bank and other loans	–	–	(7,352)	(7,739)	(2,716)	(3,369)	(5,053)	(4,532)
Lease liabilities	(12,164)	–	(35)	–	(506)	–	(91)	–
Net assets	594,479	517,103	8,358	8,393	9,426	8,895	6,193	6,054
Equity attributable to								
– Ordinary shareholders of subsidiaries	493,828	458,464	7,996	8,170	9,377	8,855	6,253	6,141
– Non-controlling interests in subsidiaries	100,651	58,639	362	223	49	40	(60)	(87)
Carrying amount of non-controlling interests	268,701	214,654	2,979	2,897	3,970	3,639	2,471	2,400

28 Subsidiaries (Continued)

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million
Revenue	213,693	196,235	5,960	6,156	9,014	9,464	3,426	4,427
Profit for the year	55,724	53,716	156	179	1,020	968	631	950
Total comprehensive income for the year	58,229	68,469	184	140	1,045	966	414	485
Profit attributable to non-controlling interests	20,700	19,990	66	94	437	403	274	412
Dividends paid to non-controlling interests	6,411	7,067	10	25	299	255	111	80
Net cash generated from operating activities	133,039	121,123	535	857	2,417	1,816	655	962
Net cash (used in)/generated from investing activities	(287,832)	(171,147)	(235)	349	(466)	(370)	694	764
Net cash generated from/(used in) financing activities	114,397	87,652	(496)	(910)	(1,683)	(1,800)	(1,659)	(1,171)

29 Interests in associates

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Carrying value	130,080	119,127
Less: allowance for impairment losses (Note 46)	(6,735)	(2,496)
	123,345	116,631

Notes:

The particulars of the principal associates are set out in Note 58.

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million
Listed in:	**Hong Kong**		**Hong Kong, Shanghai**		**Canada**	
Gross amount of the associates						
Total assets	852,720	758,537	883,836	745,415	28,057	22,457
Total liabilities	(499,218)	(431,734)	(699,137)	(566,425)	(638)	(516)
Net assets	353,502	326,803	184,699	178,990	27,419	21,941
Equity attributable to:						
– Associates' shareholders	343,245	316,678	180,430	174,778	28,081	22,551
– Non-controlling interests in associates	10,257	10,125	4,269	4,212	(662)	(610)
	353,502	326,803	184,699	178,990	27,419	21,941

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below (Continued):

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million
Revenue	187,901	171,461	64,922	60,447	–	–
Profit for the year	42,464	40,470	14,386	11,692	152	155
Other comprehensive (loss)/ income for the year	(3,670)	(13,879)	995	(1,141)	(37)	(260)
Total comprehensive income/(loss) for the year	38,794	26,591	15,381	10,551	115	(105)
Dividends received from associates	1,041	931	796	913	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	343,245	316,678	180,430	174,778	28,081	22,551
Group's effective interest	10%	10%	16.50%	16.50%	26.31%	19.50%
Group's share of net assets of associates	34,325	31,668	29,771	28,838	7,388	4,397
Goodwill and others	1,417	1,417	1,309	1,309	(169)	–
Impairment of interests in associates	(2,606)	–	–	–	–	–
Carrying amounts in the consolidated balance sheet	33,136	33,085	31,080	30,147	7,219	4,397
Quoted fair value	33,252	29,472	56,478	36,459	7,984	2,678

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	51,928	49,002
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	1,736	2,156
Other comprehensive loss for the year	(98)	(399)
Total comprehensive income for the year	1,638	1,757

30 Interests in joint ventures

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Carrying value	**42,450**	40,068
Less: allowance for impairment losses (Note 46)	**(1,487)**	(1,448)
	40,963	38,620

The particulars of the principal joint ventures are set out in Note 58.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		**中船置業有限公司**		**山東新巨龍能源有限責任公司**	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Gross amount of the joint ventures						
Total assets	**116,227**	85,186	**18,501**	13,566	**19,178**	20,345
Total liabilities	**(105,977)**	(77,758)	**(10,091)**	(8,240)	**(14,253)**	(15,907)
Net assets	**10,250**	7,428	**8,410**	5,326	**4,925**	4,438
Equity attributable to:						
– Joint ventures' shareholders	**9,680**	6,840	**8,410**	5,326	**4,925**	4,438
– Non-controlling interests in joint ventures	**570**	588	**–**	–	**–**	–
	10,250	7,428	**8,410**	5,326	**4,925**	4,438

30 Interests in joint ventures (Continued)

Summarised financial information of the material joint ventures are disclosed below (Continued):

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		山東新巨龍能源有限責任公司	
	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million	2019 HK$ million	2018 HK$ million
Revenue	28,304	20,743	4,765	211	9,300	8,381
Profit/(loss) for the year	2,070	1,307	3,230	(13)	3,280	2,773
Other comprehensive income for the year	970	13	–	–	–	–
Total comprehensive income/(loss) for the year	3,040	1,320	3,230	(13)	3,280	2,773
Dividends received from joint ventures	–	–	–	–	638	1,005
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	9,680	6,840	8,410	5,326	4,925	4,438
Group's effective interest	50%	50%	50%	50%	30%	30%
Group's share of net assets of joint ventures	4,840	3,420	4,205	2,663	1,478	1,331
Goodwill and others	1,255	1,339	49	13	1,068	1,122
Carrying amount in the consolidated balance sheet	6,095	4,759	4,254	2,676	2,546	2,453

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	28,068	28,732
Aggregate amount of the Group's share of those joint ventures		
Profit for the year	1,856	1,408
Other comprehensive loss for the year	(49)	(6)
Total comprehensive income for the year	1,807	1,402

31 Fixed assets

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 31 December 2018	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	32,579
Changes in accounting policies (Note 2(f))	(3,916)	(126)	–	–	(510)	(180)	(4,732)	(19,637)	(24,369)	–
At 1 January 2019	77,991	168,715	19,402	16,807	12,691	15,622	311,228	–	311,228	32,579
Exchange adjustments	(1,488)	(1,758)	(294)	(346)	(138)	(279)	(4,303)	–	(4,303)	(513)
Disposal of subsidiaries	(3,064)	(8,007)	(566)	(296)	(75)	(587)	(12,595)	–	(12,595)	–
Transfers into assets classified as held for sale (Note 36)	(2,313)	(7,011)	(591)	(331)	(1)	(8,854)	(19,101)	–	(19,101)	–
Additions	1,504	2,959	11,269	2,272	936	1,102	20,042	–	20,042	149
Disposals	(1,490)	(2,234)	–	(993)	(497)	(600)	(5,814)	–	(5,814)	(543)
Transfers	7,997	3,031	(15,506)	120	146	628	(3,584)	–	(3,584)	5,166
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	717
At 31 December 2019	79,137	155,695	13,714	17,233	13,062	7,032	285,873	–	285,873	37,555
Accumulated depreciation, amortisation and impairment losses:										
At 31 December 2018	(23,324)	(92,917)	(1,189)	(11,723)	(6,482)	(7,731)	(143,366)	(2,584)	(145,950)	–
Changes in accounting policies (Note 2(f))	635	123	–	–	86	63	907	2,584	3,491	–
At 1 January 2019	(22,689)	(92,794)	(1,189)	(11,723)	(6,396)	(7,668)	(142,459)	–	(142,459)	–
Exchange adjustments	432	865	56	321	64	130	1,868	–	1,868	–
Disposal of subsidiaries	774	2,978	–	165	47	229	4,193	–	4,193	–
Transfers into assets classified as held for sale (Note 36)	363	4,120	–	198	1	4,757	9,439	–	9,439	–
Charge for the year	(2,366)	(6,635)	–	(1,679)	(645)	(1,326)	(12,651)	–	(12,651)	–
Disposals	570	1,596	208	847	232	385	3,838	–	3,838	–
Impairment losses (Note 46)	(288)	290	–	–	(2)	(26)	(26)	–	(26)	–
At 31 December 2019	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	–	(135,798)	–
Net book value:										
At 31 December 2019	55,933	66,115	12,789	5,362	6,363	3,513	150,075	–	150,075	37,555
Represented by:										
Cost	79,137	155,695	13,714	17,233	13,062	7,032	285,873	–	285,873	–
Valuation	–	–	–	–	–	–	–	–	–	37,555
	79,137	155,695	13,714	17,233	13,062	7,032	285,873	–	285,873	37,555

31 Fixed assets (Continued)

	Property, plant and equipment									
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:										
At 31 December 2017	78,380	170,425	20,098	17,644	13,362	15,657	315,566	21,733	337,299	33,073
Changes in accounting policies	–	–	(2,932)	–	–	–	(2,932)	–	(2,932)	–
At 1 January 2018	78,380	170,425	17,166	17,644	13,362	15,657	312,634	21,733	334,367	33,073
Exchange adjustments	(3,022)	(4,175)	(787)	(705)	(319)	(693)	(9,701)	(864)	(10,565)	(813)
Business combination	2,063	708	1	4	4	60	2,840	811	3,651	–
Disposal of subsidiaries	(476)	(474)	–	(14)	(22)	(5)	(991)	(2,182)	(3,173)	–
Additions	5,183	2,440	8,545	2,184	695	1,591	20,638	536	21,174	550
Disposals	(1,738)	(3,283)	(335)	(2,454)	(567)	(1,083)	(9,460)	(397)	(9,857)	(1,610)
Transfers	1,517	3,200	(5,188)	148	48	275	–	–	–	425
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	954
At 31 December 2018	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	32,579
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2018	(21,675)	(90,773)	(1,294)	(11,965)	(5,865)	(7,381)	(138,953)	(2,299)	(141,252)	–
Exchange adjustments	864	2,310	30	492	145	286	4,127	138	4,265	–
Business combination	(44)	(5)	–	(2)	(1)	(1)	(53)	(8)	(61)	–
Disposal of subsidiaries	76	219	–	7	16	4	322	7	329	–
Charge for the year	(2,545)	(6,753)	–	(1,843)	(782)	(995)	(12,918)	(431)	(13,349)	–
Disposals	617	2,195	75	1,589	357	575	5,408	9	5,417	–
Impairment losses (Note 46)	(617)	(110)	–	(1)	(352)	(219)	(1,299)	–	(1,299)	–
At 31 December 2018	(23,324)	(92,917)	(1,189)	(11,723)	(6,482)	(7,731)	(143,366)	(2,584)	(145,950)	–
Net book value:										
At 31 December 2018	58,583	75,924	18,213	5,084	6,719	8,071	172,594	17,053	189,647	32,579
Represented by:										
Cost	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	–
Valuation	–	–	–	–	–	–	–	–	–	32,579
	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	32,579

31 Fixed assets (Continued)

As at 31 December 2019, the Group was in the process of applying the ownership certificates in respect of certain premises of HK$14,372 million (31 December 2018: HK$3,841 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2019 and 2018 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2019
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	Centaline Surveyors Limited
	Zhong Ming(Beijing) Assets Appraisal International Co., Ltd.
	Prudential Surveyors (Hong Kong) Limited
	YINXIN Appraisal Co., Ltd.
	Knight Frank Petty Limited
	Beijing Dexiang Assets Appraisal Co., Ltd.
Overseas	Network Real Estate Appraisal Co., Ltd.
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Property valuation (Continued)

Properties located in	Valuers in 2018
Mainland China and Hong Kong	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	China Enterprise Appraisals Consultation Co., Ltd.
	Shanghai Dongzhou Real Estate Appraisal Co., Ltd.
	Prudential Surveyors (Hong Kong) Limited
	Zhong Ming (Beijing) Asset Appraisal International Co., Ltd.
	Centaline Surveyors Limited
	Beijing Dexiang Assets Appraisal Co., Ltd.
	PAN-CHINA Assets Appraisal Co., Ltd.
	Knight Frank Petty Limited
	YINXIN Appraisal Co., Ltd.
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited
	Network Real Estate Appraisal Co., Ltd.

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

	Level 3 For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	18,067	17,851
Exchange adjustments	(509)	(777)
Additions	125	28
Disposals	(195)	(1,109)
Transfers	5,236	1,651
Change in fair value of investment properties	1,032	423
At 31 December	23,756	18,067
Investment properties – Hong Kong		
At 1 January	14,068	14,779
Exchange adjustments	(2)	1
Additions	23	519
Disposals	(348)	(501)
Transfers	(70)	(1,226)
Change in fair value of investment properties	(340)	496
At 31 December	13,331	14,068
Investment properties – Overseas		
At 1 January	444	443
Exchange adjustments	(2)	(37)
Additions	1	3
Change in fair value of investment properties	25	35
At 31 December	468	444

31 Fixed assets (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2019, there were no Level 1 and Level 2 fair value hierarchy (2018: Nil) and no transfers into or out of Level 3 (2018: Nil).

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.

32 ROU assets and lease liabilities

(a) ROU assets

	Plant and buildings HK$ million	Machinery and equipment HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Sub-total HK$ million	Land use rights HK$ million	Total HK$ million
At 31 December 2018	–	–	–	–	–	–	–	–
Changes in accounting policies (Note 2(f))	27,280	13	151	524	698	28,666	20,292	48,958
At 1 January 2019	27,280	13	151	524	698	28,666	20,292	48,958
Exchange adjustments	(432)	–	(2)	(46)	(16)	(496)	(265)	(761)
Additions	6,109	12	8	6	358	6,493	1,573	8,066
Reductions	(282)	(1)	(5)	–	(1)	(289)	(104)	(393)
Transfers	–	–	–	–	–	–	(1,636)	(1,636)
Disposal of subsidiaries	(142)	–	(4)	(17)	–	(163)	(337)	(500)
Transfers into assets classified as held for sale (Note 36)	(9,926)	–	–	–	–	(9,926)	(96)	(10,022)
Depreciation charge	(6,335)	(11)	(49)	(140)	(130)	(6,665)	(553)	(7,218)
At 31 December 2019	16,272	13	99	327	909	17,620	18,874	36,494

(i) The expense relating to short-term leases (included in cost of goods sold and other operating expenses) and the expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses) for the year ended 31 December 2019 were HK$1,071 million.

(ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK$609 million.

(iii) The total cash outflow for leases for the year ended 31 December 2019 was HK$8,353 million.

32 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

	As at 31 December 2019 HK$ million
– Within 1 year	4,668
– Over 1 year	12,767
	17,435

As at 31 December 2019, the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December 2019 HK$ million
– Within 1 year	4,835
– Between 1 and 5 year	11,420
– Over 5 year	3,545
	19,800

33 Intangible assets

	For the year ended 31 December			
	Mining assets HK$ million	Franchise right HK$ million	Others HK$ million	Total HK$ million
Cost:				
At 1 January 2019	19,316	3,015	14,816	37,147
Exchange adjustments	–	(2)	(220)	(222)
Additions	12	–	2,160	2,172
Disposals of subsidiaries	–	–	(532)	(532)
Transfers into assets classified as held for sale (Note 36)	–	(3,013)	(122)	(3,135)
Disposals	(46)	–	(313)	(359)
At 31 December 2019	19,282	–	15,789	35,071
Accumulated amortisation and impairment losses:				
At 1 January 2019	(17,023)	(262)	(5,475)	(22,760)
Exchange adjustments	–	–	79	79
Charge for the year	(56)	(150)	(1,295)	(1,501)
Disposals of subsidiaries	–	–	425	425
Transfers into assets classified as held for sale (Note 36)	–	412	25	437
Disposals	46	–	202	248
Impairment losses (Note 46)	–	–	(22)	(22)
At 31 December 2019	(17,033)	–	(6,061)	(23,094)
Net book value:				
At 31 December 2019	2,249	–	9,728	11,977

33 Intangible assets (Continued)

	For the year ended 31 December				
	Roads operating rights HK$ million	Mining assets HK$ million	Franchise right HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2018	11,358	19,323	3,022	12,424	46,127
Exchange adjustments	(120)	(4)	(5)	(487)	(616)
Additions	–	7	–	3,160	3,167
Disposals of subsidiaries	(11,238)	–	–	–	(11,238)
Disposals	–	(10)	(2)	(281)	(293)
At 31 December 2018	–	19,316	3,015	14,816	37,147
Accumulated amortisation and impairment losses:					
At 1 January 2018	(1,189)	(16,971)	(117)	(4,129)	(22,406)
Exchange adjustments	13	4	3	165	185
Charge for the year	(71)	(53)	(150)	(1,574)	(1,848)
Disposals of subsidiaries	1,247	–	–	–	1,247
Disposals	–	10	2	115	127
Impairment losses (Note 46)	–	(13)	–	(52)	(65)
At 31 December 2018	–	(17,023)	(262)	(5,475)	(22,760)
Net book value:					
At 31 December 2018	–	2,293	2,753	9,341	14,387

Amortisation charge is included in “cost of sales and services” and “other operating expenses” in the consolidated income statement.

34 Goodwill

	For the year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Cost:		
At 1 January	**23,971**	24,373
Additions	**203**	32
Disposals	**(61)**	(130)
Transfers into assets classified as held for sale (Note 36)	**(950)**	–
Exchange differences	**(612)**	(304)
At 31 December	**22,551**	23,971
Accumulated impairment losses:		
At 1 January	**(1,086)**	(384)
Additions (Note 46)	**(202)**	(730)
Disposals	**–**	3
Exchange differences	**(60)**	25
At 31 December	**(1,348)**	(1,086)
Net book value:		
At 31 December	**21,203**	22,885

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Resources and energy	**649**	649
Financial services	**1,495**	1,509
Manufacturing	**1,002**	1,086
Real estate	**389**	391
Others	**17,668**	19,250
	21,203	22,885

In conducting goodwill impairment test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination.

The recoverable amount of an asset group or a group of asset groups is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of an asset group or a group of asset groups will not be recognized if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

Based on management's impairment assessment, impairment loss of HK$202 million was recognised for the year ended 31 December 2019 (2018: HK$730 million).

35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Income tax payable	**13,989**	11,551

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets and intangible assets HK$ million	Fair value changes of financial instruments HK$ million	Fixed assets and intangible assets HK$ million	Others HK$ million	Total HK$ million
Deferred tax assets							
At 31 December 2017	12,037	2,891	21,797	3,966	6,711	1,760	49,162
Changes in accounting policies	–	–	3,373	(2,813)	–	–	560
At 1 January 2018	12,037	2,891	25,170	1,153	6,711	1,760	49,722
Credited/(charged) to profit or loss	1,436	512	4,401	407	(212)	(55)	6,489
(Charged)/credited to other comprehensive income	–	(4)	22	(970)	–	7	(945)
Exchange adjustments and others	(27)	(154)	(1,305)	(24)	(53)	(110)	(1,673)
At 31 December 2018	13,446	3,245	28,288	566	6,446	1,602	53,593
At 1 January 2019	13,446	3,245	28,288	566	6,446	1,602	53,593
Credited/(charged) to profit or loss	725	1,098	9,642	113	(1,007)	(127)	10,444
Credited/(charged) to other comprehensive income	–	30	81	(44)	–	26	93
Disposal of subsidiaries	(3)	(297)	(75)	–	(149)	(13)	(537)
Transfers into assets classified as held for sale (Note 36)	(9)	(147)	(7)	–	(76)	(56)	(295)
Exchange adjustments and others	(66)	(63)	(788)	(16)	142	(83)	(874)
At 31 December 2019	14,093	3,866	37,141	619	5,356	1,349	62,424

35 Income tax in the balance sheet (Continued)

(b) Deferred tax assets/(liabilities) recognised (Continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK$ million	Temporary differences on fixed assets and intangible assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax liabilities					
At 1 January 2018	(1,066)	(2,056)	(3,832)	(3,061)	(10,015)
Credited/(charged) to profit or loss	314	(179)	(86)	166	215
Charged to other comprehensive income	(3,134)	–	(32)	(10)	(3,176)
Exchange adjustments and others	282	60	182	114	638
At 31 December 2018	(3,604)	(2,175)	(3,768)	(2,791)	(12,338)
At 1 January 2019	(3,604)	(2,175)	(3,768)	(2,791)	(12,338)
(Charged)/credited to profit or loss	(322)	586	100	(2,585)	(2,221)
(Charged)/credited to other comprehensive income	(242)	–	(368)	157	(453)
Disposal of subsidiaries	–	253	–	31	284
Transfers into assets classified as held for sale (Note 36)	–	66	–	953	1,019
Exchange adjustments and others	(95)	12	87	47	51
At 31 December 2019	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)

(c) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Deductible temporary differences	**2,562**	2,103
Tax losses	**32,860**	25,362
	35,422	27,465

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2019, tax losses amounting to HK$14,220 million (31 December 2018: HK$7,874 million) that can be carried forward against future taxable income are expiring within 5 years.

36 Assets classified as held for sale

Starry Dream Investments Limited, a wholly-owned subsidiary of the Group, holds 61.54% interests in Fast Foods Holdings Limited ("FFHL") which directly holds 52% equity interests in Grand Foods Holdings Limited ("GFHL"), the holding company of McDonald's mainland China and Hong Kong businesses. During the year ended 31 December 2019, the Group has decided to dispose approximately 42.31% of its interests in FFHL. The Group's interests in FFHL will decrease to approximately 19.23% and therefore, loss control over FFHL upon the completion of the disposal. As at 31 December 2019, the disposal plan has been approved by the Board of Directors of the Company. The assets and liabilities of FFHL have been classified as assets and liabilities held for sale in the Group's consolidated financial statements, and are presented as below.

	As at 31 December 2019 HK$ million
Assets classified as held for sale	
– Cash and deposits	1,038
– Trade and other receivables	1,467
– Inventories	246
– Fixed assets(Note 31)	9,662
– ROU assets(Note 32(a))	10,022
– Intangible assets(Note 33)	2,698
– Interests in joint ventures	2,438
– Interests in associates	3
– Goodwill(Note 34)	950
– Deferred tax assets(Note 35(b))	295
	28,819
Liabilities directly associated with assets classified as held for sale	
– Trade and other payables	3,087
– Contract liabilities	114
– Bank and other loans	5,433
– Employee benefits payables	582
– Income tax payable	110
– Lease liabilities	10,300
– Deferred tax liabilities (Note 35(b))	1,019
– Other liabilities	29
	20,674

37 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Banks	186,072	242,717
Non-bank financial institutions	872,282	641,512
	1,058,354	884,229
Accrued interest	3,026	4,737
	1,061,380	888,966
Analysed by remaining maturity:		
– On demand	446,790	364,731
– Within 3 months	337,522	261,820
– Between 3 months and 1 year	274,034	257,483
– Over 1 year	–	195
	1,058,346	884,229
Accrued interest	3,034	4,737
	1,061,380	888,966

38 Placements from banks and non-bank financial institutions

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Banks	67,264	74,975
Non-bank financial institutions	39,699	53,913
	106,963	128,888
Accrued interest	437	275
	107,400	129,163
Analysed by remaining maturity:		
– On demand	115	–
– Within 3 months	65,989	93,487
– Between 3 months and 1 year	36,334	35,362
– Over 1 year	4,525	39
	106,963	128,888
Accrued interest	437	275
	107,400	129,163

39 Trade and other payables

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Trade and bills payables	**73,238**	75,084
Advances from leasees	**281**	214
Other taxes payables	**5,720**	5,089
Settlement accounts	**7,699**	12,566
Dividend payables	**278**	493
Other payables	**61,692**	77,647
	148,908	171,093

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Within 1 year	**57,437**	53,426
Between 1 and 2 years	**6,893**	5,102
Between 2 and 3 years	**562**	7,319
Over 3 years	**8,346**	9,237
	73,238	75,084

40 Financial assets sold under repurchase agreements

	As at 31 December	
	2019 HK$ million	2018 HK$ million
By counterparties:		
The People's Bank of China	**72,930**	106,312
Banks	**54,811**	31,096
Non-bank financial institutions	**–**	1,141
	127,741	138,549
Accrued interest	**25**	40
	127,766	138,589
By types of collateral:		
Debt securities	**39,726**	98,689
Discounted bills	**88,015**	39,860
	127,741	138,549
Accrued interest	**25**	40
	127,766	138,589

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2019, legal title of these collateral pledged has not been transferred to counterparties.

41 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Demand deposits		
– Corporate customers	**1,862,591**	1,725,834
– Personal customers	**307,582**	300,114
	2,170,173	2,025,948
Time and call deposits		
– Corporate customers	**1,653,630**	1,577,529
– Personal customers	**672,759**	513,066
	2,326,389	2,090,595
Outward remittance and remittance payables	**7,227**	5,504
Accrued interest	**38,052**	37,877
	4,541,841	4,159,924

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

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Bank acceptances	**192,095**	186,106
Letters of credit	**13,122**	7,115
Guarantees	**23,879**	24,831
Others	**104,172**	125,116
	333,268	343,168

42 Bank and other loans

(a) Types of loans

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Bank loans		
Unsecured loans	106,021	101,708
Loan pledged with assets (note (d))	16,430	24,144
Guaranteed loans	–	308
	122,451	126,160
Other loans		
Unsecured loans	27,177	25,709
Loan pledged with assets (note (d))	1,050	3,721
	28,227	29,430
	150,678	155,590
Accrued interest	634	1,088
	151,312	156,678

(b) Maturity of loans

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Bank loans		
– Within 1 year or on demand	38,632	33,407
– Between 1 and 2 years	17,392	27,322
– Between 2 and 5 years	39,479	35,148
– Over 5 years	26,948	30,283
	122,451	126,160
Other loans		
– Within 1 year or on demand	6,599	4,530
– Between 1 and 2 years	13,446	7,900
– Between 2 and 5 years	3,065	9,562
– Over 5 years	5,117	7,438
	28,227	29,430
	150,678	155,590
Accrued interest	634	1,088
	151,312	156,678

42 Bank and other loans (Continued)

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
RMB	**34,102**	41,031
US$	**53,178**	56,545
HK$	**51,766**	40,019
Other currencies	**11,632**	17,995
	150,678	155,590
Accrued interest	**634**	1,088
	151,312	156,678

(d) As at 31 December 2019, the Group's bank and other loans of HK$17,480 million (31 December 2018 HK$27,865 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary with an aggregate carrying amount of HK$70,196 million (31 December 2018: HK$79,818 million).

(e) The Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 48(b). As at 31 December 2019, none of the covenants relating to drawn down facilities have been breached (31 December 2018: Nil).

43 Debt instruments issued

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Corporate bonds issued (note (a))	99,913	85,196
Notes issued (note (b))	113,592	119,367
Subordinated bonds issued (note (c))	97,196	141,485
Certificates of deposit issued (note (d))	3,109	3,141
Certificates of interbank deposit issued (note (e))	489,886	389,534
Convertible corporate bonds (note (f))	14,333	–
	818,029	738,723
Accrued interest	5,935	6,308
	823,964	745,031
Analysed by remaining maturity:		
– Within 1 year or on demand	605,729	400,682
– Between 1 and 2 years	19,912	114,852
– Between 2 and 5 years	51,306	58,997
– Over 5 years	141,082	164,192
	818,029	738,723
Accrued interest	5,935	6,308
	823,964	745,031

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2019 (2018: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2019 HK$ million	2018 HK$ million
The Company (note (i))	63,277	63,335
CITIC Corporation Limited (“CITIC Corporation”) (note (ii))	30,100	17,086
CITIC Telecom International (note (iii))	3,493	3,490
CITIC Heavy Industries (note (iv))	141	144
CITIC Pacific Limited’s (“CITIC Pacific”) subsidiaries (note(v))	2,902	1,141
	99,913	85,196

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) Details of corporate bonds issued by the Company

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) Details of corporate bonds issued by the Company (Continued)

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 5	US$	500	2013-04-10	2020-04-10	6.38%
US$ Notes 2.1	US$	500	2011-04-15	2021-04-15	6.63%
US$ Notes 2.2	US$	250	2014-06-23	2021-04-15	6.63%
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 12	US$	500	2016-06-14	2021-12-14	2.80%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%
18 CITIC SCP001	RMB	3,000	2018-08-16	2019-05-13	3.59%

(iii) Details of corporate bonds issued by CITIC Telecom International

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(iv) Details of corporate bonds issued by CITIC Heavy Industries

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	2013-01-25	2020-01-25	5.20%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	2013-01-25	2020-01-25	5.20%

(v) Details of corporate bonds issued by CITIC Pacific's subsidiaries

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
19 JLEPC SCP001	RMB	200	2019-09-05	2020-03-03	3.50%
19 JLEPC SCP002	RMB	200	2019-10-22	2020-07-18	3.45%
19 JLEPC SCP003	RMB	200	2019-12-05	2020-06-02	3.39%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
CITIC Corporation (note (i))	**20,035**	24,998
CITIC Bank (note (ii))	**89,700**	91,641
CITIC Offshore Helicopter Company Limited (note (iii))	**352**	360
CITIC Trust Co., Ltd. (note (iv))	**3,505**	2,368
	113,592	119,367

(i) Details of notes issued by CITIC Corporation

	As at 31 December 2019				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
2010 First tranche medium term note	**RMB**	**3,000**	**2010-06-08**	**2020-06-10**	**4.60%**
2010 Second tranche medium term note	**RMB**	**4,000**	**2010-08-20**	**2020-08-24**	**4.40%**
2011 Second tranche medium term note-2	**RMB**	**6,000**	**2011-11-15**	**2021-11-16**	**5.30%**
2012 Medium term note-2	**RMB**	**5,000**	**2012-03-28**	**2022-03-29**	**5.18%**

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-1	RMB	4,000	2012-03-28	2019-03-29	5.00%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	2017-04-17	2020-04-17	4.20%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	US$	700	2017-12-14	2020-12-14	3.24%
Financial bonds	US$	550	2017-12-14	2022-12-15	3.34%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%
Financial bonds	US$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US$	250	2017-12-14	2022-12-15	3.13%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	2017-04-17	2020-04-17	4.20%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	US$	700	2017-12-14	2020-12-14	3.24%
Financial bonds	US$	550	2017-12-14	2022-12-15	3.34%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%
Financial bonds	US$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US$	250	2017-12-14	2022-12-15	3.13%

(iii) Details of notes issued by CITIC Offshore Helicopter Company Limited

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	2017-05-04	2020-03-31	5.18%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	2017-05-04	2020-03-31	5.18%

43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(iv) Details of notes issued by CITIC Trust Co., Ltd.

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	2018-03-15	2021-03-15	4.75%
Participation Notes	US$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	US$	150	2019-05-22	2020-05-20	4.75%

	As at 31 December 2018				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	2018-03-15	2021-03-15	4.75%
Participation Notes	US$	5	2018-01-22	2023-01-22	Non fixed interest rate
Participation Notes (HDPro)	US$	6	2017-12-29	2019-12-29	Non fixed interest rate

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	2,382	3,955
– In February 2024 (note (ii))	3,860	–
– In May 2024 (note (iii))	–	2,345
Fixed rate bonds maturing		
– In May 2025 (note (iv))	12,838	13,125
– In June 2027 (note (v))	22,310	22,806
– In August 2024 (note (vi))	–	42,196
– In September 2028 (note (vii))	33,479	34,238
– In October 2028 (note (viii))	22,327	22,820
	97,196	141,485

43 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued (Continued)

		As at 31 December 2019				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	304	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US$	500	2019-02-28	2024-02-28	4.63%
(iv)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(v)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vii)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(viii)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%

		As at 31 December 2018				
		Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
(i)	Subordinated Notes	US$	500	2010-06-24	2020-06-24	6.88%
(iii)	Subordinated Notes	US$	300	2013-11-07	2024-05-07	6.00%
(iv)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(v)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vi)	Subordinated Fixed Rate Bonds	RMB	37,000	2014-08-26	2024-08-26	6.13%
(vii)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(viii)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate of 3.13% per annum (31 December 2018: 2.05% to 2.26% per annum).

(e) Certificates of interbank deposit issued

As at 31 December 2019, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB438,830 million (approximately HK$489,886 million) (31 December 2018: RMB341,310 million (approximately HK$389,534 million)). The yield ranges from 2.59% to 3.67% per annum (31 December 2018: 2.80% to 4.86% per annum). The original expiry terms are between 1 month to 1 year (31 December 2018: between 1 month to 1 year).

(f) Convertible corporate bonds

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019. CITIC Corporation, as its parent company, has subscribed RMB26,388 million (HK$30,890 million), 65.97% of the total corporate bonds, which is the same percentage of the group's interest in CITIC Bank's common shares. The convertible bonds of CITIC Bank have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 31 December 2019, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB12,873 million (HK$14,374 million) and non-controlling interests of RMB1,067 million (HK$1,213 million), respectively.

44 Provisions

	Environmental restoration expenditures HK$ million	Impairment loss of credit commitments and guarantees provided HK$ million	Others HK$ million	Total HK$ million
At 31 December 2017	2,470	837	2,167	5,474
Changes in accounting policy	–	5,452	–	5,452
At 1 January 2018	2,470	6,289	2,167	10,926
Exchange differences	(240)	(245)	(20)	(505)
(Credit)/charge for the year	(805)	(53)	606	(252)
Payments made during the year	(6)	–	(450)	(456)
At 31 December 2018	1,419	5,991	2,303	9,713
At 1 January 2019	1,419	5,991	2,303	9,713
Exchange differences	(14)	(149)	(45)	(208)
Charge for the year	336	1,261	1,805	3,402
Payments made during the year	(14)	–	(9)	(23)
Disposal of subsidiaries	–	–	(1,729)	(1,729)
At 31 December 2019	1,727	7,103	2,325	11,155

45 Share capital, perpetual capital securities and reserves

(a) Share capital

As at 31 December 2019, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2018: 29,090,262,630).

(b) Share based payment

Share Option Plan

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

The CITIC Pacific Share Incentive Plan 2000 adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2019, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2019 (2018: Nil).

45 Share capital, perpetual capital securities and reserves (Continued)

(c) Perpetual capital securities

In May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$1,000 million (approximately HK$7,800 million). These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. On 21 November 2018, the perpetual capital securities of US$1,000 million were redeemed by the Company.

(d) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK$286,585 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, the potential cash payments related to put options issued in conjunction with business combination and gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2(l)(ii).

(iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of investments in financial assets at FVOCI until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2(k)(i) and Note 2(h) respectively.

45 Share capital, perpetual capital securities and reserves (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(j).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2019 (31 December 2018: Nil).

46 Movement of allowances for impairment losses

	For the year ended 31 December 2019					
	At 1 January HK$ million	(Reversal)/ charge for the year HK$ million	Write-offs/ transfer out HK$ million	Disposal of subsidiaries and Assets classified as held for sale HK$ million (Note 36)	Exchange differences and others (note(i)) HK$ million	At 31 December HK$ million
Allowances for expected credit losses						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	273	(19)	–	–	(5)	249
Financial assets held under resale agreements (Note 25)	5	48	–	–	–	53
Account and bills receivables and other receivables (Note 22)	5,462	1,444	(66)	(210)	(243)	6,387
Loans and advances to customers and other parties (Note 26)	119,919	78,951	(69,023)	–	4,581	134,428
Investments in financial assets (Note 27)						
– Financial assets at amortised cost	4,949	4,060	(212)	–	(148)	8,649
– Debt investments at FVOCI	1,185	772	(102)	–	(35)	1,820
Credit commitments and guarantees provided (Note 44)	5,991	1,261	–	–	(149)	7,103
Others (note(ii))	12,531	2,205	(10,511)	–	(266)	3,959
	150,315	88,722	(79,914)	(210)	3,735	162,648
Allowances for impairment losses						
Inventories (Note 24)	5,600	1,720	(171)	(425)	(34)	6,690
Interests in associates (Note 29)	2,496	4,285	(12)	–	(34)	6,735
Interests in joint ventures (Note 30)	1,448	75	(35)	–	(1)	1,487
Fixed assets (Note 31)	48,015	26	(29)	(101)	(271)	47,640
Intangible assets (Note 33)	16,721	22	(26)	(42)	7	16,682
Prepayments (Note 22)	88	(1)	(1)	(8)	(2)	76
Goodwill (Note 34)	1,086	202	–	–	60	1,348
Other assets	1,552	695	(375)	–	134	2,006
	77,006	7,024	(649)	(576)	(141)	82,664
	227,321	95,746	(80,563)	(786)	3,594	245,312

46 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2018 (Restated)					
	At 1 January HK$ million	Charge/ (reversal) for the year HK$ million	Write-offs/ transfer out HK$ million	Disposal of subsidiaries HK$ million	Exchange differences and others (note (i)) HK$ million	At 31 December HK$ million
Allowances for expected credit losses						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	269	12	–	–	(8)	273
Financial assets held under resale agreements (Note 25)	44	(39)	–	–	–	5
Account and bills receivables and other receivables (Note 22)	10,850	4,067	(4,449)	(2)	(5,004)	5,462
Loans and advances to customers and other parties (Note 26)	121,697	56,447	(55,565)	–	(2,660)	119,919
Investments in financial assets (Note 27)						
– Financial assets at amortised cost	4,605	1,309	(816)	–	(149)	4,949
– Debt investments at FVOCI	1,136	89	–	–	(40)	1,185
Credit commitments and guarantees provided (Note 44)	6,289	(53)	–	–	(245)	5,991
Others (note(ii))	–	7,227	–	–	5,304	12,531
	144,890	69,059	(60,830)	(2)	(2,802)	150,315
Allowances for impairment losses						
Inventories (Note 24)	2,738	3,998	(916)	–	(220)	5,600
Interests in associates (Note 29)	2,523	3	(1)	–	(29)	2,496
Interests in joint ventures (Note 30)	1,454	–	(6)	–	–	1,448
Fixed assets (Note 31)	47,606	1,299	(429)	(15)	(446)	48,015
Intangible assets (Note 33)	16,673	65	(16)	–	(1)	16,721
Prepayments (Note 22)	76	19	(3)	–	(4)	88
Goodwill (Note 34)	384	730	(3)	–	(25)	1,086
Other assets	4,095	397	(2,638)	(176)	(126)	1,552
	75,549	6,511	(4,012)	(191)	(851)	77,006
	220,439	75,570	(64,842)	(193)	(3,653)	227,321

Note:

(i) Others include recovery of loans written off.

(ii) Movement of allowances for accrued interest of the loans and advances to customers and other parties, investments in financial assets are included in others.

47 Contingent liabilities and commitments

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, guarantees, letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**7,471**	5,160
With an original maturity of 1 year or above	**50,397**	40,387
	57,868	45,547
Credit card commitments	**608,970**	495,994
Acceptances	**475,619**	450,022
Guarantees	**165,729**	181,219
Letters of credit	**116,102**	106,053
	1,424,288	1,278,835

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Credit risk weighted amount on credit commitments	**444,994**	422,882

Notes:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking and Insurance Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

47 Contingent liabilities and commitments (Continued)

(c) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it, should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the treasury bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Redemption commitment for treasury bonds	**12,584**	12,669

As at 31 December 2019, the original maturities of these bonds vary from 1 to 5 years (31 December 2018: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Related parties (note)	**16,229**	11,811
Third parties	**2,886**	3,169
	19,115	14,980

47 Contingent liabilities and commitments (Continued)

(d) Guarantees provided (Continued)

As at balance date, the counter guarantees issued to the Group by related parties and third parties mentioned above are as follows:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Related parties (note)	**5,586**	5,706
Third parties	**228**	50
	5,814	5,756

Note:

As at 31 December 2019, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016, amounting to RMB5,000 million (approximately HK$5,582 million) (31 December 2018: RMB5,000 million (approximately HK$5,706 million). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 49.

(e) Outstanding litigation and disputes

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

(i) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3(l).

(ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3(k).

(f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Contracted for	**33,183**	28,970

47 Contingent liabilities and commitments (Continued)

(g) Operating lease commitments

The Group leases certain of its fixed assets. As at the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2018 HK$ million
Within 1 year	6,709
Between 1 and 2 years	5,631
Between 2 and 3 years	4,769
Over 3 years	11,498
	28,607

From 1 January 2019, the Group has recognised ROU assets and lease liabilities for these leases, except for short-term and low-value leases, see Notes 2(s) and Note 32.

48 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury business, off-balance sheet item and receivables arising from sale of goods and rendering of services.

The Group has standardised management on the entire credit business process including loan application, and its investigation approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the liquidation and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management level of the Group has been comprehensively improved.

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

In addition to the credit risk to the Group caused by credit assets, for treasury business, the Group manages the credit risk for treasury business through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

Measurement of ECL

Since 1 January 2018, the Group adopts the "ECL model" on its debt instruments which are classified as financial assets measured at amortised cost and at FVOCI, credit commitments and financial guarantees in accordance with the provisions of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for account and bills receivables and contract assets, regardless whether there is significant financing component or not. For other financial assets that are included in the measurement of ECL, the Group evaluates whether the credit risks of related financial assets have increased significantly since initial recognition. The "three-stage" impairment model is used to measure their loss allowances respectively to recognise ECL and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since its initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the ECL in the next 12 months, which represents the proportion of the ECL in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The ECL of financial instruments in stage 2 is measured based on the lifetime ECL.

Stage 3: If the financial instruments are credit-impaired after initial recognition, it will be moved to stage 3. The ECL of financial instruments in stage 3 is measured based on the lifetime ECL.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at the initial recognition. Loss allowances on these assets are the lifetime ECL.

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

The Group estimates the ECL in accordance with HKFRS 9, and the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) default probability of borrower/debtor increases; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

(2) Definition of default and credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

– The issuer or borrower/debtor is in significant financial difficulties;

– The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc;

– The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;

– It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;

– An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;

– Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's expected credit loss calculation process.

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(3) Inputs for measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

– The probability of default ("PD") represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.

– Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.

– Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of expected credit losses, including the probability of default and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

During the reporting period, there were no significant changes in the estimation technology or key assumptions.

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each asset portfolio.

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a yearly basis, and the impact of these economic variables on the PD and the EAD was determined by statistical regression analysis.

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(4) Forward-looking information (Continued)

In addition to the base economic scenario, the Group determines the possible scenarios and their weighted by a combination of statistical analysis and expert judgment. The Group measures ECL as either a probability weighted 12 months ECL (stage 1) or a probability weight lifetime ECL (stage 2 and stage 3). These probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as domestic Gross Domestic Product ("GDP"), electricity production and registered urban unemployment rate, etc.

(i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum credit risk exposure of financial instruments for which allowance for impairment losses is recognised is as follows:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Deposits with central banks, banks and non-bank financial institutions	**733,290**	825,813
Placements with banks and non-bank financial institutions	**226,686**	200,030
Trade and other receivables	**148,653**	91,272
Financial assets held under resale agreements	**11,117**	12,955
Loans and advances to customers and other parties	**4,358,920**	4,024,401
Investments in financial assets		
– At amortised cost	**1,040,997**	899,348
– Debt investments at FVOCI	**701,936**	582,899
Contract assets	**11,504**	11,068
Other financial assets	**2,366**	2,591
	7,235,469	6,650,377
Credit commitments and guarantees provided	**1,443,403**	1,293,815
Maximum credit risk exposure	**8,678,872**	7,944,192

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is not represented by the net balance of each type of debt instruments in the balance sheet without deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Derivative financial instruments	**19,580**	37,294
Loans and advances to customers and other parties at FVPL	**7,719**	–
Investments in financial assets		
– Financial assets at FVPL(debt instruments)	**366,373**	370,684
Maximum credit risk exposure	**393,672**	407,978

(ii) Expected credit losses

The following table explains the changes in the gross carrying amount for loans and advances to customers and other parties for the year:

	For the year ended 31 December 2019			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2019	**3,959,696**	**109,399**	**75,163**	**4,144,258**
Movements:				
Net transfers out from stage 1	**(129,433)**	**–**	**–**	**(129,433)**
Net transfers into stage 2	**–**	**48,017**	**–**	**48,017**
Net transfers into stage 3	**–**	**–**	**81,416**	**81,416**
Net increase/(decrease) during the year (note (i))	**563,531**	**(43,503)**	**(7,884)**	**512,144**
Write offs	**–**	**–**	**(69,023)**	**(69,023)**
Others (note (ii))	**(90,371)**	**(2,361)**	**(1,726)**	**(94,458)**
Balance at 31 December 2019	**4,303,423**	**111,552**	**77,946**	**4,492,921**

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

	For the year ended 31 December 2018			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2018	3,641,322	112,079	81,800	3,835,201
Movements:				
Net transfer from stage 1	(99,760)	–	–	(99,760)
Net transfer to stage 2	–	13,157	–	13,157
Net transfer to stage 3	–	–	86,603	86,603
Net increase/(decrease) during the year (note (i))	594,215	(11,606)	(34,052)	548,557
Write offs	–	–	(55,565)	(55,565)
Others (note (ii))	(176,081)	(4,231)	(3,623)	(183,935)
Balance at 31 December 2018	3,959,696	109,399	75,163	4,144,258

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

The following table explains the changes in the gross carrying amount for investments in financial assets for the year:

	For the year ended 31 December 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	1,478,556	5,559	3,099	1,487,214
Movements:				
Net transfers out from stage 1	(12,954)	–	–	(12,954)
Net transfers into stage 2	–	11,793	–	11,793
Net transfers into stage 3	–	–	1,161	1,161
Net increase/(decrease) during the year (note (i))	287,477	(4,236)	7,001	290,242
Write offs	–	–	(212)	(212)
Others (note (ii))	(25,244)	(184)	(213)	(25,641)
Balance at 31 December 2019	1,727,835	12,932	10,836	1,751,603

	For the year ended 31 December 2018			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2018	1,283,578	655	1,991	1,286,224
Movements:				
Net transfer from stage 1	(10,590)	–	–	(10,590)
Net transfer to stage 2	–	5,198	–	5,198
Net transfer to stage 3	–	–	5,392	5,392
Net increase/(decrease) during the year (note (i))	269,967	(90)	(3,335)	266,542
Write offs	–	–	(816)	(816)
Others (note (ii))	(64,399)	(204)	(133)	(64,736)
Balance at 31 December 2018	1,478,556	5,559	3,099	1,487,214

Notes:

(i) Net increase/(decrease) mainly includes changes in carrying amount due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.

(ii) Others includes changes in interest accrual and exchange adjustment.

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Movements of the loss allowances for loans and advances to customers and other parties for the year is as follows:

	For the year ended 31 December 2019			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2019	**40,325**	**26,464**	**53,219**	**120,008**
Movements (note (i)):				
Net transfers out from stage 1	**(2,648)**	**–**	**–**	**(2,648)**
Net transfers into stage 2	**–**	**6,977**	**–**	**6,977**
Net transfers into stage 3	**–**	**–**	**48,156**	**48,156**
Net increase/(decrease) during the year (note (ii))	**6,711**	**(9,095)**	**(2,118)**	**(4,502)**
Write offs	**–**	**–**	**(69,023)**	**(69,023)**
Parameters change for the year (note (iii))	**372**	**6,537**	**24,059**	**30,968**
Others (note (iv))	**(746)**	**(649)**	**5,981**	**4,586**
Balance at 31 December 2019	**44,014**	**30,234**	**60,274**	**134,522**

	For the year ended 31 December 2018			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2018	40,370	30,043	51,284	121,697
Movements (note (i)):				
Net transfer from stage 1	(2,215)	–	–	(2,215)
Net transfer to stage 2	–	609	–	609
Net transfer to stage 3	–	–	57,579	57,579
Net increase/(decrease) during the year (note (ii))	5,601	(1,984)	(1,592)	2,025
Write offs	–	–	(55,565)	(55,565)
Parameters change for the year (note (iii))	(1,823)	(999)	1,271	(1,551)
Others (note (iv))	(1,608)	(1,205)	242	(2,571)
Balance at 31 December 2018	40,325	26,464	53,219	120,008

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Movements of the loss allowances for investments in financial assets for the year is as follows:

	For the year ended 31 December 2019			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2019	3,970	327	1,855	6,152
Movements (note (i)):				
Net transfers out from stage 1	(67)	–	–	(67)
Net transfers into stage 2	–	220	–	220
Net transfers into stage 3	–	–	261	261
Net increase/(decrease) during the year (note (ii))	1,904	(28)	2,149	4,025
Write offs	–	–	(212)	(212)
Parameters change for the year (note (iii))	(26)	9	307	290
Others (note (iv))	(83)	(10)	(86)	(179)
Balance at 31 December 2019	5,698	518	4,274	10,490

	For the year ended 31 December 2018			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2018	4,839	83	819	5,741
Movements (note (i)):				
Net transfer from stage 1	(294)	–	–	(294)
Net transfer to stage 2	–	182	–	182
Net transfer to stage 3	–	–	2,181	2,181
Net increase/(decrease) during the year (note (ii))	439	62	(141)	360
Write offs	–	–	(816)	(816)
Parameters change for the year (note (iii))	(846)	13	(198)	(1,031)
Others (note (iv))	(168)	(13)	10	(171)
Balance at 31 December 2018	3,970	327	1,855	6,152

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Notes:

(i) Movements mainly includes the impacts to ECL due to changes in stages.

(ii) Net increase/(decrease) mainly includes changes in allowance of impairment due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.

(iii) Parameters change mainly includes the impacts to ECL due to unwind of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.

(iv) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

(iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2019			2018		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Corporate loans						
– Real estate	326,183	7%	288,557	359,746	8%	312,585
– Manufacturing	290,098	6%	127,970	339,909	8%	158,870
– Rental and business services	393,789	8%	213,173	322,893	7%	202,275
– Wholesale and retail	165,088	4%	98,624	173,866	4%	102,732
– Water, environment and public utility management	300,791	7%	139,303	238,441	6%	121,983
– Transportation, storage and postal services	172,346	4%	79,691	173,919	4%	88,656
– Construction	108,029	2%	51,945	91,025	2%	37,263
– Production and supply of electric power, gas and water	73,947	2%	52,616	83,244	2%	46,415
– Public management and social organizations	14,672	1%	7,517	15,255	1%	3,105
– Others	357,563	8%	162,774	362,503	9%	150,564
	2,202,506	49%	1,222,170	2,160,801	51%	1,224,448
Personal loans	1,935,065	42%	1,275,969	1,694,236	41%	1,141,525
Discounted bills	351,681	8%	–	279,205	7%	–
	4,489,252	99%	2,498,139	4,134,242	99%	2,365,973
Accrued interest	11,388	1%	–	10,016	1%	–
	4,500,640	100%	2,498,139	4,144,258	100%	2,365,973

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector:

	As at 31 December					
	2019			2018		
	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million	Gross balance HK$ million	%	Loans and advances secured by collateral HK$ million
Mainland China	4,297,094	94%	2,404,040	3,926,180	94%	2,286,150
Hong Kong, Macau and Taiwan	189,415	4%	92,826	200,088	4%	75,465
Overseas	2,743	1%	1,273	7,974	1%	4,358
	4,489,252	99%	2,498,139	4,134,242	99%	2,365,973
Accrued interest	11,388	1%	–	10,016	1%	–
	4,500,640	100%	2,498,139	4,144,258	100%	2,365,973

(v) Loans and advances to customers and other parties analysed by type of security

	As at 31 December	
	2019 HK$ million	2018 HK$ million
Unsecured loans	1,090,369	925,754
Guaranteed loans	549,063	563,310
Secured loans		
– Loans secured by collateral	2,049,804	1,895,985
– Pledged loans	448,335	469,988
	4,137,571	3,855,037
Discounted bills	351,681	279,205
	4,489,252	4,134,242
Accrued interest	11,388	10,016
Gross loans and advances	4,500,640	4,144,258

48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(vi) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower/debtor, or of the inability of the borrower/debtor to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

	As at 31 December			
	2019		2018	
	Gross balance HK$ million	% of total loans and advances	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances	25,444	0.57%	24,638	0.59%
– Rescheduled loans and advances overdue more than 3 months	12,057	0.27%	21,397	0.52%

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2019, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2018: Nil).

(b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

48 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2019					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	**415,780**	**2,695,101**	**1,757,424**	**2,066,205**	**734,694**	**7,669,204**
Total financial liabilities	**(2,839,200)**	**(3,410,296)**	**(829,669)**	**(179,560)**	**(5,735)**	**(7,264,460)**
Financial asset-liability gap	**(2,423,420)**	**(715,195)**	**927,755**	**1,886,645**	**728,959**	**404,744**

	As at 31 December 2018					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	352,189	2,644,591	1,889,958	1,449,158	750,042	7,085,938
Total financial liabilities	(2,624,897)	(3,233,564)	(693,042)	(196,238)	(3,173)	(6,750,914)
Financial asset-liability gap	(2,272,708)	(588,973)	1,196,916	1,252,920	746,869	335,024

The table below presents the undiscounted cash flows of the Group's financial assets and liabilities:

	As at 31 December 2019					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	**415,780**	**2,944,363**	**2,250,999**	**2,769,008**	**741,097**	**9,121,247**
Total financial liabilities	**(2,839,200)**	**(3,794,768)**	**(1,148,985)**	**(203,253)**	**(5,735)**	**(7,991,941)**
Financial asset-liability gap	**(2,423,420)**	**(850,405)**	**1,102,014**	**2,565,755**	**735,362**	**1,129,306**

48 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2018					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Indefinite maturity date HK$ million (note)	Total HK$ million
Total financial assets	374,287	3,318,026	2,338,544	2,213,941	778,584	9,023,382
Total financial liabilities	(2,917,781)	(4,150,202)	(925,797)	(199,436)	(3,222)	(8,196,438)
Financial asset-liability gap	(2,543,494)	(832,176)	1,412,747	2,014,505	775,362	826,944

Note:

For cash and balances with central banks, the indefinite maturity date amount represented statutory deposit reserve funds and fiscal deposits maintained with the People's Bank of China. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite maturity date amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under indefinite maturity date.

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2019			
	Within 1 year HK$ million	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Loan commitments	**18,254**	**20,654**	**18,960**	**57,868**
Guarantees	**107,830**	**54,797**	**3,102**	**165,729**
Letters of credit	**113,833**	**2,269**	**–**	**116,102**
Acceptances	**475,619**	**–**	**–**	**475,619**
Credit card commitments	**601,555**	**7,131**	**284**	**608,970**
Total	**1,317,091**	**84,851**	**22,346**	**1,424,288**

	As at 31 December 2018			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	8,027	17,641	19,879	45,547
Guarantees	95,728	78,012	7,479	181,219
Letters of credit	103,440	2,613	–	106,053
Acceptances	450,022	–	–	450,022
Credit card commitments	488,109	7,885	–	495,994
Total	1,145,326	106,151	27,358	1,278,835

48 Financial risk management and fair values (Continued)

(c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2019				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	465,307	4,771,193	1,202,500	1,230,204	7,669,204
Total financial liabilities	(190,602)	(6,102,438)	(775,284)	(196,136)	(7,264,460)
Financial asset-liability gap	274,705	(1,331,245)	427,216	1,034,068	404,744

	As at 31 December 2018				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	467,634	4,373,016	1,955,528	289,760	7,085,938
Total financial liabilities	(225,850)	(5,707,635)	(635,184)	(182,245)	(6,750,914)
Financial asset-liability gap	241,784	(1,334,619)	1,320,344	107,515	335,024

48 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2019		2018	
	Effective interest rate	HK$ million	Effective interest rate	HK$ million
Assets				
Cash and deposits	1.55%-2.00%	740,434	1.54%-2.22%	832,968
Placements with banks and non-bank financial institutions	2.82%	226,686	3.38%	200,030
Financial assets held under resale agreements	2.13%	11,117	2.59%	12,955
Loans and advances to customers and other parties	5.08%	4,366,639	4.86%	4,024,401
Investments in financial assets	3.66%-4.39%	2,153,729	3.80%-4.71%	1,884,427
Others	–	791,319	–	705,932
		8,289,924		7,660,713
Liabilities				
Borrowing from central banks	3.34%	268,256	3.29%	327,629
Deposits from banks and non-bank financial institutions	2.79%	1,061,380	3.54%	888,966
Placements from banks and non-bank financial institutions	2.84%	107,400	3.49%	129,163
Financial assets sold under repurchase agreements	2.39%	127,766	2.84%	138,589
Deposits from customers	2.08%	4,541,841	1.88%	4,159,924
Bank and other loans	1.10%-8.00%	151,312	0.47%-6.35%	156,678
Debt instruments issued	2.80%-6.95%	823,964	2.81%-6.95%	745,031
Lease liabilities	3.10%-6.00%	17,435	N/A	N/A
Others	–	296,079	–	304,073
		7,395,433		6,850,053

48 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2019, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$12,607 million (31 December 2018: decrease or increase by HK$12,844 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project is denominated in US$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US$) have been designated as an accounting hedge against other US$ loans.

48 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK$ million):

	As at 31 December 2019				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**183,551**	**356,266**	**7,073,604**	**55,783**	**7,669,204**
Total financial liabilities	**(321,638)**	**(348,602)**	**(6,554,096)**	**(40,124)**	**(7,264,460)**
Financial asset-liability gap	**(138,087)**	**7,664**	**519,508**	**15,659**	**404,744**

	As at 31 December 2018				
	HK$	US$	RMB	Others	Total
Total financial assets	189,748	356,652	6,490,967	48,571	7,085,938
Total financial liabilities	(216,286)	(438,935)	(6,046,351)	(49,342)	(6,750,914)
Financial asset-liability gap	(26,538)	(82,283)	444,616	(771)	335,024

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2019 would decrease or increase the Group's profit before taxation by HK$5,379 million (31 December 2018: decrease or increase by HK$3,464 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

48 Financial risk management and fair values (Continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2019			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	–	14,415	–	14,415
Loans and advances to customers and other parties at FVOCI	–	344,715	–	344,715
Loans and advances to customers and other parties at FVPL	–	–	7,719	7,719
Derivative financial assets	117	19,111	352	19,580
Investments in financial assets	138,381	895,670	78,681	1,112,732
	138,498	1,273,911	86,752	1,499,161
Liabilities				
Financial liabilities at FVPL	(147)	(244)	(1,045)	(1,436)
Derivative financial liabilities	(263)	(20,500)	–	(20,763)
	(410)	(20,744)	(1,045)	(22,199)

	As at 31 December 2018			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	–	10,387	–	10,387
Loans and advances to customers and other parties at FVOCI	–	110,157	–	110,157
Derivative financial assets	–	36,764	530	37,294
Investments in financial assets	107,495	795,201	82,383	985,079
	107,495	952,509	82,913	1,142,917
Liabilities				
Financial liabilities at FVPL	(1,098)	–	(370)	(1,468)
Derivative financial liabilities	(111)	(37,564)	(1)	(37,676)
	(1,209)	(37,564)	(371)	(39,144)

For the year ended 31 December 2019, there were no significant transfers between instruments in different levels (2018: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2018: Nil).

48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2019						
	Assets				Liabilities		
	Loans and advances to customers and other parties at FVOCI	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Derivatives financial liabilities HK$ million	Total HK$ million
At 1 January 2019	–	530	82,383	82,913	(370)	(1)	(371)
Total (losses)/gains:	–	(177)	1,257	1,080	(14)	–	(14)
– in profit or loss	–	–	881	881	(14)	–	(14)
– in other comprehensive (losses)/income	–	(177)	376	199	–	–	–
Net settlements	7,719	(1)	(4,959)	2,759	(661)	1	(660)
At 31 December 2019	7,719	352	78,681	86,752	(1,045)	–	(1,045)

	For the year ended 31 December 2018					
	Assets			Liabilities		
	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Derivatives financial liabilities HK$ million	Total HK$ million
At 1 January 2018	875	75,123	75,998	–	–	–
Total gains/(losses):	(349)	496	147	14	(1)	13
– in profit or loss	–	(92)	(92)	14	(1)	13
– in other comprehensive income/(losses)	(349)	588	239	–	–	–
Net settlements	4	6,764	6,768	(384)	–	(384)
At 31 December 2018	530	82,383	82,913	(370)	(1)	(371)

48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2019				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,040,997	1,057,365	2,448	743,741	311,176
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	101,530	100,670	64,254	36,416	–
– Notes issued	115,006	114,362	364	110,454	3,544
– Subordinated bonds issued	99,975	100,400	6,462	93,938	–
– Certificates of deposit (not for trading purpose)	3,196	3,113	–	3,113	–
– Certificates of interbank deposit issued	489,886	481,933	–	481,933	–
– Convertible corporate bonds issued	14,371	14,260	–	14,260	–
	823,964	814,738	71,080	740,114	3,544

	As at 31 December 2018				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	899,348	899,863	2,482	573,061	324,320
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	86,728	86,749	156	86,593	–
– Notes issued	121,450	119,776	360	117,015	2,401
– Subordinated bonds issued	144,109	143,849	6,439	137,410	–
– Certificates of deposit (not for trading purpose)	3,210	3,141	–	3,141	–
– Certificates of interbank deposit issued	389,534	382,875	–	382,875	–
	745,031	736,390	6,955	727,034	2,401

48 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Investments in financial assets and financial liabilities

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), financial assets held for investment if there is an active market. If an active market does not exist for financial assets held for investment, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

49 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2019			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	229	587	816
Purchase of goods	–	489	3,290	3,779
Interest income (note (2))	–	81	873	954
Interest expenses	85	717	446	1,248
Fee and commission income	70	5	979	1,054
Fee and commission expenses	–	–	107	107
Income from other services	2	121	310	433
Expenses for other services	–	142	1,275	1,417
Interest income from deposits and receivables	–	–	427	427
Other operating expenses	3	30	207	240

	For the year ended 31 December 2018			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	242	299	541
Purchase of goods	–	669	3,396	4,065
Interest income (note (2))	–	312	376	688
Interest expenses	77	458	338	873
Fee and commission income	–	8	759	767
Fee and commission expenses	–	–	47	47
Income from other services	–	42	82	124
Expenses for other services	–	167	1,390	1,557
Interest income from deposits and receivables	–	18	–	18
Other operating expenses	3	29	181	213

49 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(ii) Outstanding balances with related parties

	As at 31 December 2019			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	70	1,068	4,471	5,609
Loans and advances to customers and other parties (note (2))	–	1,997	6,811	8,808
Cash and deposits	–	–	24,425	24,425
Derivative financial instruments and other assets	–	1	509	510
Investments in financial assets				
– Financial assets at FVPL	–	–	845	845
– Financial assets at amortised cost	–	–	79	79
Trade and other payables	350	11,937	2,354	14,641
Deposits from customers	2,233	7,913	16,105	26,251
Deposits from bank and non-bank financial institutions	–	–	25,531	25,531
Derivative financial instruments and other liabilities	–	–	144	144
Bank and other loans	5,290	21,925	73	27,288
Off-balance sheet items				
Entrusted funds	6,380	134	31,233	37,747
Funds raised from investors of non-principal guaranteed wealth management products	–	7	2,893	2,900
Guarantees provided (note (3))	–	–	16,229	16,229
Guarantees received	–	2,076	62,388	64,464

49 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	As at 31 December 2018			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	75	1,065	341	1,481
Loans and advances to customers and other parties (note (2))	–	3,453	4,216	7,669
Placements with banks and non-bank financial institutions	–	–	571	571
Cash and deposits	–	–	7,618	7,618
Derivative financial instruments and other assets	–	–	672	672
Investments in financial assets – Financial assets at FVPL	–	–	372	372
Trade and other payables	389	13,235	2,840	16,464
Deposits from customers	310	9,343	14,828	24,481
Deposits from bank and non-bank financial institutions	–	–	21,695	21,695
Derivative financial instruments and other liabilities	–	–	1	1
Bank and other loans	7,044	16,039	116	23,199
Off-balance sheet items				
Entrusted funds	5,484	137	49,619	55,240
Funds raised from investors of non-principal guaranteed wealth management products	–	10	423	433
Guarantees provided (note (3))	–	–	11,811	11,811
Guarantees received	–	43,780	5,885	49,665

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

49 Material related parties (Continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 49 (b), transactions with other state-owned entities include but are not limited to the following:

– sales and purchases of goods and provision of services;

– purchase, sale and leases of property and other assets;

– lending and deposit taking;

– taking and placing of inter-bank balances;

– derivative transactions;

– entrusted lending and other custody services;

– insurance and securities agency, and other intermediary services;

– sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and

– rendering and receiving of utilities and other services.

(d) Key management personnel remuneration

For the year ended 31 December 2019, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$7.26 million (2018: HK$10.74 million).

50 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities in which the Group holds an interest

The Group holds an interest in some structured entities through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 31 December 2019					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	33	3,211	–	–	3,244	3,244
Investment management products managed by securities companies	208,896	3,159	–	–	212,055	212,055
Trust investment plans	183,442	7,395	–	–	190,837	190,837
Asset-backed securities	113,515	97	147,605	–	261,217	261,217
Investment funds	–	267,812	–	418	268,230	268,230
Investments in creditor's rights on assets	570	–	–	–	570	570
Total	506,456	281,674	147,605	418	936,153	936,153

50 Structured entities (Continued)

(b) Structured entities in which the Group holds an interest (Continued)

	As at 31 December 2018					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	1,198	1,946	–	–	3,144	3,144
Investment management products managed by securities companies	262,905	3,413	–	–	266,318	266,318
Trust investment plans	178,161	36,911	–	–	215,072	215,072
Asset-backed securities	45,476	1,471	70,753	–	117,700	117,700
Investment funds	–	233,132	–	417	233,549	233,549
Investments in creditor's rights on assets	583	–	–	–	583	583
Total	488,323	276,873	70,753	417	836,366	836,366

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

50 Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Wealth management products and trust plans

As at 31 December 2019, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$3,095,615 million (31 December 2018: HK$3,093,454 million).

As at 31 December 2019, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK$59,724 million (31 December 2018: HK$72,472 million); the amount of placements from banks and non-bank financial institutions was HK$39,253 million (31 December 2018: HK$50,907 million).

During the year ended 31 December 2019, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK$67,067 million (2018: HK$77,772 million).The maximum exposure of placements from banks and non-bank financial institutions was HK$14,190 million (2018: HK$15,333 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year ended 31 December 2019, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK$6,372 million (2018: HK$8,927 million); interest income of HK$1,432 million (2018: HK$2,592 million). The amount of interest expenses was HK$962 million (2018: HK$734 million).

50 Structured entities (Continued)

(d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 40. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2019 totally HK$87,984 million (2018: HK$259,664 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 2(k) and Note 3.

During the year ended 31 December 2019, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK$76,844 million (2018: HK$219,887 million). HK$50,721 million of this balance (2018: HK$8,214 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. The Group also recognised other assets and other liabilities of HK$6,664 million (2018: HK$1,024 million) arising from such continuing involvement. The remaining balance of the loans transferred were qualified for full de-recognition.

Loan transfers

During the year ended 31 December 2019, the Group also through other types of transactions transferred loans of book value before impairment of HK$11,140 million (2018: HK$39,776 million), of which HK$11,140 million represented non-performing loans (2018: HK$39,776 million). The Group carried out assessment based on the criteria as detailed in Note 2(k) and Note 3 and concluded that these transferred assets qualified for full de-recognition.

51 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2019 **HK$ million**	2018 HK$ million
Cash	**7,181**	7,155
Bank deposits on demand	**44,663**	69,540
Surplus deposit reserve funds	**108,958**	146,568
Investments in debt securities due within three months	**71,753**	31,584
Deposits with banks and non-bank financial institutions due within three months	**80,535**	126,406
Placements with banks and non-bank financial institutions due within three months	**149,948**	141,555
Cash and cash equivalents in the consolidated cash flow statement	**463,038**	522,808

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2019 **HK$ million**	2018 HK$ million
Total assets	**33,576**	15,207
Total liabilities	**(20,682)**	(13,466)
Non-controlling interests	**(128)**	(760)
Net assets disposed	**12,766**	981
Total consideration	**9,106**	2,836
Release of other comprehensive income relating to interests in disposed subsidiaries	**(50)**	(11)
Remeasurement at fair value of retained interest in former subsidiaries	**5,747**	108
Gains on disposal/deemed disposal of subsidiaries	**2,037**	1,952
Net cash inflow is determined as follows:		
Cash proceeds received		
– Proceeds from the above disposal of subsidiaries	**3,318**	2,793
– Collection of receivables from previous disposal of subsidiaries	**–**	–
Less: cash and cash equivalents disposed	**(2,236)**	(59)
	1,082	2,734

51 Supplementary information to the consolidated cash flow statement

(Continued)

(c) Reconciliation of financing liabilities

	For the year ended 31 December				
	Bank and other loans HK$ million	Debt instruments issued HK$ million	Interest expense HK$ million	Lease liabilities HK$ million	Total HK$ million
At 1 January 2018	142,442	653,371	7,233	422	803,468
Cash flows	17,314	124,127	(38,103)	–	103,338
(Disposal of subsidiaries)/business combination	(8,971)	–	57	–	(8,914)
Foreign exchange adjustments	(2,135)	(30,811)	(568)	(84)	(33,598)
Other non-cash movements	6,940	(7,964)	38,961	(46)	37,891
At 31 December 2018	155,590	738,723	7,580	292	902,185
Recognised on adoption of HKFRS 16 (Note 2(f))	–	–	–	27,300	27,300
At 1 December 2019	155,590	738,723	7,580	27,592	929,485
Cash flows	8,758	94,408	(37,043)	(6,673)	59,450
(Disposal of subsidiaries)/business combination	(6,855)	–	–	(147)	(7,002)
Transfers into liabilities directly associated with assets classified as held for sale (Note 36)	(5,318)	–	(115)	(10,300)	(15,733)
Foreign exchange adjustments	(1,640)	(15,134)	(172)	(407)	(17,353)
Other non-cash movements	143	32	36,319	7,370	43,864
At 31 December 2019	150,678	818,029	6,569	17,435	992,711

(d) Issue and redemption of other equity instruments by subsidiaries

In 2019, issuance of other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB39,993 million (approximately HK$45,488 million) undated capital bonds. CITIC Bank also issued convertible corporate bonds of which the equity portion is RMB1,066 million (approximately HK$1,213 million) (2018: RMB3,343 million, approximately HK$3,957 million, perpetual non-cumulative subordinated additional Tier-one capital securities from CBI).

In 2019, redemption of other equity instruments by subsidiaries was from CBI, a subsidiary of the Group, which redeemed RMB1,825 million (approximately HK$2,076 million) (2018: RMB2,271 million, approximately HK$2,689 million from CITIC Envirotech) perpetual capital securities.

52 Major transactions with non-controlling interests

(i) On 19 September 2019, Daye Special Steel Group Limited ("Daye Special Steel", a non-wholly-owned subsidiary of the Group and listed on the Shenzhen Stock Exchange) acquired in aggregate of 86.50% equity interest in Jiangyin Xingcheng Special Steel Works Group Limited ("Xingcheng Special Steel", a non-wholly-owned subsidiary of the Group) from CITIC Pacific Special Steel Investment Group Limited ("CPSS", a wholly-owned subsidiary of the Group) and other shareholders by way of issuance of domestic listed shares (A shares), and resulted in CPSS became the controlling shareholder of Daye Special Steel and thereby enabling the Group to effectively list its special steel related business on the Shenzhen Stock Exchange. On 28 November 2019, Daye Special Steel further acquired the remaining 13.50% shares in Xingcheng Special Steel from CPSS by cash consideration. Upon the completion of above transactions, Daye Special Steel held 100% of shareholding in Xingcheng Special Steel. Dilution gain arising from the above transactions of HK$620 million was recognised in equity.

(ii) The privatisation of Dah Chong Hong Holdings Limited ("Dah Chong Hong", previously a 56.81% owned listed subsidiary of CITIC Pacific, a wholly-owned subsidiary of the Group) at a cancellation price of HK$3.70 per share, was approved on the shareholders' meeting of Dah Chong Hong on 19 December 2019 (subsequently sanctioned without modification by the High Court and the listing of Dah Chong Hong shares on the Hong Kong Stock Exchange was withdrawn on 10 January 2020) and total consideration of HK$3,022 million was accrued. Gain arising from the privatisation of HK$1,111 million, representing the excess of the Group's interest in the net assets acquired from non-controlling interests over the consideration paid, was recognised in equity.

	For the year ended 31 December 2019 HK$ million
Decrease in carrying amount of non-controlling interests	**4,133**
Consideration to be paid to non-controlling interests	**(3,022)**
Gain on acquisition within equity	**1,111**

(ii) In July 2019, CITIC Press Corporation ("CITIC Press") was listed on the Shenzhen Stock Exchange, with an initial public offering of 47,537,879 shares, raising HK$732 million in total. Upon the issuance of new shares, equity interests owned by the Group in CITIC Press reduced from 98% to 73.5%. The Group recognised an increase in non-controlling of interests of HK$448 million and an increase in equity attributable to shareholders of the Company of HK$284 million.

The effect of changes in the ownership interest of CITIC Press on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2019
Increase in carrying amount of non-controlling interests	**(448)**
Consideration received from non-controlling interests	**732**
Gain on disposal within equity	**284**

53 Balance sheet and reserve movement of the Company

	As at 31 December	
	2019	2018
	HK$ million	HK$ million
Non-current assets		
Fixed assets	**6**	9
Intangible assets	**1**	1
Interests in subsidiaries	**449,153**	440,888
Interests in joint ventures	**35**	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	**3,732**	3,557
	452,927	444,490
Current assets		
Derivative financial instruments	**–**	11
Amounts due from subsidiaries	**67,050**	60,114
Trade and other receivables	**157**	154
Cash and deposits	**3,387**	6,393
	70,594	66,672
Total assets	**523,521**	511,162
Current liabilities		
Bank and other loans	**11,840**	1,978
Amounts due to subsidiaries and other related parties	**13,257**	11,891
Trade and other payables	**43**	18
Derivative financial instruments	**–**	19
Income tax payable	**960**	235
Debt instruments issued	**3,955**	–
	30,055	14,141
Non-current liabilities		
Long term borrowings	**39,689**	39,018
Debt instruments issued	**60,299**	64,313
Derivative financial instruments	**807**	685
	100,795	104,016
Total liabilities	**130,850**	118,157
Equity		
Share capital	**381,710**	381,710
Reserves	**10,961**	11,295
Total ordinary shareholders' funds	**392,671**	393,005
Total liabilities and equity	**523,521**	511,162

The balance sheet of the Company was approved and authorised for issue by the board of directors on 31 March 2020.

Director: **Zhu Hexin** *Director:* **Wang Jiong**

53 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Share capital HK$ million (Note 45(a))	Capital reserve HK$ million (Note 45(d)(i))	Hedging reserve HK$ million (Note 45(d)(ii))	Retained earnings HK$ million	Total HK$ million
At 31 December 2018	**381,710**	**630**	**(603)**	**11,268**	**393,005**
Cash flow hedges:					
– Fair value loss during the year	–	–	(142)	–	(142)
– Transfer to net finance charges	–	–	(79)	–	(79)
	–	–	(221)	–	(221)
Profit attributable to shareholders of the Company	–	–	–	12,686	12,686
Dividends paid to ordinary shareholders of the Company	–	–	–	(12,799)	(12,799)
At 31 December 2019	**381,710**	**630**	**(824)**	**11,155**	**392,671**

	Share capital HK$ million (Note 45(a))	Perpetual capital securities HK$ million (Note 45(c))	Capital reserve HK$ million (Note 45(d)(i))	Hedging reserve HK$ million (Note 45(d)(ii))	Investment related reserves HK$ million (Note 45(d)(iii))	Retained earnings HK$ million	Total HK$ million
At 31 December 2017	381,710	7,873	630	(819)	15	9,737	399,146
Changes in accounting policies	–	–	–	–	(15)	15	–
At 1 January 2018	381,710	7,873	630	(819)	–	9,752	399,146
Cash flow hedges:							
– Fair value gain during the year	–	–	–	26	–	–	26
– Transfer to net finance charges	–	–	–	190	–	–	190
	–	–	–	216	–	–	216
Profit attributable to shareholders of the Company	–	600	–	–	–	13,153	13,753
Redemption of perpetual capital securities	–	(7,800)	–	–	–	–	(7,800)
Dividends paid to ordinary shareholders of the Company	–	–	–	–	–	(11,637)	(11,637)
Distributions to holders of perpetual capital securities	–	(673)	–	–	–	–	(673)
At 31 December 2018	381,710	–	630	(603)	–	11,268	393,005

54 Post balance sheet events

(a) Assessment of the impact of coronavirus disease 2019

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") from the beginning of 2020, the virus has spread around the world, resulting in global macro-economy slowdown and casting significant uncertainties to business operations. The Group has been diligently following government requirements on COVID-19 prevention and containment, and took multiple measures to ensure the stability of the subsidiaries' operations.

According to the Group's assessment, COVID-19 may have certain impact to the Group on the credit position and rate of return of the financial assets, business operations and project constructions within infected areas as well as the recoverability of trade and other receivables, resulting in price volatility and changes of supply and demand of commodities including iron ore, crude oil and steel, and bringing challenges to the Group's related business operations and management.

The degree of the impact depends on the situation of relevant containment measures, duration of the pandemic and implementations of regulatory policies since the spread is ongoing. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the financial position and operating results of the Group.

(b) Disposal of subsidiary

By referring to Note 36, on 2 March 2020, a Starry Dream Investments Limited entered into a share purchase agreement with CCHL Fast Food Holdings Limited ("CCHL"), a company wholly-owned by a newly established fund of which a wholly-owned subsidiary of CITIC Capital Holdings Limited acts as the general partner. Pursuant to the agreement, the Group agreed to sell and CCHL agreed to purchase 42.31% equity interests in FFHL and CCHL will also be assigned the corresponding portion of outstanding shareholder loans of FFHL in an amount of approximately US$217 million. The total consideration of the disposal is US$533 million. Upon completion of the disposal, the Group's equity interests in FFHL will be reduced to 19.23%, and therefore, FFHL and GFHL will no longer be consolidated into the financial statements of the Group.

55 Comparative amounts

Reclassifications have been made on some of the comparative amounts to ensure the comparability.

56 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2020.

57 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2019 and which have not been early adopted in these consolidated financial statements.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material (1)
HKFRS 3 (Amendments)	Definition of a Business (1)
Revised Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting (1)
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting (1)
HKFRS 17	Insurance Contracts (2)

(1) Effective for the annual periods beginning on or after 1 January 2020.
(2) Effective for the annual periods beginning on or after 1 January 2021 (likely to be extended to 1 January 2022).

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

58 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	51,097	100%	100%	0%
CITIC Pacific Special Steel Group Co., Ltd. (formerly known as Daye Special Steel Co., Ltd.) 中信泰富特钢集团股份有限公司 (前稱大冶特殊钢股份有限公司)	Mainland China	Manufacturing	2,968,907,902	83.85%	0%	83.85%
Dah Chong Hong Holdings Limited (Note 52) 大昌行集團有限公司(Note 52)	Hong Kong	Investment holding	1,891,247,220	56.81%	0%	56.81%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%

58 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,659,239,882	58.19%	0%	58.19%
M China Management Limited 金拱門中國管理有限公司	Hong Kong	Service	N/A	32%	0%	100%
CITIC Finance Company International Limited 中信財務(國際)有限公司	Hong Kong	Financial services	N/A	100%	100%	0%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Financial services	49,284,811,106	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Financial services	7,502,832,116	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Financial services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	92.80%	0%	94.90%
CITIC Consumer Finance Co.,Ltd. 中信消費金融有限公司	Mainland China	Financial services	N/A	70%	0%	70%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%

58 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Asset Operation Co., Ltd. 中信資產運營有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure	N/A	100%	0%	100%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy saving and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集團股份有限公司	Mainland China	Publishing	190,151,515	73.50%	0%	73.50%

58 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate	10,956,201,535	10%	0%	10%
CITIC Securities Co., Ltd.(note) 中信證券股份有限公司	Mainland China	Securities related services	12,116,908,400	16.50%	0%	16.50%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,196,109,399	26.31%	0%	26.31%

Note:

CITIC Securities Co., Ltd. issued new A shares on 11 March, 2020. Upon the consummation of the issuance, the Group's interest in CITIC Securities Co., Ltd. was diluted to 15.47%.

58 Principal subsidiaries, associates and joint ventures (Continued)

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

				Proportion of ownership interest		
Name of company	Place of incorporation	Principal activity	Shares issued	Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
中船置業有限公司	Mainland China	Real estate	N/A	50%	0%	50%
山東新巨龍能源有限責任公司	Mainland China	Resources and energy	N/A	30%	0%	30%

羅兵咸永道

Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 178 to 356, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of China CITIC Bank Corporation Limited ("CITIC Bank")
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Impairment of the Sino Iron Project

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank

Refer to Note 2(k), Note 3, Note 26 and Note 27 to the consolidated financial statements.

As at 31 December 2019, loans and advances to customers and other parties of CITIC Bank amounted to RMB4,001.18 billion (approximately HK$4,466.70 billion), and the corresponding allowance for impairment losses was RMB115.96 billion (approximately HK$129.45 billion); investments in financial assets of CITIC Bank amounted to RMB1,559.79 billion (approximately HK$1,741.27 billion), and the corresponding allowance for impairment losses was RMB8.41 billion (approximately HK$9.39 billion).

The balances of loss allowances for the loans and advances to customers and other parties and investments in financial assets represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under HKFRS 9: Financial Instruments expected credit losses models.

The management assesses whether the credit risk of loans and advances to customers and other parties and investments in financial assets have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. For corporate loans and advances and investments in financial assets classified into stages 1 and 2, and all personal loans, the management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and advances and investments in financial assets in stage 3, the management assesses loss allowance by estimating the cash flows from the loans.

We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of ECL for loans and advances to customers and other parties, and investments in financial assets, primarily including:

- Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models;

- Internal controls relating to significant management judgments and assumptions, including the review and approval of model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, and forward-looking measurement;

- Internal controls over the accuracy and completeness of key inputs used by the models;

- Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and investments in financial assets in stage 3;

- Internal controls over the information systems for model-based measurement.

The substantive procedures we preformed primarily included:

We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We tested whether or not the measurement models reflect the modelling methodologies documented by the management on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)	
The measurement models of ECL involves significant management judgments and assumptions, primarily including the following: • Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; • Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; • Management overlay adjustments due to significant uncertain factors not covered in the models; • The estimated future cash flows for corporate loans and advances and investments in financial assets in stage 3. CITIC Bank established governance processes and controls for the measurement of ECL. For measuring ECL, the management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the exposures of the loans and advances to customers and other parties and investments in financial assets, the loss allowance and provision accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.	We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans. For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators; economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings. In addition, we assessed the reasonableness of the selection of significant uncertain factors, its application and measurement in the management overlay adjustments, and examined the accuracy of the relevant mathematical calculations. We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also performed walk-through testing and reconciliation of the transmission of major data inputs between the models' measurement engines and the information systems, to verify their accuracy and completeness. For corporate loans and advances and investments in financial assets in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by CITIC Bank based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance. Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of ECL for loans and advances to customers and other parties and investments in financial assets, the models, key parameters, significant judgements and assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank

Refer to Note 2(g), Note 3, Note 27 and Note 50 to the consolidated financial statements.

As at 31 December 2019, consolidated and unconsolidated structured entities, including non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank, are disclosed in Note 27(a) and Note 50(b) to the consolidated financial statements.

Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.

We focused on the consolidation assessment and judgement made by management involving the structured entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.

We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities.

We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests:

- assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities;
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities;
- assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties;
- evaluated and examined on the appropriateness of disclosures relating to structured entities in the consolidated financial statements.

Based on the audit procedures performed above, we considered that management's assessment and disclosure on the consolidation of structured entities with non-principal guaranteed wealth management products were appropriate in all material respects.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of financial assets of CITIC Bank	
Refer to Note 2(k), Note 3 and Note 50(d) to the consolidated financial statements. During the year ended 31 December 2019, CITIC Bank entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, and transfers of non-performing loans. Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where CITIC Bank neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether CITIC Bank had relinquished its control over these financial assets, and if CITIC Bank had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project	
Refer to Note 3 and Note 9 to the consolidated financial statements. An impairment assessment was undertaken on the Sino Iron Project ("the Project") by management as at 30 June 2019, with an update assessment on 31 December 2019. Management has assessed the recoverable amount of the Project using the Fair Value Less Cost of Disposal ("FVLCD") method as consistent with the approach taken previously. As a result, management has determined that no further impairment charge is required. In the impairment assessment, the most significant areas of judgement applied by management relate to: • The production profile of the Project (including production rates as the Project ramps up, ore grades and operating and capital expenditures); • Iron ore prices (inclusive of base price and premium on product grade); • The discount rate adopted in the valuation; • Foreign exchange rates, particularly between Australian and United States dollars. As the impairment assessment involves significant assumptions and judgements, we regard this as a key audit matter.	In evaluating management's valuation of the Project we undertook the following procedures: • Evaluated the reasonableness of management's judgement in relation to non-current asset impairment indicators, cash flow forecasts and the adoption of the FVLCD model; • Assessed whether management had included all appropriate assets and liabilities in the cash generating unit with appropriate consideration of tax impact; • Compared assumptions adopted in cash flow forecasts on production, future capital and operating expenditure with approved Life of Mine Plans, operating budgets and, where applicable, actual performance outcomes achieved to date; • With the support of our valuation experts, benchmarked key market related assumptions included in the valuation model, being base price, foreign exchange rates and the discount rate, against external market data; assessed the forecast premium on product grade with actual premiums achieved to date; and validated the competence and objectivity of the third party experts utilised by management to develop these assumptions; • Performed sensitivity analysis on the key assumptions. Based on the above procedures, we found the assumptions and judgements applied by management to be reasonable and consistent with the audit evidence we obtained.

Independent Auditor's Report

For the year ended 31 December 2019

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

Corporate Information

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Website

www.citic.com contains a description of CITIC Limited's business, copies of half-year and annual reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong Limited:	00267
Bloomberg:	267:HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact CITIC Limited's Share Registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact CITIC Limited's Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at ir@citic.com.

Corporate Information

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	15 June 2020 to 19 June 2020 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	26 June 2020 to 30 June 2020 (both days inclusive)
Annual General Meeting:	19 June 2020 Salon 4-6, Level 3, JW Marriott Hong Kong Pacific Place, 88 Queensway Hong Kong
Dividend payment:	11 August 2020

Annual Report 2019

The Annual Report is printed in English and Chinese and is also available on CITIC Limited's website at www.citic.com under the 'Investor Relations' section.

Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to CITIC Limited's Share Registrar.

Shareholders having difficulty in gaining access to the Annual Report will promptly be sent a printed copy free of charge upon request to CITIC Limited's Share Registrar.

Non-registered shareholders who wish to receive a printed copy of the Annual Report are requested to write to the Joint Company Secretaries, CITIC Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citic.com.

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