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## Consolidated Income Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
Interest income		336,985	330,267
Interest expenses		(164,967)	(160,125)
<b>Net interest income</b>	5(a)	<b>172,018</b>	170,142
Fee and commission income		44,814	42,770
Fee and commission expenses		(5,636)	(6,807)
<b>Net fee and commission income</b>	5(b)	<b>39,178</b>	35,963
Sales of goods and services	5(c)	323,808	344,076
Other revenue	5(d)	17,945	16,316
		<b>341,753</b>	360,392
<b>Total revenue</b>		<b>552,949</b>	566,497
Cost of sales and services	6,11	(276,305)	(283,148)
Other net income	7	6,363	9,944
Expected credit losses	8	(96,927)	(88,722)
Impairment losses	9	(3,649)	(7,024)
Other operating expenses	11	(88,647)	(103,894)
Net valuation loss on investment properties		(675)	(756)
Share of profits of associates, net of tax		10,533	8,083
Share of profits of joint ventures, net of tax		3,960	5,474
<b>Profit before net finance charges and taxation</b>		<b>107,602</b>	106,454
Finance income		1,266	2,264
Finance costs		(11,150)	(12,703)
<b>Net finance charges</b>	10	<b>(9,884)</b>	(10,439)
<b>Profit before taxation</b>	11	<b>97,718</b>	96,015
Income tax	12	(16,790)	(17,827)
<b>Profit for the year</b>		<b>80,928</b>	78,188
<b>Attributable to:</b>			
– Ordinary shareholders of the Company		56,628	53,903
– Non-controlling interests		24,300	24,285
<b>Profit for the year</b>		<b>80,928</b>	78,188
<b>Earnings per share for profit attributable to ordinary shareholders of the Company during the year:</b>			
Basic and diluted earnings per share (HK\$)	16	1.95	1.85

The notes on pages 178 to 363 form part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
<b>Profit for the year</b>		<b>80,928</b>	78,188
<b>Other comprehensive gain/(loss) for the year</b>	17		
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		(5,839)	1,948
Loss allowance changes on financial assets at fair value through other comprehensive income		943	780
Cash flow hedge: net movement in the hedging reserve		(618)	(588)
Share of other comprehensive income of associates and joint ventures		448	85
Exchange differences on translation of financial statements and others		59,738	(19,027)
Items that will not be reclassified subsequently to profit or loss:			
Reclassification of owner-occupied property as investment property: revaluation gain		57	1,117
Fair value changes on investments in equity instruments designated at fair value through other comprehensive income		(44)	(436)
<b>Other comprehensive gain/(loss) for the year</b>		<b>54,685</b>	(16,121)
<b>Total comprehensive income for the year</b>		<b>135,613</b>	62,067
<b>Attributable to:</b>			
-Ordinary shareholders of the Company		94,249	43,656
-Non-controlling interests		41,364	18,411
<b>Total comprehensive income for the year</b>		<b>135,613</b>	62,067

The notes on pages 178 to 363 form part of these consolidated financial statements.

## Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 HK\$ million	2019 HK\$ million
<b>Assets</b>			
Cash and deposits	19	755,386	740,434
Placements with banks and non-bank financial institutions	20	198,513	226,686
Derivative financial instruments	21	47,804	19,580
Trade and other receivables	22	169,723	167,427
Contract assets	23	13,619	11,504
Inventories	24	80,370	54,735
Financial assets held under resale agreements	25	143,029	11,117
Loans and advances to customers and other parties	26	5,206,155	4,366,639
Investments in financial assets	27		
– Financial assets at amortised cost		1,156,496	1,040,997
– Financial assets at fair value through profit or loss		528,293	403,776
– Debt investments at fair value through other comprehensive income		860,255	701,936
– Equity investments at fair value through other comprehensive income		8,023	7,020
Assets classified as held for sale	36	–	28,819
Interests in associates	29	131,040	123,345
Interests in joint ventures	30	50,287	40,963
Fixed assets	31	167,840	150,075
Investment properties	31	38,455	37,555
Right-of-use assets	32	37,915	36,494
Intangible assets	33	15,877	11,977
Goodwill	34	21,133	21,203
Deferred tax assets	35	74,164	58,729
Other assets		36,451	28,913
<b>Total assets</b>		<b>9,740,828</b>	<b>8,289,924</b>

## Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 HK\$ million	2019 HK\$ million
<b>Liabilities</b>			
Borrowing from central banks		266,611	268,256
Deposits from banks and non-bank financial institutions	37	1,370,439	1,061,380
Placements from banks and non-bank financial institutions	38	74,308	107,400
Financial liabilities at fair value through profit or loss		12,423	1,436
Derivative financial instruments	21	49,808	20,763
Trade and other payables	39	160,943	148,908
Contract liabilities	23	28,092	21,380
Financial assets sold under repurchase agreements	40	94,774	127,766
Deposits from customers	41	5,427,694	4,541,841
Employee benefits payables		36,176	33,357
Income tax payable	35	13,448	13,989
Bank and other loans	42	163,604	151,312
Debt instruments issued	43	973,858	823,964
Lease liabilities	32	18,267	17,435
Liabilities directly associated with assets classified as held for sale	36	–	20,674
Provisions	44	15,172	11,155
Deferred tax liabilities	35	11,444	9,963
Other liabilities		15,125	14,454
<b>Total liabilities</b>		<b>8,732,186</b>	<b>7,395,433</b>
<b>Equity</b>	45		
Share capital		381,710	381,710
Reserves		292,566	209,816
<b>Total ordinary shareholders' funds</b>		<b>674,276</b>	<b>591,526</b>
Non-controlling interests		334,366	302,965
<b>Total equity</b>		<b>1,008,642</b>	<b>894,491</b>
<b>Total liabilities and equity</b>		<b>9,740,828</b>	<b>8,289,924</b>

Approved and authorised for issue by the board of directors on 30 March 2021.

Director: Zhu Hexin

Director: Xi Guohua

The notes on pages 178 to 363 form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Note	Share capital	Capital reserve	Hedging reserve	Investment related reserves	General reserve	Retained earnings	Exchange reserve	Total	Non-controlling interests	Total equity
	HK\$ million (Note 45(a))	HK\$ million (Note 45(c)(i))	HK\$ million (Note 45(c)(ii))	HK\$ million (Note 45(c)(iii))	HK\$ million (Note 45(c)(iv))	HK\$ million	HK\$ million (Note 45(c)(v))	HK\$ million	HK\$ million	HK\$ million
<b>Balance at 1 January 2020</b>	381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491
Profit for the year	-	-	-	-	-	56,628	-	56,628	24,300	80,928
Other comprehensive (loss)/income for the year	17	-	-	(523)	(2,762)	-	40,906	37,621	17,064	54,685
<b>Total comprehensive (loss)/income for the year</b>	-	-	(523)	(2,762)	-	56,628	40,906	94,249	41,364	135,613
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	742	742
Transfer of profits to general reserve	-	-	-	-	7,069	(7,069)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	(11,200)	-	(11,200)	-	(11,200)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(9,987)	(9,987)
Redemption of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	(1,295)	(1,295)
Acquisition of subsidiaries	54	-	-	-	-	-	-	-	6,148	6,148
Disposal of subsidiaries	51(b)	-	-	-	-	-	-	-	(4,787)	(4,787)
Transactions with non-controlling interests	52	-	(506)	-	-	-	-	(506)	(808)	(1,314)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	(27)	-	27	-	-	-	-
Others	-	207	-	-	-	-	-	207	24	231
<b>Other changes in equity</b>	-	(299)	-	(27)	7,069	(18,242)	-	(11,499)	(9,963)	(21,462)
<b>Balance at 31 December 2020</b>	381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Share	Capital	Hedging	Investment	General	Retained	Exchange	Total	Non-	Total equity
		capital	reserve	reserve	related	reserve	earnings	reserve	interests	equity	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		million	million	million	million	million	million	million	million	million	million
		(Note 45(a))	(Note 45(c)(ii))	(Note 45(c)(iii))	(Note 45(c)(iii))	(Note 45(c)(iv))		(Note 45(c)(v))			
<b>Balance at 31 December 2018</b>		381,710	(62,239)	2,253	905	45,354	221,409	(30,847)	558,545	252,115	810,660
Changes in accounting policies		-	-	-	-	-	(162)	-	(162)	(282)	(444)
<b>Balance at 1 January 2019</b>		381,710	(62,239)	2,253	905	45,354	221,247	(30,847)	558,383	251,833	810,216
Profit for the year		-	-	-	-	-	53,903	-	53,903	24,285	78,188
Other comprehensive (loss)/income for the year	17	-	-	(530)	2,888	-	-	(12,605)	(10,247)	(5,874)	(16,121)
<b>Total comprehensive (loss)/income for the year</b>		-	-	(530)	2,888	-	53,903	(12,605)	43,656	18,411	62,067
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	679	679
Issue of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	-	46,701	46,701
Transfer of profits to general reserve		-	-	-	-	5,791	(5,791)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	-	(12,799)	-	(12,799)	-	(12,799)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(8,154)	(8,154)
Redemption of other equity instruments by subsidiaries	51(d)	-	-	-	-	-	-	-	-	(2,076)	(2,076)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	73	73
Disposal of subsidiaries	51(b)	-	-	-	108	-	(108)	-	-	(128)	(128)
Transactions with non-controlling interests		-	2,202	-	-	-	-	-	2,202	(4,680)	(2,478)
Disposal of equity investments at fair value through other comprehensive income		-	-	-	645	-	(645)	-	-	-	-
Others		-	84	-	-	-	-	-	84	306	390
<b>Other changes in equity</b>		-	2,286	-	753	5,791	(19,343)	-	(10,513)	32,721	22,208
<b>Balance at 31 December 2019</b>		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	894,491

The notes on pages 178 to 363 form part of these consolidated financial statements.

## Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
<b>Cash flows from operating activities</b>			
Profit before taxation		97,718	96,015
Adjustments for:			
– Depreciation and amortisation	11(b)	19,772	21,806
– Expected credit losses	8	96,927	88,722
– Impairment losses	9	3,649	7,024
– Net valuation loss on investment properties		675	756
– Net valuation loss/(gain) on investments		580	(831)
– Share of profits of associates and joint ventures, net of tax		(14,493)	(13,557)
– Interest expenses on debts instruments issued	5(a)	23,457	24,574
– Finance income	10	(1,266)	(2,264)
– Finance costs	10	11,150	12,703
– Net gain on investments in financial assets		(13,417)	(10,475)
– Net gain on disposal of subsidiaries, associates and joint ventures		(4,718)	(3,751)
		220,034	220,722
<b>Changes in working capital</b>			
Decrease/(increase) in deposits with central banks and non-bank financial institutions		36,047	(32,147)
Increase in placements with banks and non-bank financial institutions		(5,729)	(20,380)
Decrease/(increase) in trade and other receivables		3,144	(56,899)
Increase in contract assets		(2,115)	(436)
(Increase)/decrease in inventories		(25,610)	7,333
(Increase)/decrease in financial assets held under resale agreements		(123,933)	1,523
Increase in loans and advances to customers and other parties		(623,187)	(510,536)
(Increase)/decrease in investments in financial assets held for trading purposes		(15,652)	24,368
Increase in other assets		(6,690)	(27,372)
Increase in deposits from banks and non-bank financial institutions		226,884	198,096
Decrease in placements from banks and non-bank financial institutions		(37,006)	(19,791)
Increase/(decrease) in financial liabilities at fair value through profit or loss		8,526	(276)
Increase/(decrease) in trade and other payables		1,386	(18,933)
Increase in contract liabilities		6,712	2,959
Decrease in financial assets sold under repurchase agreements		(38,892)	(7,928)
Increase in deposits from customers		573,890	471,209
Decrease in borrowing from central banks		(15,498)	(51,726)
Increase in other liabilities		30,429	1,047
Increase in employee benefits payables		2,819	1,419
Increase in provisions		4,017	1,442
<b>Cash generated from operating activities</b>		<b>219,576</b>	<b>183,694</b>
Income tax paid		(26,351)	(23,612)
<b>Net cash generated from operating activities</b>		<b>193,225</b>	<b>160,082</b>



## Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020 HK\$ million	2019 HK\$ million
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of financial investments		3,043,255	2,239,189
Proceeds from disposal of fixed assets, intangible assets and other assets		1,032	1,689
Proceeds from disposal of associates and joint ventures		2,157	1,348
Net cash received from disposal of subsidiaries	51(b)	6,446	1,082
Dividends received from equity investments, associates and joint ventures		5,317	6,613
Payments for purchase of financial investments		(3,292,092)	(2,519,759)
Payments for additions of fixed assets, intangible assets and other assets		(20,885)	(19,626)
Net cash received from/(payment) for acquisition of subsidiaries		2,897	(981)
Net cash payment for acquisition of associates and joint ventures		(4,294)	(6,066)
<b>Net cash used in investing activities</b>		<b>(256,167)</b>	<b>(296,511)</b>
<b>Cash flows from financing activities</b>			
Capital injection received from non-controlling interests		672	679
Transaction with non-controlling interests	52	(942)	494
Proceeds from new bank and other loans	51(c)	121,798	127,134
Repayment of bank and other loans and debt instruments issued	51(c)	(951,030)	(685,251)
Proceeds from new debt instruments issued	51(c)	930,718	661,283
Issue of other equity instruments by subsidiaries	51(d)	–	46,701
Principal and interest elements of lease payment	51(c)	(6,150)	(6,673)
Interest paid on bank and other loans and debt instruments issued	51(c)	(36,566)	(37,043)
Dividends paid to non-controlling interests		(9,987)	(8,369)
Dividends paid to ordinary shareholders of the Company	15	(11,200)	(12,799)
Redemption of other equity instruments by subsidiaries	51(d)	(1,295)	(2,076)
<b>Net cash generated from financing activities</b>		<b>36,018</b>	<b>84,080</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(26,924)</b>	<b>(52,349)</b>
Cash and cash equivalents at 1 January		463,038	522,808
Effect of exchange changes		16,588	(7,421)
<b>Cash and cash equivalents at 31 December</b>	51(a)	<b>452,702</b>	<b>463,038</b>

The notes on pages 178 to 363 form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1 General information

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

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

The parent and the ultimate holding company of the Company is CITIC Group Corporation (“CITIC Group”). As at 31 December 2020, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2019: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 Significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### (i) Definition of Material – Amendments to HKAS 1 and HKAS 8

The HKICPA has made amendments to HKAS 1 Presentation of Financial Statements and HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

#### (ii) Definition of a Business – Amendments to HKFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

#### (iii) Interest Rate Benchmark Reform – Amendments to HKFRS 7, HKFRS 9 and HKAS 39

The amendments made to HKFRS 7 Financial Instruments: Disclosures, HKFRS 9 Financial Instruments ("HKFRS 9") and HKAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

#### (iv) Revised Conceptual Framework for Financial Reporting

The HKICPA has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (b) Functional currency and presentation currency

The functional currency of the Company is Hong Kong dollars (“HK\$”). The functional currencies of subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into HK\$ for the preparation of the consolidated financial statements (see Note 2 (h)). The financial statements of the Group are presented in HK\$ and, unless otherwise stated, expressed in million of HK\$.

#### (c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see Note 2 (l));
- financial assets and liabilities at fair value through profit or loss (see Note 2 (i));
- financial assets at fair value through other comprehensive income (see Note 2 (i)); and
- fair value hedged items (see Note 2 (j)(i)).

#### (d) Use of estimates and judgement

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent period are described in Note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (e) Subsidiaries and non-controlling interests

##### (i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

##### (ii) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets or liabilities transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

For a business combination not involving entities under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised in profit or loss for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree are transferred to profit or loss in the period in which the acquisition occurs.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (e) Subsidiaries and non-controlling interests (Continued)

##### (iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries which includes structured entities controlled by the Group.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Group has power, only substantive rights are considered including the substantive rights held by the Group and other parties.

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the ordinary shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 2 (i).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (e) Subsidiaries and non-controlling interests (Continued)

##### (iii) Consolidated financial statements (Continued)

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised fully in profit or loss when evidence of impairment of assets being provided.

If there is a difference between the accounting entity of the Group and the accounting entity of the company or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

Where the Group acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (capital reserve) in the consolidated balance sheet.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss, and the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2 (i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2 (f)).

##### (iv) Investment in subsidiaries

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2 (s)).

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (f) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group under the equity method. The Group uses the equity method on the basis of an adjustment to the financial statements of associate or joint venture in accordance with the Group's accounting policies, unless an associate or joint venture does not apply HKFRS 9 temporarily by applying the temporary exemption of HKFRS 9 until annual periods beginning 1 January 2021. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2 (s)). Any acquisition-date excess of the Group's share of the fair value of the investee's identifiable net assets over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate or joint venture is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the cost on initial recognition of a financial asset (see Note 2 (i)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 2 (s)).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (g) Goodwill

Goodwill represents the excess of the consideration transferred, including the amount of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and the equity securities issued by the acquirer at the date of acquisition, over the fair value of the Group's share of the identifiable net assets acquired, when the excess is positive, otherwise it's recognised directly in profit or loss.

Impairment losses on goodwill can not be reversed in the future.

#### (h) Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into HK\$ for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into HK\$ at the foreign exchange rates ruling at the reporting date. The equity items, except for "retained earnings", are translated to HK\$ at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into HK\$ at the foreign exchange rates at the transaction dates or the rates approximate to. The resulting exchange differences are presented as "Reserves" (exchange reserve) in the consolidated balance sheet within the shareholder's equity. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

#### (i) Financial instruments

Financial instruments refer to a contract that forms one party's financial asset and another party's liabilities or equities. Financial assets and financial liabilities are recognised when the Group becomes a party of the financial instrument contracts.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (i) Financial assets

##### (1) Classification and Measurement

The Group classifies its financial assets into the following categories based on their business model and the contractual cash flow characteristics:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”);
- Financial assets at fair value through profit or loss (“FVPL”).

At initial recognition, the Group measures a financial asset at its fair value. For financial assets that are at FVPL, the transaction costs are expensed in profit or loss; for financial assets with other categories, the transaction costs are recognised in the initial carrying amounts. For trade and other receivables arising from rendering goods or services with no significant financing component, the Group measures their initial carrying amount as the cash flows that the Group is entitled and expected to receive.

##### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, and are measured at the following three categories:

- Amortised cost:

The business model the Group manages these financial assets is to collect the contractual cash flows where those cash flows’ characteristics are consistent with those of the basic loans arrangement, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount (“SPPI”), and that are not designated at FVPL. Interest income from these financial assets is recognised using the effective interest rate method.

- FVOCI:

The business model the Group manages these financial assets is to collect contractual cash flows and to sell the assets, and those cash flows’ characteristics are consistent with those of the basic loans arrangements, i.e, the contractual cash flows of these financial assets at certain date represent solely payments of principal and interest based on the principal amount (“SPPI”), and that are not designated at FVPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income on the instrument’s amortised cost which are recognised in profit or loss.

- FVPL:

Assets that do not meet the criteria for amortised cost or FVOCI are at FVPL. The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 Significant accounting policies (Continued)

### (i) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### (1) Classification and Measurement (Continued)

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Group subsequently measures all equity investments at FVPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is made, fair value gains and losses are recognised in other comprehensive income ("OCI") and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, are recognised in profit or loss when the Group's right to receive payments is established.

##### (2) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets at amortised cost, debt instrument at FVOCI, lease receivables and contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised. For financial assets with low credit risks as at the balance date, the Group recognises 12-month ECL based on the assumption that the credit risks have not significantly increased after initial recognition.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (i) Financial assets (Continued)

##### (2) Impairment (Continued)

For financial assets in stage 1 and stage 2, interest income is calculated based on the gross carrying amount of the asset, that is, without deduction for credit allowance, and the effective interest rates. For financial assets in stage 3, interest income is calculated on the net carry amount, that is, net of credit allowances, and the effective interest rates.

The Group recognises the provision and reversal of ECL in profit or loss. For debt instrument at FVOCI, the Group makes relevant adjustments to other comprehensive income at the same time as recognizing ECL in profit and loss.

For account and bills receivables and contract assets whether there is significant financing component or not, the Group recognises life-time ECL.

##### (3) Derecognition

The Group derecognises a financial asset if one of the following conditions is met:

- The contractual rights to receive the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;
- The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

For the Group's equity instruments not held for trading purposes and designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (i) Financial assets (Continued)

##### (3) Derecognition (Continued)

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the securitisation of financial assets qualifies for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets does not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets partially qualifies for de-recognition, where the Group has not retained control, it derecognises these financial assets. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement and recognises an associated liability.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (i) Financial assets (Continued)

##### (4) Modification of investment in financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognises a modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (ii) Financial liabilities

The financial liabilities are classified into those measured at amortised cost and those at fair value through profit or loss at initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group's major financial liabilities are those measured at amortised cost which are measured initially at fair value less transaction costs and are measured subsequently using the effective interest method.

Financial liabilities or a portion thereof, are derecognised when their current obligation are fully or partially expired. The difference between the carrying amount of the derecognised portion and the consideration is recognised in profit or loss.

##### (iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### (v) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (j) Hedging

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items as well as risk management goals and strategies of various hedging transactions. When a hedge no longer meets the criteria for hedge accounting or the Group's risk management goals, the Group terminates the use of hedge accounting prospectively. Situations for the Group to terminate the use of hedge accounting include hedging instrument expires, or is sold, terminated and settled.

#### (i) Fair value hedge

A fair value hedge refers to a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item. Such changes in fair value are attributable to a particular risk and could affect profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedge of the exposure to changes in the fair value of equity instruments designated at fair value through other comprehensive income not held for trading.

For a fair value hedge, the gain or loss on the hedging instrument is recognised in profit or loss (or OCI, if hedging an equity instrument at FVTOCI) and the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in profit or loss. However, if the hedged item is an equity instrument at FVTOCI, those amounts remain in OCI.

#### (ii) Cash flow hedge

A cash flow hedge refers to a hedge of the exposure to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income as cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability. In other cases the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period(s) as the hedged cash flows affect profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (j) Hedging (Continued)

##### (ii) Cash flow hedge (Continued)

If the cash flow hedge reserve recognised in other comprehensive income is a loss, and all or part of the loss is not expected to be reversed in the future. The portion that is not expected to be reversed will be transferred from other comprehensive income and recognised in profit or loss.

When an entity discontinues the use of hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until the period that the hedged item has the impact in profit or loss; otherwise, that amount is immediately reclassified to profit or loss.

##### (iii) Hedge of a net investment in a foreign operation

A hedge of net investment in a foreign operation refers to hedge of the foreign exchange exposure arising from net investment in a foreign operation. The "net investment in a foreign operation" refers to an enterprise's equity proportion in the net assets in a foreign operation.

Hedge of a net investment in a foreign operation is accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; and the ineffective portion is recognised in profit or loss. The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge is reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

##### (iv) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group continuously evaluate whether the hedging relationship is effective from the hedge date and after.

The hedge relationship meets hedging effectiveness requirements if the hedging meets the following conditions:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is equal to the ratio between the actual number of hedged items and the actual number of hedging instruments.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 2 Significant accounting policies (Continued)

#### (k) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

#### (l) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Subsequent expenditures related to investment properties are recognised in the cost of investment properties provided it is probable that the economic benefits will flow to the Group and the costs can be measured reliably; otherwise subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties transfer to property, plant and equipment or intangible assets at the commencement of owner-occupation. The carrying amount of property, plant and equipment and intangible assets are based on the fair value of investment properties on the day of conversion. The difference between the fair value and the previous carrying amount is recognised in profit or loss for the current period. When owner-occupied properties transfer to investment properties that will be carried at fair value, if the fair value at the date of conversion is less than the previous carrying amount, the difference is recognised in profit or loss for the current period; If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (m) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2 (s)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs capitalised (see Note 2 (aa)).

Construction-in-progress represents property, plant and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is made on construction-in-progress until it is ready for its intended use. Deprecation policies are set out below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

- Plant and buildings	5 – 70 years
- Machinery and equipment	3 – 33 years
- Office and other equipment, vehicles and vessels and others	2 – 33 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (p) Inventories

##### (i) Advanced intelligent manufacturing, advanced materials

Inventories of the advanced intelligent manufacturing and advanced materials segments are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in first-out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion (including systematically allocated production overhead) and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised in profit or loss in the period in which the reversal occurs.

##### (ii) New-type urbanisation

Inventories in respect of property development activities under the New-type urbanisation segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

###### – Property under development

The cost of properties under development, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2 (aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

###### – Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (q) Leases

Leases are recognised as a ROU asset and a corresponding liability by the lessee at the commencement date.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

#### (i) Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (q) Leases (Continued)

##### (i) Lease liabilities (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and the ROU asset is adjusted accordingly.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### (ii) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. As lessor, the Group recognises finance leases as finance lease receivables, which are measured at amortised cost. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 2 Significant accounting policies (Continued)

#### (r) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are measured at the lower of cost and net realizable value, the amount of any write-down of inventories to net realizable value shall be recognised as an expense in the period the write-down occurs.

#### (s) Impairment of non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- ROU assets;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset’s recoverable amount is estimated.

In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (s) Impairment of non-financial assets (Continued)

##### Calculation of recoverable amount

The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

##### Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

##### Reversals of impairment losses

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversible.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (t) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

##### (i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, housing provident funds, labour union fee and staff and workers' education fee, which are all calculated based on the regulated benchmark and ratio.

##### (ii) Defined contribution retirement schemes

Employees of the Group's subsidiaries in Hong Kong are offered the option to enroll in one of the Mandatory Provident Fund ("MPF") Master Trust Schemes under the CITIC Group MPF Scheme. The MPF Master Trust Schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes and make contributions according to the respective regulations. Employees of the Group's subsidiaries in the PRC are also eligible to participate in the enterprise annuity plan established by the Group according to the relevant requirements.

Employees of the Group's overseas subsidiaries are required to make contributions subject to the relevant regulations in the countries/jurisdiction in which the overseas subsidiaries operate.

The contributions are charged to profit and loss for the current period on an accrual basis.

##### (iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (t) Employee benefits (Continued)

##### (iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### (u) Financial guarantees issued, provisions and contingent liabilities

##### (i) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 with Note 3 (b); and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15").

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

##### (ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are measured at the higher of the amount initially recognised, less accumulated amount of income recognised in accordance with the Group's principles of revenue recognition where appropriate, and the amount that would be determined in accordance with Note 2 (u)(iii).

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 2 Significant accounting policies (Continued)

#### (u) Financial guarantees issued, provisions and contingent liabilities (Continued)

##### (iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (v) Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of a good, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that good. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provisions for loss allowance of the receivable and the contract asset using ECL model; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (v) Revenue recognition (Continued)

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognizing revenue. The incremental cost incurred by the Group to obtain contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss when incurred. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognizing revenue. The Group recognises the excess of the carrying amounts of contract costs over the expected remaining consideration less any costs not yet recognised as an impairment loss. As at the balance sheet date, the Group presents the costs to fulfill and of obtaining a contract, in the net amount after deducting relevant asset impairment provisions, as inventories.

The Group recognises revenue for each of its activities in the income statement in accordance with below policies:

#### (i) Interest income

Interest income is recognised according to HKFRS 9, refer to Note 2 (i) financial instruments for details.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, call and similar options) but does not consider future credit losses. The calculation includes all fees and interests paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### (ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (v) Revenue recognition (Continued)

##### (iii) Sales of goods

Revenue from the sale of goods is recognised when the goods are transferred to and accepted by a customer.

When volume discounts are provided to customers, the Group, based on historical experiences, estimates the volume discounts using the expected value method, and recognises revenue net of the estimated volume discounts.

When the customer has a right to return the product within a given period, the Group recognises provisions for returns using the expected value method based on historical experience, as a deduction of the revenue. The Group recognises provisions for the expected refunds to customers; meanwhile, other assets are recognised according to the carry amount of the goods expected to be returned, deducting the expected cost for taking the related goods back.

The Group offers warranties for specific products. If the duration and terms of the warranties are offered in accordance with the requirements of laws and regulations and the Group does not provide any additional services or warranties, such warranties are not recognised as separate performance obligation.

##### (iv) Services rendered to customers

Revenue for construction services of the Group is recognised over the period of the contract by reference to the progress towards completion. Progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the progress towards completion to reflect the changes in obligation performed.

Revenue for other services provided by the Group is recognised based on the pattern of performance obligation of specific services, either over the period in which the services are rendered or at the point of service completion. For revenue recognised over the period by reference to the progress towards completion, progress towards completion is calculated based on actual costs incurred as to the end of each period as a proportion to the total forecasted costs of the contract. As at each balance sheet date, the Group reassesses the estimate of the progress towards completion to reflect the changes in obligation performed.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (w) Income tax

Income tax for the year comprises current tax and deferred tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (x) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 2 Significant accounting policies *(Continued)*

#### (y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2 Significant accounting policies (Continued)

#### (z) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Business segments are identified based on the Group's internal management requirements as well as following aspects. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

- the nature of products and services;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

During the year ended 31 December 2020, the Group has made strategic adjustment to the Group's business segment based on the 14th Five-Year Plan. The segment reporting for 2019 has been restated accordingly.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 2 Significant accounting policies (Continued)

#### (aa) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (bb) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out else in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement comprising the total of:(1) the post-tax profit or loss of the discontinued operation and;(2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### (a) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and the way related business management personnel receive payments.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

#### (b) Measurement of ECL

Measurement of ECL for financial assets at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 48 (a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48 (a).

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 3 Critical accounting estimates and judgements (Continued)

#### (c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realizable value. The Group estimates the net realizable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Group's profit or loss during the year.

#### (d) Impairment of non-financial assets

As described in Note 2 (s), assets such as fixed assets, intangible assets, ROU assets and interests in associates and joint ventures are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

#### (e) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (f) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The cost of ROU assets is charged as depreciation expense generally over the shorter of the asset's useful life and the lease term on a straight-line basis.

Management periodically reviews changes in technology and industry conditions, asset retirement activity, residual values to determine adjustments to estimated remaining useful lives and depreciation rates. In determining the lease term of ROU assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

#### (g) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

#### (h) Assets acquired/liabilities assumed in business combination

Assets acquired/liabilities assumed in business combination are recognised at fair value in connection with the Group's acquisition of an entity. The fair values of the acquired assets/assumed liabilities are determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 3 Critical accounting estimates and judgements (Continued)

#### (i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the “pass through” of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group’s assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (j) Control and consolidation

The Group makes significant judgement to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;
- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and
- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

The Group holds less than 50% shares and voting rights in certain subsidiaries. When assessing whether it has substantive control over these investees, the Group has taken certain factors into account including the size of the Group's shareholding relative to other shareholders, dispersion of the voting rights of the other shareholders, the Group's relationship with other investors, any history of any other shareholders collaborating to exercise their votes collectively or to out vote the Group; the group's relationship with the key management personnel of the investees, whether the Group has the right to appoint or approve the majority of the board seats and other key management personnel of the investees, whether the Group controls certain assets such as licences or trademarks that are critical to the operations of the investees, whether the Group and other shareholders' rights over the investees are substantive, and any other contractual arrangements. The Group considers factors that are applicable to a specific individual investee on an ongoing basis when determining whether it has substantive rights over the investees.



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 3 Critical accounting estimates and judgements (Continued)

#### (k) Metallurgical Corporation of China ("MCC") claim

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

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

As at the date of issuance of the financial statement, 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 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes

Each of Sino Iron and Korean Steel Pty Ltd (“Korean Steel”), subsidiary companies of the Company, has entered into a Mining Right and Site Lease Agreement (“MRSLA”) with Mineralogy. Among other things, those agreements, together with other project agreements, provide Sino Iron and Korean Steel the right to develop and operate the Sino Iron Project and to take and process one billion tonnes each of magnetite ore for that purpose.

#### Option Agreement Dispute

The Company is a party to an option agreement (“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.

Mineralogy and Mr. Palmer had previously made allegations of breach, repudiation, frustration and termination of the Option Agreement in their respective defences. However, shortly before the trial, on 22 September 2020, Mineralogy and Mr. Palmer abandoned those pleas, and said that they were willing to complete the first option, but on the basis that the further company had to be Balmoral Iron Pty Ltd (“Balmoral Iron”).

On 29 November 2020, the Company accepted the nomination of Balmoral Iron on the basis of certain representations and subject to certain conditions concerning guarantees, indemnities and warranties which had been proffered by Mineralogy and Mr. Palmer in the preceding weeks.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **Option Agreement Dispute** (Continued)

In their latest statement of claim filed on 1 December 2020, the CITIC Parties and Cape Preston Resource Holdings Pty Ltd seek, among other things:

- (a) a declaration that the Option Agreement remains in full force and effect;
- (b) specific performance by Mineralogy and Mr. Palmer of the Option Agreement; and
- (c) an order that Mineralogy and Mr. Palmer complete the first option by taking the steps required under the Option Agreement, including by entering into certain transaction documents in the form submitted to the court by the CITIC Parties.

The trial took place on 7 to 9 and 15 December 2020. As the issues in dispute had narrowed, the principal remaining issue for determination at trial was the form of the takeover agreement and the project Agreements to be entered into by the further company to complete the exercise of the first option.

Justice K Martin has reserved his decision.

##### **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 Fortescue Coordination Deed (“FCD”) to Mineralogy and Mr. Palmer. That indemnity extends to losses suffered by Mineralogy and Mr. Palmer in relation to the failure by Sino Iron and Korean Steel to perform their obligations under the project agreements.

#### (i) **Queensland Nickel FCD Indemnity Claim**

On 29 June 2017, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **FCD Indemnity Disputes** (Continued)

##### (i) **Queensland Nickel FCD Indemnity Claim** (Continued)

As Sino Iron and Korean Steel had not paid amounts sought by Mineralogy on account of the royalty on products produced by Sino Iron and Korean Steel (“Royalty Component B”), Mr. Palmer claims that Mineralogy did not, and was unable to, provide the funds to Queensland Nickel Pty Limited to enable it to continue managing and operating the joint venture business. Mr. Palmer alleges that Queensland Nickel Pty Limited was subsequently placed in administration, followed by liquidation, because it did not receive those funds from Mineralogy.

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

On 16 April 2018, the CITIC Parties filed an amended defence, which pleaded a number of defences, including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 February 2020, Mineralogy and Mr. Palmer provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. Mineralogy and Mr. Palmer provided further discovery on 23 July 2020.

On 24 September 2020, Justice K Martin ordered that:

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

On 3 March 2021, Mineralogy and Mr. Palmer filed an application for leave to amend their statement of claim to introduce an allegation that the CITIC Parties’ purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy and Mr. Palmer’s view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties reject those allegations and intend to defend the application. The application is listed for a hearing or a directions hearing on 15 April 2021.

No trial date has been set for this proceeding.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (I) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **FCD Indemnity Disputes** (Continued)

##### (ii) **Palmer Petroleum FCD Indemnity Claim**

On 16 February 2018, Mineralogy commenced another proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 1267/2018”) in which it claims damages in the sum of AUD2,675,400,000. The statement of claim pleads that Mineralogy had agreed to provide:

- (a) from December 2009, funding; and
- (b) in or about 2013, all future working capital,

to its wholly owned subsidiary, Palmer Petroleum Pty Ltd (now named Aspenglow Pty Ltd) (“Palmer Petroleum”). As Sino Iron and Korean Steel had not paid Royalty Component B from the fourth quarter of 2013 to the second quarter of 2016, it is claimed that Mineralogy did not, and was unable to, provide the funds to Palmer Petroleum.

Mineralogy alleges that as a result, Palmer Petroleum was wound up in insolvency. The statement of claim pleads that Palmer Petroleum subsequently lost rights to a Papua New Guinea petroleum prospecting licence and suffered a diminution in value, equivalent to the sale value of oil that allegedly would have been recoverable under that licence. Mineralogy claims that it suffered a loss equivalent to the diminution in value of its shareholding in Palmer Petroleum.

On 24 April 2018, the CITIC Parties filed and served their defence, which is in similar terms to their defence in Proceeding CIV 2072/2017. The CITIC Parties have pleaded a number of defences including that there has been no breach of the project agreements, construction arguments, causation and mitigation.

On 14 February 2020, Mineralogy provided an incomplete list of documents to the CITIC Parties, which relate to the categories of documents identified for discovery. The CITIC Parties are waiting for Mineralogy to provide a list of further discovery in the prescribed form, which was due on 24 July 2020.

On 24 September 2020, Justice K Martin ordered that:

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (I) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **FCD Indemnity Disputes** (Continued)

##### (ii) **Palmer Petroleum FCD Indemnity Claim** (Continued)

On 3 March 2021, Mineralogy filed an application for leave to amend its statement of claim to introduce an allegation that the CITIC Parties’ purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy’s view, that alleged purpose amounts to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties reject those allegations and intend to defend the application. The application is listed for a hearing or a directions hearing on 15 April 2021.

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”). Following a cross-vesting application by the defendants, the proceeding was transferred to the Supreme Court of Western Australia and admitted to the Commercial Managed Cases List of Justice K Martin on 10 June 2019 (“Proceeding CIV 1915/2019”). The proceeding relates to the failure and refusal of Mineralogy to:

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

The CITIC Parties 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 of Western Australia is joined to the proceeding as a necessary party, because it is a party to the State Agreement, but no relief is sought against it.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **Mine Continuation Proposals/Tenure Dispute** (Continued)

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments allege breaches of various project agreements, and that Mineralogy and Mr. Palmer have allocated parts of certain tenements to other projects. On 23 March 2020, the CITIC Parties filed their reply.

On 24 April 2020, the CITIC Parties filed an application to strike out aspects of Mineralogy’s further amended defence which related to purported breaches of the CITIC Parties’ obligations in relation to (1) the standard of work in connection with the design and construction of the Sino Iron Project, (2) the Option Agreement, (3) the FCD, and (4) the site remediation fund (“Site Remediation Fund”). On 18 May 2020, Justice K Martin heard the CITIC Parties’ application. On 1 September 2020, Justice K Martin struck out the pleas relating to the standard of work (without leave to replead) and the pleas relating to the Option Agreement and the FCD (with leave to replead). Justice K Martin said he would revisit the Site Remediation Fund pleas following the determination of the trial in the Site Remediation Fund proceeding (see below).

On 17 September 2020, Mineralogy filed its latest further amended pleading which removed the pleas relating to the standard of work, the Option Agreement and the FCD.

On 14 December 2020, Mineralogy provided discovery. Mr. Palmer has, to date, failed to do so, without explanation. The CITIC Parties have provided three tranches of documents by way of discovery and expect to complete their discovery obligations (subject to the obligation to give on-going discovery) before the next directions hearing.

On 5 January 2021, Mineralogy and Mr. Palmer filed an application to permanently stay the proceeding, alleging that the proceeding has been brought for an illegitimate or collateral purpose (namely, to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties) and is an abuse of process.

On 26 February 2021, the CITIC Parties filed an application to summarily dismiss or strike out Mineralogy and Mr. Palmer’s permanent stay application. The CITIC Parties’ application is listed for hearing on 15 April 2021.

No trial date has been set for this proceeding.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **Minimum Production Royalty Disputes**

The MRSLAs required each of Sino Iron and Korean Steel to produce a minimum of six million tonnes of product by 21 March 2013, unless prevented from doing so by:

- (a) an act, matter or thing outside their control;
- (b) Mineralogy doing, or failing to do an act (under the MRSLAs or otherwise); or
- (c) a failure to obtain all government approvals necessary to allow them to do so (provided Sino Iron and Korean Steel used best endeavours to obtain such approvals in a timely manner).

If Sino Iron and Korean Steel failed to do so, they were each required, within one month of that date, to pay Mineralogy the equivalent of the Mineralogy Royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate (“Minimum Production Royalty”). The Minimum Production Royalty has been the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd (“SIH”) in the Supreme Court of Western Australia (“Proceeding CIV 3129/2018”), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer pleaded that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3 (a) of the MRSLAs), and accordingly became liable to pay the Minimum Production Royalty by 21 April 2013. In the event that Mineralogy and Mr. Palmer were unsuccessful against Sino Iron and Korean Steel, Mineralogy and Mr. Palmer also pursued a separate claim against the company pursuant to the guarantee and indemnity in the FCD. Mineralogy sought relief, including:

- (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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **Minimum Production Royalty Disputes** (Continued)

If the Court were to find in favour of Mineralogy, Mineralogy could recover the judgment sum from either Sino Iron and Korean Steel, on the one hand, or from the company, on the other. However, it could not recover the same loss from multiple parties.

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 on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

On 4 March 2020, Mineralogy and Mr. Palmer filed notices of appeal against the decision by Justice K Martin to permanently stay Proceeding CIV 3129/2018. The appeals are Proceedings CACV 27/2020 and CACV 29/2020 respectively. Mineralogy and Mr. Palmer argue, among other things, that it was not open for Justice K Martin to find that the commencement of Proceeding CIV 3129/2018 was an abuse of process.

The appeals were heard by the Supreme Court of Western Australia Court of Appeal on 22 and 23 March 2021. The Court reserved its decision in each appeal.

##### **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”.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3 Critical accounting estimates and judgements (Continued)

#### (l) Mineralogy Pty Ltd (“Mineralogy”) disputes (Continued)

##### **Site Remediation Fund Dispute** (Continued)

On 22 October 2018, Mineralogy commenced a proceeding against the CITIC Parties in the Supreme Court of Western Australia (“Proceeding CIV 2840/2018”) concerning the Site Remediation Fund. Mineralogy claimed that the CITIC Parties 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 have always acknowledged their site remediation obligations and their obligations under clauses 20.5 and 20.6 of the MRSLAs, they disputed the amount claimed by Mineralogy. Among other arguments, the CITIC Parties considered that the amount demanded by Mineralogy was not an “annual charge” as required by clause 20.6 (e) of the MRSLAs. Further, the CITIC Parties did not consider that the amount demanded was a “best prevailing estimate” of future site remediation costs, as required by clause 20.6 (e) of the MRSLAs.

The CITIC Parties 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.

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

In its application to adjourn the hearing of the appeals against Justice K Martin’s decision to permanently stay the Minimum Production Royalty proceeding (Proceedings CACV 27/2020 and CACV 29/2020), Mineralogy and Mr. Palmer indicated that Mineralogy intends to appeal the decision of Justice K Martin in Proceeding CIV 2840/2018. No appeal has been commenced at this time.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2020 is 16.5% (2019: 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 2020 is 25% (2019: 25%).

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

### 5 Revenue

As a multi-industry conglomerate, the Group is principally engaging in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, new-type urbanisation.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (Notes 5 (a), 5 (b) and 5 (d)). For non-financial services segment, revenue mainly comprises income from sales of goods and services rendered to customers (Note 5 (c)).

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5 Revenue (Continued)

#### (a) Net interest income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Interest income arising from(note):</b>		
Deposits with central banks, banks and non-bank financial institutions	9,877	9,143
Placements with banks and non-bank financial institutions	5,524	7,167
Financial assets held under resale agreements	921	947
Investments in financial assets		
– Financial assets at amortised cost	42,873	44,084
– Debt investments at FVOCI	23,675	23,365
Loans and advances to customers and other parties	254,076	245,543
Others	39	18
	<b>336,985</b>	<b>330,267</b>
<b>Interest expenses arising from:</b>		
Borrowing from central banks	(6,506)	(9,244)
Deposits from banks and non-bank financial institutions	(26,982)	(28,290)
Placements from banks and non-bank financial institutions	(2,963)	(4,046)
Financial assets sold under repurchase agreements	(2,558)	(1,959)
Deposits from customers	(101,809)	(91,071)
Debt instruments issued	(23,457)	(24,574)
Lease liabilities	(542)	(625)
Others	(150)	(316)
	<b>(164,967)</b>	<b>(160,125)</b>
<b>Net interest income</b>	<b>172,018</b>	<b>170,142</b>

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK\$577 million for the year ended 31 December 2020 (2019: HK\$411 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5 Revenue (Continued)

#### (b) Net fee and commission income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Guarantee and advisory fees	5,409	5,571
Bank card fees (note)	16,515	17,228
Settlement and clearing fees	1,315	1,501
Agency fees and commission	8,479	8,380
Trustee commission and fees	12,832	9,856
Others	264	234
	44,814	42,770
Fee and commission expenses	(5,636)	(6,807)
Net fee and commission income	39,178	35,963

Note:

According to the requirement of "Notice on strictly implementing accounting standards and effectively strengthening 2020 annual reports work" issued by the Ministry of Finance, State-owned Assets Supervision and Administration Commission of the State Council, China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission, the Group recognised credit card installment income, which originally accounted in fee and commission income, as interest income and restated the comparatives.

#### (c) Sales of goods and services

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales of goods	268,964	293,731
Services rendered to customers		
– Revenue from construction contracts	24,984	22,853
– Revenue from other services	29,860	27,492
	323,808	344,076

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5 Revenue (Continued)

#### (d) Other revenue

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Net trading gain (note (i))	3,726	5,967
Net gain on investments in financial assets under financial services segment	14,082	10,222
Others	137	127
	<b>17,945</b>	<b>16,316</b>

#### (i) Net trading gain

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	1,792	3,148
– foreign currencies	2,350	2,532
– derivatives	(416)	287
	<b>3,726</b>	<b>5,967</b>

### 6 Costs of sales and services

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Costs of goods sold	235,319	244,888
Costs of services rendered		
– Costs of construction contracts	22,528	20,341
– Costs of other services	18,458	17,919
	<b>276,305</b>	<b>283,148</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 7 Other net income

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	4,718	3,751
Net (loss)/gain on investments in financial assets under non-financial services segment	(816)	2,100
Net foreign exchange (loss)/gain	(864)	116
Others	3,325	3,977
	<b>6,363</b>	<b>9,944</b>

### 8 Expected credit losses

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	10	(19)
– financial assets held under resale agreements	10	48
– account and bills receivables and other receivables	2,749	1,444
– loans and advances to customers and other parties	79,477	78,951
– investments in financial assets		
• financial assets at amortised cost	8,486	4,060
• debt investments at FVOCI	1,186	772
– impairment provision of credit commitments and guarantees provided	1,280	1,261
– others	3,729	2,205
	<b>96,927</b>	<b>88,722</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 9 Impairment losses

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Impairment losses charged on/(reversed from):		
– inventories	18	1,720
– interests in associates	1,470	4,285
– interests in joint ventures	224	75
– fixed assets (note)	445	26
– intangible assets (note)	62	22
– prepayments	1	(1)
– goodwill	647	202
– others	782	695
	<b>3,649</b>	<b>7,024</b>

Note:

### Iron Ore Project

The Group's Iron Ore Project comprises the Sino Iron Project in Australia and its associated marketing operations in Singapore. Whenever events or circumstances indicate impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Project have suffered any impairment.

The recoverable amount of the Sino Iron Project is based on the fair value less costs of disposal methodology which is based on cash flow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating and capital costs, exchange rates, quantity of resources and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

In accordance with the Group's accounting policy, management has identified one CGU, the Sino Iron Project. For the purposes of testing for impairment, the carrying amount of the Sino Iron Project is to be compared with its recoverable amount when indication of impairment exit. Impairment is recognised when the carrying amount of the project exceeds its recoverable amount.



# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

## 9 Impairment losses (Continued)

Note (Continued):

An impairment assessment was undertaken on the Sino Iron Project by the Group as at 30 June 2019, with an update assessment on 31 December 2019 and no impairment was changed during the year ended 31 December 2019.

As at 31 December 2020, management performed an impairment indication assessment with the consideration of forecast iron ore prices, risk free interest rates, the production profile of the Sino Iron Project and exchange rate between Australian dollar and US dollar. According to the assessment, no impairment indication was identified and thus, no impairment test was undertaken for the Sino Iron Project as at 31 December 2020.

When an impairment test is undertaken, the fair value of CGU must be estimated for recognition and measurement or for disclosure purposes.

The disclosure is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical or similar CGU (level 1);
- Inputs other than quoted prices included within level that are observable for the CGU, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the CGU that are not based on observable market data (unobservable inputs) (level 3 inputs).

The CGU's fair value hierarchy is Level 3.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 10 Net finance charges

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Finance costs		
– Interest on bank and other loans	5,076	6,207
– Interest on debt instruments issued	5,946	5,786
– Interest and finance charges paid/payable for lease liabilities	392	684
	11,414	12,677
Less: interest expense capitalised (note)	(567)	(349)
	10,847	12,328
Other finance charges	303	375
	11,150	12,703
Finance income	(1,266)	(2,264)
	9,884	10,439

Note:

Capitalisation rates applied to funds borrowed are 1.60% – 5.18% per annum for the year ended 31 December 2020 (2019: capitalisation rate of 2.60% – 5.65%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11 Profit before taxation

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

### (a) Staff costs

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Salaries and bonuses	41,998	49,316
Contributions to defined contribution retirement schemes	4,152	5,248
Others	10,243	9,491
	<b>56,393</b>	<b>64,055</b>

### (b) Other items

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Amortisation	2,125	2,387
Depreciation	17,647	19,419
Lease charges	924	1,680
Tax and surcharges	2,799	2,673
Property management fees	1,108	1,372
Non-operating expenses	700	1,075
Professional fees (other than auditors' remuneration)	1,057	1,356
Auditors' remuneration		
– Audit services	159	179
– Non-audit services	66	67
	<b>26,585</b>	<b>30,208</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 12 Income tax expense

#### (a) Income tax expense in the income statement

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Current tax – Mainland China</b>		
Provision for enterprise income tax	24,986	24,116
Land appreciation tax	113	118
	<b>25,099</b>	<b>24,234</b>
<b>Current tax – Hong Kong</b>		
Provision for Hong Kong profits tax	641	1,625
<b>Current tax – Overseas</b>		
Provision for the year	183	191
	<b>25,923</b>	<b>26,050</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(9,133)	(8,223)
	<b>16,790</b>	<b>17,827</b>

The particulars of the applicable income tax rates are disclosed in Note 4.

#### (b) Reconciliation between tax expense and accounting profit at applicable tax rates

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Profit before taxation	97,718	96,015
Less: Share of profits of		
– associates	(10,533)	(8,083)
– joint ventures	(3,960)	(5,474)
	<b>83,225</b>	<b>82,458</b>
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	13,732	13,606
Effect of different tax rates in other jurisdictions	7,667	7,059
Tax effect of unused tax losses not recognised	1,207	900
Tax effect of non-deductible expenses	6,100	4,188
Tax effect of non-taxable income (note)	(11,766)	(8,086)
Others	(150)	160
Actual tax expense	<b>16,790</b>	<b>17,827</b>

Note:

The non-taxable income mainly contains interest income arising from PRC government bonds and local government bonds and dividends from equity investments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13 Benefits and interests of directors

### (a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2020 are set out as follows:

Name of Current Directors	For the year ended 31 December 2020									Total HK\$ million
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK\$ million	Salary HK\$ million	Discretionary bonuses HK\$ million	Housing allowance HK\$ million	Estimated money value of other benefits HK\$ million	Social securities in China mainland HK\$ million	Employer's contribution to a retirement benefit scheme HK\$ million	Remunerations of accepting office as committee member HK\$ million		
<b>Executive Directors:</b>										
Zhu Hexin <sup>i,ii</sup>	-	0.27	0.20	-	-	0.06	0.06	-	-	0.59
Xi Guohua <sup>i,ii</sup>	-	0.18	0.13	-	-	0.04	0.03	-	-	0.38
Li Qingping <sup>i</sup>	-	0.40	0.30	-	0.04	0.08	0.10	-	-	0.92
<b>Non-executive Directors:</b>										
Song Kangle	-	-	-	-	-	-	-	-	-	-
Liu Zhuyu	-	-	-	-	-	-	-	-	-	-
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-
Yu Yang <sup>i</sup>	-	-	-	-	-	-	-	-	-	-
Liu Zhongyuan	-	-	-	-	-	-	-	-	-	-
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53
<b>Independent Non-executive Directors:</b>										
Francis Siu Wai Keung	0.38	-	-	-	-	-	-	0.28	-	0.66
Xu Jinwu	0.38	-	-	-	-	-	-	0.25	-	0.63
Anthony Francis Neoh	0.38	-	-	-	-	-	-	0.25	-	0.63
Shohei Harada	0.38	-	-	-	-	-	-	-	-	0.38
Gregory Lynn Curl	0.38	-	-	-	-	-	-	0.05	-	0.43
<b>Name of Former Directors</b>										
Chang Zhenming <sup>i,ii</sup>	-	0.10	0.08	-	0.01	0.08	0.10	-	-	0.37
Wang Jiong <sup>i,ii</sup>	-	0.26	0.20	-	0.03	0.04	0.08	-	-	0.61
Yan Shuqin <sup>i</sup>	-	-	-	-	-	-	-	-	-	-
	2.28	1.21	0.91	-	0.08	0.30	0.37	0.98	-	6.13

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 13 Benefits and interests of directors (Continued)

#### (a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2020 in respect of Mr. Zhu Hexin, Mr. Chang Zhenming, Mr. Xi Guohua, Mr. Wang Jiong and Ms. Li Qingping have not been finalised in accordance with the regulations of the relevant local authorities.
- (ii) Changes in directors during the year ended 31 December 2020:
  - (1) On 25 August 2020, Mr. Xi Guohua was appointed as Executive Director, Vice Chairman and President of the Company, and Mr. Wang Jiong resigned as Executive Director, Vice Chairman and President of the Company.
  - (2) On 25 August 2020, Ms. Yu Yang was appointed as Non-executive Director of the Company, and Ms. Yan Shuqin resigned as Non-executive Director of the Company.
  - (3) On 30 March 2020, Mr. Zhu Hexin was appointed as Chairman of the Board and Executive Director of the Company, and Mr. Chang Zhenming resigned as Chairman of the Board and Executive Director of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13 Benefits and interests of directors (Continued)

### (a) Directors' emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2019 are set out as follows:

Name of Current Directors	For the year ended 31 December 2019								Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertaking	Total
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK\$ million	Salary HK\$ million	Discretionary bonuses HK\$ million	Housing allowance HK\$ million	Estimated money value of other benefits HK\$ million	Social securities in China mainland HK\$ million	Employer's contribution to a retirement benefit scheme HK\$ million	Remunerations of accepting office as committee member HK\$ million	Emoluments paid or receivable in respect of the Company or its subsidiary undertaking HK\$ million	HK\$ million
<b>Executive Directors:</b>										
Chang Zhenming <sup>i</sup>	-	0.40	0.45	-	0.03	0.15	0.08	-	-	1.11
Wang Jiong <sup>i</sup>	-	0.40	0.45	-	0.03	0.14	0.08	-	-	1.10
Li Qingping <sup>i</sup>	-	0.36	0.40	-	0.03	0.15	0.08	-	-	1.02
<b>Non-executive Directors:</b>										
Song Kangle	-	-	-	-	-	-	-	-	-	-
Yan Shuqin	-	-	-	-	-	-	-	-	-	-
Liu Zhuyu	-	-	-	-	-	-	-	-	-	-
Peng Yanxiang	-	-	-	-	-	-	-	-	-	-
Liu Zhongyuan	-	-	-	-	-	-	-	-	-	-
Yang Xiaoping	0.38	-	-	-	-	-	-	0.15	-	0.53
<b>Independent Non-executive Directors:</b>										
Francis Siu Wai Keung	0.38	-	-	-	-	-	-	0.35	-	0.73
Xu Jinwu	0.38	-	-	-	-	-	-	0.25	-	0.63
Anthony Francis Neoh	0.38	-	-	-	-	-	-	0.25	-	0.63
Shohei Harada	0.38	-	-	-	-	-	-	-	-	0.38
Gregory Lynn Curl <sup>ii</sup>	0.29	-	-	-	-	-	-	0.04	-	0.33
<b>Name of Former Directors</b>										
Wu Youguang <sup>†</sup>	0.03	-	-	-	-	-	-	-	-	0.03
Pu Jian <sup>ii</sup>	-	0.09	0.10	-	0.01	0.04	0.02	-	-	0.26
Lee Boo Jin <sup>ii</sup>	0.09	-	-	-	-	-	-	0.01	-	0.10
Paul Chow Man Yiu <sup>ii</sup>	0.16	-	-	-	-	-	-	0.02	-	0.18
	2.47	1.25	1.40	-	0.10	0.48	0.26	1.07	-	7.03

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 13 Benefits and interests of directors (Continued)

#### (a) Directors' emoluments (Continued)

Notes:

- (i) The emoluments for the year ended 31 December 2019 in respect of Mr. Chang Zhenming, Mr. Wang Jiong and Ms. Li Qingping were finalised in accordance with the regulations of the relevant local authorities. Further disclosure of which will be made as and when the relevant approval is obtained. Besides the emoluments mentioned above, the Company's Remuneration Committee agrees the executive directors are entitled to allowances for working overseas and cross-border commuting: HK\$0.219 million for Mr. Chang Zhenming, HK\$0.219 million for Mr. Wang Jiong, HK\$0.197 million for Ms. Li Qingping and HK\$0.084 million for Pu Jian.
- (ii) Changes in directors during the year ended 31 December 2019:
  - (1) In June 2019, Mr. Paul Chow Man Yiu retired as Independent Non-executive Director of the Company.
  - (2) In March 2019, Mr Gregory Lynn Curl was appointed as Independent Non-executive Director of the Company, and Ms. Lee Boo Jin resigned as Independent Non-executive Director of the Company.
  - (3) In February 2019, Mr. Pu Jian resigned as Executive Director of the Company.
  - (4) Mr. Wu Youguang was appointed as Non-executive Director of the Company in March 2018 and subsequently resigned in January 2019.

#### (b) Other benefits and interests

For the year ended 31 December 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: None). No consideration was provided to or receivable by third parties for making available directors' services (2019: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2020 (2019: None).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 14 Individuals with highest emoluments

For the year ended 31 December 2020, none of the five highest paid individuals are directors (2019: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these five individuals (2019: five) are as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Salaries and other emoluments	13.80	13.65
Discretionary bonuses	71.06	65.33
Retirement scheme contributions	0.14	0.48
	<b>85.00</b>	<b>79.46</b>

The emoluments of the 5 individuals (2019: five) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2020 Number of individuals	2019 Number of individuals
HK\$11,500,001 to HK\$12,000,000	1	–
HK\$13,000,001 to HK\$13,500,000	1	1
HK\$14,000,001 to HK\$14,500,000	–	1
HK\$14,500,001 to HK\$15,000,000	1	1
HK\$16,000,001 to HK\$16,500,000	–	1
HK\$18,000,001 to HK\$18,500,000	1	–
HK\$21,000,001 to HK\$21,500,000	–	1
HK\$27,000,001 to HK\$27,500,000	1	–
	<b>5</b>	<b>5</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 15 Dividends

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
2019 Final dividend paid: HK\$0.285 (2018 Final: HK\$0.26) per share	8,291	7,563
2020 Interim dividend paid: HK\$0.10 (2019 Interim: HK\$0.18) per share	2,909	5,236
2020 Final dividend proposed: HK\$0.388 (2019 Final: HK\$0.285) per share	11,287	8,291

### 16 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK\$56,628 million for the year ended 31 December 2020 (2019: HK\$53,903 million) calculated as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Profit attributable to ordinary shareholders of the Company	56,628	53,903
Weighted average number of ordinary shares (in million)	29,090	29,090

Diluted earnings per share for the year ended 31 December 2020 and 2019 are same with basic earnings per share. As at 31 December 2020, 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 2020 (31 December 2019: Nil).

The basic earnings per share and diluted earnings per share for the year ended 31 December 2020 are HK\$1.95 (2019: HK\$1.85).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17 Other comprehensive gain/(loss)

Components of other comprehensive gain/(loss)

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Fair value (loss)/gains on financial assets at FVOCI	(4,576)	5,031
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(3,281)	(2,487)
Tax effect	2,018	(596)
	(5,839)	1,948
Allowance change for impairment losses on debt investments at FVOCI	1,245	1,055
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	–	–
Tax effect	(302)	(275)
	943	780
Loss arising from cash flow hedge	(785)	(665)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	69	21
Tax effect	98	56
	(618)	(588)
Share of other comprehensive income of associates and joint ventures	448	85
Exchange differences on translation of financial statements and others	59,738	(19,027)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Reclassification of owner-occupied property as investment property: revaluation gain	57	1,485
Less: Tax effect	–	(368)
	57	1,117
Fair value loss on investments in equity instruments designated at FVOCI	(44)	(690)
Less: Tax effect	–	254
	(44)	(436)
	54,685	(16,121)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18 Segment reporting

The Group has presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. During the year ended 31 December 2020, the Group has made strategic adjustment based on the 14th Five-Year Plan. The Segment reporting for 2019 has been restated accordingly. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the board of directors to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these five reportable segments are as follows:

- Comprehensive financial services: this segment includes banking, trust, asset management, securities and insurance services.
- Advanced intelligent manufacturing: this segment includes manufacturing of heavy machineries, specialised robotics, aluminium wheels, aluminium casting parts and other products.
- Advanced materials: this segment includes exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore, as well as manufacturing of special steels.
- New consumption: this segment includes motor and food and consumer products business, telecommunication services, publication services, modern agriculture, and others.
- New-type urbanisation: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, environmental services and others.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the board of directors monitors the results, assets and liabilities, revenue and expenses attributable to each reportable segment on the following bases:

Segment assets are those assets that are attributable to a segment, and segment liabilities are those liabilities that are attributable to a segment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is “profit for the year”. To arrive at segment results, the Group’s profit is further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures.

Inter-segment pricing is based on similar terms as those available to other external parties.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18 Segment reporting (Continued)

### (a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	For the year ended 31 December 2020							Total HK\$ million
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	
Revenue from external customers	229,103	13,759	195,754	70,056	44,224	53	-	552,949
Inter-segment revenue	(14)	222	345	91	1,246	163	(2,053)	-
<b>Reportable segment revenue</b>	<b>229,089</b>	<b>13,981</b>	<b>196,099</b>	<b>70,147</b>	<b>45,470</b>	<b>216</b>	<b>(2,053)</b>	<b>552,949</b>
<b>Disaggregation of revenue:</b>								
- Net interest income (Note 5 (a))	171,965	-	-	-	-	114	(61)	172,018
- Net fee and commission income (Note 5 (b))	39,201	-	-	-	-	1	(24)	39,178
- Sales of goods (Note 5 (c))	-	13,364	192,735	55,896	7,531	-	(562)	268,964
- Services rendered to customers- construction contracts (Note 5 (c))	-	520	-	-	25,233	-	(769)	24,984
- Services rendered to customers- others (Note 5 (c))	-	97	3,364	14,251	12,706	14	(572)	29,860
- Other revenue (Note 5 (d))	17,923	-	-	-	-	87	(65)	17,945
Share of profits/(losses) of associates, net of tax	4,233	307	1,466	121	4,424	(18)	-	10,533
Share of profits/(losses) of joint ventures, net of tax	1,234	(1)	(265)	87	2,837	68	-	3,960
Finance income (Note 10)	-	157	249	89	1,021	853	(1,103)	1,266
Finance costs (Note 10)	-	(300)	(2,067)	(1,053)	(1,372)	(7,797)	1,439	(11,150)
Depreciation and amortisation (Note 11 (b))	(7,193)	(583)	(6,615)	(3,860)	(1,448)	(73)	-	(19,772)
Expected credit losses (Note 8)	(94,167)	(103)	16	(277)	(1,812)	(584)	-	(96,927)
Impairment losses (Note 9)	(575)	(136)	(1,073)	(313)	(1,552)	-	-	(3,649)
<b>Profit/(loss) before taxation</b>	<b>76,087</b>	<b>588</b>	<b>14,421</b>	<b>1,770</b>	<b>11,711</b>	<b>(6,880)</b>	<b>21</b>	<b>97,718</b>
Income tax (Note 12)	(10,650)	35	(2,958)	(492)	(1,791)	(920)	(14)	(16,790)
<b>Profit/(loss) for the year</b>	<b>65,437</b>	<b>623</b>	<b>11,463</b>	<b>1,278</b>	<b>9,920</b>	<b>(7,800)</b>	<b>7</b>	<b>80,928</b>
Attributable to:								
- Ordinary shareholders of the Company	43,516	453	10,149	894	9,409	(7,800)	7	56,628
- Non-controlling interests	21,921	170	1,314	384	511	-	-	24,300

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18 Segment reporting (Continued)

### (a) Segment results, assets and liabilities (Continued)

	As at 31 December 2020							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	9,113,747	58,719	239,155	76,157	309,736	161,818	(218,504)	9,740,828
Including:								
Interests in associates (Note 29)	47,156	1,050	22,361	10,151	48,360	1,962	-	131,040
Interests in joint ventures (Note 30)	14,878	7	7,144	1,875	24,742	1,641	-	50,287
<b>Reportable segment liabilities</b>	8,353,514	39,574	250,098	38,529	138,696	236,525	(324,750)	8,732,186
Including:								
Bank and other loans (Note 42) (note)	2,382	15,867	53,753	10,301	39,217	82,529	(40,878)	163,171
Debt instruments issued (Note 43) (note)	872,734	-	772	3,496	360	121,736	(30,567)	968,531

Note:

The amount is the principal excluding interest accrued.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18 Segment reporting (Continued)

### (a) Segment results, assets and liabilities (Continued)

	For the year ended 31 December 2019 (Restated)							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
Revenue from external customers	222,316	35,942	178,399	89,017	40,718	105	-	566,497
Inter-segment revenue	212	306	48	95	148	24	(833)	-
<b>Reportable segment revenue</b>	<b>222,528</b>	<b>36,248</b>	<b>178,447</b>	<b>89,112</b>	<b>40,866</b>	<b>129</b>	<b>(833)</b>	<b>566,497</b>
<b>Disaggregation of revenue:</b>								
- Net interest income (Note 5 (a))	170,223	-	-	-	-	111	(192)	170,142
- Net fee and commission income (Note 5 (b))	35,985	-	-	-	-	7	(29)	35,963
- Sales of goods (Note 5 (c))	-	34,158	175,903	74,019	9,750	-	(99)	293,731
- Services rendered to customers- construction contracts (Note 5 (c))	-	1,002	-	-	21,875	-	(24)	22,853
- Services rendered to customers- others (Note 5 (c))	-	1,088	2,544	15,093	9,241	-	(474)	27,492
- Other revenue (Note 5 (d))	16,320	-	-	-	-	11	(15)	16,316
Share of profits/(losses) of associates, net of tax	3,249	63	744	3	4,295	(271)	-	8,083
Share of profits of joint ventures, net of tax	1,194	-	1,555	295	2,303	127	-	5,474
Finance income (Note 10)	-	264	287	71	1,427	1,499	(1,284)	2,264
Finance costs (Note 10)	-	(509)	(2,610)	(1,668)	(1,425)	(8,139)	1,648	(12,703)
Depreciation and amortisation (Note 11 (b))	(6,972)	(1,315)	(6,296)	(5,932)	(1,238)	(53)	-	(21,806)
Expected credit losses (Note 8)	(88,009)	(58)	(22)	(92)	(578)	37	-	(88,722)
Impairment losses (Note 9)	(1,735)	(79)	(45)	(371)	(4,200)	(594)	-	(7,024)
<b>Profit/(loss) before taxation</b>	<b>73,683</b>	<b>1,360</b>	<b>12,035</b>	<b>3,465</b>	<b>10,514</b>	<b>(5,045)</b>	<b>3</b>	<b>96,015</b>
Income tax (Note 12)	(10,150)	(163)	(2,416)	(1,014)	(1,968)	(2,101)	(15)	(17,827)
<b>Profit/(loss) for the year</b>	<b>63,533</b>	<b>1,197</b>	<b>9,619</b>	<b>2,451</b>	<b>8,546</b>	<b>(7,146)</b>	<b>(12)</b>	<b>78,188</b>
Attributable to:								
- Ordinary shareholders of the Company	42,845	1,132	7,925	1,134	8,025	(7,146)	(12)	53,903
- Non-controlling interests	20,688	65	1,694	1,317	521	-	-	24,285

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 18 Segment reporting (Continued)

#### (a) Segment results, assets and liabilities (Continued)

	As at 31 December 2019 (Restated)							
	Comprehensive financial services HK\$ million	Advanced intelligent manufacturing HK\$ million	Advanced materials HK\$ million	New consumption HK\$ million	New-type urbanisation HK\$ million	Operation management HK\$ million	Elimination HK\$ million	Total HK\$ million
<b>Reportable segment assets</b>	7,703,980	27,930	227,711	98,713	277,700	162,748	(208,858)	8,289,924
Including:								
Interests in associates (Note 29)	42,267	4,787	22,024	8,700	43,807	1,760	-	123,345
Interests in joint ventures (Note 30)	9,871	-	6,490	1,825	21,121	1,656	-	40,963
<b>Reportable segment liabilities</b>	7,027,882	14,932	233,401	69,029	129,800	228,377	(307,988)	7,395,433
Including:								
Bank and other loans (Note 42) (note)	3,927	7,342	53,264	11,673	31,874	83,431	(40,833)	150,678
Debt instruments issued (Note 43) (note)	725,589	141	670	3,493	352	115,644	(27,860)	818,029

Note:

The amount is the principal excluding interest accrued.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18 Segment reporting (Continued)

### (b) Geographical information

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

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Mainland China	464,968	454,970	9,078,635	7,643,658
Hong Kong, Macau and Taiwan	46,430	46,494	543,279	538,872
Overseas	41,551	65,033	118,914	107,394
	552,949	566,497	9,740,828	8,289,924

## 19 Cash and deposits

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Cash	7,108	7,144
Bank deposits	57,468	50,916
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	439,860	397,724
– Surplus deposit reserve funds (note (iii))	67,975	108,958
– Fiscal deposits (note (iv))	1,246	2,109
– Foreign exchange reserves (note (v))	3,802	3,438
Deposits with banks and non-bank financial institutions	177,241	169,119
	754,700	739,408
Accrued interest	841	1,185
	755,541	740,593
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 46)	(155)	(159)
	755,386	740,434

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 19 Cash and deposits (Continued)

Notes:

- (i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").
- (ii) CITIC Bank and CITIC Finance place statutory deposit reserves funds with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves funds are not available for use in their daily business.

As at 31 December 2020, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 9% (31 December 2019: 9.5%) of eligible RMB deposits for domestic branches of CITIC Bank and at 9% (31 December 2019: 9.5%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 5% (31 December 2019: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 31 December 2020.

As at 31 December 2020, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 6% (31 December 2019: 7.5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the People's Bank of China.

As at 31 December 2020, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 6% (31 December 2019: 6%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2020, CITIC Finance is also required to deposit an amount equivalent to 5% (31 December 2019: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

- (iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.
- (iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.
- (v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the notice.
- (vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK\$7,687 million (31 December 2019: HK\$2,635 million) included in cash and deposits as at 31 December 2020 were restricted in use, mainly including guaranteed pledged bank deposits and guaranteed deposits.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 20 Placements with banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	94,601	93,860
Non-bank financial institutions	102,414	131,555
	<b>197,015</b>	225,415
Accrued interest	1,614	1,361
	<b>198,629</b>	226,776
Less: allowance for impairment losses (Note 46)	(116)	(90)
	<b>198,513</b>	226,686
Analysed by remaining maturity:		
– Within 1 month	99,818	139,968
– Between 1 month and 1 year	89,830	69,316
– Over 1 year	7,367	16,131
	<b>197,015</b>	225,415
Accrued interest	1,614	1,361
	<b>198,629</b>	226,776
Less: allowance for impairment losses (Note 46)	(116)	(90)
	<b>198,513</b>	226,686

### 21 Derivative financial instruments

The Group's subsidiaries under the financial services segment act as an intermediary to offer derivative products including forwards, swaps and option transactions. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Meanwhile, derivatives are also used for proprietary trading purposes to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

Subsidiaries under non-financial services segment of the Group enter into forward and swap contracts to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21 Derivative financial instruments (Continued)

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the balance sheet date. The nominal amounts of the derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks. Hedging instruments are derivatives used as hedge accounting, and non-hedging instruments are derivatives not used as hedge accounting.

	As at 31 December					
	2020			2019		
	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million	Nominal amount HK\$ million	Assets HK\$ million	Liabilities HK\$ million
<b>Hedging instruments</b>						
Fair value hedge (Note 2 (j)(i)):						
– Interest rate derivatives	–	–	–	3,227	16	18
– Currency derivatives	464	–	10	807	–	71
Cash flow hedge (Note 2 (j)(ii)):						
– Interest rate derivatives	13,182	–	2,068	13,382	4	1,666
– Currency derivatives	1,059	–	16	231	–	5
– Other derivatives	1,302	72	51	1,406	356	29
<b>Non-hedging instruments</b>						
– Interest rate derivatives	3,633,451	11,163	10,856	3,218,877	5,792	5,760
– Currency derivatives	2,351,464	36,175	36,313	1,691,109	13,175	12,345
– Precious metals derivatives	22,866	362	99	14,194	237	817
– Other derivatives	11,274	32	395	9,928	–	52
	<b>6,035,062</b>	<b>47,804</b>	<b>49,808</b>	<b>4,953,161</b>	<b>19,580</b>	<b>20,763</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21 Derivative financial instruments (Continued)

#### (a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 3 months	2,321,724	1,962,082
Between 3 months and 1 year	2,457,596	1,958,516
Between 1 year and 5 years	1,220,322	1,011,931
Over 5 years	35,420	20,632
	<b>6,035,062</b>	<b>4,953,161</b>

The remaining term to maturity of derivatives does not represent the Group's intended holding period.

#### (b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking and Insurance Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2020, the credit risk weighted amount for counterparty was HK\$27,546 million (31 December 2019: HK\$16,333 million).

### 22 Trade and other receivables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Account and bills receivables (note (a))	58,587	51,393
Advanced payments and settlement accounts (note (b))	20,772	39,290
Prepayments, deposits and other receivables (note (c))	100,051	83,207
	<b>179,410</b>	<b>173,890</b>
Less: allowance for impairment losses (Note 46)	(9,687)	(6,463)
	<b>169,723</b>	<b>167,427</b>

As at 31 December 2020, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$5,385 million (31 December 2019: HK\$7,382 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 22 Trade and other receivables (Continued)

#### (a) Account and bills receivables

##### (i) Account and bills receivables at amortised cost by overdue analysis

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account and bills receivables. As at the balance sheet date, the analysis of account and bills receivables at amortised cost of the Group based on the days overdue is as follows:

	As at 31 December 2020		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	2%	27,174	(611)
Up to 3 months overdue	2%	1,548	(33)
3 months to 1 year overdue	4%	2,431	(106)
Over 1 year overdue	47%	10,274	(4,808)
		41,427	(5,558)

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
Current	1%	24,253	(281)
Up to 3 months overdue	11%	2,305	(249)
3 months to 1 year overdue	6%	815	(51)
Over 1 year overdue	30%	9,605	(2,899)
		36,978	(3,480)

Note:

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 22 Trade and other receivables (Continued)

#### (a) Account and bills receivables (Continued)

##### (ii) Account and bills receivables at amortised cost by ageing analysis

As at 31 December 2020 and 2019, the ageing analysis of account and bills receivables at amortised cost of the Group based on invoice date is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 1 year	29,618	26,884
Over 1 year	11,809	10,094
	41,427	36,978
Less: allowance for impairment losses (Note 46)	(5,558)	(3,480)
	35,869	33,498

(iii) As at 31 December 2020, the carrying amount of bills receivables at FVOCI was HK\$17,160 million (31 December 2019: HK\$14,415 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2020 and 2019 are disclosed in Note 46.

#### (b) Advanced payments and settlement accounts

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Advanced payments and settlement accounts	20,772	39,290
Less: allowance for impairment losses (Note 46)	(377)	(307)
	20,395	38,983

#### (c) Prepayments, deposits and other receivables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Prepayments, deposits and other receivables	100,051	83,207
Less: allowance for impairment losses (Note 46)	(3,752)	(2,676)
	96,299	80,531

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contract assets	13,636	11,511
Less: Allowance for impairment losses (note(a))	(17)	(7)
Total contract assets	13,619	11,504
Advances from contracts with customers	28,092	21,380
Total contract liabilities	28,092	21,380

#### (a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Expected credit loss rate (note)	0.12%	0.06%
Gross carrying amount	13,636	11,511
Loss allowance provision	(17)	(7)

Note:

The ECL rate here is the average rate of loss allowance provision divided by gross carrying amount.

#### (b) Revenue recognised during the year that related to carried-forward contract liabilities

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Revenue from contracts with customers	15,106	7,480

#### (c) Revenue to be recognised in relating to unsatisfied performance obligations

As at 31 December 2020, transaction price allocated to unsatisfied contracts of the Group amounted at HK\$110,068 million (2019: HK\$76,132 million), of which HK\$41,218 million is expected to be recognised as revenue in the next year (2019: HK\$28,491 million) and the remaining HK\$68,850 million is expected to be recognised after more than one year (2019: HK\$47,641 million).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 24 Inventories

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Raw materials	8,567	6,384
Work-in-progress	8,116	5,898
Finished goods	20,370	16,340
Properties:		
– Properties under development	29,414	14,818
– Properties held-for-sale	5,717	5,166
– Others	4,747	3,371
Others	3,439	2,758
	<b>80,370</b>	<b>54,735</b>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying amount of inventories sold	235,319	244,888
Write-down of inventories (Note 46)	628	2,323
Reversal of write-down of inventories (Note 46)	(610)	(603)
	<b>235,337</b>	<b>246,608</b>

As at 31 December 2020, the Group's inventories included an amount of HK\$34,322 million expected to be recovered after more than one year (31 December 2019: HK\$18,546 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 25 Financial assets held under resale agreements

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Analysed by counterparties:		
– Banks	72,173	11,164
– Non-bank financial institutions	70,904	5
	143,077	11,169
Accrued interest	18	1
	143,095	11,170
Less: allowance for impairment losses (Note 46)	(66)	(53)
	143,029	11,117

Analysed by types of collateral:

As at 31 December 2020, the collateral of the Group's financial assets held under resale agreements are securities and notes (31 December 2019: all securities).

Analysed by remaining maturity:

As at 31 December 2020, the Group's financial assets held under resale agreements will expire within one month (31 December 2019: within one month).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26 Loans and advances to customers and other parties

(a) Loans and advances to customers and other parties analysed by nature

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Loans and advances to customers and other parties at amortised cost</b>		
Corporate loans:		
– Loans	2,543,662	2,153,473
– Discounted bills	7,947	7,995
– Finance lease receivables	51,910	48,004
	2,603,519	2,209,472
Personal loans:		
– Residential mortgages	1,088,732	867,018
– Credit cards	576,969	574,535
– Personal consumption	243,052	232,268
– Business loans	337,643	253,525
	2,246,396	1,927,346
	4,849,915	4,136,818
Accrued interest	15,182	11,388
	4,865,097	4,148,206
Less: allowance for impairment losses (Note 46)	(156,218)	(134,001)
Carrying amount of loans and advances to customers and other parties at amortised cost	4,708,879	4,014,205
<b>Loans and advances to customers and other parties at FVPL</b>		
Personal loans	8,465	7,719
<b>Loans and advances to customers and other parties at FVOCI</b>		
Corporate loans:		
– Loans	3,203	1,029
– Discounted bills	485,608	343,686
Carrying amount of loans and advances to customers and other parties at FVOCI	488,811	344,715
<b>Total carrying amount of loans and advances</b>	<b>5,206,155</b>	<b>4,366,639</b>
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 46)	(653)	(521)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26 Loans and advances to customers and other parties (Continued)

#### (b) Assessment method of allowance for impairment losses

	As at 31 December 2020				Gross loans and advances at stage 3 as a percentage of gross total loans and advances
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	
Loans and advances at amortised cost	4,627,830	127,027	95,058	4,849,915	1.78%
Accrued interest	13,169	1,799	214	15,182	
Less: allowance for impairment losses	(51,887)	(39,607)	(64,724)	(156,218)	
Carrying amount of loans and advances at amortised cost	4,589,112	89,219	30,548	4,708,879	
Carrying amount of loans and advances at FVOCI	488,704	97	10	488,811	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,077,816	89,316	30,558	5,197,690	
Allowance for impairment losses of loans and advances at FVOCI	(640)	(5)	(8)	(653)	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26 Loans and advances to customers and other parties (Continued)

#### (b) Assessment method of allowance for impairment losses (Continued)

As at 31 December 2019

	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 (note) HK\$ million	Total HK\$ million	Gross loans and advances at stage 3 as a percentage of gross total loans and advances
Loans and advances at amortised cost	3,948,280	110,636	77,902	4,136,818	1.73%
Accrued interest	10,513	863	12	11,388	
Less: allowance for impairment losses	(43,509)	(30,234)	(60,258)	(134,001)	
Carrying amount of loans and advances at amortised cost	3,915,284	81,265	17,656	4,014,205	
Carrying amount of loans and advances at FVOCI	344,630	53	32	344,715	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	4,259,914	81,318	17,688	4,358,920	
Allowance for impairment losses of loans and advances at FVOCI	(505)	-	(16)	(521)	

Notes: Loans and advances at stage 3 are credit-impaired, details are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Secured portion	61,482	46,686
Unsecured portion	33,800	31,260
Total loans and advances that are credit-impaired	95,282	77,946
Allowance for impairment losses	(64,732)	(60,274)

As at 31 December 2020, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK\$62,425 million (31 December 2019: HK\$48,141 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26 Loans and advances to customers and other parties (Continued)

#### (c) Overdue loans by overdue period

	As at 31 December 2020				
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	Total HK\$ million
Unsecured loans	19,616	10,984	538	535	31,673
Guaranteed loans	4,460	9,152	3,224	362	17,198
Secured loans					
– Loans secured by collateral	11,021	20,206	14,390	1,196	46,813
– Pledged loans	10,691	788	2,143	346	13,968
	45,788	41,130	20,295	2,439	109,652

  

	As at 31 December 2019				
	Overdue within 3 months HK\$ million	Overdue between 3 months and 1 year HK\$ million	Overdue between 1 year and 3 years HK\$ million	Overdue over 3 years HK\$ million	Total HK\$ million
Unsecured loans	19,179	11,734	1,682	160	32,755
Guaranteed loans	11,558	7,089	4,679	256	23,582
Secured loans					
– Loans secured by collateral	27,873	12,429	12,067	2,498	54,867
– Pledged loans	2,723	2,082	1,438	113	6,356
	61,333	33,334	19,866	3,027	117,560

Overdue loans represent loans of which the principal or interest are overdue one day or more.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27 Investments in financial assets

#### (a) Analysed by types

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Financial assets at amortised cost</b>		
Debt securities	838,502	645,126
Investment management products managed by securities companies	83,946	208,896
Trust investment plans	231,843	183,442
Certificates of deposit and certificates of interbank deposit	5,606	111
Wealth management products	–	33
Investments in creditor's rights on assets	96	570
Others	1,803	409
	<b>1,161,796</b>	<b>1,038,587</b>
Accrued interest	12,162	11,080
	<b>1,173,958</b>	<b>1,049,667</b>
Less: allowance for impairment losses (Note 46)	(17,462)	(8,670)
	<b>1,156,496</b>	<b>1,040,997</b>
<b>Financial assets at FVPL</b>		
Debt securities	68,495	50,399
Investment management products managed by securities companies	3,338	3,159
Trust investment plans	3,960	7,395
Certificates of deposit and certificates of interbank deposit	59,329	52,236
Wealth management products	6,532	4,124
Investment funds	367,787	267,812
Equity investment	18,546	18,576
Others	306	75
	<b>528,293</b>	<b>403,776</b>
<b>Debt investments at FVOCI (note (i))</b>		
Debt securities	806,506	688,554
Certificates of deposit and certificates of interbank deposit	5,192	5,433
Investment management products managed by securities companies	40,751	–
	<b>852,449</b>	<b>693,987</b>
Accrued interest	7,806	7,949
	<b>860,255</b>	<b>701,936</b>
Allowance for impairment losses on debt investments at FVOCI	(3,148)	(1,820)
<b>Equity investments at FVOCI (note (i))</b>		
Equity investment	7,639	6,602
Investment funds	384	418
	<b>8,023</b>	<b>7,020</b>
	<b>2,553,067</b>	<b>2,153,729</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27 Investments in financial assets (Continued)

#### (a) Analysed by types (Continued)

Notes:

- (i) Financial assets measured at FVOCI.

	As at 31 December 2020		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	9,034	851,767	860,801
Accumulative fair value change in OCI	(1,011)	682	(329)
Accrued interest	–	7,806	7,806
Carrying amount	8,023	860,255	868,278
Allowance for impairment losses (Note 46)	N/A	(3,148)	(3,148)

  

	As at 31 December 2019		
	Equity instruments HK\$ million	Debt instruments HK\$ million	Total HK\$ million
Cost/amortised cost	7,931	685,475	693,406
Accumulative fair value change in OCI	(911)	8,512	7,601
Accrued interest	–	7,949	7,949
Carrying amount	7,020	701,936	708,956
Allowance for impairment losses (Note 46)	N/A	(1,820)	(1,820)



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27 Investments in financial assets (Continued)

#### (b) Analysed by counterparties

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Issued by:		
– Government	998,531	753,257
– Policy banks	140,995	110,331
– Banks and non-bank financial institutions	1,228,437	1,100,440
– Corporates	162,058	170,267
– Public entities	3,078	405
	<b>2,533,099</b>	2,134,700
Accrued interest	19,968	19,029
	<b>2,553,067</b>	2,153,729
– Listed in Hong Kong	59,687	55,218
– Listed outside Hong Kong	2,010,976	1,586,899
– Unlisted	462,436	492,583
	<b>2,533,099</b>	2,134,700
Accrued interest	19,968	19,029
	<b>2,553,067</b>	2,153,729

Bonds traded in China's inter-bank bond market are "listed outside Hong Kong".

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	As at 31 December 2020			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,122,763	5,158	33,875	1,161,796
Accrued interest	11,925	237	–	12,162
Less: allowance for impairment losses	(4,416)	(653)	(12,393)	(17,462)
Carrying amount of investments in financial assets at amortised cost	1,130,272	4,742	21,482	1,156,496
Gross carrying amount of debt investments in financial assets at FVOCI	851,754	155	540	852,449
Accrued interest	7,766	1	39	7,806
Carrying amount of debt investments in financial assets at FVOCI	859,520	156	579	860,255
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,989,792	4,898	22,061	2,016,751
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,784)	(2)	(1,362)	(3,148)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27 Investments in financial assets (Continued)

(c) Analysed by assessment method of allowance for impairment losses (Continued)

	As at 31 December 2019			Total HK\$ million
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	
Gross carrying amount of investments in financial assets at amortised cost	1,015,265	12,709	10,613	1,038,587
Accrued interest	10,995	85	–	11,080
Less: allowance for impairment losses	(4,212)	(515)	(3,943)	(8,670)
Carrying amount of investments in financial assets at amortised cost	1,022,048	12,279	6,670	1,040,997
Gross carrying amount of debt investments in financial assets at FVOCI	693,626	138	223	693,987
Accrued interest	7,949	–	–	7,949
Carrying amount of debt investments in financial assets at FVOCI	701,575	138	223	701,936
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	1,723,623	12,417	6,893	1,742,933
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,486)	(3)	(331)	(1,820)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 59.

The following table lists out the information relating to CITIC Bank, CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), CITIC Telecom International Holdings Limited ("CITIC Telecom International") and CITIC Resources Holdings Limited ("CITIC Resources"), which are listed subsidiaries of the Group and have material non-controlling interests. The summarised financial information below is before elimination of inter-group transactions and balances:

Listed in:	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	41.89%	41.81%	40.50%	40.50%
Total assets	8,924,435	7,535,815	24,015	23,220	18,334	18,376	12,275	12,668
Mainly including:								
Cash and deposits	675,539	652,454	2,950	4,103	1,519	1,313	2,356	1,635
Placements with banks and non-bank financial institutions	200,062	228,345	-	-	-	-	-	-
Derivative financial assets	47,602	19,109	-	-	-	-	72	356
Financial assets held under resale agreements	132,016	11,112	-	-	-	-	-	-
Loans and advances to customers and other parties	5,180,595	4,345,489	-	-	-	-	-	-
Investments in financial assets	2,486,493	2,091,581	811	918	-	-	-	-
Fixed assets	40,240	24,975	5,889	5,629	2,705	2,435	3,482	3,004
ROU assets	12,633	12,769	117	32	706	695	94	102

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 28 Subsidiaries (Continued)

	CITIC Bank		As at 31 December				CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	CITIC Heavy Industries		CITIC Telecom International		2020 HK\$ million	2019 HK\$ million
			2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million		
<b>Total liabilities</b>	<b>(8,259,024)</b>	<b>(6,941,336)</b>	<b>(14,923)</b>	<b>(14,862)</b>	<b>(8,525)</b>	<b>(8,950)</b>	<b>(6,508)</b>	<b>(6,475)</b>
Mainly including:								
Borrowing from central banks	(266,611)	(268,256)	-	-	-	-	-	-
Deposits from banks and non-bank financial institutions	(1,382,588)	(1,061,781)	-	-	-	-	-	-
Placements from banks and non-bank financial institutions	(68,623)	(103,306)	-	-	-	-	-	-
Trade and other payables	-	-	(2,789)	(2,734)	(817)	(946)	(114)	(137)
Derivative financial liabilities	(47,299)	(18,795)	-	-	-	-	(14)	(7)
Financial assets sold under repurchase agreements	(89,434)	(124,849)	-	-	-	-	-	-
Deposits from customers	(5,432,591)	(4,547,163)	-	-	-	-	-	-
Bank and other loans	-	-	(6,380)	(7,352)	(2,303)	(2,716)	(4,815)	(5,053)
Lease liabilities	(12,480)	(12,164)	(82)	(35)	(531)	(506)	(86)	(91)
<b>Net assets</b>	<b>665,411</b>	<b>594,479</b>	<b>9,092</b>	<b>8,358</b>	<b>9,809</b>	<b>9,426</b>	<b>5,767</b>	<b>6,193</b>
Equity attributable to								
- Ordinary shareholders of subsidiaries	557,985	493,828	8,698	7,996	9,752	9,377	5,807	6,253
- Non-controlling interests in subsidiaries	107,426	100,651	394	362	57	49	(40)	(60)
Carrying amount of non-controlling interests	297,308	268,701	3,241	2,979	4,142	3,970	2,312	2,471

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28 Subsidiaries (Continued)

	CITIC Bank		For the year ended 31 December				CITIC Resources	
	2020 HK\$ million	2019 HK\$ million	CITIC Heavy Industries		CITIC Telecom International		2020 HK\$ million	2019 HK\$ million
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue	219,303	213,693	7,091	5,960	8,923	9,014	2,850	3,426
Profit/(loss) for the year	55,592	55,724	225	156	1,039	1,020	(361)	631
Total comprehensive income for the year	47,552	58,229	225	184	1,113	1,045	(422)	414
Profit attributable to non-controlling interests	21,886	20,700	77	66	444	437	(144)	274
Dividends paid to non-controlling interests	8,281	6,411	23	10	317	299	-	111
Net cash generated from operating activities	176,053	133,039	679	535	2,543	2,417	115	655
Net cash (used in)/generated from investing activities	(244,948)	(287,832)	(313)	(235)	(773)	(466)	930	694
Net cash generated from/(used in) financing activities	51,596	114,397	(1,861)	(496)	(1,581)	(1,683)	(363)	(1,659)

### 29 Interests in associates

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying value	137,012	130,080
Less: allowance for impairment losses (Note 46)	(5,972)	(6,735)
	131,040	123,345

Notes:

The particulars of the principal associates are set out in Note 59.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	1,006,741	852,720	1,251,084	883,836	29,279	28,057
Total liabilities	(588,503)	(499,218)	(1,030,226)	(699,137)	(1,273)	(638)
Net assets	418,238	353,502	220,858	184,699	28,006	27,419
Equity attributable to:						
– Associates' shareholders	401,363	343,245	215,902	180,430	28,084	28,081
– Non-controlling interests in associates	16,875	10,257	4,956	4,269	(78)	(662)
	418,238	353,502	220,858	184,699	28,006	27,419

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below (Continued):

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue	208,518	187,901	80,662	64,922	-	-
Profit for the year	50,762	42,464	17,415	14,386	(145)	152
Other comprehensive (loss)/ income for the year	(409)	(3,670)	(750)	995	(132)	(37)
Total comprehensive income/(loss) for the year	50,353	38,794	16,665	15,381	(277)	115
Dividends received from associates	1,118	1,041	1,122	796	-	-
<b>Reconciled to the Group's interests in associates</b>						
Gross amounts of net assets of associates attributable to the associates' shareholders	401,363	343,245	215,902	180,430	28,084	28,081
Group's effective interest	10.00%	10.00%	15.47%	16.50%	26.09%	26.31%
Group's share of net assets of associates	40,136	34,325	33,400	29,771	7,327	7,388
Goodwill and others	1,417	1,417	1,256	1,291	(180)	(169)
Impairment of interests in associates	(3,962)	(2,606)	-	-	-	-
Carrying amounts in the consolidated balance sheet	37,591	33,136	34,656	31,062	7,147	7,219
Quoted fair value	18,469	33,252	69,853	56,478	13,120	7,984

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	51,646	51,928
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	3,420	1,736
Other comprehensive loss for the year	(165)	(98)
Total comprehensive income for the year	3,255	1,638



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 30 Interests in joint ventures

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Carrying value	51,963	42,450
Less: allowance for impairment losses (Note 46)	(1,676)	(1,487)
	50,287	40,963

The particulars of the principal joint ventures are set out in Note 59.

Summarised financial information of the material joint ventures are disclosed below:

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
<b>Gross amount of the joint ventures</b>						
Total assets	164,077	116,227	17,651	18,501	24,335	14,317
Total liabilities	(149,415)	(105,977)	(6,634)	(10,091)	(17,131)	(9,100)
Net assets	14,662	10,250	11,017	8,410	7,204	5,217
Equity attributable to:						
– Joint ventures' shareholders	14,034	9,680	11,017	8,410	7,204	5,217
– Non-controlling interests in joint ventures	628	570	–	–	–	–
	14,662	10,250	11,017	8,410	7,204	5,217

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 30 Interests in joint ventures (Continued)

Summarised financial information of the material joint ventures are disclosed below (Continued):

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue	32,292	28,304	6,369	4,765	89	116
Profit for the year	2,841	2,070	2,054	3,230	1,564	132
Other comprehensive income for the year	1,343	970	-	-	-	-
Total comprehensive income for the year	4,184	3,040	2,054	3,230	1,564	132
Dividends received from joint ventures	317	-	-	-	-	499
<b>Reconciled to the Group's interests in joint ventures</b>						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	14,034	9,680	11,017	8,410	7,204	5,217
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	7,017	4,840	5,509	4,205	3,602	2,609
Goodwill and others	1,336	1,255	66	49	279	255
Carrying amount in the consolidated balance sheet	8,353	6,095	5,575	4,254	3,881	2,864

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	32,478	27,750
Aggregate amount of the Group's share of those joint ventures		
Profit for the year	770	2,703
Other comprehensive loss for the year	(31)	(49)
Total comprehensive income for the year	739	2,654

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31 Fixed assets

	Property, plant and equipment							Investment properties HK\$ million
	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Construction in progress HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Total HK\$ million	
<b>Cost or valuation:</b>								
At 1 January 2020	79,137	155,695	13,714	17,233	13,062	7,032	285,873	37,555
Exchange adjustments	4,508	5,294	809	1,457	427	354	12,849	1,546
Business combination (Note 54)	3,413	6,452	524	316	81	656	11,442	-
Disposal of subsidiaries	(20)	(13)	(1)	(2)	(8)	(4)	(48)	-
Additions	932	2,945	10,852	2,609	610	294	18,242	1,076
Disposals	(1,526)	(2,283)	-	(1,323)	(568)	(2,127)	(7,827)	(594)
Transfers	1,651	1,298	(6,712)	119	15	3,617	(12)	(453)
Change in fair value of investment properties	-	-	-	-	-	-	-	(675)
At 31 December 2020	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
<b>Accumulated depreciation, amortisation and impairment losses:</b>								
At 1 January 2020	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	-
Exchange adjustments	(783)	(3,447)	(26)	(750)	(222)	(139)	(5,367)	-
Business combination (Note 54)	(656)	(1,712)	-	(176)	(52)	(252)	(2,848)	-
Disposal of subsidiaries	7	11	-	1	5	4	28	-
Charge for the year	(2,414)	(5,590)	-	(1,714)	(489)	(666)	(10,873)	-
Disposals	205	669	-	1,075	350	325	2,624	-
Impairment losses (Note 46)	(117)	(68)	(24)	-	(19)	(217)	(445)	-
At 31 December 2020	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	-
<b>Net book value:</b>								
At 31 December 2020	61,133	69,671	18,211	6,974	6,493	5,358	167,840	38,455
<b>Represented by:</b>								
Cost	88,095	169,388	19,186	20,409	13,619	9,822	320,519	-
Valuation	-	-	-	-	-	-	-	38,455
	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31 Fixed assets (Continued)

	Property, plant and equipment									Investment properties HK\$ million
	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Construction in progress HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million	
<b>Cost or valuation:</b>										
At 31 December 2018	81,907	168,841	19,402	16,807	13,201	15,802	315,960	19,637	335,597	32,579
Changes in accounting policies	(3,916)	(126)	-	-	(510)	(180)	(4,732)	(19,637)	(24,369)	-
At 1 January 2019	77,991	168,715	19,402	16,807	12,691	15,622	311,228	-	311,228	32,579
Exchange adjustments	(1,488)	(1,758)	(294)	(346)	(138)	(279)	(4,303)	-	(4,303)	(513)
Disposal of subsidiaries	(3,064)	(8,007)	(566)	(296)	(75)	(587)	(12,595)	-	(12,595)	-
Transfers into assets classified as held for sale (Note 36)	(2,313)	(7,011)	(591)	(331)	(1)	(8,854)	(19,101)	-	(19,101)	-
Additions	1,504	2,959	11,269	2,272	936	1,102	20,042	-	20,042	149
Disposals	(1,490)	(2,234)	-	(993)	(497)	(600)	(5,814)	-	(5,814)	(543)
Transfers	7,997	3,031	(15,506)	120	146	628	(3,584)	-	(3,584)	5,166
Change in fair value of investment properties	-	-	-	-	-	-	-	-	-	717
At 31 December 2019	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	37,555
<b>Accumulated depreciation, amortisation and impairment losses:</b>										
At 31 December 2018	(23,324)	(92,917)	(1,189)	(11,723)	(6,482)	(7,731)	(143,366)	(2,584)	(145,950)	-
Changes in accounting policies	635	123	-	-	86	63	907	2,584	3,491	-
At 1 January 2019	(22,689)	(92,794)	(1,189)	(11,723)	(6,396)	(7,668)	(142,459)	-	(142,459)	-
Exchange adjustments	432	865	56	321	64	130	1,868	-	1,868	-
Disposal of subsidiaries	774	2,978	-	165	47	229	4,193	-	4,193	-
Transfers into assets classified as held for sale (Note 36)	363	4,120	-	198	1	4,757	9,439	-	9,439	-
Charge for the year	(2,366)	(6,635)	-	(1,679)	(645)	(1,326)	(12,651)	-	(12,651)	-
Disposals	570	1,596	208	847	232	385	3,838	-	3,838	-
Impairment losses (Note 46)	(288)	290	-	-	(2)	(26)	(26)	-	(26)	-
At 31 December 2019	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	-	(135,798)	-
<b>Net book value:</b>										
At 31 December 2019	55,933	66,115	12,789	5,362	6,363	3,513	150,075	-	150,075	37,555
<b>Represented by:</b>										
Cost	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	-
Valuation	-	-	-	-	-	-	-	-	-	37,555
	79,137	155,695	13,714	17,233	13,062	7,032	285,873	-	285,873	37,555

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31 Fixed assets (Continued)

As at 31 December 2020, the Group was in the process of applying the ownership certificates in respect of certain premises of HK\$1,573 million (31 December 2019: HK\$14,372 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

#### (a) Fair value measurement of investment properties

##### (i) Property valuation

Investment properties were revalued as at 31 December 2020 and 2019 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2020
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	Centaline Surveyors Limited
	Zhong Ming(Beijing) Assets Appraisal International Co.,Ltd.
	Prudential Surveyors (Hong Kong) Limited
	YINXIN Appraisal Co., Ltd.
	Knight Frank Petty Limited
	China Lianhe Credit Rating Co.,Ltd
	China United Assets Appraisal Group
	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
	Overseas
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31 Fixed assets (Continued)

#### (a) Fair value measurement of investment properties (Continued)

##### (i) Property valuation (Continued)

Properties located in	Valuers in 2019
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd. Centaline Surveyors Limited Zhong Ming(Beijing) Assets Appraisal International Co.,Ltd. Prudential Surveyors (Hong Kong) Limited YINXIN Appraisal Co., Ltd. Knight Frank Petty Limited Beijing Dexiang Assets Appraisal Co., Ltd.
Overseas	Network Real Estate Appraisal Co., Ltd. Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

##### (ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31 Fixed assets (Continued)

#### (a) Fair value measurement of investment properties (Continued)

##### (ii) Fair value hierarchy (Continued)

	Level 3	
	For the year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
<b>Recurring fair value measurement</b>		
Investment properties – Mainland China		
At 1 January	23,756	18,067
Exchange adjustments	1,505	(509)
Additions	738	125
Disposals	(364)	(195)
Transfers	(448)	5,236
Change in fair value of investment properties	(126)	1,032
At 31 December	25,061	23,756
Investment properties – Hong Kong		
At 1 January	13,331	14,068
Exchange adjustments	1	(2)
Additions	338	23
Disposals	(230)	(348)
Transfers	(5)	(70)
Change in fair value of investment properties	(548)	(340)
At 31 December	12,887	13,331
Investment properties – Overseas		
At 1 January	468	444
Exchange adjustments	40	(2)
Additions	–	1
Change in fair value of investment properties	(1)	25
At 31 December	507	468

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31 Fixed assets (Continued)

#### (a) Fair value measurement of investment properties (Continued)

##### (ii) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2020, there were no Level 1 and Level 2 fair value hierarchy (2019: Nil) and no transfers into or out of Level 3 (2019: Nil).

##### (iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and depreciated replacement cost approach under the circumstances.

The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of certain other investment properties located in Hong Kong is determined by using income capitalisation approach and with reference to sales evidence as available in the market.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 32 ROU assets and lease liabilities

#### (a) ROU assets

	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million
At 1 January 2020	16,272	13	99	327	909	17,620	18,874	36,494
Exchange adjustments	921	2	4	19	47	993	422	1,415
Additions	5,145	71	11	167	224	5,618	1,335	6,953
Reductions	(1,007)	(3)	-	(106)	(22)	(1,138)	(732)	(1,870)
Business combination (Note 54)	154	-	4	16	-	174	508	682
Disposal of subsidiaries	(4)	-	-	-	-	(4)	-	(4)
Depreciation charge	(4,681)	(24)	(46)	(191)	(201)	(5,143)	(550)	(5,693)
Modifications to lease agreements	(73)	-	-	-	11	(62)	-	(62)
At 31 December 2020	16,727	59	72	232	968	18,058	19,857	37,915

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 32 ROU assets and lease liabilities (Continued)

#### (a) ROU assets (Continued)

	Plant and buildings HK\$ million	Machinery and equipment HK\$ million	Office and other equipment HK\$ million	Vehicles and vessels HK\$ million	Others HK\$ million	Sub-total HK\$ million	Land use rights HK\$ million	Total HK\$ million
At 31 December 2018	-	-	-	-	-	-	-	-
Changes in accounting policies	27,280	13	151	524	698	28,666	20,292	48,958
At 1 January 2019	27,280	13	151	524	698	28,666	20,292	48,958
Exchange adjustments	(432)	-	(2)	(46)	(16)	(496)	(265)	(761)
Additions	6,109	12	8	6	358	6,493	1,573	8,066
Reductions	(282)	(1)	(5)	-	(1)	(289)	(104)	(393)
Transfers	-	-	-	-	-	-	(1,636)	(1,636)
Disposal of subsidiaries	(142)	-	(4)	(17)	-	(163)	(337)	(500)
Transfers into assets classified as held for sale (Note 36)	(9,926)	-	-	-	-	(9,926)	(96)	(10,022)
Depreciation charge	(6,335)	(11)	(49)	(140)	(130)	(6,665)	(553)	(7,218)
At 31 December 2019	16,272	13	99	327	909	17,620	18,874	36,494

- (i) The expense relating to short-term leases (included in cost of goods sold and other operating expenses) and the expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses) for the year ended 31 December 2020 were HK\$786 million (2019: HK\$1,071 million).
- (ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK\$138 million (2019: HK\$609 million).
- (iii) The total cash outflow for leases for the year ended 31 December 2020 was HK\$7,074 million (2019: HK\$8,353 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 32 ROU assets and lease liabilities (Continued)

#### (b) Lease liabilities

##### Lease liabilities analysed by maturity

	As at 31 December 2020	
	2020 HK\$ million	2019 HK\$ million
- Within 1 year	5,234	4,668
- Over 1 year	13,033	12,767
	<b>18,267</b>	<b>17,435</b>

As at 31 December 2020, the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December 2020	
	2020 HK\$ million	2019 HK\$ million
- Within 1 year	5,402	4,835
- Between 1 and 5 year	11,168	11,420
- Over 5 year	3,836	3,545
	<b>20,406</b>	<b>19,800</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 33 Intangible assets

	For the year ended 31 December		
	Mining assets HK\$ million	Others HK\$ million	Total HK\$ million
<b>Cost:</b>			
At 1 January 2020	19,282	15,789	35,071
Exchange adjustments	3	894	897
Additions	903	3,617	4,520
Business combination (Note 54)	–	601	601
Disposals of subsidiaries	–	(7)	(7)
Disposals	(2)	(637)	(639)
At 31 December 2020	20,186	20,257	40,443
<b>Accumulated amortisation and impairment losses:</b>			
At 1 January 2020	(17,033)	(6,061)	(23,094)
Exchange adjustments	(1)	(266)	(267)
Charge for the year	(80)	(1,336)	(1,416)
Business combination (Note 54)	–	(119)	(119)
Disposals of subsidiaries	–	7	7
Disposals	–	385	385
Impairment losses (Note 46)	(1)	(61)	(62)
At 31 December 2020	(17,115)	(7,451)	(24,566)
<b>Net book value:</b>			
At 31 December 2020	3,071	12,806	15,877

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 33 Intangible assets (Continued)

	For the year ended 31 December			
	Mining assets HK\$ million	Franchise right HK\$ million	Others HK\$ million	Total HK\$ million
<b>Cost:</b>				
At 1 January 2019	19,316	3,015	14,816	37,147
Exchange adjustments	–	(2)	(220)	(222)
Additions	12	–	2,160	2,172
Disposals of subsidiaries	–	–	(532)	(532)
Transfers into assets classified as held for sale (Note 36)	–	(3,013)	(122)	(3,135)
Disposals	(46)	–	(313)	(359)
At 31 December 2019	19,282	–	15,789	35,071
<b>Accumulated amortisation and impairment losses:</b>				
At 1 January 2019	(17,023)	(262)	(5,475)	(22,760)
Exchange adjustments	–	–	79	79
Charge for the year	(56)	(150)	(1,295)	(1,501)
Disposals of subsidiaries	–	–	425	425
Transfers into assets classified as held for sale (Note 36)	–	412	25	437
Disposals	46	–	202	248
Impairment losses (Note 46)	–	–	(22)	(22)
At 31 December 2019	(17,033)	–	(6,061)	(23,094)
<b>Net book value:</b>				
At 31 December 2019	2,249	–	9,728	11,977

Amortisation charge is included in “cost of sales and services” and “other operating expenses” in the consolidated income statement.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 34 Goodwill

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Cost:</b>		
At 1 January	22,551	23,971
Additions	315	203
Disposals	(210)	(61)
Transfers into assets classified as held for sale (Note 36)	–	(950)
Exchange differences	506	(612)
At 31 December	23,162	22,551
<b>Accumulated impairment losses:</b>		
At 1 January	(1,348)	(1,086)
Additions (Note 46)	(647)	(202)
Disposals	3	–
Exchange differences	(37)	(60)
At 31 December	(2,029)	(1,348)
<b>Net book value:</b>		
At 31 December	21,133	21,203

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 34 Goodwill (Continued)

Goodwill is allocated to the Group's cash-generating units identified in segments as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Comprehensive financial services	1,529	1,495
Advanced intelligent manufacturing	1,037	767
Advanced materials	261	884
New consumption	12,415	12,289
New-type urbanisation	5,891	5,768
	<b>21,133</b>	<b>21,203</b>

In conducting goodwill impairment test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination.

The recoverable amount of an asset group or a group of asset groups is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of an asset group or a group of asset groups will not be recognised if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

Based on management's impairment assessment, impairment loss of HK\$647 million was recognised for the year ended 31 December 2020 (2019: HK\$202 million).

### 35 Income tax in the balance sheet

(a) Current income tax in the balance sheet represents:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Income tax payable	13,448	13,989

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 35 Income tax in the balance sheet (Continued)

#### (b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK\$ million	Accrued expenses HK\$ million	Impairment loss on assets other than fixed assets and intangible assets HK\$ million	Fair value changes of financial instruments HK\$ million	Fixed assets and intangible assets HK\$ million	Others HK\$ million	Total HK\$ million
<b>Deferred tax assets</b>							
At 1 January 2019	13,446	3,245	28,288	566	6,446	1,602	53,593
Credited/(charged) to profit or loss	725	1,098	9,642	113	(1,007)	(127)	10,444
Credited/(charged) to other comprehensive income	–	30	81	(44)	–	26	93
Disposal of subsidiaries	(3)	(297)	(75)	–	(149)	(13)	(537)
Transfers into assets classified as held for sale (Note 36)	(9)	(147)	(7)	–	(76)	(56)	(295)
Exchange adjustments and others	(66)	(63)	(788)	(16)	142	(83)	(874)
At 31 December 2019	14,093	3,866	37,141	619	5,356	1,349	62,424
At 1 January 2020	14,093	3,866	37,141	619	5,356	1,349	62,424
Credited/(charged) to profit or loss	632	247	9,343	154	(1,099)	805	10,082
(Charged)/credited to other comprehensive income	–	(7)	(4)	76	–	(2)	63
Business combination (Note 54)	–	263	70	–	13	–	346
Disposal of subsidiaries	(53)	–	–	–	–	(109)	(162)
Exchange adjustments and others	12	279	2,947	39	162	17	3,456
At 31 December 2020	14,684	4,648	49,497	888	4,432	2,060	76,209



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 35 Income tax in the balance sheet (Continued)

#### (b) Deferred tax assets/(liabilities) recognised (Continued):

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK\$ million	Temporary differences on fixed assets and intangible assets HK\$ million	Revaluation of investment properties HK\$ million	Others HK\$ million	Total HK\$ million
<b>Deferred tax liabilities</b>					
At 1 January 2019	(3,604)	(2,175)	(3,768)	(2,791)	(12,338)
(Charged)/credited to profit or loss	(322)	586	100	(2,585)	(2,221)
(Charged)/credited to other comprehensive income	(242)	–	(368)	157	(453)
Disposal of subsidiaries	–	253	–	31	284
Transfers into assets classified as held for sale (Note 36)	–	66	–	953	1,019
Exchange adjustments and others	(95)	12	87	47	51
At 31 December 2019	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
At 1 January 2020	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
Charged to profit or loss	(5)	(242)	(24)	(678)	(949)
Credited/(charged)/credited to other comprehensive income	2,040	–	–	(10)	2,030
Business combination (Note 54)	–	(245)	–	(72)	(317)
Disposal of subsidiaries	–	16	–	36	52
Exchange adjustments and others	(138)	(68)	(261)	(180)	(647)
At 31 December 2020	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 35 Income tax in the balance sheet (Continued)

- (c) Deductible temporary difference and tax losses not recognised as deferred tax assets

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Deductible temporary differences	1,900	2,562
Tax losses	30,981	32,860
	<b>32,881</b>	<b>35,422</b>

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2020, tax losses amounting to HK\$10,019million (31 December 2019: HK\$14,220 million) that can be carried forward against future taxable income are expiring within 5 years.

### 36 Assets classified as held for sale

During the year ended 31 December 2019, the Group has decided to dispose approximately 42.31% of its interests in Fast Foods Holdings Limited ("FFHL"). Before disposal, Starry Dream Investments Limited, a wholly-owned subsidiary of the Group, holds 61.54% interests in FFHL which directly holds 52% equity interests in Grand Foods Holdings Limited ("GFHL"), the holding company of McDonald's mainland China and Hong Kong businesses. The Group's interests in FFHL will decrease to approximately 19.23% upon disposal and therefore, loss control over FFHL upon the completion of the disposal. As at 31 December 2019, the disposal plan has been approved by the Board of Directors of the Company. The assets and liabilities of FFHL have been classified as assets and liabilities held for sale in the Group's consolidated financial statements.

On 2 March 2020, 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 reduced to 19.23%, and therefore, FFHL and GFHL were no longer consolidated into the financial statements of the Group (Note 51 (b)).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	365,291	186,064
Non-bank financial institutions	1,000,980	872,282
	<b>1,366,271</b>	1,058,346
Accrued interest	4,168	3,034
	<b>1,370,439</b>	1,061,380
Analysed by remaining maturity:		
– On demand	768,681	446,790
– Within 3 months	251,155	337,522
– Between 3 months and 1 year	346,435	274,034
	<b>1,366,271</b>	1,058,346
Accrued interest	4,168	3,034
	<b>1,370,439</b>	1,061,380

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 38 Placements from banks and non-bank financial institutions

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Banks	72,485	67,264
Non-bank financial institutions	1,534	39,699
	<b>74,019</b>	<b>106,963</b>
Accrued interest	289	437
	<b>74,308</b>	<b>107,400</b>
Analysed by remaining maturity:		
– On demand	–	115
– Within 3 months	26,288	65,989
– Between 3 months and 1 year	40,831	36,334
– Over 1 year	6,900	4,525
	<b>74,019</b>	<b>106,963</b>
Accrued interest	289	437
	<b>74,308</b>	<b>107,400</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 39 Trade and other payables

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Trade and bills payables	86,362	73,238
Advances from leasees	453	281
Other taxes payables	7,431	5,720
Settlement accounts	7,083	7,699
Dividend payables	300	278
Other payables	59,314	61,692
	<b>160,943</b>	<b>148,908</b>

At the balance sheet date, the ageing analysis of the Group's trade and bills payable based on the invoice date is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Within 1 year	70,965	57,437
Between 1 and 2 years	3,343	6,893
Between 2 and 3 years	4,668	562
Over 3 years	7,386	8,346
	<b>86,362</b>	<b>73,238</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 40 Financial assets sold under repurchase agreements

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
By counterparties:		
The People's Bank of China	46,591	72,930
Banks	48,183	54,811
	94,774	127,741
Accrued interest	–	25
	94,774	127,766
By types of collateral:		
Debt securities	8,288	39,726
Discounted bills	86,486	88,015
	94,774	127,741
Accrued interest	–	25
	94,774	127,766

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2020, legal title of these collateral pledged has not been transferred to counterparties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 41 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Demand deposits</b>		
Corporate customers	2,258,627	1,862,591
Personal customers	388,658	307,582
	<b>2,647,285</b>	<b>2,170,173</b>
<b>Time and call deposits</b>		
Corporate customers	1,991,042	1,653,630
Personal customers	726,173	672,759
	<b>2,717,215</b>	<b>2,326,389</b>
Outward remittance and remittance payables	10,763	7,227
Accrued interest	52,431	38,052
	<b>5,427,694</b>	<b>4,541,841</b>

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

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Bank acceptances	265,419	192,095
Letters of credit	13,112	13,122
Guarantees	13,399	23,879
Others	124,564	104,172
	<b>416,494</b>	<b>333,268</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 42 Bank and other loans

#### (a) Types of loans

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Bank loans</b>		
Unsecured loans	116,984	106,021
Loan pledged with assets (note (d))	17,842	16,430
	<b>134,826</b>	<b>122,451</b>
<b>Other loans</b>		
Unsecured loans	27,517	27,177
Loan pledged with assets (note (d))	828	1,050
	<b>28,345</b>	<b>28,227</b>
	<b>163,171</b>	<b>150,678</b>
Accrued interest	433	634
	<b>163,604</b>	<b>151,312</b>

#### (b) Maturity of loans

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Bank loans</b>		
– Within 1 year or on demand	47,714	38,632
– Between 1 and 2 years	17,394	17,392
– Between 2 and 5 years	42,471	39,479
– Over 5 years	27,247	26,948
	<b>134,826</b>	<b>122,451</b>
<b>Other loans</b>		
– Within 1 year or on demand	13,549	6,599
– Between 1 and 2 years	3,024	13,446
– Between 2 and 5 years	6,398	3,065
– Over 5 years	5,374	5,117
	<b>28,345</b>	<b>28,227</b>
	<b>163,171</b>	<b>150,678</b>
Accrued interest	433	634
	<b>163,604</b>	<b>151,312</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 42 Bank and other loans (Continued)

(c) Bank and other loans are denominated in the following currency

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
RMB	39,330	34,102
US\$	46,913	53,178
HK\$	61,191	51,766
Other currencies	15,737	11,632
	<b>163,171</b>	150,678
Accrued interest	433	634
	<b>163,604</b>	151,312

(d) As at 31 December 2020, the Group's bank and other loans of HK\$18,670 million (31 December 2019 HK\$17,480 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary with an aggregate carrying amount of HK\$83,967 million (31 December 2019: HK\$70,196 million).

(e) The Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 48 (b). As at 31 December 2020, none of the covenants relating to drawn down facilities have been breached (31 December 2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 43 Debt instruments issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Corporate bonds issued (note (a))	112,959	99,913
Notes issued (note (b))	60,208	113,592
Subordinated bonds issued (note (c))	134,526	97,196
Certificates of deposit issued (note (d))	–	3,109
Certificates of interbank deposit issued (note (e))	645,179	489,886
Convertible corporate bonds (note (f))	15,659	14,333
	<b>968,531</b>	<b>818,029</b>
Accrued interest	5,327	5,935
	<b>973,858</b>	<b>823,964</b>
Analysed by remaining maturity:		
– Within 1 year or on demand	668,965	605,729
– Between 1 and 2 years	22,547	19,912
– Between 2 and 5 years	116,344	51,306
– Over 5 years	160,675	141,082
	<b>968,531</b>	<b>818,029</b>
Accrued interest	5,327	5,935
	<b>973,858</b>	<b>823,964</b>

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 2020 (2019: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
The Company (note (i))	67,149	63,277
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	39,165	30,100
CITIC Telecom International (note (iii))	3,496	3,493
CITIC Heavy Industries (note (iv))	–	141
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(v))	3,149	2,902
	<b>112,959</b>	<b>99,913</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(i) *Details of corporate bonds issued by the Company*

	As at 31 December 2020					Interest rate per annum
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date		
US\$ Notes2.1	US\$	500	2011-04-15	2021-04-15	6.63%	
US\$ Notes2.2	US\$	250	2014-06-23	2021-04-15	6.63%	
US\$ Notes1	US\$	150	2010-08-16	2022-08-16	6.90%	
US\$ Notes4.1	US\$	750	2012-10-17	2023-01-17	6.80%	
US\$ Notes4.2	US\$	250	2012-12-11	2023-01-17	6.80%	
US\$ Notes4.3	US\$	400	2014-07-18	2023-01-17	6.80%	
US\$ Notes6.1	US\$	110	2014-07-18	2024-01-18	4.70%	
US\$ Notes6.2	US\$	90	2014-10-29	2024-01-18	4.70%	
HK\$ Notes2	HK\$	420	2014-07-25	2024-07-25	4.35%	
US\$ Notes7	US\$	280	2015-04-14	2035-04-14	4.60%	
US\$ Notes8	US\$	150	2016-02-04	2041-02-04	4.88%	
US\$ Notes9	US\$	350	2016-02-04	2036-02-04	4.75%	
US\$ Notes10	US\$	90	2016-04-25	2036-04-25	4.65%	
US\$ Notes11	US\$	210	2016-04-25	2046-04-25	4.85%	
US\$ Notes12	US\$	500	2016-06-14	2021-12-14	2.80%	
US\$ Notes13	US\$	750	2016-06-14	2026-06-14	3.70%	
US\$ Notes14	US\$	200	2016-09-07	2031-09-07	3.98%	
US\$ Notes15	US\$	250	2016-09-07	2046-09-07	4.49%	
US\$ Notes16	US\$	750	2017-02-28	2027-02-28	3.88%	
US\$ Notes17	US\$	500	2017-02-28	2022-02-28	3.13%	
US\$ Notes18	US\$	250	2018-01-11	2023-07-11	3.50%	
US\$ Notes19	US\$	500	2018-01-11	2028-01-11	4.00%	
US\$ Notes20	US\$	75	2018-03-13	2038-03-13	4.85%	
US\$ Notes21	US\$	200	2018-04-18	2048-04-18	5.07%	
US\$ Notes22	US\$	300	2020-02-25	2025-02-25	2.45%	
US\$ Notes23	US\$	700	2020-02-25	2030-02-25	2.85%	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(a) **Corporate bonds issued (Continued)**

(i) **Details of corporate bonds issued by the Company (Continued):**

	Denominated currency	Face value in denominated currency million	As at 31 December 2019		Interest rate per annum
			Issue date	Maturity date	
US\$ Notes 5	US\$	500	2013-04-10	2020-04-10	6.38%
US\$ Notes 2.1	US\$	500	2011-04-15	2021-04-15	6.63%
US\$ Notes 2.2	US\$	250	2014-06-23	2021-04-15	6.63%
US\$ Notes 1	US\$	150	2010-08-16	2022-08-16	6.90%
US\$ Notes 4.1	US\$	750	2012-10-17	2023-01-17	6.80%
US\$ Notes 4.2	US\$	250	2012-12-11	2023-01-17	6.80%
US\$ Notes 4.3	US\$	400	2014-07-18	2023-01-17	6.80%
US\$ Notes 6.1	US\$	110	2014-07-18	2024-01-18	4.70%
US\$ Notes 6.2	US\$	90	2014-10-29	2024-01-18	4.70%
HK\$ Notes 2	HK\$	420	2014-07-25	2024-07-25	4.35%
US\$ Notes 7	US\$	280	2015-04-14	2035-04-14	4.60%
US\$ Notes 8	US\$	150	2016-02-04	2041-02-04	4.88%
US\$ Notes 9	US\$	350	2016-02-04	2036-02-04	4.75%
US\$ Notes 10	US\$	90	2016-04-25	2036-04-25	4.65%
US\$ Notes 11	US\$	210	2016-04-25	2046-04-25	4.85%
US\$ Notes 12	US\$	500	2016-06-14	2021-12-14	2.80%
US\$ Notes 13	US\$	750	2016-06-14	2026-06-14	3.70%
US\$ Notes 14	US\$	200	2016-09-07	2031-09-07	3.98%
US\$ Notes 15	US\$	250	2016-09-07	2046-09-07	4.49%
US\$ Notes 16	US\$	750	2017-02-28	2027-02-28	3.88%
US\$ Notes 17	US\$	500	2017-02-28	2022-02-28	3.13%
US\$ Notes 18	US\$	250	2018-01-11	2023-07-11	3.50%
US\$ Notes 19	US\$	500	2018-01-11	2028-01-11	4.00%
US\$ Notes 20	US\$	75	2018-03-13	2038-03-13	4.85%
US\$ Notes 21	US\$	200	2018-04-18	2048-04-18	5.07%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
17 CITIC corporate bonds-1	RMB	2,000	2017-09-04	2022-09-04	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(a) **Corporate bonds issued (Continued)**

(iii) **Details of corporate bonds issued by CITIC Telecom International**

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US\$	450	2013-03-05	2025-03-05	6.10%

(iv) **Corporate bonds issued by CITIC Heavy Industries has been redeemed in 2020.**

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Corporate bonds	RMB	126	2013-01-25	2020-01-25	5.20%

(v) **Details of corporate bonds issued by CITIC Pacific's subsidiaries**

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
20 JLEPC SCP002	RMB	250	2020-04-13	2021-01-08	2.48%
20 JLEPC SCP003	RMB	200	2020-07-27	2021-04-03	3.00%
20 JLEPC SCP004	RMB	200	2020-08-26	2021-05-23	3.09%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
18 Corporate bonds	RMB	1,000	2018-05-31	2021-05-31	4.90%
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
19 JLEPC SCP001	RMB	200	2019-09-05	2020-03-03	3.50%
19 JLEPC SCP002	RMB	200	2019-10-22	2020-07-18	3.45%
19 JLEPC SCP003	RMB	200	2019-12-05	2020-06-02	3.39%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
CITIC Corporation (note (i))	13,045	20,035
CITIC Bank (note (ii))	41,844	89,700
CITIC Offshore Helicopter Company Limited (note (iii))	360	352
CITIC Trust Co., Ltd. (note (iv))	4,959	3,505
	60,208	113,592

(i) Details of notes issued by CITIC Corporation

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2010 First tranche medium term note	RMB	3,000	2010-06-08	2020-06-10	4.60%
2010 Second tranche medium term note	RMB	4,000	2010-08-20	2020-08-24	4.40%
2011 Second tranche medium term note-2	RMB	6,000	2011-11-15	2021-11-16	5.30%
2012 Medium term note-2	RMB	5,000	2012-03-28	2022-03-29	5.18%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months Libor+1%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%
Financial bonds	RMB	30,000	2020-03-18	2023-03-18	2.75%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
17 Financial bonds	RMB	50,000	2017-04-17	2020-04-17	4.20%
Financial bonds	RMB	8,000	2015-11-17	2020-11-17	3.61%
Financial bonds	RMB	7,000	2015-05-21	2020-05-25	3.98%
Financial bonds	US\$	700	2017-12-14	2020-12-14	Three months Libor+0.9%
Financial bonds	US\$	550	2017-12-14	2022-12-15	Three months Libor+1%
Financial bonds	RMB	3,000	2017-05-24	2020-05-24	4.40%
Financial bonds	US\$	300	2017-12-14	2020-12-14	2.88%
Financial bonds	US\$	250	2017-12-14	2022-12-15	3.13%

(iii) Details of notes issued by CITIC Offshore Helicopter Company Limited

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2017 Asset-backed medium-term notes	RMB	315	2017-05-04	2020-03-31	5.18%



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(iv) Details of notes issued by CITIC Trust Co., Ltd.

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	HK\$	1,200	2020-01-16	2021-01-13	2.55%
Guaranteed notes	HK\$	930	2020-07-03	2021-07-01	2.55%
Guaranteed notes	US\$	80	2020-12-30	2021-04-23	3.79%

	As at 31 December 2019				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US\$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US\$	5	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	US\$	150	2019-05-22	2020-05-20	4.75%

(c) Subordinated bonds issued

The balance represents the subordinated debts issued by CITIC Bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying amount of subordinated debts is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Fixed rate notes maturing		
– In June 2020 (note (i))	–	2,382
– In February 2029 (note (ii))	3,865	3,860
Fixed rate bonds maturing		
– In May 2025 (note (iii))	–	12,838
– In June 2027 (note (iv))	23,748	22,310
– In September 2028 (note (v))	35,638	33,479
– In October 2028 (note (vi))	23,758	22,327
– In August 2030 (note (vii))	47,517	–
	<b>134,526</b>	<b>97,196</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 43 Debt instruments issued (Continued)

Notes (Continued):

### (c) Subordinated bonds issued (Continued)

		As at 31 December 2020				
		Denominated	Face value in			Interest rate
		currency	denominated	Issue date	Maturity date	per annum
			currency million			
(ii)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(v)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(vii)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-12	2030-08-14	3.87%

		As at 31 December 2019				
		Denominated	Face value in			Interest rate
		currency	denominated	Issue date	Maturity date	per annum
			currency million			
(i)	Subordinated Notes	US\$	304	2010-06-24	2020-06-24	6.88%
(ii)	Subordinated Notes	US\$	500	2019-02-28	2029-02-28	4.63%
(iii)	Subordinated Fixed Rate Bonds	RMB	11,500	2010-05-28	2025-05-28	4.30%
(iv)	Subordinated Fixed Rate Bonds	RMB	20,000	2012-06-21	2027-06-21	5.15%
(v)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vi)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%

### (d) Certificates of deposit issued

As at 31 December 2020, these certificates of deposit have expired. These certificates of deposit were issued by CBI with interest rate of 3.13% per annum (31 December 2019: 3.13% per annum).

### (e) Certificates of interbank deposit issued

As at 31 December 2020, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB543,008 million (approximately HK\$645,179 million) (31 December 2019: RMB438,830 million (approximately HK\$489,886 million)). The yield ranges from 1.50% to 3.36% per annum (31 December 2019: 2.59% to 3.67% per annum). The original expiry terms are between 1 month to 1 year (31 December 2019: between 1 month to 1 year).

### (f) Convertible corporate bonds

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK\$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019. CITIC Corporation, as its parent company, has subscribed RMB26,388 million (HK\$30,890 million), 65.97% of the total corporate bonds, which is the same percentage of the Group's interest in CITIC Bank's common shares. The convertible bonds of CITIC Bank have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 31 December 2020, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,270 million (HK\$15,767 million) and non-controlling interests of RMB1,067 million (HK\$1,213 million), respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 44 Provisions

	Environmental restoration expenditures HK\$ million	Impairment loss of credit commitments and guarantees provided HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2019	1,419	5,991	2,303	9,713
Exchange differences	(14)	(149)	(45)	(208)
Charge for the year	336	1,261	1,805	3,402
Payments made during the year	(14)	–	(9)	(23)
Disposal of subsidiaries	–	–	(1,729)	(1,729)
At 31 December 2019	1,727	7,103	2,325	11,155
At 1 January 2020	1,727	7,103	2,325	11,155
Exchange differences	157	499	153	809
Charge for the year	151	1,280	291	1,722
Payments made during the year	(3)	–	(38)	(41)
Business combination (Note (54))	–	–	1,527	1,527
At 31 December 2020	2,032	8,882	4,258	15,172

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 45 Share capital and reserves

### (a) Share capital

As at 31 December 2020, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2019: 29,090,262,630).

### (b) Share based payment

#### **Share Option Plan**

Other than the Plan 2000, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

The CITIC Pacific Share Incentive Plan 2000 adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK\$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2020, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2020 (2019: Nil).

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 45 Share capital reserves (Continued)

#### (c) Nature and purpose of reserves

##### (i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK\$286,585 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

##### (ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in Note 2 (j)(ii).

##### (iii) Investment related reserves

The investment related reserves comprise the cumulative net change in the fair value of investments in financial assets at FVOCI until the financial assets are derecognised and share of other comprehensive income of associates and joint ventures, and are dealt with in accordance with the accounting policies set out in Note 2 (i)(i) and Note 2 (f) respectively.

##### (iv) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 45 Share capital reserves (Continued)

#### (c) Nature and purpose of reserves (Continued)

##### (v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2 (h).

#### (d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's stability and growth, so that it can continue to provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure, with reference to such financial ratios like debt (total of debt instruments issued and bank and other loans) to total equity ratio, to maintain a balance between the higher shareholders' returns that might be possible with borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2020 (31 December 2019: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 46 Movement of allowances for impairment losses

	For the year ended 31 December 2020					At 31 December HK\$ million
	At 1 January HK\$ million	Charge for the year HK\$ million	Write-offs/ transfer out HK\$ million	Disposal of subsidiaries and Assets classified as held for sale HK\$ million (Note 36)	Exchange differences and others (note(i)) HK\$ million	
<b>Allowances for expected credit losses</b>						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	249	10	-	-	12	271
Financial assets held under resale agreements (Note 25)	53	10	-	-	3	66
Account and bills receivables and other receivables (Note 22)	6,387	2,749	(117)	(21)	610	9,608
Loans and advances to customers and other parties (Note 26)	134,428	79,477	(77,743)	-	20,526	156,688
Investments in financial assets (Note 27)						
- Financial assets at amortised cost	8,649	8,486	(716)	-	1,005	17,424
- Debt investments at FVOCI	1,820	1,186	-	-	142	3,148
Credit commitments and guarantees provided (Note 44)	7,103	1,280	-	-	499	8,882
Others (note(ii))	3,959	3,729	(3,875)	-	1,426	5,239
	162,648	96,927	(82,451)	(21)	24,223	201,326
<b>Allowances for impairment losses</b>						
Inventories (Note 24)	6,690	18	(453)	(67)	477	6,665
Interests in associates (Note 29)	6,735	1,470	(2,309)	-	76	5,972
Interests in joint ventures (Note 30)	1,487	224	(45)	-	10	1,676
Fixed assets (Note 31)	47,640	445	(39)	(16)	91	48,121
Intangible assets (Note 33)	16,682	62	-	(5)	2	16,741
Prepayments (Note 22)	76	1	(1)	-	3	79
Goodwill (Note 34)	1,348	647	-	(3)	37	2,029
Other assets	2,006	782	(558)	-	113	2,343
	82,664	3,649	(3,405)	(91)	809	83,626
	245,312	100,576	(85,856)	(112)	25,032	284,952

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 46 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2019					At 31 December HK\$ million
	At 1 January HK\$ million	(Reversal)/ charge for the year HK\$ million	Write-offs/ transfer out HK\$ million	Disposal of subsidiaries and Assets classified as held for sale HK\$ million (Note 36)	Exchange differences and others (note(i)) HK\$ million	
<b>Allowances for expected credit losses</b>						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	273	(19)	–	–	(5)	249
Financial assets held under resale agreements (Note 25)	5	48	–	–	–	53
Account and bills receivables and other receivables (Note 22)	5,462	1,444	(66)	(210)	(243)	6,387
Loans and advances to customers and other parties (Note 26)	119,919	78,951	(69,023)	–	4,581	134,428
Investments in financial assets (Note 27)						
– Financial assets at amortised cost	4,949	4,060	(212)	–	(148)	8,649
– Debt investments at FVOCI	1,185	772	(102)	–	(35)	1,820
Credit commitments and guarantees provided (Note 44)	5,991	1,261	–	–	(149)	7,103
Others (note(ii))	12,531	2,205	(10,511)	–	(266)	3,959
	150,315	88,722	(79,914)	(210)	3,735	162,648
<b>Allowances for impairment losses</b>						
Inventories (Note 24)	5,600	1,720	(171)	(425)	(34)	6,690
Interests in associates (Note 29)	2,496	4,285	(12)	–	(34)	6,735
Interests in joint ventures (Note 30)	1,448	75	(35)	–	(1)	1,487
Fixed assets (Note 31)	48,015	26	(29)	(101)	(271)	47,640
Intangible assets (Note 33)	16,721	22	(26)	(42)	7	16,682
Prepayments (Note 22)	88	(1)	(1)	(8)	(2)	76
Goodwill (Note 34)	1,086	202	–	–	60	1,348
Other assets	1,552	695	(375)	–	134	2,006
	77,006	7,024	(649)	(576)	(141)	82,664
	227,321	95,746	(80,563)	(786)	3,594	245,312

Note:

- (i) Others include recovery of loans written off.
- (ii) Movement of allowances for accrued interest of the loans and advances to customers and other parties, investments in financial assets are included in others.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 47 Contingent liabilities and commitments

#### (a) Credit commitments

Credit commitments in connection with the financial services segment of the Group take the form of loan commitments, credit card commitments, guarantees, letters of credit and acceptances.

Loan commitments represent the undrawn amount of approved loans with signed contracts. Credit card commitments represent the credit card overdraft limits authorised by the Group. Guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category as at the balance sheet date are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised as at the balance sheet date if counterparties failed to perform as contracted.

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	16,797	7,471
With an original maturity of 1 year or above	42,173	50,397
	58,970	57,868
Credit card commitments	740,790	608,970
Acceptances	664,777	475,619
Letters of credit	148,767	116,102
Guarantees	143,619	165,729
	1,756,923	1,424,288

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 47 Contingent liabilities and commitments (Continued)

#### (b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Credit risk weighted amount on credit commitments	520,212	444,994

Notes:

- (i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.
- (ii) The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking and Insurance Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

#### (c) Redemption commitment for treasury bonds

As an underwriting agent of PRC treasury bonds, CITIC Bank has the responsibility to buy back those bonds sold by it, should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the treasury bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet date:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Redemption commitment for treasury bonds	13,761	12,584

As at 31 December 2020, the original maturities of these bonds vary from 1 to 5 years (31 December 2019: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding on a back-to-back basis for the early redemption of these bonds, which are redeemed by the holders through the Group, but will settle the principal and interest upon maturity.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 47 Contingent liabilities and commitments (Continued)

#### (d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued by the Group at the balance sheet date are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Related parties (note)	10,936	16,229
Third parties	2,063	2,886
	<b>12,999</b>	<b>19,115</b>

As at balance date, the counter guarantees issued to the Group by related parties and third parties mentioned above are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Related parties (note)	1,188	5,586
Third parties	242	228
	<b>1,430</b>	<b>5,814</b>

Note:

As at 31 December 2020, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited ("China Overseas") in 2016, amounting to RMB1,000 million (approximately HK\$1,188 million) (31 December 2019: RMB5,000 million (approximately HK\$5,582 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 49.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 47 Contingent liabilities and commitments (Continued)

#### (e) Outstanding litigation and disputes

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

(i) There are a number of disputes with Mineralogy, and their details are disclosed in Note 3 (l).

(ii) There are some issues in dispute with MCC, and their details are disclosed in Note 3 (k).

#### (f) Capital commitments

As at the balance sheet date, the Group had the following capital commitments not provided for in these consolidated financial statements:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Contracted for	27,075	33,183

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 48 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Group. The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

##### **Credit risk management**

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury business, off-balance sheet item and receivables arising from sale of goods and rendering of services.

The Group has standardised management on the entire credit business process including loan application, and its investigation approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the liquidation and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management level of the Group has been comprehensively improved.

In addition to the credit risk to the Group caused by credit assets, for treasury business, the Group manages the credit risk for treasury business through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### Measurement of ECL

The Group adopts the “ECL model” on its debt instruments which are classified as financial assets measured at amortised cost and at FVOCI, credit commitments and financial guarantees in accordance with the provisions of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for account and bills receivables and contract assets, regardless whether there is significant financing component or not. For other financial assets that are included in the measurement of ECL, the Group evaluates whether the credit risks of related financial assets have increased significantly since initial recognition. The “three-stage” impairment model is used to measure their loss allowances respectively to recognise ECL and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since its initial recognition will be classified as “stage 1” and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the ECL in the next 12 months, which represents the proportion of the ECL in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The ECL of financial instruments in stage 2 is measured based on the lifetime ECL.

Stage 3: If the financial instruments are credit-impaired after initial recognition, it will be moved to stage 3. The ECL of financial instruments in stage 3 is measured based on the lifetime ECL.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at the initial recognition. Loss allowances on these assets are the lifetime ECL.

The Group estimates the ECL in accordance with HKFRS 9, and the key judgments and assumptions adopted by the Group are as follows:

##### (1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### Measurement of ECL (Continued)

##### (1) Significant increase in credit risk (Continued)

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) default probability of borrower/debtor increases; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

##### (2) Definition of default and credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower/debtor is in significant financial difficulties;
- The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc;
- The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;
- It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's expected credit loss calculation process.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### Measurement of ECL (Continued)

##### (3) Inputs for measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default (“PD”) represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default (“LGD”) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default (“EAD”) is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of expected credit losses, including the probability of default and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. During the year 31 December 2020, based on data accumulation and assessment of the impact of COVID-19, the Group optimised and updated relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

During the reporting period, there were no significant changes in the estimation technology or key assumptions.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### Measurement of ECL (Continued)

#### (4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each asset portfolio.

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a yearly basis, and the impact of these economic variables on the PD and the EAD was determined by statistical regression analysis.

In addition to the base economic scenario, the Group determines the possible scenarios and their weighted by a combination of statistical analysis and expert judgment. The Group measures ECL as either a probability weighted 12 months ECL (stage 1) or a probability weight lifetime ECL (stage 2 and stage 3). These probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

##### Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as Gross Domestic Product ("GDP"), registered urban unemployment rate, industrial added value, total retail sales of consumer goods and broad money supply, etc. Due to COVID-19's impact on the macro economy, the Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (i) Maximum credit risk exposure

The maximum exposure to credit risk as at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum credit risk exposure of financial instruments for which allowance for impairment losses is recognised is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Deposits with central banks, banks and non-bank financial institutions	748,278	733,290
Placements with banks and non-bank financial institutions	198,513	226,686
Trade and other receivables	135,276	148,653
Financial assets held under resale agreements	143,029	11,117
Loans and advances to customers and other parties	5,197,690	4,358,920
Investments in financial assets		
– At amortised cost	1,156,496	1,040,997
– Debt investments at FVOCI	860,255	701,936
Contract assets	13,619	11,504
Other financial assets	4,110	2,366
	8,457,266	7,235,469
Credit commitments and guarantees provided	1,769,922	1,443,403
Maximum credit risk exposure	10,227,188	8,678,872

The maximum credit risk exposure for debt instruments measured at FVPL at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the balance of each type of debt instruments in the balance sheet without deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Derivative financial instruments	47,804	19,580
Loans and advances to customers and other parties at FVPL	8,465	7,719
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	482,911	366,373
Maximum credit risk exposure	539,180	393,672

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (ii) Expected credit losses

The following table explains the changes in the gross carrying amount for loans and advances to customers and other parties for the year:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(141,769)	–	–	(141,769)
Net transfers into stage 2	–	26,540	–	26,540
Net transfers into stage 3	–	–	115,229	115,229
Net increase/(decrease) during the year (note (i))	685,958	(15,546)	(25,644)	644,768
Write offs	–	–	(77,743)	(77,743)
Others (note (ii))	282,091	6,377	5,494	293,962
Balance at 31 December 2020	5,129,703	128,923	95,282	5,353,908
	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	3,959,696	109,399	75,163	4,144,258
Movements:				
Net transfers out from stage 1	(129,433)	–	–	(129,433)
Net transfers into stage 2	–	48,017	–	48,017
Net transfers into stage 3	–	–	81,416	81,416
Net increase/(decrease) during the year (note (i))	563,531	(43,503)	(7,884)	512,144
Write offs	–	–	(69,023)	(69,023)
Others (note (ii))	(90,371)	(2,361)	(1,726)	(94,458)
Balance at 31 December 2019	4,303,423	111,552	77,946	4,492,921

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (ii) Expected credit losses (Continued)

The following table explains the changes in the gross carrying amount for investments in financial assets for the year:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	1,727,835	12,932	10,836	1,751,603
Movements:				
Net transfers out from stage 1	(3,746)	–	–	(3,746)
Net transfers out from stage 2	–	(1,728)	–	(1,728)
Net transfers into stage 3	–	–	5,474	5,474
Net increase/(decrease) during the year (note (i))	151,198	(6,160)	16,860	161,898
Write offs	–	–	(716)	(716)
Others (note (ii))	118,921	507	2,000	121,428
Balance at 31 December 2020	1,994,208	5,551	34,454	2,034,213

	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	1,478,556	5,559	3,099	1,487,214
Movements:				
Net transfers out from stage 1	(12,954)	–	–	(12,954)
Net transfers into stage 2	–	11,793	–	11,793
Net transfers into stage 3	–	–	1,161	1,161
Net increase/(decrease) during the year (note (i))	287,477	(4,236)	7,001	290,242
Write offs	–	–	(212)	(212)
Others (note (ii))	(25,244)	(184)	(213)	(25,641)
Balance at 31 December 2019	1,727,835	12,932	10,836	1,751,603

Notes:

- (i) Net increase/(decrease) mainly includes changes in carrying amount due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.
- (ii) Others includes changes in interest accrual and exchange adjustment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (ii) Expected credit losses (Continued)

Movements of the loss allowances for loans and advances to customers and other parties for the year is as follows:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	44,014	30,234	60,274	134,522
Movements (note (i)):				
Net transfers out from stage 1	(7,313)	–	–	(7,313)
Net transfers into stage 2	–	4,209	–	4,209
Net transfers into stage 3	–	–	50,841	50,841
Net increase/(decrease) during the year (note (ii))	12,037	(5,447)	(2,873)	3,717
Write offs	–	–	(77,743)	(77,743)
Parameters change for the year (note (iii))	186	8,653	19,165	28,004
Others (note (iv))	3,603	1,963	15,068	20,634
Balance at 31 December 2020	52,527	39,612	64,732	156,871
	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	40,325	26,464	53,219	120,008
Movements (note (i)):				
Net transfers out from stage 1	(2,648)	–	–	(2,648)
Net transfers into stage 2	–	6,977	–	6,977
Net transfers into stage 3	–	–	48,156	48,156
Net increase/(decrease) during the year (note (ii))	6,711	(9,095)	(2,118)	(4,502)
Write offs	–	–	(69,023)	(69,023)
Parameters change for the year (note (iii))	372	6,537	24,059	30,968
Others (note (iv))	(746)	(649)	5,981	4,586
Balance at 31 December 2019	44,014	30,234	60,274	134,522

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (ii) Expected credit losses (Continued)

Movements of the loss allowances for investments in financial assets for the year is as follows:

	For the year ended 31 December 2020			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2020	5,698	518	4,274	10,490
Movements (note (i)):				
Net transfers out from stage 1	(61)	–	–	(61)
Net transfers out from stage 2	–	(30)	–	(30)
Net transfers into stage 3	–	–	1,580	1,580
Net increase/(decrease) during the year (note (ii))	295	(280)	4,411	4,426
Write offs	–	–	(716)	(716)
Parameters change for the year (note (iii))	(77)	406	3,428	3,757
Others (note (iv))	345	41	778	1,164
Balance at 31 December 2020	6,200	655	13,755	20,610
	For the year ended 31 December 2019			
	Stage 1 HK\$ million	Stage 2 HK\$ million	Stage 3 HK\$ million	Total HK\$ million
Balance at 1 January 2019	3,970	327	1,855	6,152
Movements (note (i)):				
Net transfers out from stage 1	(67)	–	–	(67)
Net transfers into stage 2	–	220	–	220
Net transfers into stage 3	–	–	261	261
Net increase/(decrease) during the year (note (ii))	1,904	(28)	2,149	4,025
Write offs	–	–	(212)	(212)
Parameters change for the year (note (iii))	(26)	9	307	290
Others (note (iv))	(83)	(10)	(86)	(179)
Balance at 31 December 2019	5,698	518	4,274	10,490

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 48 Financial risk management and fair values (Continued)

### (a) Credit risk (Continued)

#### (ii) Expected credit losses (Continued)

Notes:

- (i) Movements mainly includes the impacts to ECL due to changes in stages.
- (ii) Net increase/(decrease) mainly includes changes in allowance of impairment due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.
- (iii) Parameters change mainly includes the impacts to ECL due to unwind of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.
- (iv) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

#### (iii) Loans and advances to customers and other parties analysed by industry sector:

	As at 31 December					
	2020			2019		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Corporate loans						
– Real estate	346,701	6%	294,392	326,183	7%	288,557
– Manufacturing	389,283	7%	182,953	290,098	6%	127,970
– Rental and business services	492,938	9%	237,558	393,789	8%	213,173
– Wholesale and retail	188,866	3%	125,297	165,088	4%	98,624
– Water, environment and public utility management	404,887	8%	161,041	300,791	7%	139,303
– Transportation, storage and postal services	160,123	3%	87,862	172,346	4%	79,691
– Construction	119,077	2%	65,382	108,029	2%	51,945
– Production and supply of electric power, gas and water	102,817	2%	50,739	73,947	2%	52,616
– Public management and social organisations	13,130	1%	914	14,672	1%	7,517
– Others	380,953	7%	142,282	357,563	8%	162,774
	2,598,775	48%	1,348,420	2,202,506	49%	1,222,170
Personal loans	2,254,861	42%	1,546,447	1,935,065	42%	1,275,969
Discounted bills	493,555	9%	–	351,681	8%	–
	5,347,191	99%	2,894,867	4,489,252	99%	2,498,139
Accrued interest	15,182	1%	–	11,388	1%	–
	5,362,373	100%	2,894,867	4,500,640	100%	2,498,139

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers and other parties analysed by geographical sector:

	As at 31 December					
	2020			2019		
	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million	Gross balance HK\$ million	%	Loans and advances secured by collateral HK\$ million
Mainland China	5,121,823	95%	2,793,815	4,297,094	94%	2,404,040
Hong Kong, Macau and Taiwan	218,309	3%	98,355	189,415	4%	92,826
Overseas	7,059	1%	2,697	2,743	1%	1,273
	5,347,191	99%	2,894,867	4,489,252	99%	2,498,139
Accrued interest	15,182	1%	-	11,388	1%	-
	5,362,373	100%	2,894,867	4,500,640	100%	2,498,139

(v) Loans and advances to customers and other parties analysed by type of security

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Unsecured loans	1,337,609	1,090,369
Guaranteed loans	621,160	549,063
Secured loans		
– Loans secured by collateral	2,353,265	2,049,804
– Pledged loans	541,602	448,335
	4,853,636	4,137,571
Discounted bills	493,555	351,681
	5,347,191	4,489,252
Accrued interest	15,182	11,388
Gross loans and advances	5,362,373	4,500,640



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (a) Credit risk (Continued)

##### (vi) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower/debtor, or of the inability of the borrower/debtor to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

	As at 31 December			
	2020		2019	
	Gross balance HK\$ million	% of total loans and advances	Gross balance HK\$ million	% of total loans and advances
Rescheduled loans and advances	26,175	0.49%	25,444	0.57%
– Rescheduled loans and advances overdue more than 3 months	16,841	0.31%	12,057	0.27%

##### (vii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2020, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (b) Liquidity risk

Liquidity risk arises when there is mismatch between amounts and maturity dates of financial assets and financial liabilities.

Each of the Group's operating entity formulates liquidity risk management policies and procedures within the Group's overall liquidity risk management framework and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The following tables indicate the analysis by remaining maturities of the Group's financial assets and liabilities:

	As at 31 December 2020					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	373,894	3,432,386	2,291,302	2,071,776	873,982	9,043,340
Total financial liabilities	(3,715,743)	(3,580,295)	(1,127,948)	(174,575)	(6,284)	(8,604,845)
Financial asset-liability gap	(3,341,849)	(147,909)	1,163,354	1,897,201	867,698	438,495

  

	As at 31 December 2019					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,695,101	1,757,424	2,066,205	734,694	7,669,204
Total financial liabilities	(2,839,200)	(3,410,296)	(829,669)	(179,560)	(5,735)	(7,264,460)
Financial asset-liability gap	(2,423,420)	(715,195)	927,755	1,886,645	728,959	404,744

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (b) Liquidity risk (Continued)

The table below presents the undiscounted cash flows of the Group's financial assets and liabilities:

	As at 31 December 2020					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	373,894	3,667,998	2,835,210	2,849,358	890,571	10,617,031
Total financial liabilities	(3,715,743)	(3,692,094)	(1,266,874)	(210,377)	(6,385)	(8,891,473)
Financial asset-liability gap	(3,341,849)	(24,096)	1,568,336	2,638,981	884,186	1,725,558

  

	As at 31 December 2019					Total HK\$ million
	Repayable on demand HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	Indefinite maturity date HK\$ million (note)	
Total financial assets	415,780	2,944,363	2,250,999	2,769,008	741,097	9,121,247
Total financial liabilities	(2,839,200)	(3,794,768)	(1,148,985)	(203,253)	(5,735)	(7,991,941)
Financial asset-liability gap	(2,423,420)	(850,405)	1,102,014	2,565,755	735,362	1,129,306

Note:

For cash and balances with central banks, the indefinite maturity date amount represented statutory deposit reserve funds and fiscal deposits maintained with the People's Bank of China. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite maturity date amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under indefinite maturity date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (b) Liquidity risk (Continued)

Credit Commitments include loan commitments, acceptances, credit card commitments, guarantees, letters of credit and others. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	As at 31 December 2020			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	5,636	15,809	37,525	58,970
Guarantees	86,219	56,372	1,028	143,619
Letters of credit	148,465	302	–	148,767
Acceptances	664,777	–	–	664,777
Credit card commitments	733,483	7,270	37	740,790
<b>Total</b>	<b>1,638,580</b>	<b>79,753</b>	<b>38,590</b>	<b>1,756,923</b>

	As at 31 December 2019			Total HK\$ million
	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Loan commitments	18,254	20,654	18,960	57,868
Guarantees	107,830	54,797	3,102	165,729
Letters of credit	113,833	2,269	–	116,102
Acceptances	475,619	–	–	475,619
Credit card commitments	601,555	7,131	284	608,970
<b>Total</b>	<b>1,317,091</b>	<b>84,851</b>	<b>22,346</b>	<b>1,424,288</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

#### (i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2020				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	565,468	6,656,828	1,339,046	481,998	9,043,340
Total financial liabilities	(223,547)	(7,096,556)	(1,075,224)	(209,518)	(8,604,845)
Financial asset-liability gap	341,921	(439,728)	263,822	272,480	438,495

	As at 31 December 2019				Total HK\$ million
	Non-interest bearing HK\$ million	Within 1 year HK\$ million	Between 1 and 5 years HK\$ million	More than 5 years HK\$ million	
Total financial assets	465,307	5,850,476	1,033,296	320,125	7,669,204
Total financial liabilities	(190,602)	(6,102,438)	(775,284)	(196,136)	(7,264,460)
Financial asset-liability gap	274,705	(251,962)	258,012	123,989	404,744

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (c) Interest rate risk (Continued)

##### (ii) Effective interest rate

	As at 31 December			
	2020 Effective interest rate	HK\$ million	2019 Effective interest rate	HK\$ million
<b>Assets</b>				
Cash and deposits	1.51%-2.19%	755,386	1.55%-2.00%	740,434
Placements with banks and non-bank financial institutions	1.90%	198,513	2.82%	226,686
Financial assets held under resale agreements	1.62%	143,029	2.13%	11,117
Loans and advances to customers and other parties	5.31%	5,206,155	5.08%	4,366,639
Investments in financial assets	3.22%-4.00%	2,553,067	3.66%-4.39%	2,153,729
Others	–	884,678	–	791,319
		<b>9,740,828</b>		<b>8,289,924</b>
<b>Liabilities</b>				
Borrowing from central banks	3.25%	266,611	3.34%	268,256
Deposits from banks and non- bank financial institutions	2.36%	1,370,439	2.79%	1,061,380
Placements from banks and non-bank financial institutions	2.39%	74,308	2.84%	107,400
Financial assets sold under repurchase agreements	2.03%	94,774	2.39%	127,766
Deposits from customers	2.10%	5,427,694	2.08%	4,541,841
Bank and other loans	0.85%-8.00%	163,604	1.10%-8.00%	151,312
Debt instruments issued	2.45%-6.90%	973,858	2.80%-6.95%	823,964
Lease liabilities	2.20%-6.00%	18,267	3.10%-6.00%	17,435
Others	–	342,631	–	296,079
		<b>8,732,186</b>		<b>7,395,433</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (c) Interest rate risk (Continued)

##### (iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2020, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK\$5,161 million (31 December 2019: decrease or increase by HK\$4,376 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

#### (d) Currency risk

Currency risk arises from the changes in exchange rates on the Group's foreign currency denominated assets and liabilities. The Group measures its currency risk with foreign currency exposures, and manages currency risk by entering into spot foreign exchange transactions, use of derivatives (mainly foreign forwards and swaps), and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The revenue from the Group's Sino Iron Project is denominated in US\$, which is also the functional currency for this entity. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. The Group entered into plain vanilla forward contracts to manage the foreign currency risks.

The Group funded the Sino Iron Project and the acquisition of bulk cargo vessels by borrowing US\$ loans to match the future cash outflows of these assets. The Group's investments in the Sino Iron Project and bulk cargo vessels (whose functional currency is in US\$) have been designated as an accounting hedge against other US\$ loans.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (d) Currency risk (Continued)

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK\$ million):

	As at 31 December 2020				
	HK\$	US\$	RMB	Others	Total
Total financial assets	194,230	442,334	8,340,808	65,968	9,043,340
Total financial liabilities	(270,868)	(482,330)	(7,798,994)	(52,653)	(8,604,845)
Financial asset-liability gap	(76,638)	(39,996)	541,814	13,315	438,495

  

	As at 31 December 2019				
	HK\$	US\$	RMB	Others	Total
Total financial assets	183,551	356,266	7,073,604	55,783	7,669,204
Total financial liabilities	(321,638)	(348,602)	(6,554,096)	(40,124)	(7,264,460)
Financial asset-liability gap	(138,087)	7,664	519,508	15,659	404,744

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's comprehensive income.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK\$ against US\$, RMB and other currencies as at 31 December 2020 would decrease or increase the Group's total comprehensive income by HK\$5,107 million (31 December 2019: decrease or increase by HK\$5,379 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK\$; (2) the exchange rates against HK\$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values

##### (i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values (Continued)

##### (i) Financial instruments carried at fair value (Continued)

	As at 31 December 2020			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Assets</b>				
Bills receivables at FVOCI	1,235	15,925	–	17,160
Loans and advances to customers and other parties at FVOCI	–	488,811	–	488,811
Loans and advances to customers and other parties at FVPL	–	–	8,465	8,465
Derivative financial assets	107	47,666	31	47,804
Investments in financial assets	123,444	1,207,733	65,394	1,396,571
	124,786	1,760,135	73,890	1,958,811
<b>Liabilities</b>				
Financial liabilities at FVPL	(292)	(6,793)	(5,338)	(12,423)
Derivative financial liabilities	(372)	(49,436)	–	(49,808)
	(664)	(56,229)	(5,338)	(62,231)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values (Continued)

##### (i) Financial instruments carried at fair value (Continued)

	As at 31 December 2019			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Assets</b>				
Bills receivables at FVOCI	–	14,415	–	14,415
Loans and advances to customers and other parties at FVOCI	–	344,715	–	344,715
Loans and advances to customers and other parties at FVPL	–	–	7,719	7,719
Derivative financial assets	117	19,111	352	19,580
Investments in financial assets	138,381	895,670	78,681	1,112,732
	138,498	1,273,911	86,752	1,499,161
<b>Liabilities</b>				
Financial liabilities at FVPL	(147)	(244)	(1,045)	(1,436)
Derivative financial liabilities	(263)	(20,500)	–	(20,763)
	(410)	(20,744)	(1,045)	(22,199)

For the year ended 31 December 2020, there were no significant transfers between instruments in different levels (2019: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values (Continued)

##### (i) Financial instruments carried at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2020					
	Assets				Liabilities	
	Loans and advances to customers and other parties at FVPL HK\$ million	Derivatives financial assets HK\$ million	Investments in financial assets HK\$ million	Total HK\$ million	Financial liabilities at fair value through profit or loss HK\$ million	
					profit or loss	Total
At 1 January 2020	7,719	352	78,681	86,752	(1,045)	(1,045)
Total (losses)/gains:	-	(321)	1,129	808	40	40
- in profit or loss	-	-	(320)	(320)	40	40
- in other comprehensive losses	-	(321)	1,449	1,128	-	-
Net settlements	746	-	(14,416)	(13,670)	(4,333)	(4,333)
At 31 December 2020	8,465	31	65,394	73,890	(5,338)	(5,338)

	For the year ended 31 December 2019							
	Assets				Liabilities			
	Loans and advances to customers and other parties at FVPL HK\$ million	Derivatives financial assets HK\$ million	Investments in financial assets HK\$ million	Total HK\$ million	Financial liabilities at fair value through profit or loss HK\$ million		Derivatives financial liabilities HK\$ million	Total HK\$ million
					profit or loss			
At 1 January 2019	-	530	82,383	82,913	(370)	(1)	(371)	
Total (losses)/gains:	-	(177)	1,257	1,080	(14)	-	(14)	
- in profit or loss	-	-	881	881	(14)	-	(14)	
- in other comprehensive (losses)/income	-	(177)	376	199	-	-	-	
Net settlements	7,719	(1)	(4,959)	2,759	(661)	1	(660)	
At 31 December 2019	7,719	352	78,681	86,752	(1,045)	-	(1,045)	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values (Continued)

##### (ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2020				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
<b>Financial assets</b>					
Investments in financial assets					
– Financial assets at amortised cost	1,156,496	1,143,875	10,132	821,002	312,741
<b>Financial liabilities</b>					
Debt instruments issued					
– Corporate bonds issued	114,829	110,436	68,086	42,350	–
– Notes issued	61,352	61,352	–	55,953	5,399
– Subordinated bonds issued	136,730	137,980	4,188	133,792	–
– Certificates of interbank deposit issued	645,180	637,978	–	637,978	–
– Convertible corporate bonds issued	15,767	18,320	–	–	18,320
	973,858	966,066	72,274	870,073	23,719

	As at 31 December 2019				
	Carrying amount HK\$ million	Fair value HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
<b>Financial assets</b>					
Investments in financial assets					
– Financial assets at amortised cost	1,040,997	1,057,365	2,448	743,741	311,176
<b>Financial liabilities</b>					
Debt instruments issued					
– Corporate bonds issued	101,530	100,670	64,254	36,416	–
– Notes issued	115,006	114,362	364	110,454	3,544
– Subordinated bonds issued	99,975	100,400	6,462	93,938	–
– Certificates of deposit (not for trading purpose)	3,196	3,113	–	3,113	–
– Certificates of interbank deposit issued	489,886	481,933	–	481,933	–
– Convertible corporate bonds issued	14,371	14,260	–	14,260	–
	823,964	814,738	71,080	740,114	3,544

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 48 Financial risk management and fair values (Continued)

#### (e) Fair values (Continued)

##### (iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

##### **Investments in financial assets and financial liabilities**

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), financial assets held for investment if there is an active market. If an active market does not exist for financial assets held for investment, the fair value is determined using valuation techniques.

##### **Loans and advances to customers and other parties, bank and other loans**

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

##### **Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements**

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

##### **Derivatives**

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

##### **Financial guarantees**

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 49 Material related parties

#### (a) Relationship of related parties

- (i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.
- (ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

#### (b) Related party transactions

##### (i) Transaction amounts with related parties

	For the year ended 31 December 2020			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Sales of goods	–	89	598	687
Purchase of goods	–	218	4,468	4,686
Interest income (note (2))	–	142	861	1,003
Interest expenses	148	699	994	1,841
Fee and commission income	17	16	363	396
Fee and commission expenses	–	–	201	201
Income from other services	–	166	125	291
Expenses for other services	–	283	1,021	1,304
Interest income from deposits and receivables	–	–	468	468
Other operating expenses	58	42	310	410

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 49 Material related parties (Continued)

#### (b) Related party transactions (Continued)

##### (i) Transaction amounts with related parties (Continued)

	For the year ended 31 December 2019			
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	Total HK\$ million
Sales of goods	–	229	587	816
Purchase of goods	–	489	3,290	3,779
Interest income (note (2))	–	81	873	954
Interest expenses	85	717	446	1,248
Fee and commission income	70	5	979	1,054
Fee and commission expenses	–	–	107	107
Income from other services	2	121	310	433
Expenses for other services	–	142	1,275	1,417
Interest income from deposits and receivables	–	–	427	427
Other operating expenses	3	30	207	240

Notes:

- (1) These above transactions with related parties were conducted under the normal commercial terms.
- (2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.
- (3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 49 Material related parties (Continued)

#### (b) Related party transactions (Continued)

##### (ii) Outstanding balances with related parties

	As at 31 December 2020			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	74	1,202	3,505	4,781
Loans and advances to customers and other parties (note (2))	–	3,328	7,930	11,258
Cash and deposits	–	–	23,169	23,169
Derivative financial instruments and other assets	95	5	699	799
Investments in financial assets				
– Financial assets at FVPL	–	–	28,842	28,842
– Financial assets at amortised cost	–	–	1,210	1,210
Trade and other payables	254	12,082	1,404	13,740
Deposits from customers	13,294	7,995	21,124	42,413
Deposits from bank and non- bank financial institutions	–	–	43,613	43,613
Derivative financial instruments and other liabilities	–	–	8	8
Bank and other loans	2,727	24,786	–	27,513
<b>Off-balance sheet items</b>				
Entrusted funds	7,221	899	36,320	44,440
Funds raised from investors of non-principal guaranteed wealth management products	–	79	10,868	10,947
Guarantees provided (note (3))	–	–	10,936	10,936
Guarantees received	–	–	14,134	14,134

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 49 Material related parties (Continued)

#### (b) Related party transactions (Continued)

##### (ii) Outstanding balances with related parties (Continued)

	As at 31 December 2019			Total HK\$ million
	Parent company HK\$ million	Holding company's fellow entities HK\$ million	Associates and joint ventures HK\$ million	
Trade and other receivables	70	1,068	4,471	5,609
Loans and advances to customers and other parties (note (2))	–	1,997	6,811	8,808
Cash and deposits	–	–	24,425	24,425
Derivative financial instruments and other assets	–	1	509	510
Investments in financial assets				
– Financial assets at FVPL	–	–	845	845
– Financial assets at amortised cost	–	–	79	79
Trade and other payables	350	11,937	2,354	14,641
Deposits from customers	2,233	7,913	16,105	26,251
Deposits from bank and non- bank financial institutions	–	–	25,531	25,531
Derivative financial instruments and other liabilities	–	–	144	144
Bank and other loans	5,290	21,925	73	27,288
<b>Off-balance sheet items</b>				
Entrusted funds	6,380	134	31,233	37,747
Funds raised from investors of non-principal guaranteed wealth management products	–	7	2,893	2,900
Guarantees provided (note (3))	–	–	16,229	16,229
Guarantees received	–	2,076	62,388	64,464

Notes:

- (1) The above transactions with related party transactions which were conducted under the normal commercial terms.
- (2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.
- (3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2020*

### 49 Material related parties (Continued)

#### (c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 49 (b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- purchase, sale and leases of property and other assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and
- rendering and receiving of utilities and other services.

#### (d) Key management personnel remuneration

For the year ended 31 December 2020, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK\$6.87 million (2019: HK\$7.26 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 50 Structured entities

- (a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

- (b) Structured entities in which the Group holds an interest

The Group holds an interest in some structured entities through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

Carrying amount	As at 31 December 2020					
	Investments in financial assets				Total	Maximum loss exposure
	Financial assets at amortised cost HK\$ million	Financial assets at FVPL HK\$ million	Debt investments at FVOCI HK\$ million	Equity investments at FVOCI HK\$ million		
Wealth management products	-	1,476	-	-	1,476	1,476
Investment management products managed by securities companies	83,946	3,338	40,751	-	128,035	128,035
Trust investment plans	231,843	3,960	-	-	235,803	235,803
Asset-backed securities	103,741	1,942	231,040	-	336,723	336,723
Investment funds	-	367,787	-	384	368,171	368,171
Investments in creditor's rights on assets	96	-	-	-	96	96
<b>Total</b>	<b>419,626</b>	<b>378,503</b>	<b>271,791</b>	<b>384</b>	<b>1,070,304</b>	<b>1,070,304</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 50 Structured entities (Continued)

#### (b) Structured entities in which the Group holds an interest (Continued)

Carrying amount	As at 31 December 2019					
	Investments in financial assets				Total	Maximum loss exposure
	Financial assets at amortised cost	Financial assets at FVPL	Debt investments at FVOCI	Equity investments at FVOCI		
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Wealth management products	33	3,211	-	-	3,244	3,244
Investment management products managed by securities companies	208,896	3,159	-	-	212,055	212,055
Trust investment plans	183,442	7,395	-	-	190,837	190,837
Asset-backed securities	113,515	97	147,605	-	261,217	261,217
Investment funds	-	267,812	-	418	268,230	268,230
Investments in creditor's rights on assets	570	-	-	-	570	570
<b>Total</b>	<b>506,456</b>	<b>281,674</b>	<b>147,605</b>	<b>418</b>	<b>936,153</b>	<b>936,153</b>

#### (c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 50 Structured entities (Continued)

- (c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

#### **Wealth management products and trust plans**

As at 31 December 2020, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK\$2,978,464 million (31 December 2019: HK\$3,095,615 million).

As at 31 December 2020, the amount of placements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was HK\$21,980 million (31 December 2019: HK\$59,724 million); the amount of placements from banks and non-bank financial institutions was HK\$302 million (31 December 2019: HK\$39,253 million).

During the year ended 31 December 2020, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was HK\$68,620 million (2019: HK\$67,067 million), and the Group has no maximum exposure of the placements from these wealth management products (31 December 2019: HK\$14,190 million). These transactions were conducted under normal business terms and conditions.

During the year ended 31 December 2020, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK\$8,644 million (2019: HK\$6,372 million); interest income of HK\$1,381 million (2019: HK\$1,432 million). The amount of interest expenses was HK\$798 million (2019: HK\$962 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 50 Structured entities (Continued)

#### (d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 40. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2020 totally HK\$61,973 million (2019: HK\$87,984 million) are set forth below.

#### **Securitisation transactions and structured transfers on assets usufruct**

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 2 (i) and Note 3.

During the year ended 31 December 2020, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK\$35,982 million (2019: HK\$76,844 million). HK\$14,097 million of this balance (2019: HK\$50,721 million) was in respect of performing loans and the Group concluded that were all qualified for full de-recognition. The Group did not recognise other assets and other liabilities arising from continuing involvement (2019: HK\$6,664 million).

#### **Loan transfers**

During the year ended 31 December 2020, the Group also through other types of transactions transferred loans of book value before impairment of HK\$25,991 million (2019: HK\$11,140 million). Among them HK\$24,012 million are non-performing loans (2019: all of the HK\$11,140 million are non-performing loans), HK\$1,979 million are transfer of normal loans. The Group carried out assessment based on the criteria as detailed in Note 2 (i) and Note 3 and concluded that these transferred assets qualified for full de-recognition.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 51 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
Cash	7,108	7,181
Bank deposits on demand	44,769	44,663
Surplus deposit reserve funds	67,975	108,958
Investments in debt securities with original maturities of three months or less	89,193	71,753
Deposits with banks and non-bank financial institutions due within three months	132,899	80,535
Placements with banks and non-bank financial institutions due within three months	110,758	149,948
Cash and cash equivalents in the consolidated cash flow statement	452,702	463,038

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Total assets	34,779	33,576
Total liabilities	(25,537)	(20,682)
Non-controlling interests	(4,787)	(128)
Net assets disposed	4,455	12,766
Total consideration	6,367	9,106
Release of other comprehensive income relating to interests in disposed subsidiaries	(124)	(50)
Remeasurement at fair value of retained interest in former subsidiaries	1,737	5,747
Gains on disposal/deemed disposal of subsidiaries	3,525	2,037
Net cash inflow is determined as follows:		
Cash proceeds received		
– Proceeds from the above disposal of subsidiaries	4,857	3,318
– Collection of receivables from previous disposal of subsidiaries	3,143	–
Less: cash and cash equivalents disposed	(1,554)	(2,236)
	6,446	1,082



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 51 Supplementary information to the consolidated cash flow statement

(Continued)

#### (c) Reconciliation of financing liabilities

	For the year ended 31 December				
	Bank and other loans HK\$ million	Debt instruments issued HK\$ million	Interest expense HK\$ million	Lease liabilities HK\$ million	Total HK\$ million
At 31 December 2018	155,590	738,723	7,580	292	902,185
Recognised on adoption of HKFRS 16	-	-	-	27,300	27,300
At 1 December 2019	155,590	738,723	7,580	27,592	929,485
Cash flows	8,758	94,408	(37,043)	(6,673)	59,450
(Disposal of subsidiaries)/business combination	(6,855)	-	-	(147)	(7,002)
Transfers into liabilities directly associated with assets classified as held for sale (Note 36)	(5,318)	-	(115)	(10,300)	(15,733)
Foreign exchange adjustments	(1,640)	(15,134)	(172)	(407)	(17,353)
Other non-cash movements	143	32	36,319	7,370	43,864
At 31 December 2019	150,678	818,029	6,569	17,435	992,711
Cash flows	1,852	99,634	(36,566)	(6,150)	58,770
(Disposal of subsidiaries)/business combination	9,585	-	-	159	9,744
Foreign exchange adjustments	1,437	50,806	1,573	2,661	56,477
Other non-cash movements	(381)	62	34,184	4,162	38,027
At 31 December 2020	163,171	968,531	5,760	18,267	1,155,729

#### (d) Issue and redemption of other equity instruments by subsidiaries

In 2019, issuance of other equity instruments by subsidiaries was mainly from CITIC Bank, a subsidiary of the Group, which issued RMB39,993 million (approximately HK\$45,488 million) undated capital bonds. CITIC Bank also issued convertible corporate bonds of which the equity portion is RMB1,067 million (approximately HK\$1,213 million).

In 2020, redemption of other equity instruments by subsidiaries was from CITIC Envirotech Ltd. ("CITIC Envirotech", a non-wholly-owned subsidiary of the Group listed in Singapore Exchange Limited), a subsidiary of the Group, which redeemed SGD236 million (approximately HK\$1,295 million) (2019: redemption of other equity instruments by subsidiaries was from CBI, a subsidiary of the Group, which redeemed RMB1,825 million (approximately HK\$2,076 million)) perpetual capital securities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 52 Major transactions with non-controlling interests

On 6 November 2019, CITIC Envirotech Ltd. issued an announcement that CITIC Envirotech adopted a conditional voluntary offer to implement the delisting plan. A formal offer was issued on 3 January 2020 with approval of CITIC Envirotech General Meeting on 31 December 2019. Upon completion of the exit offer on 17 January 2020, the equity interest owned by the Group in CITIC Envirotech increased from 56.36% to 72.78%. CITIC Envirotech was delisted from the Singapore Exchange Limited on 23 January 2020. In July 2020, with the selective capital reduction by CITIC Envirotech taking into effect, the equity interest owned by the Group in CITIC Envirotech increased to 74.02%.

The effect of changes in the ownership interest of CITIC Envirotech on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2020 HK\$ million
Decrease in carrying amount of non-controlling interests	871
Consideration paid to non-controlling interests	(1,390)
Excess of consideration paid recognised with equity	(519)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53 Balance sheet and reserve movement of the Company

	As at 31 December	
	2020 HK\$ million	2019 HK\$ million
<b>Non-current assets</b>		
Fixed assets	4	6
Intangible assets	1	1
Interests in subsidiaries	453,937	449,153
Interests in joint ventures	35	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	3,887	3,732
	<b>457,864</b>	<b>452,927</b>
<b>Current assets</b>		
Amounts due from subsidiaries	65,460	67,050
Trade and other receivables	45	157
Cash and deposits	12,890	3,387
	<b>78,395</b>	<b>70,594</b>
<b>Total assets</b>	<b>536,259</b>	<b>523,521</b>
<b>Current liabilities</b>		
Bank and other loans	23,626	11,840
Amounts due to subsidiaries and other related parties	12,153	13,257
Trade and other payables	55	43
Derivative financial instruments	17	–
Income tax payable	1,048	960
Debt instruments issued	9,843	3,955
	<b>46,742</b>	<b>30,055</b>
<b>Non-current liabilities</b>		
Long term borrowings	31,355	39,689
Debt instruments issued	58,242	60,299
Derivative financial instruments	979	807
	<b>90,576</b>	<b>100,795</b>
<b>Total liabilities</b>	<b>137,318</b>	<b>130,850</b>
<b>Equity</b>		
Share capital	381,710	381,710
Reserves	17,231	10,961
<b>Total ordinary shareholders' funds</b>	<b>398,941</b>	<b>392,671</b>
<b>Total liabilities and equity</b>	<b>536,259</b>	<b>523,521</b>

The balance sheet of the Company was approved and authorised for issue by the board of directors on 30 March 2021.

Director: Zhu Hexin

Director: Xi Guohua

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 53 Balance sheet and reserve movement of the Company (Continued)

#### (a) Reserve movement of the Company

	Share capital HK\$ million (Note 45 (a))	Capital reserve HK\$ million (Note 45 (c)(i))	Hedging reserve HK\$ million (Note 45 (c)(ii))	Retained earnings HK\$ million	Total HK\$ million
<b>At 31 December 2019</b>	<b>381,710</b>	<b>630</b>	<b>(824)</b>	<b>11,155</b>	<b>392,671</b>
Cash flow hedges:					
– Fair value loss during the year	–	–	(189)	–	(189)
– Transfer to net finance charges	–	–	12	–	12
	–	–	(177)	–	(177)
Profit attributable to shareholders of the Company	–	–	–	17,647	17,647
Dividends paid to ordinary shareholders of the Company	–	–	–	(11,200)	(11,200)
<b>At 31 December 2020</b>	<b>381,710</b>	<b>630</b>	<b>(1,001)</b>	<b>17,602</b>	<b>398,941</b>

	Share capital HK\$ million (Note 45 (a))	Capital reserve HK\$ million (Note 45 (c)(i))	Hedging reserve HK\$ million (Note 45 (c)(ii))	Retained earnings HK\$ million	Total HK\$ million
<b>At 31 December 2018</b>	<b>381,710</b>	<b>630</b>	<b>(603)</b>	<b>11,268</b>	<b>393,005</b>
Cash flow hedges:					
– Fair value loss during the year	–	–	(142)	–	(142)
– Transfer to net finance charges	–	–	(79)	–	(79)
	–	–	(221)	–	(221)
Profit attributable to shareholders of the Company	–	–	–	12,686	12,686
Dividends paid to ordinary shareholders of the Company	–	–	–	(12,799)	(12,799)
<b>At 31 December 2019</b>	<b>381,710</b>	<b>630</b>	<b>(824)</b>	<b>11,155</b>	<b>392,671</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 54 Major business combinations

#### Consolidation of CITIC Dicastal Company Limited (“CITIC Dicastal”)

In November 2020, the Ministry of Finance has issued the “Notice regarding State-owned Financial Institutions Focusing on Main Businesses, Compressing Levels and Other Related Matters” (Caijin [2020] No. 111). Taking into account relevant regulatory requirements, the financial results of CITIC Dicastal are consolidated into the financial statements of the Group as from 1 November 2020.

The consideration paid and fair value of the assets and liabilities acquired as at the acquisition date are listed below.

Consideration:

	HK\$ million
Fair value of investment previously held as at acquisition date	4,613
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	5,734
Trade and other receivables	8,982
Inventories	6,873
Fixed assets	8,437
Investments in financial assets	1,037
Intangible assets	428
Interests in joint ventures	539
Right-of-use assets	566
Deferred tax assets	262
Other assets	384
Total identifiable assets acquired	33,242

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 54 Major business combinations (Continued)

Consolidation of CITIC Dicastal Company Limited ("CITIC Dicastal") (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK\$ million
Trade and other payables	(8,873)
Bank and other loans	(9,848)
Provisions	(1,527)
Employee benefits payables	(1,342)
Lease liabilities	(142)
Contract liabilities	(92)
Deferred tax liabilities	(252)
Income tax payable	(77)
Other liabilities	(633)
<b>Total identifiable liabilities assumed</b>	<b>(22,786)</b>
Total identifiable net assets of CITIC Dicastal	10,456
Non-controlling Interest	(6,053)
Goodwill	210
<b>Total net assets acquired</b>	<b>4,613</b>

Net cash received from acquisition:

	HK\$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	5,734
	<b>5,734</b>

The revenue and net profit attributable to ordinary shareholders of the Group during the period from 1 November 2020 to 31 December 2020 contributed by CITIC Dicastal was HK\$6,765 million and HK\$72 million respectively. Had CITIC Dicastal been consolidated from 1 January 2020, the consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Group of approximately HK\$575,480 million and HK\$56,628 million respectively.

### 55 Post balance sheet events

The Group does not have any significant events after the balance sheet date that need to be disclosed.

### 56 Comparative amounts

Reclassifications have been made on some of the comparative amounts to ensure the comparability.

### 57 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 58 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2020 and which have not been early adopted in these consolidated financial statements.

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions <sup>(1)</sup>
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments) <sup>(2)</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment <sup>(3)</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>(3)</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>(3)</sup>
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 <sup>(3)</sup>
Accounting Guideline 5	Merger Accounting for Common Control Combinations <sup>(3)</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>(4)</sup>
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(4)</sup>
HKFRS 17	Insurance Contracts <sup>(4)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(5)</sup>

(1) Effective for the annual periods beginning on or after 1 June 2020.

(2) Effective for the annual periods beginning on or after 1 January 2021.

(3) Effective for the annual periods beginning on or after 1 January 2022.

(4) Effective for the annual periods beginning on or after 1 January 2023.

(5) In December 2015 the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 59 Principal subsidiaries, associates and joint ventures

### (a) Principal subsidiaries

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	51,097	100%	100%	0%
CITIC Pacific Special Steel Group Co., Ltd. 中信泰富特鋼集團股份有限公司	Mainland China	Special steel production	5,047,143,433	83.85%	0%	83.85%
Dah Chong Hong Holdings Limited (Note (a)) 大昌行集團有限公司(Note (a))	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100.00%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong	Telecom services	3,664,616,882	58.11%	0%	58.11%
CITIC Finance International Limited 中信財務(國際)有限公司	Hong Kong	Financial services	N/A	100%	100%	0%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China	Banking industry	48,934,838,569	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Banking industry	7,502,832,116	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Trust industry	N/A	100%	0%	100%

Note (a): The listing of Dah Chong Hong Holdings Limited's shares on the Hong Kong Stock Exchange was withdrawn on 10 January 2020. Dah Chong Hong Holdings Limited is held by the Group's wholly owned subsidiary CITIC Pacific Limited.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 59 Principal subsidiaries, associates and joint ventures (Continued)

### (a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	N/A	94.39%	0%	98.69%
CITIC Consumer Finance Co., Ltd. 中信消費金融有限公司	Mainland China	Consumer finance	N/A	70%	0%	70%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China	Manufacturing	4,339,419,293	67.27%	0%	67.27%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China	Real estate development	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China	Real estate development	N/A	100%	0%	100%
CITIC Asset Operation Co., Ltd. 中信資產運營有限公司	Mainland China	Real estate management	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Real estate management	N/A	100%	0%	100%
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Real estate management	N/A	100%	0%	100%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 59 Principal subsidiaries, associates and joint ventures (Continued)

#### (a) Principal subsidiaries (Continued)

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Infrastructure and elderly service	N/A	100%	0%	100%
CITIC Dicastal Company Limited 中信戴卡股份有限公司(附註 54)	Mainland China	Manufacturing	1,971,342,713	42.11%	0%	42.11%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China	Energy conservation and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集團股份有限公司	Mainland China	Publishing	190,151,515	73.50%	0%	73.50%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Service	N/A	100%	0%	100%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 59 Principal subsidiaries, associates and joint ventures (Continued)

#### (b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong	Real estate development	10,954,085,035	10%	0%	10%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China	Securities related services	12,926,776,029	15.47%	0%	15.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,205,894,118	26.09%	0%	26.09%

#### (c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest		
				Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
中船置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%
上海瑞博置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%

# Independent Auditor's Report

For the year ended 31 December 2020



羅兵咸永道

**Independent Auditor's Report**  
**To the Members of CITIC Limited**  
*(incorporated in Hong Kong with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 363, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

# Independent Auditor's Report

*For the year ended 31 December 2020*

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of China CITIC Bank Corporation Limited (“CITIC Bank”)
- Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank
- De-recognition of financial assets of CITIC Bank
- Impairment of the Sino Iron Project

## Independent Auditor's Report

For the year ended 31 December 2020

### Key Audit Matter

#### Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank

Refer to Note 2 (i), Note 3, Note 26 and Note 27 to the consolidated financial statements.

As at 31 December 2020, loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the CITIC Bank's consolidated balance sheet, amounted to RMB4,478.78 billion (approximately HK\$5,321.49 billion), and for which management recognised an impairment allowance of RMB126.25 billion (approximately HK\$150.01 billion); investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,679.31 billion (approximately HK\$2,016.67 billion), for which management recognised an impairment allowance RMB16.42 billion (approximately HK\$19.51 billion).

The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under HKFRS 9: Financial Instruments expected credit losses models.

### How our audit addressed the Key Audit Matter

We obtained an understanding of management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the design and operating effectiveness of the internal controls relating to ECL for loans and advances to customers and financial investments, primarily including:

- Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the ongoing monitoring and optimisation of the models;
- Internal controls relating to significant management judgments and assumptions, including the assess and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, forward-looking measurement, and management overlay adjustments;
- Internal controls over the accuracy and completeness of key inputs used by the models;
- Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3;
- Internal controls over the information systems for ECL measurement.
- Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

## Independent Auditor's Report

For the year ended 31 December 2020

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, management assesses impairment allowance using both risk parameter model and discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay adjustments due to significant uncertain factors not covered in the models;
- The estimated future cash flows for corporate loans and advances and financial investments in stage 3.

The substantive procedures we performed primarily included:

According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the coding for model measurement on a sample basis, to tested whether or not the models reflect the modelling methodologies documented by management.

We have examined the accuracy of data inputs for the ECL models, including: (i) covering examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates.

We selected samples, in consideration of the financial information and non-financial information of borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans.

## Independent Auditor's Report

For the year ended 31 December 2020

### Key Audit Matter

#### Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

CITIC Bank established governance processes and controls for the measurement of ECL.

The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

### How our audit addressed the Key Audit Matter

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings.

In addition, based on considering the significant uncertain factors, we evaluated the rationality of management overlay adjustments, and examined the accuracy of the relevant mathematical calculations.

For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.

Based on our procedures performed, the models, key parameters and data, significant judgements and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.



# Independent Auditor's Report

For the year ended 31 December 2020

## Key Audit Matter

### Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank

Refer to Note 2 (e), Note 3, Note 27 and Note 50 to the consolidated financial statements.

As at 31 December 2020, non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 27 (a) and Note 50 (b) to the consolidated financial statements.

Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.

We focused on the consolidation assessment and judgement made by management involving the structured entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgement.

## How our audit addressed the Key Audit Matter

We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities.

We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests:

- assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities;
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities;
- assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties;
- evaluated and examined the appropriateness of disclosures relating to structured entities in the consolidated financial statements.

Based on the procedures performed above, we found management's judgement relating to the consolidation and disclosure of structured entities for non-principal guaranteed wealth management products were appropriate in all material respects.

## Independent Auditor's Report

For the year ended 31 December 2020

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### De-recognition of financial assets of CITIC Bank

Refer to Note 2 (i), Note 3 and Note 50 (d) to the consolidated financial statements.

During the year ended 31 December 2020, CITIC Bank entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, and transfers of non-performing loans.

Management analysed the contractual rights and obligations of CITIC Bank in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, CITIC Bank assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met.

The de-recognition assessment relating to the transfer of financial assets involved significant judgement from management, and as such, we focused our audit on the de-recognition of these financial assets.

We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results.

We selected samples and read through transaction agreements to assess the contractual rights and obligations of CITIC Bank, and whether CITIC Bank transferred the rights to receive contractual cash flows from the financial assets, or the transfer qualified for the "pass through" of those cash flows, to independent third parties.

We took samples to analyse and evaluate the rationality of the models, parameters, assumptions and discount rates used in management risk and reward transfer test and check the accuracy of the calculation of management risk and reward transfer.

Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

# Independent Auditor's Report

For the year ended 31 December 2020

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Impairment of the Sino Iron Project

Refer to Note 3 and Note 9 to the consolidated financial statements.

An impairment indication assessment was undertaken on the Sino Iron Project ("the Project") by management as at 31 December 2020. As a result, management has determined that no impairment indication existed for the Project as at 31 December 2020.

In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2020, including:

- The production profile of the Project (mainly including ore grades, operating cost and production output);
- Forward iron ore prices;
- The risk-free borrowing rates;
- Foreign exchange rates, particularly between Australian and United States dollars.

As the impairment indication assessment involves significant judgements, we regard this as a key audit matter.

In evaluating management's impairment indication assessment of the Project, we undertook the following procedures:

- Assessed whether management's impairment indication assessment is in accordance with the requirements of accounting standards including consideration of both external and internal sources of information;
- Evaluated whether there were significant adverse changes in the economic environment impacting the Project by considering movements in forward consensus iron ore prices, exchange rates and risk-free borrowing rates;
- Considered budget vs actual performance during the last 12 months to evaluate whether economic performance of the asset is, or will be, worse than expected;
- Held discussions with management and external legal counsels to understand key changes to long term planning estimates or assumptions and implications of outstanding litigations related to the Project, and evaluated their potential impact on forecast cash flows.

Based on the above procedures, we found the judgements made by management to be reasonable and consistent with the audit evidence we obtained.

## Independent Auditor's Report

*For the year ended 31 December 2020*

### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report

*For the year ended 31 December 2020*

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report

*For the year ended 31 December 2020*

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 March 2021