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CITIC Limited

中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

		For the year ended 31 December	
		2019	2018
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Interest income		307,913	288,784
Interest expenses		(160,125)	(152,895)
Net interest income	4(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	4(b)	58,317	50,393
Sales of goods and services	4(c)	344,076	330,288
Other revenue	4(d)	16,316	16,715
		360,392	347,003
Total revenue		566,497	533,285
Cost of sales and services		(283,148)	(270,863)
Other net income		9,944	7,713
Expected credit losses		(88,722)	(69,059)
Impairment losses		(7,024)	(6,511)
Other operating expenses		(103,894)	(102,685)
Net valuation (loss)/gain on investment properties		(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	5	(10,439)	(9,565)
Profit before taxation	6	96,015	93,969
Income tax	7	(17,827)	(18,944)
Profit for the year		78,188	75,025

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

		For the year ended	
		31 December	
		2019	2018
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit for the year		<u>78,188</u>	<u>75,025</u>
Attributable to:			
– Ordinary shareholders of the Company		53,903	50,239
– Holders of perpetual capital securities		–	600
– Non-controlling interests		<u>24,285</u>	<u>24,186</u>
Profit for the year		<u>78,188</u>	<u>75,025</u>
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic and diluted earnings per share (<i>HK\$</i>):	9	<u>1.85</u>	<u>1.73</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	For the year ended 31 December	
	2019	2018
	HK\$ million	HK\$ million
Profit for the year	78,188	75,025
Other comprehensive loss for the year (after tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value changes on financial assets at fair value through other comprehensive income	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)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
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

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019**

		As at 31 December	
		2019	2018
<i>Note</i>	HK\$ million	HK\$ million	
Assets			
	740,434	832,968	
Cash and deposits			
Placements with banks and non-bank financial institutions	226,686	200,030	
Derivative financial instruments	19,580	37,294	
Trade and other receivables	167,427	111,057	
Contract assets	11,504	11,068	
Inventories	54,735	58,087	
Financial assets held under resale agreements	11,117	12,955	
Loans and advances to customers and other parties	<i>10</i> 4,366,639	4,024,401	
Investments in financial assets	<i>11</i>		
– Financial assets at amortised cost	1,040,997	899,348	
– Financial assets at fair value through profit and 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	28,819	–	
Interests in associates	123,345	116,631	
Interests in joint ventures	40,963	38,620	
Fixed assets	150,075	189,647	
Investment properties	37,555	32,579	
Right-of-use assets	36,494	N/A	
Intangible assets	11,977	14,387	
Goodwill	21,203	22,885	
Deferred tax assets	58,729	50,011	
Other assets	28,913	23,666	
Total assets	8,289,924	7,660,713	

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

		As at 31 December	
		2019	2018
<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Liabilities			
	268,256	327,629	
Borrowing from central banks			
Deposits from banks and non-bank financial institutions	1,061,380	888,966	
Placements from banks and non-bank financial institutions	107,400	129,163	
Financial liabilities at fair value through profit or loss	1,436	1,468	
Derivative financial instruments	20,763	37,676	
Trade and other payables	148,908	171,093	
Contract liabilities	21,380	18,535	
Financial assets sold under repurchase agreements	127,766	138,589	
Deposits from customers	4,541,841	4,159,924	12
Employee benefits payables	23,542	22,705	
Income tax payable	13,989	11,551	
Bank and other loans	151,312	156,678	13
Debt instruments issued	823,964	745,031	14
Lease liabilities	17,435	N/A	
Liabilities directly associated with assets classified as held for sale	20,674	–	
Provisions	11,155	9,713	
Deferred tax liabilities	9,963	8,756	
Other liabilities	24,269	22,576	
Total liabilities	7,395,433	6,850,053	
Equity			
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in 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”).

(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 impact of the adoption of HKFRS 16 on the Group are described in Note 2(c).

(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.

(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) 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.

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.

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.

(c) **Impact of changes in significant accounting policies**

(i) **Measurement of lease liabilities as at 1 January 2019**

	<i>HK\$ million</i>
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 (<i>note</i>)	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	<u>27,592</u>

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%.

(ii) **Impact of the Group's adoption of HKFRS 16 on 1 January 2019 on the consolidated balance sheet**

	As at 31 December 2018 <i>HK\$ million</i>	Impact of first-time adoption of HKFRS 16 <i>HK\$ million</i>	As at 1 January 2019 <i>HK\$ million</i>
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

3 SEGMENT REPORTING

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 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 4(a))	147,869	-	-	-	65	-	46	(192)	147,788
- Net fee and commission income (Note 4(b))	58,339	-	-	-	-	-	7	(29)	58,317
- Sales of goods (Note 4(c))	-	99,142	116,806	15	3,659	80,141	-	(6,032)	293,731
- Services rendered to customers-construction contracts (Note 4(c))	-	-	1,002	20,277	-	1,598	-	(24)	22,853
- Services rendered to customers-others (Note 4(c))	-	1,892	1,786	3,082	2,356	20,018	-	(1,642)	27,492
- Other revenue (Note 4(d))	16,320	-	-	-	-	-	11	(15)	16,316
Share of profits/(losses) of associates, net of tax	3,249	647	160	46	4,128	(435)	288	-	8,083
Share of profits of joint ventures, net of tax	1,194	1,539	15	-	1,889	837	-	-	5,474
Finance income (Note 5)	-	253	283	676	639	211	1,599	(1,397)	2,264
Finance costs (Note 5)	-	(2,005)	(1,049)	(127)	(738)	(2,459)	(8,083)	1,758	(12,703)
Depreciation and amortisation (Note 6(b))	(6,972)	(2,940)	(4,669)	(227)	(262)	(6,683)	(53)	-	(21,806)
Expected credit losses	(88,009)	5	(85)	(112)	(386)	(172)	37	-	(88,722)
Impairment losses	(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 7)	(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	42,267	21,549	5,262	1,102	38,577	13,013	1,575	-	123,345
Interests in joint ventures	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 13) (note)	3,927	39,055	20,070	3,021	11,190	30,817	83,783	(41,185)	150,678
Debt instruments issued (Note 14) (note)	725,589	670	141	-	-	3,845	115,644	(27,860)	818,029

Note: The amount is the principal excluding interest accrued.

	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 4(a))	135,388	–	–	–	–	–	202	299	135,889
– Net fee and commission income (Note 4(b))	50,405	–	–	–	–	–	26	(38)	50,393
– Sales of goods (Note 4(c))	–	82,274	120,224	17	7,998	79,732	–	(8,334)	281,911
– Services rendered to customers-construction contracts (Note 4(c))	–	–	111	16,888	–	2,974	–	(67)	19,906
– Services rendered to customers-others (Note 4(c))	–	1,457	2,089	2,856	4,035	19,522	39	(1,527)	28,471
– Other revenue (Note 4(d))	16,704	–	–	–	–	–	54	(43)	16,715
Share of profits/(losses) of associates, net of tax	3,189	1,749	128	119	4,076	(1,491)	144	–	7,914
Share of profits of joint ventures, net of tax	337	1,338	3	–	364	744	–	–	2,786
Finance income (Note 5)	–	360	465	510	709	256	1,548	(1,119)	2,729
Finance costs (Note 5)	–	(2,085)	(1,285)	(103)	(736)	(1,588)	(7,532)	1,035	(12,294)
Depreciation and amortisation (Note 6(b))	(3,503)	(2,931)	(4,232)	(188)	(265)	(3,900)	(72)	–	(15,091)
Expected credit losses	(68,501)	19	63	(405)	52	(287)	–	–	(69,059)
Impairment losses	(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 7)	(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	41,925	19,227	996	867	38,366	14,237	1,013	–	116,631
Interests in joint ventures	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 13) (note)	5,898	40,885	31,923	2,657	9,402	34,825	67,778	(37,778)	155,590
Debt instruments issued (Note 14) (note)	628,169	–	144	–	–	3,849	106,561	–	738,723

Note: The amount is the principal excluding interest accrued.

(b) Geographical information

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

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
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

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

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

(a) **Net interest income**

	For the year ended	
	31 December	
	2019	2018
	HK\$ million	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 fair value through other comprehensive income (“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).

(b) Net fee and commission income

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net trading gain (<i>note (i)</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

(i) *Net trading gain*

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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

5 NET FINANCE CHARGES

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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	(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

6 PROFIT BEFORE TAXATION

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

(a) Staff costs

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Salaries and bonuses	49,889	48,193
Contributions to defined contribution retirement schemes	5,248	4,982
Others	8,918	9,188
	<u>64,055</u>	<u>62,363</u>

(b) Other items

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Amortisation	2,387	2,514
Depreciation (<i>note</i>)	19,419	12,577
Lease charges (<i>note</i>)	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
	<u>30,208</u>	<u>29,351</u>

Note:

Since 1 January 2019, according to HKFRS 16, ROU assets are depreciated on a straight-line basis, while short-term and low-value leases are recorded at lease charges.

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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 period	191	174
	26,050	25,648
Deferred tax		
Origination and reversal of temporary differences	(8,223)	(6,704)
	17,827	18,944

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.

8 DIVIDENDS

	For the year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
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	<u>8,291</u>	<u>7,563</u>

9 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
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit attributable to ordinary shareholders of the Company	<u>53,903</u>	<u>50,239</u>
Weighted average number of ordinary shares (<i>in million</i>)	<u>29,090</u>	<u>29,090</u>

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).

10 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

Loans and advances

	31 December 2019 HK\$ million	31 December 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
	<u>2,209,472</u>	<u>2,329,849</u>
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
	<u>1,927,346</u>	<u>1,694,236</u>
	<u>4,136,818</u>	<u>4,024,085</u>
Accrued interest	11,388	10,016
	<u>4,148,206</u>	<u>4,034,101</u>
Less: allowance for impairment losses	<u>(134,001)</u>	<u>(119,857)</u>
Carrying amount of loans and advances to customers and other parties at amortised cost	<u>4,014,205</u>	<u>3,914,244</u>
Loans and advances to customers and other parties at fair value through profit or loss (“FVPL”)		
Personal loans		
– Residential mortgages	<u>7,719</u>	<u>–</u>
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	<u>344,715</u>	<u>110,157</u>
Total carrying amount of loans and advances	<u>4,366,639</u>	<u>4,024,401</u>
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI	<u>(521)</u>	<u>(151)</u>

11 INVESTMENTS IN FINANCIAL ASSETS

	31 December 2019 HK\$ million	31 December 2018 HK\$ million
Financial assets at amortised cost		
Debt securities	645,126	438,361
Investment management products managed by securities companies	208,896	262,905
Trust investment plans	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
	<u>1,038,587</u>	<u>894,671</u>
Accrued interest	11,080	9,644
	<u>1,049,667</u>	<u>904,315</u>
Less: allowance for impairment losses	<u>(8,670)</u>	<u>(4,967)</u>
	<u>1,040,997</u>	<u>899,348</u>
Financial assets at FVPL		
Debt securities	50,399	86,115
Including: designated at FVPL	–	60
Investment management products managed by securities companies	3,159	3,413
Trust investment plans	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
	<u>403,776</u>	<u>395,259</u>
Debt investments at FVOCI		
Debt securities	688,554	560,392
Certificates of deposit and certificates of interbank deposit	5,433	14,431
Others	–	380
	<u>693,987</u>	<u>575,203</u>
Accrued interest	7,949	7,696
	<u>701,936</u>	<u>582,899</u>
Allowance for impairment losses on debt investments at FVOCI	<u>(1,820)</u>	<u>(1,185)</u>
Equity investments at FVOCI		
Equity investment	6,602	6,504
Investment funds	418	417
	<u>7,020</u>	<u>6,921</u>
	<u>2,153,729</u>	<u>1,884,427</u>

12 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

	31 December 2019 <i>HK\$ million</i>	31 December 2018 <i>HK\$ million</i>
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:

	31 December 2019 <i>HK\$ million</i>	31 December 2018 <i>HK\$ million</i>
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

13 BANK AND OTHER LOANS

(a) Types of loans

	31 December 2019 <i>HK\$ million</i>	31 December 2018 <i>HK\$ million</i>
Bank loans		
Unsecured loans	106,021	101,708
Loan pledged with assets	16,430	24,144
Guaranteed loans	—	308
	<u>122,451</u>	<u>126,160</u>
Other loans		
Unsecured loans	27,177	25,709
Loan pledged with assets	1,050	3,721
	<u>28,227</u>	<u>29,430</u>
	150,678	155,590
Accrued interest	634	1,088
	<u>151,312</u>	<u>156,678</u>

(b) Maturity of loans

	31 December 2019 HK\$ million	31 December 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

14 DEBT INSTRUMENTS ISSUED

	31 December 2019 <i>HK\$ million</i>	31 December 2018 <i>HK\$ million</i>
Corporate bonds issued	99,913	85,196
Notes issued	113,592	119,367
Subordinated bonds issued	97,196	141,485
Certificates of deposit issued	3,109	3,141
Certificates of interbank deposit issued	489,886	389,534
Convertible corporate bonds	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).

15 CONTINGENT LIABILITIES AND COMMITMENTS – OUTSTANDING LITIGATION AND DISPUTES

The Group is involved in a number of current and pending legal proceedings. The Group provided for liabilities arising from those legal proceedings in which the outflow of economic benefit is probable and can be reliably estimated in the consolidated balance sheet. The Group believes that these accruals are reasonable and adequate.

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

Each of Sino Iron Pty Ltd (“Sino Iron”) 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 Pty Ltd (“Mineralogy”). Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to develop and operate the Group’s Sino Iron project in Western Australia (“Sino Iron Project”) and to take and process one billion tonnes each of magnetite ore for that purpose.

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.

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.

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.

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.

(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.

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.

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.

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.

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.

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

MCC was appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at 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.

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.

16 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.

Note:

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2019 in due course.

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

FINANCIAL REVIEW AND ANALYSIS

<i>In HK\$ million</i>	For the year ended 31 December		Increase/ (Decrease)
	2019	2018	
Revenue	566,497	533,285	6.2%
Profit before taxation	96,015	93,969	2.2%
Profit attributable to ordinary shareholders	53,903	50,239	7.3%
Basic earnings per share (<i>HK\$</i>)	1.85	1.73	7.3%
Diluted earnings per share (<i>HK\$</i>)	1.85	1.73	7.3%
Dividend per share (<i>HK\$</i>)	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	As at 31 December	Increase/ (Decrease)
	2019	2018	
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%	0.3%

Profit/(loss) and assets by business

<i>In HK\$ million</i>	Profit/(loss) For the year ended 31 December		Assets As at 31 December	
	2019	2018	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
Underlying business operations	86,468	83,444	8,343,851	7,695,423
Operation management	(8,098)	(7,564)		
Elimination	(182)	(855)		
Profit attributable to non-controlling interests and holders of perpetual capital securities	24,285	24,786		
Profit attributable to ordinary shareholders	53,903	50,239		

Revenue by business

<i>In HK\$ million</i>	For the year ended 31 December		Increase/(Decrease)	
	2019	2018	Amount	%
Financial services	222,316	202,949	19,367	9.5%
Resources and energy	94,951	78,722	16,229	21%
Manufacturing	119,328	121,939	(2,611)	(2.1%)
Engineering contracting	23,373	19,700	3,673	19%
Real estate	5,943	8,968	(3,025)	(34%)
Others	100,546	100,920	(374)	(0.4%)

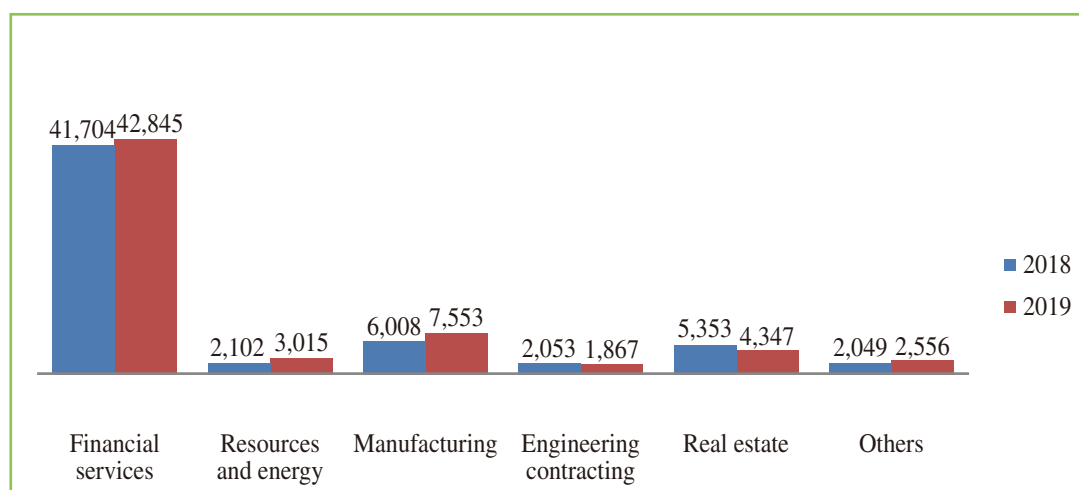
Revenue by nature

<i>In HK\$ million</i>	For the year ended 31 December		Increase/(Decrease)	
	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: The 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 income and net fee and commission income have been restated.

Profit Attributable to Ordinary Shareholders by Business

In HK\$ million



Capital Expenditures

<i>In HK\$ million</i>	For the year ended		Increase/(Decrease)	
	31 December 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%)

Group Financial Position

<i>In HK\$ million</i>	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%

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 to 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 to 31 December 2018.

<i>In HK\$ million</i>	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 FVPL				
Personal loans	7,719	—	7,719	—
Loans and advances to customers and other parties at FVOCI				
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 at FVOCI	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%

Investments in financial assets

As at 31 December 2019, the investments in financial assets of the Group was HK\$2,153,729 million, an increase of HK\$269,302 million or 14% compared to 31 December 2018. The proportion of investments in financial assets to total assets was 25.98%, an increase of 1.38 percentage point compared with 31 December 2018.

(a) Analysed by types

<i>In HK\$ million</i>	As at 31 December 2019	As at 31 December 2018	Increase/(Decrease) Amount	%
Debt securities	1,384,079	1,084,868	299,211	28%
Investment management products managed by securities companies	212,055	266,318	(54,263)	(20%)
Investment funds	268,230	233,549	34,681	15%
Trust investment plans	190,837	215,072	(24,235)	(11%)
Certificates of deposit and certificates of interbank deposit	57,780	46,523	11,257	24%
Equity investment	25,178	21,076	4,102	19%
Wealth management products	4,157	3,144	1,013	32%
Investments in creditor's rights on assets	570	583	(13)	(2.2%)
Others	484	921	(437)	(47%)
Subtotal	2,143,370	1,872,054	271,316	14%
Accrued interest	19,029	17,340	1,689	10%
Less: allowance for impairment losses	(8,670)	(4,967)	(3,703)	75%
Total	2,153,729	1,884,427	269,302	14%

(b) Analysed by measurement category

<i>In HK\$ million</i>	As at 31 December 2019	As at 31 December 2018	Increase/(Decrease) Amount	%
Financial assets at amortised cost	1,040,997	899,348	141,649	16%
Financial assets at FVPL	403,776	395,259	8,517	2.2%
Debt investments at FVOCI	701,936	582,899	119,037	20%
Equity investments at FVOCI	7,020	6,921	99	1.4%
Total	2,153,729	1,884,427	269,302	14%

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 to 31 December 2018. The proportion of deposits from customers to total liabilities was 61.41%, an increase of 0.69 percentage point compared to 31 December 2018.

<i>In HK\$ million</i>	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%

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.

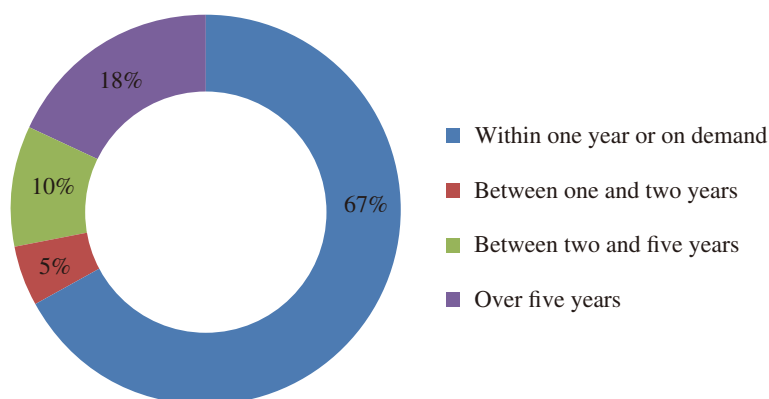
The details of debt are as follows:

As at 31 December 2019	HK\$ million
Consolidated debt of CITIC Limited	968,707
Among which: Debt of CITIC Bank	<u>694,224</u>

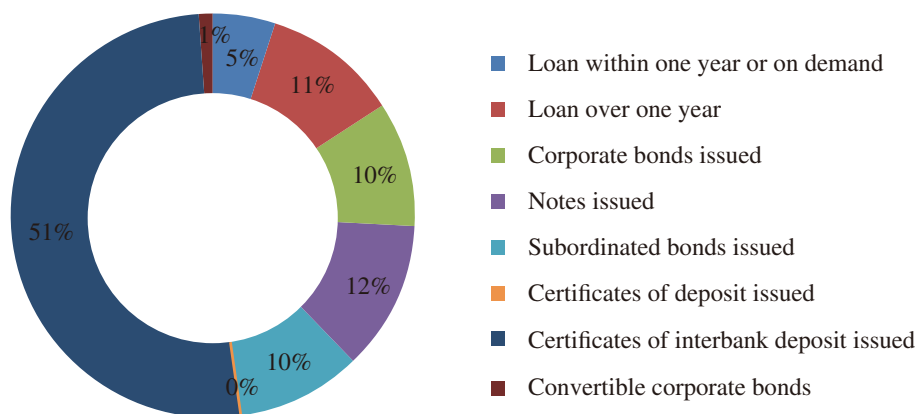
Note:

- (1) Consolidated debt of CITIC Limited is the sum of "bank and other loans" and "debt instruments issued" in the Consolidated Balance Sheet of CITIC Limited excluding interest accrued;
- (2) Debt instruments issued include corporate bonds, notes, subordinated bonds, certificates of deposit, 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 has 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:

<i>In HK\$ million</i>	Consolidated
Debt	968,707
Total equity ⁽⁴⁾	894,491
Debt to equity ratio	<u>108%</u>

Note:

(4) Total consolidated equity is based on the “total equity” in the Consolidated Balance Sheet.

2. *Liquidity risk management*

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

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

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

3. *Credit ratings*

	Standard & Poor’s	Moody’s
31 December 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.

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The year 2019 marked the 70th anniversary of the founding of PRC, while it is also the 40th anniversary of the CITIC group. 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 start point, we will continue to improve our employee, environmental, brand, and community welfare management, while exploring new ways to build a better future for human being and natural environment together with our country. We also continued to strengthen incentive mechanisms and to improve our employees' growth plan. We received the "Best Employers' Award" for four consecutive years. We uphold and implement green management, green operation and green office. Chongqing Sanfeng Environment of CITIC Environment Investment has been included in the CITI index of green supply chain, ranking first in the environmental protection industry. To maintain and make the CITIC brand more identifiable and trust-worthy amongst customers, we announced the authorised brand users list online. 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. We actively building cooperative platforms and promoting active and close cooperation between the government and enterprises to create mutually beneficial partnerships. We honor our corporate social citizenship through volunteering activities. Tens of thousands of CITIC Volunteers provided community service in more than 30 cities and regions. 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 joint-stock commercial bank to receive this award.

Staff responsibility: building our staff development platform

"Providing a platform for employees to excel their talents" has always been one of the corporate missions at CITIC. As of the end of 2019, the CITIC has a total of 287,910 full-time employees (including 154,647 people from the Golden Arches China Management Co., Ltd.) representing an increase of 14,566 over 2018. Of these, 49.15% were women and 66.63% were age 35 or below.

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 pays 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 will the healthy and sustainable growth of the Company.

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. We are committed to building a talented workforce and 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 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 of reviewing senior accredited professional titles to improve the judging criteria that are based on work performance and professional ability; CITIC recognises the importance to care and reward our staff and awarded 103 local and overseas employees with “Top 100 CITIC People”; the three-year CITIC Excellent Talent Training Programme trained a total of 146 outstanding young professionals to prepare them to help with the future company development.

We believe that the safety and health of our staff is our primary responsibility. In response to this, we strengthen our safety management, supervision and inspection. We also enhance the sense of responsibility, worst case thinking and ability to work safely through education. CITIC Tower (Beijing) has established and has been continuously improving the fire safety management system of the building to ensure the safety of life and property of the personnel in the building. In response to individual overseas political crises and areas with high public security risks, CITIC Construction organised special training to avoid property and personal safety risks.

Environmental responsibility: building a harmonious ecosystem

We strictly comply with all environmental laws and regulations in the countries and regions 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. CITIC Heavy Industries also developed “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. CITIC Bank progressively moves towards green finance by including more sustainable businesses into its customer structure. CITIC Securities assisted a number of companies in issuing green bonds with a total amount of RMB49 billion. China Securities issued 19 green bonds for 12 enterprises with a total amount of RMB9.032 billion. CITIC Trust cooperated with Bayan Zhuoer Hetao Water Affairs Group to raise funds to support the water treatment project for Wuliangsu Lake.

Pollutant control. CITIC Resources' Yuedong Oilfield purchased hot steam to provide a heat source for crude oil production at the onshore central processing station and achieved zero GHG emission by the coal-fired boilers at the onshore central processing station. Daye Special Steel of CITIC Pacific Special Steel optimises the energy efficiency of the blast furnace through improving the overall recycling level by recovering the waste heat of the blast furnace. As a result, carbon emissions per tonne of steel produced was decreased by 8.95% over the previous year. CITIC Mining International adheres to an operation model that has high energy-efficiency, low-pollution and efficient production. 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.

Resource and energy saving. CITIC Heavy Industries effectively monitored the high electrical loads period and increased the load utilisation by peak shaving. During the year, the Company reduced electricity purchase costs by RMB2.2495 million through electricity trading. The Company optimised and upgraded the compressed air system of the industrial park to improve the gas supply quality at the production site and reduced the set pressure of the air output from the compressor.

We continuously improve our office system so that all documents (except confidential documents), briefing notes, and information in the system can be electronically stored, printed, and circulated. We and our subsidiaries put up water conservation and electricity saving posters in office areas to provide our staff with environmental protection tips. CITIC Heye will continue to learn from domestic and foreign best practices to bring green buildings and green development to life. It will also use innovative energy saving and environmental protection methods to improve its operating strategy to further promote green operations of CITIC Tower(Beijing).

Customer responsibility: increase brand's reputation and trust-worthiness

The image of CITIC brand is essential to the Company. To maintain and make the CITIC brand more identifiable amongst customers, we launched brand standardisation and rectification programme in 2019 to strengthen the brand management with a clearer brand guideline. We also announced the authorised brand users list online, conducted the reputation risk assessment to strengthen our trademark protection.

"Customer-centric" is our business philosophy, while customer needs are the guide. To put what we advocate into practice, we continue to provide high-quality products and continuously 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 customer markets with superior services. CITIC Prudential Life launched the "Enjoy Good Health" 2019 for adults and children. The insurance plan for adults provide multiple protections for the insured person with complications of diabetes and diabetes management services. The plan for children provides protections for those with congenital diseases and a variety of children's specific diseases; To achieve the "zero defect" quality goal, CITIC Dicastal employs the PDCA cycle for its quality management system. In 2019, no products were recalled due to safety and health reasons; Royal Albert Dock project in the U.K. by CITIC Construction 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 RED social housing project by CITIC Construction has been completed and the delivery is on-the-go.

We wholeheartedly safeguard customers' legal rights and interests. To improve the customer funds security mechanism, CITIC Bank added and revised 8 information safety methods and regulations. CITIC Bank actively promote ciphers to corporate bank customers and adopted more advanced and effective methods to ensure the security of customer funds. CITIC Heavy Industries independently developed $\Phi 8.8 \times 4.8\text{m}$ semi-self-grinding mill and $\Phi 6.2 \times 10.5\text{m}$ overflow ball mill. At the commissioning and factory delivery ceremony, customers were invited to attend the ceremony. This increased customers' confidence in their manufacturing ability.

We use various ways to provide industry updates and professional knowledge to our customers by capitalizing our industrial expertise. China Securities continued to develop investor education on the basis of the company's national investor education base "Jingxin Academy". 15,476 visitors were received in 2019. CITIC Prudential Life has organised the "Wealth Legend of Youth" financial and business competition, which guides children to establish a correct view on wealth through games. 22 branches across the country held more than 900 rounds of competition, with a total of 15,788 participants.

Industrial responsibility: partnerships for mutual benefits

We continued to strengthen our cooperation with external think tanks and donated RMB3 million to the Central University of Finance and Economics and China Public Private Partnership Centre to support their research and to promote national PPP theory into practice. CITIC Trust signed a strategic cooperation agreement with 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 promote putting 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.

While demonstrating our social responsibility, we promote what we believe to our upstream and downstream supply chain and share with them our standards and requirements. CITIC Bank's first "blockchain + supply chain" pilot innovation project is underway. 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. 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.

We are actively promoting industry advancement and protecting intellectual property and upholding fair market orders. CITIC Securities actively 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.

CITIC Pacific Special Steel pre-assessed patent related matters, such as application, maintenance and management, as well as exclusive technology validation and intellectual property disputes to achieve international standards and to possess independent intellectual property rights.

We always regard anti-corruption as our top priority of 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. In addition, we centralised on-site risk inspections for all our major companies, while carrying out company-wide risk management training with the theme of “adhering to the worst case thinking and focusing on preventing and resolving major risks”. We also included contents around new trends in financial management, company supervision and management.

CITIC Bank 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 transaction, monitoring and managing customer identity information, conducting product business money laundering risk assessment, as well as strengthening anti-money laundering management for sanctioned countries.

Social responsibility: helping the community thrive

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 step help Qianjiang District of Chongqing to sustain the results of poverty alleviation achieved in previous years.

As CITIC is a Hong Kong-listed company, we have built platforms for young people from Mainland China and Hong Kong to know each other well and to facilitate young people in Hong Kong to get personal experience of Mainland China and its development; CITIC is an active participant in welfare promoting activities in Hong Kong and Macau and contributing to local stability and prosperity. CITIC has organised summer internships for Hong Kong university students for five consecutive years. 40 university students from universities in Hong Kong were arranged for an eight-week internship programme at CITIC Bank, CITIC Securities, CITIC Construction Investment Securities, CITIC Trust and other financial companies. The CITIC Pacific Volunteer Team have newly participated the food redistribution programme, 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 underprivileged families in the district. Macau Telecom sponsored the 34th China Adolescents Science and Technology Innovation Contest and presented five “Digital Macau” Special Award to recognise and reward young people who made outstanding and innovative achievements in information technology, smart applications, cloud applications, IoT technology and other aspects.

We take our industrial advantage to create public welfare activities with CITIC characteristics. CITIC Offshore Helicopter Co., Ltd evacuated of more than 700 people from 16 helipads before the arrival of Typhoon Taba. It sent helicopters to Sichuan Muli, Shanxi Qinyuan, and other places to carry out fire and disaster fire actions by aerial firefighting. Since founded in 2014, CITIC Centennial Vocational School has provided free training and accommodation for 386 young people from under-privileged families and helped them find jobs.

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.

CORPORATE GOVERNANCE

CITIC Limited is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. 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. A full description of CITIC Limited's corporate governance will be set out in the section of Corporate Governance contained in the 2019 Annual Report.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the board reviewed the 2019 consolidated financial statements and the annual results for the year ended 31 December 2019 in conjunction with the management and CITIC Limited's external auditor and recommended its adoption by the board. The committee consists of five non-executive directors of whom three are independent.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have resolved to recommend to shareholders the payment of a final dividend of HK\$0.285 per share (2018: HK\$0.26 per share), which together with the interim dividend of HK\$0.18 per share (2018: HK\$0.15 per share) already paid makes a total dividend of HK\$0.465 per share (2018: HK\$0.41 per share) for the year ended 31 December 2019. The total dividend of HK\$0.465 per share will amount to HK\$13,527 million of CITIC Limited's profit for the year ended 31 December 2019 (2018: HK\$11,927 million).

The proposed final dividend of HK\$0.285 per share, the payment of which is subject to approval of the shareholders at the annual general meeting of CITIC Limited to be held on Friday, 19 June 2020 ("2020 AGM"), is to be payable on Tuesday, 11 August 2020 to shareholders whose names appear on the Register of Members of CITIC Limited on Tuesday, 30 June 2020.

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 the 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. A dividend currency election form will 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.

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

- (i) from Monday, 15 June 2020 to Friday, 19 June 2020, both days inclusive and during which period no share transfer will be effected for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 June 2020; and
- (ii) from Friday, 26 June 2020 to Tuesday, 30 June 2020, both days inclusive and during which period no share transfer will be effected for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Limited's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 June 2020.

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.

FORWARD LOOKING STATEMENTS

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

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

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement is posted on CITIC Limited's website (www.citic.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The full Annual Report will be made available on the respective websites of CITIC Limited and Hong Kong Exchanges and Clearing Limited around 21 April 2020.

By Order of the Board
CITIC Limited
Zhu Hexin
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive directors of CITIC Limited are Mr Zhu Hexin (Chairman), Mr Wang Jiong and Ms Li Qingping; the non-executive directors of CITIC Limited are Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhuyu, Mr Peng Yanxiang, Mr Liu Zhongyuan and Mr Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Mr Shohei Harada and Mr Gregory Lynn Curl.