Contents of Financial Statements and Notes

Consolidated Income Statement

For the year ended 31 December 2021

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

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

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

Consolidated Balance Sheet

As at 31 December 2021

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

Consolidated Balance Sheet

As at 31 December 2021

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

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

Director: **Zhu Hexin** *Director:* **Xi Guohua**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital HK$ million (Note 44(a))	Capital reserve HK$ million (Note 44(c)(i))	Hedging reserve HK$ million (Note 44(c)(ii))	Investment related reserves HK$ million (Note 44(c)(iii))	General reserve HK$ million (Note 44 (c)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note44(c)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2021		381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642
Profit for the year		-	-	-	-	-	70,222	-	70,222	30,056	100,278
Other comprehensive (loss)/income for the year	17	-	-	873	2,788	-	-	18,959	22,620	11,239	33,859
Total comprehensive (loss)/income for the year		-	-	873	2,788	-	70,222	18,959	92,842	41,295	134,137
Capital injection by non-controlling interests		-	-	-	-	-	-	-	-	167	167
Transfer of profits to general reserve		-	-	-	-	3,891	(3,891)	-	-	-	-
Dividends paid to ordinary shareholders of the Company	15	-	-	-	-	-	(15,651)	-	(15,651)	-	(15,651)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(11,211)	(11,211)
Redemption of other equity instruments by subsidiaries	50(d)	-	-	-	-	-	-	-	-	(4,003)	(4,003)
Issue of other equity instruments by subsidiaries	50(d)	-	-	-	-	-	-	-	-	52,813	52,813
Disposal of subsidiaries	50(b)	-	-	-	-	-	-	-	-	(48)	(48)
Transactions with non-controlling interests	51	-	(26)	-	-	-	-	-	(26)	827	801
Disposal of equity investments at fair value through other comprehensive income		-	-	-	(18)	-	18	-	-	-	-
Others		-	(34)	-	-	-	-	-	(34)	(23)	(57)
Other changes in equity		-	(60)	-	(18)	3,891	(19,524)	-	(15,711)	38,522	22,811
Balance at 31 December 2021		381,710	(60,312)	2,073	4,527	62,105	344,891	16,413	751,407	414,183	1,165,590

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital HK$ million (Note 44(a))	Capital reserve HK$ million (Note 44(c)(i))	Hedging reserve HK$ million (Note 44(c)(ii))	Investment related reserves HK$ million (Note 44(c)(iii))	General reserve HK$ million (Note 44 (c)(iv))	Retained earnings HK$ million	Exchange reserve HK$ million (Note44(c)(v))	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2020		381,710	(59,953)	1,723	4,546	51,145	255,807	(43,452)	591,526	302,965	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
Total comprehensive (loss)/income for the year		–	–	(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	50(d)	–	–	–	–	–	–	–	–	(1,295)	(1,295)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	6,148	6,148
Disposal of subsidiaries	50(b)	–	–	–	–	–	–	–	–	(4,787)	(4,787)
Transactions with non-controlling interests	51	–	(506)	–	–	–	–	–	(506)	(808)	(1,314)
Disposal of equity investments at fair value through other comprehensive income		–	–	–	(27)	–	27	–	–	–	–
Others		–	207	–	–	–	–	–	207	24	231
Other changes in equity		–	(299)	–	(27)	7,069	(18,242)	–	(11,499)	(9,963)	(21,462)
Balance at 31 December 2020		381,710	(60,252)	1,200	1,757	58,214	294,193	(2,546)	674,276	334,366	1,008,642

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

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	For the year ended 31 December 2021 HK$ million	2020 HK$ million
Cash flows from operating activities			
Profit before taxation		**121,141**	97,718
Adjustments for:			
– Depreciation and amortisation	11(b)	**21,220**	19,772
– Expected credit losses	8	**103,094**	96,927
– Impairment losses	9	**1,704**	3,649
– Net valuation loss on investment properties		**66**	675
– Net valuation (gain)/loss on investments		**(297)**	580
– Share of profits of associates and joint ventures, net of tax		**(17,563)**	(14,493)
– Interest expenses on debts instruments issued	5(a)	**31,453**	23,457
– Finance income	10	**(2,036)**	(1,266)
– Finance costs	10	**9,433**	11,150
– Net gain on investments in financial assets		**(19,508)**	(13,417)
– Net gain on disposal of subsidiaries, associates and joint ventures		**(1,393)**	(4,718)
		247,314	220,034
Changes in working capital			
Decrease in deposits with central banks and non-bank financial institutions		**3,870**	36,047
Increase in placements with banks and non-bank financial institutions		**(24,368)**	(5,729)
(Increase)/Decrease in trade and other receivables		**(4,967)**	3,144
Decrease/(Increase) in contract assets		**212**	(2,115)
Increase in inventories		**(33,208)**	(25,610)
Decrease/(Increase) in financial assets held under resale agreements		**34,417**	(123,933)
Increase in loans and advances to customers and other parties		**(499,357)**	(623,187)
Increase in investments in financial assets held for trading purposes		**(20,280)**	(15,652)
Increase in other operating assets		**(47,721)**	(6,690)
Increase in deposits from banks and non-bank financial institutions		**9,780**	226,884
Increase/(decrease) in placements from banks and non-bank financial institutions		**31,230**	(37,006)
(Decrease)/increase in financial liabilities at fair value through profit or loss		**(8,895)**	8,526
Increase in trade and other payables		**21,946**	1,386
Increase in contract liabilities		**5,397**	6,712
Increase/(decrease) in financial assets sold under repurchase agreements		**24,785**	(38,892)
Increase in deposits from customers		**261,103**	573,890
Decrease in borrowing from central banks		**(42,459)**	(15,498)
Increase in other operating liabilities		**11,360**	30,429
Increase in employee benefits payables		**2,372**	2,819
Increase in provisions		**9,731**	4,017
Cash (used in)/generated from operating activities		**(17,738)**	219,576
Income tax paid		**(22,956)**	(26,351)
Net cash (used in)/generated from operating activities		**(40,694)**	193,225

Consolidated Cash Flow Statement

For the year ended 31 December 2021

		For the year ended 31 December	
	Note	2021 HK$ million	2020 HK$ million
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		3,790,762	3,043,255
Proceeds from disposal of fixed assets, intangible assets and other assets		2,204	1,032
Proceeds from disposal of associates and joint ventures		2,355	2,157
Net cash (payment for)/received from disposal of subsidiaries	50(b)	(242)	6,446
Dividends received from equity investments, associates and joint ventures		7,103	5,317
Payments for purchase of financial investments		(4,041,787)	(3,292,092)
Payments for additions of fixed assets, intangible assets and other assets		(24,494)	(20,885)
Net cash (payment for)/received from acquisition of subsidiaries		(289)	2,897
Payment for acquisition of associates and joint ventures		(3,065)	(4,294)
Net cash used in investing activities		(267,453)	(256,167)
Cash flows from financing activities			
Capital injection received from non-controlling interests		167	672
Transaction with non-controlling interests	51	801	(942)
Proceeds from new bank and other loans	50(c)	168,251	121,798
Proceeds from new debt instruments issued	50(c)	1,092,327	930,718
Repayment of bank and other loans and debt instruments issued	50(c)	(1,028,186)	(951,030)
Issue of other equity instruments by subsidiaries	50(d)	52,813	–
Principal and interest elements of lease payment	50(c)	(5,978)	(6,150)
Interest paid on bank and other loans and debt instruments issued	50(c)	(41,084)	(36,566)
Dividends paid to non-controlling interests		(11,302)	(9,987)
Dividends paid to ordinary shareholders of the Company	15	(15,651)	(11,200)
Redemption of other equity instruments by subsidiaries	50(d)	(4,003)	(1,295)
Net cash generated from financing activities		208,155	36,018
Net decrease in cash and cash equivalents		(99,992)	(26,924)
Cash and cash equivalents at 1 January		452,702	463,038
Effect of exchange changes		4,905	16,588
Cash and cash equivalents at 31 December	50(a)	357,615	452,702

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1 General information

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

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

The parent and the ultimate holding company of the Company is CITIC Group Corporation ("CITIC Group"). As at 31 December 2021, the equity interests held by CITIC Group in the Company through its overseas wholly-owned subsidiaries was 58.13% (31 December 2020: 58.13%).

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(i) COVID-19-related Rent Concessions – HKFRS 16 (Amendments)

(ii) Interest Rate Benchmark Reform – Phase 2 (amendments) – HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16

2 Significant accounting policies (Continued)

(b) Functional currency and presentation currency

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

(c) Basis of measurement

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

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

(d) Use of estimates and judgement

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(e) Subsidiaries and non-controlling interests

(i) Business combinations involving entities under common control

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

(ii) Business combinations not involving entities under common control

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

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

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

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).

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.

2 Significant accounting policies (Continued)

(f) Associates and joint ventures

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(g) Goodwill

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

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

(h) Translation of foreign currencies

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

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

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

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

2 Significant accounting policies (Continued)

(i) Financial instruments

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

(i) Financial assets

(1) Classification and Measurement

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

– Financial assets at amortised cost;

– Financial assets at fair value through other comprehensive income ("FVOCI");

– Financial assets at fair value through profit or loss ("FVPL").

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

Debt instruments

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

– Amortised cost:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Debt instruments (Continued)

– FVOCI:

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

– FVPL:

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

Equity instruments

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

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

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment

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

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

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

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

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

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

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(3) Derecognition

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

– The contractual rights to receive the cash flows from the financial asset expire;

– The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;

– The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

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

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

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

2 Significant accounting policies (Continued)

(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 assest and recognises a modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities

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

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

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

(iii) Fair value measurement principles

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

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

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

(iv) Offsetting

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

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(v) Derivatives

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

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

– Their economic characteristics and risks are not closely related to those of the host contract;

– A separate instrument with the same terms would meet the definition of a derivative; and

– The hybrid contract is not measured at fair value through profit or loss.

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

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

2 Significant accounting policies (Continued)

(j) Hedging

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

2 Significant accounting policies (Continued)

(j) Hedging (Continued)

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

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

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

(iv) Hedge effectiveness testing

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

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

– There is an economic relationship between the hedged item and the hedging instrument;

– The effect of credit risk does not dominate the value changes that result from that economic relationship; and

– The hedge ratio of the hedging relationship is equal to the ratio between the actual number of hedged items and the actual number of hedging instruments.

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.

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 2021

2 Significant accounting policies (Continued)

(n) Land use rights

Land use rights are presented under right-of-use ("ROU") assets.

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2(s).

(o) Intangible assets (other than goodwill)

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and if any, impairment losses (see Note 2(s)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

–	Mining assets	Over the estimated useful lives using the unit-of-production method
–	Franchise rights	Over the estimated useful lives of the Franchise right
–	Software	Over the estimated useful lives of the Software

Both the period and method of amortisation are reviewed annually.

An intangible asset with an indefinite useful life shall not be amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 Significant accounting policies (Continued)

(p) Inventories

(i) Advanced intelligent manufacturing, advanced materials

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

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

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

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

(ii) New-type urbanisation

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

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

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

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.

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 leassor, 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.

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 realisable value, the amount of any write-down of inventories to net realisable value shall be recognised as an expense in the period the write-down occurs.

(s) Impairment of non-financial assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– ROU assets;

– investments in subsidiaries, associates and joint ventures;

– goodwill; and

– intangible assets.

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

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

2 Significant accounting policies (Continued)

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

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

Reversals of impairment losses

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

An impairment loss in respect of goodwill is not reversable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(t) Employee benefits

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

(i) Short-term employee benefits

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

(ii) Defined contribution retirement schemes

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

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

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

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

(iii) Post-employment benefits: Defined benefit plans

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

2 Significant accounting policies (Continued)

(t) Employee benefits (Continued)

(iv) Termination benefits

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

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantee contracts

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

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

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

(iii) Other provisions and contingent liabilities

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

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

(v) Revenue recognition

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

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

2 Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

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

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

(i) Interest income

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

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

(ii) Fee and commission income

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

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

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.

2 Significant accounting policies (Continued)

(w) Income tax

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

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

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

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

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

(x) Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity (one entity is an associate of a third entity and the Group is a joint venture of the third party).

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

2 Significant accounting policies (Continued)

(z) Segment reporting

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

– engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

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

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

– the methods used to distribute the products or provide the services; and

– the nature of the regulatory environment

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Significant accounting policies (Continued)

(aa) Borrowing costs

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

(bb) Disposal groups held for sale and discontinued operations

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

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

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

3 Critical accounting estimates and judgement

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

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

(a) Classification of financial assets

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

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

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

(b) Measurement of ECL

Measurement of ECL for financial assets at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 47(a).

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

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of ECL;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and

– Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 47(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgements (Continued)

(c) Provision for inventories

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

(d) Impairment of non-financial assets

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

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

(e) Fair value of financial instruments

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

3 Critical accounting estimates and judgement (Continued)

(f) Depreciation

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

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

(g) Income taxes

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

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

(h) Assets acquired/liabilities assumed in business combination

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

3 Critical accounting estimates and judgement (Continued)

(i) De-recognition of financial assets

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

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

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

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

– the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgement is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

– where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

3 Critical accounting estimates and judgement (Continued)

(j) Control and consolidation

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

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

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

3 Critical accounting estimates and judgement (Continued)

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

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

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

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

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

As set out in the Company's announcement dated 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron Project. An independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings of the independent audit, Sino Iron and MCC WA expect to enter into further negotiations to determine the amount of liabilities to be borne between the parties. Outcomes are not yet known as at 31 December 2021.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes

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

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

Option Agreement Dispute

The Company is a party to an option agreement ("Option Agreement") with Mineralogy and Mr. Clive Palmer pursuant to which the Company had options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. The remaining options have now lapsed. Following the exercise of the first option, Mineralogy and Mr. Palmer alleged that the Option Agreement had been repudiated by the Company, purported to accept that repudiation and stated that the Option Agreement was at an end.

The CITIC Parties, commenced a legal proceeding in relation to the dispute in the Supreme Court of Western Australia. On 30 September 2015, the Court made declarations by consent, including that the Company had not repudiated the Option Agreement in the manner asserted by Mineralogy and Mr. Palmer.

Notwithstanding the making of these declarations, Mineralogy and Mr. Palmer did not take the actions necessary to permit completion of the transaction resulting from the Company's exercise of the first option under the Option Agreement. On 31 March 2016, the CITIC Parties commenced a proceeding in the Supreme Court of Western Australia in relation to the Option Agreement ("Proceeding CIV 1514/2016") to seek orders compelling Mineralogy to take the steps necessary to complete the transfer of a further company having the right to mine one billion tonnes of magnetite ore. On 26 February 2018, Justice K Martin granted leave for Cape Preston Resource Holdings Pty Ltd. to be added as a plaintiff to the proceeding and for the writ to be amended for that purpose.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Option Agreement Dispute (Continued)

Mineralogy and Mr. Palmer had previously made allegations of breach, repudiation, frustration and termination of the Option Agreement in their respective defences. However, shortly before the trial, on 22 September 2020, Mineralogy and Mr. Palmer abandoned those pleas, said that they were willing to complete the first option, and nominated Balmoral Iron Pty Ltd. ("Balmoral Iron") as the further company to be acquired by Cape Preston Resource Holdings Pty Ltd.

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

The trial took place on 7 to 9 and 15 December 2020. As the issues in dispute had narrowed, the principal remaining issue for determination at trial was the form of the takeover agreement and the project agreements to be entered into by Balmoral Iron.

On 30 March 2021, Justice K Martin delivered his reasons for decision. His Honour made various findings, including that Mineralogy had long been in breach of its first option performance obligations and that it was appropriate to make orders for specific performance. Among other things his Honour determined that the Option Agreement envisaged some permissible amendments to the takeover agreement and project agreements, but any amendments needed to be "benign, necessary and minimal".

Final orders for specific performance were made by Justice K Martin on 6 May 2021. Those orders annexed the takeover agreement and project agreements to be entered into by Balmoral Iron. The takeover agreement was signed and exchanged on 27 May 2021 and Cape Preston Resource Holdings Pty Ltd. applied for Foreign Investment Review Board approval of the acquisition, which was received on 19 November 2021. Completion of the acquisition occurred on 24 November 2021.

FCD Indemnity Disputes

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

(i) Queensland Nickel FCD Indemnity Claim

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

3 Critical accounting estimates and judgement (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 September 2020, Justice K Martin ordered that:

(a) this proceeding be heard together with Proceeding CIV 1267/2018; and

(b) damages be determined separately and subsequently to liability.

On 3 March 2021, Mineralogy and Mr. Palmer filed an application for leave to amend their statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy and Mr. Palmer to agree to alter the contractual relationship between the parties. In Mineralogy and Mr. Palmer's view, that alleged purpose amounted to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

The CITIC Parties filed a re-amended defence on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy to file a reply to the CITIC Parties' re-amended defence by 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy and Mr. Palmer file any cross application in response to the CITIC Parties' permanent stay application by 21 April 2022. Under those orders, the CITIC Parties' application will be listed for a four-day hearing on a date to be fixed after 18 July 2022.

No trial date has been set for this proceeding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim

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

(a) from December 2009, funding; and

(b) in or about 2013, all future working capital,

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

Mineralogy's claim purports to be made pursuant to an indemnity given by the Company under the FCD to Mineralogy, which extends to losses suffered by Mineralogy in relation to failure by Sino Iron and Korean Steel to perform their Royalty Component B payment obligations under the MRSLAs.

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

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

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim (Continued)

On 14 September 2020, Justice K Martin ordered that:

(a) this proceeding be heard together with Proceeding CIV 2072/2017; and

(b) damages be determined separately and subsequently to liability.

On 3 March 2021, Mineralogy filed an application for leave to amend its statement of claim to introduce an allegation that the CITIC Parties' purpose in failing to pay Royalty Component B was to apply commercial pressure upon Mineralogy to agree to alter the contractual relationship between the parties. In Mineralogy's view, that alleged purpose amounted to the commission of the tort of collateral abuse of process and unconscionable conduct in contravention of section 21 of the Australian Consumer Law. The CITIC Parties rejected those allegations on various grounds. The application was dismissed by consent on 28 May 2021 following Chief Justice Quinlan's dismissal of the permanent stay application by Mineralogy and Mr. Palmer in Proceeding CIV 1915/2019, referred to below.

The CITIC Parties filed an amended defence in Proceeding CIV 1267/2018 on 22 October 2021. Among other things, the amended pleadings relate to the Royalty Component B dispute, identify additional issues raised in other related proceedings and introduce abuse of process allegations.

On 23 March 2022, Justice K Martin made orders, among other things, requiring Mineralogy to file a reply to the CITIC Parties' re-amended defence by 8 April 2022. Justice K Martin also ordered the CITIC Parties to file their foreshadowed permanent stay or strike out application, which was filed on 25 March 2022, and that Mineralogy and Mr. Palmer file any cross application in response to the CITIC Parties' permanent stay application by 21 April 2022. Under those orders, the CITIC Parties' application will be listed for a four-day hearing on a date to be fixed after 18 July 2022.

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute

The continued operation of the Sino Iron Project requires it to extend beyond the footprint it currently occupies. The need for extension is primarily driven by the need to accommodate waste rock and tailings, which are necessary by-products of the mining process. The mining tenements upon which the Sino Iron Project is currently conducted, and those into which the CITIC Parties wish to extend in order to continue operation, are all held by Mineralogy. Without an increased footprint, it will be necessary to suspend operations at the Sino Iron Project.

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

(a) submit mine continuation proposals for the Sino Iron Project to the State of Western Australia under the State Agreement;

(b) grant further necessary tenure for the Sino Iron Project;

(c) take steps to secure the re-purposing of general-purpose leases for the Sino Iron Project; and

(d) submit a Programme of Works for the Sino Iron Project to the State of Western Australia.

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

Mediation was conducted in late 2019 but was unsuccessful.

On 10 March 2020, Mineralogy and Mr. Palmer filed their further amended defences. The amendments alleged breaches of various project agreements, and that Mineralogy and Mr. Palmer have allocated parts of certain tenements to other projects. On 23 March 2020, the CITIC Parties filed their reply. On 17 September 2020, following a successful application by the CITIC Parties to strike out aspects of Mineralogy's further amended defence, Mineralogy filed a second further amended defence to remove the defences that were struck out.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

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

On 26 February 2021, the CITIC Parties filed an application to summarily dismiss or strike out Mineralogy and Mr. Palmer's permanent stay application. On 12 April 2021, Mineralogy and Mr. Palmer amended their points of claim. Among other things, those amendments sought alternative relief that Proceeding CIV 1915/2019 should be permanently stayed to the extent it raises matters the subject of issue, Anshun or abuse of process estoppels arising by reason of judgments in past proceedings between the parties concerning the Port of Cape Preston and the CITIC Parties' port terminal facilities (in which the CITIC Parties were wholly successful).

The CITIC Parties' application to summarily dismiss or strike out Mineralogy's and Mr. Palmer's permanent stay application was heard by Chief Justice Quinlan on 15 and 21 April 2021. On 28 May 2021, Chief Justice Quinlan summarily dismissed the permanent stay application and the application for discovery within that application. His Honour rejected all the grounds advanced by Mineralogy and Mr. Palmer in support of the permanent stay application, including finding that there was no reasonably arguable basis for Mineralogy and Mr. Palmer to argue Proceeding CIV 1915/2019 should be stayed as an abuse of process.

Mineralogy and Mr. Palmer appealed the decision of Chief Justice Quinlan to dismiss the permanent stay application but, on 1 July 2021, discontinued those appeals.

On 30 June 2021, Mineralogy and Mr. Palmer filed a chamber summons seeking a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the specific performance orders or injunctions sought by the CITIC Parties. On 15 July 2021, Mineralogy and Mr. Palmer advised the CITIC Parties' solicitors that they did not intend to pursue that application. On 16 July 2021, by consent, that application was dismissed by the Court.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

On 17 August 2021, Mineralogy filed a third further amended defence and Mr. Palmer filed a second further amended defence. Mineralogy's third further amended defence made substantial amendments. On 13 September 2021, the CITIC Parties filed a chamber summons seeking to strike out various paragraphs of the defence as failing to disclose any reasonably arguable defence or, alternatively, as an abuse of process. On 3 November 2021, Justice K Martin issued his reasons, in which the CITIC Parties were largely successful, striking out many of the identified paragraphs of Mineralogy's third further amended defence. On 11 November 2021, orders giving effect to Justice K Martin's reasons were issued. On 12 November 2021, Mineralogy filed a fourth further amended defence with those paragraphs struck out. Consequentially, Mr. Palmer filed a third further amended defence on 23 November 2021 and the CITIC Parties filed an amended reply on 29 November 2021.

On 26 November 2021, Justice K Martin's decision to strike out paragraphs of Mineralogy's third further amended defence was appealed by Mineralogy and Mr. Palmer to the Court of Appeal ("Proceeding CACV 114/2021"). Proceeding CACV 114/2021 was heard by the Court of Appeal on 2 February 2022. The appeal was allowed, including extending the time for filing the appeal notice, and orders were made on 8 February 2022 reinstating some of the paragraphs struck out by Justice K Martin from Mineralogy's third further amended defence. Subsequently, on 16 February 2022, Mineralogy filed a sixth further amended defence with the relevant paragraphs reinstated, and the CITIC Parties filed an amended reply on 18 February 2022.

On 26 October 2021, following the grant of leave by the Court, the CITIC Parties filed an amended statement of claim. The CITIC Parties filed a chamber summons on 29 November 2021 seeking leave to further amend the statement of claim. The CITIC Parties' application was heard before Justice K Martin on 7 December 2021. On 13 December 2021, Justice K Martin granted the CITIC Parties leave to file an amended statement of claim, and the CITIC Parties filed that document on 14 December 2021.

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

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Mine Continuation Proposals Dispute (Continued)

On 18 January 2022, Justice K Martin's decision to consolidate Proceeding CIV 2326/2021 with Proceeding CIV 1915/2019 was appealed by Mineralogy and Mr. Palmer to the Court of Appeal ("Proceeding CACV 5/2022"). The CITIC Parties intend to file a respondents' answer, which must be filed by 7 April 2022. No date has been set for the hearing of the appeal in Proceeding CACV 5/2022.

The primary trial in the Consolidated MCP Proceeding commenced before Justice K Martin on 21 February 2022 and is listed until 29 April 2022. The primary trial is to determine all issues in the Consolidated MCP Proceeding other than the quantification of any loss or damage suffered by the CITIC Parties. That question will be addressed in a separate trial in the Consolidated MCP Proceeding if that trial becomes necessary

On 14 March 2022, part way through the trial, the CITIC Parties' solicitors received a chamber summons from Mr. Palmer. The chamber summons seeks a stay of Proceeding CIV 1915/2019 until after the CITIC Parties obtained approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of matters the subject of the relief sought by the CITIC Parties. The chamber summons is on substantially the same terms as the chamber summons which was previously filed by Mineralogy and Mr. Palmer on 30 June 2021, and subsequently dismissed by consent. On 21 March 2022, the CITIC Parties filed submissions contending that the Court should make no directions on Mr. Palmer's chamber summons and that the Court should not allow any further time of the Court or the CITIC Parties to be taken up by the chamber summons.

Minimum Production Royalty Disputes

The 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 was the subject of earlier proceedings, including Proceeding CIV 1808/2013, Proceeding CIV 2303/2015, Proceeding CIV 3011/2017 and Proceeding CIV 3166/2017.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes (Continued)

On 11 December 2018, Mineralogy and Mr. Palmer commenced a new proceeding against the CITIC Parties and Sino Iron Holdings Pty Ltd. ("SIH") in the Supreme Court of Western Australia ("Proceeding CIV 3129/2018"), in which the claim for the Minimum Production Royalty was again revived. In their statement of claim in Proceeding CIV 3129/2018, Mineralogy and Mr. Palmer pleaded that each of Sino Iron and Korean Steel failed to produce at least six million tonnes of product by 21 March 2013 (and were not prevented from doing so for any of the reasons set out in clause 6.3(a) of the 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 an order that the Company pay Mineralogy AUD13,731,970 plus US$174,209,266, plus interest (pursuant to the guarantee under the FCD). In the event that Mineralogy was estopped or precluded from seeking relief in Proceeding CIV 3129/2018, Mr. Palmer also sought payment by the Company of US$187,941,236 pursuant to the guarantee and indemnity in the FCD.

On 23 January 2019, the CITIC Parties and SIH filed and served an application to stay or permanently dismiss Proceeding CIV 3129/2018, or strike out the statement of claim. Justice K Martin delivered his reasons on 13 February 2020, finding in favour of the CITIC Parties and SIH. His Honour found that Proceeding CIV 3129/2018 was an abuse of process of the Court by Mineralogy and Mr. Palmer and on 20 February 2020 his Honour ordered that the proceeding be permanently stayed.

On 4 March 2020, Justice K Martin's decision to permanently stay Proceeding CIV 3129/2018 was appealed by Mineralogy ("Proceeding CACV 27/2020") and Mr. Palmer ("Proceeding CACV 29/2020"). Mineralogy and Mr. Palmer argued, among other things, that it was not open to Justice K Martin to find that the commencement of Proceeding CIV 3129/2018 was an abuse of process.

On 25 June 2021, the Court of Appeal dismissed Proceeding CACV 27/2020. The Court of Appeal held that permitting Mineralogy to prosecute its claim in Proceeding CIV 3129/2018 would bring the administration of justice into disrepute and, on this basis, the proceeding should remain permanently stayed on the grounds of an abuse of process. The Court of Appeal also dismissed Mr. Palmer's appeal in Proceeding CACV 29/2020. The Court of Appeal held that Mr. Palmer's claim failed to disclose a reasonably arguable cause of action which was separate from Mineralogy's claim for damages. The Court of Appeal held that permitting Mr. Palmer to prosecute his claim would, in effect, circumvent the stay of Proceeding CIV 3129/2018 and bring administration of justice into disrepute, and, on this basis, held that the proceeding remain permanently stayed on the grounds of an abuse of process.

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Minimum Production Royalty Disputes (Continued)

On 23 July 2021, Mineralogy ("Proceeding P 23/2021") and Mr. Palmer ("Proceeding P 24/2021") commenced applications in the High Court of Australia for special leave to appeal the Court of Appeal's decisions in Proceeding CACV 27/2020 and Proceeding CACV 29/2020. On 13 August 2021, the CITIC Parties and SIH filed responsive submissions in Proceeding P 23/2021 and Proceeding P 24/2021. On 23 August 2021, Mineralogy filed its reply in Proceeding P 23/2021 and, on 20 August 2021, Mr. Palmer filed his reply submissions in Proceeding P 24/2021.

On 16 November 2021, the High Court of Australia dismissed Proceeding P 23/2021 and Proceeding P 24/2021 with costs.

Site Remediation Fund Dispute

(i) 2018 Site Remediation Fund Dispute

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

(a) Mineralogy will establish the Site Remediation Fund, which will be maintained in a separate interest-bearing trust account, designated as a trust account, and Sino Iron and Korean Steel will make contributions into the Site Remediation Fund; and

(b) for each Operating Year, Mineralogy will "determine an annual charge on account of future Site Remediation Costs … having regard to … Mineralogy's best prevailing estimate of the amount of future Site Remediation Costs … and the number of years remaining until Mine Closure".

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

3 Critical accounting estimates and judgement (Continued)

(l) Mineralogy Pty Ltd. ("Mineralogy") disputes (Continued)

Site Remediation Fund Dispute (Continued)

(i) 2018 Site Remediation Fund Dispute (Continued)

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

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

On 10 June 2021, Mineralogy appealed Justice K Martin's decision to dismiss Mineralogy's claim in Proceeding CIV 2840/2018 ("Proceeding CACV 42/2021"). On 23 August 2021, the CITIC Parties filed and served their respondents' answer to the appellant's case.

Proceeding CACV 42/2021 has been listed for a one day hearing on 16 May 2022.

(ii) 2021/22 Site Remediation Fund Dispute

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

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

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

4 Taxation

The statutory income tax rate of the Company and its subsidiaries located in Hong Kong for the year ended 31 December 2021 is 16.5% (2020: 16.5%).

Except for the preferential tax treatments, the income tax rate applicable to the Group's other subsidiaries in Mainland China for the year ended 31 December 2021 is 25% (2020: 25%).

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

5 Revenue

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Revenue (Continued)

(a) Net interest income

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Interest income arising from(note):		
Deposits with central banks, banks and non-bank financial institutions	10,050	9,877
Placements with banks and non-bank financial institutions	5,384	5,524
Financial assets held under resale agreements	1,562	921
Investments in financial assets		
– Financial assets at amortised cost	47,971	42,873
– Debt investments at FVOCI	24,310	23,675
Loans and advances to customers and other parties	282,523	254,076
Others	8	39
	371,808	336,985
Interest expenses arising from:		
Borrowing from central banks	(8,195)	(6,506)
Deposits from banks and non-bank financial institutions	(33,253)	(26,982)
Placements from banks and non-bank financial institutions	(3,094)	(2,963)
Financial assets sold under repurchase agreements	(2,024)	(2,558)
Deposits from customers	(111,149)	(101,809)
Debt instruments issued	(31,453)	(23,457)
Lease liabilities	(545)	(542)
Others	(122)	(150)
	(189,835)	(164,967)
Net interest income	181,973	172,018

Note:

Interest income includes interest income accrued on credit-impaired financial assets of HK$610 million for the year ended 31 December 2021 (2020: HK$577 million).

5 Revenue (Continued)

(b) Net fee and commission income

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Guarantee and advisory fees	6,468	5,409
Bank card fees	19,840	16,515
Settlement and clearing fees	2,313	1,315
Agency fees and commission	7,802	8,479
Trustee commission and fees	19,109	12,832
Others	417	264
	55,949	44,814
Fee and commission expenses	(6,229)	(5,636)
Net fee and commission income	49,720	39,178

(c) Sales of goods and services

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Sales of goods	385,350	268,964
Services rendered to customers		
– Revenue from construction contracts	34,589	24,984
– Revenue from other services	32,224	29,860
	452,163	323,808

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Revenue (Continued)

(d) Other revenue

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Net trading gain (note (i))	**6,178**	3,726
Net gain on investments in financial assets under financial services segment	**18,109**	14,082
Others	**793**	137
	25,080	17,945

(i) Net trading gain

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Trading profit/(loss):		
– debt securities and certificates of deposits	**3,450**	1,792
– foreign currencies	**1,326**	2,350
– derivatives	**1,402**	(416)
	6,178	3,726

6 Costs of sales and services

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Costs of goods sold	**344,583**	235,319
Costs of services rendered		
– Costs of construction contracts	**31,816**	22,528
– Costs of other services	**21,125**	18,458
	397,524	276,305

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 Other net income

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures	**1,393**	4,718
Net gain/(loss) on investments in financial assets under non-financial services segment	**2,001**	(816)
Net foreign exchange gain/(loss)	**781**	(864)
Others	**3,572**	3,325
	7,747	6,363

8 Expected credit losses

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non-bank financial institutions	**12**	10
– financial assets held under resale agreements	**(11)**	10
– account and bills receivables and other receivables	**3,025**	2,749
– loans and advances to customers and other parties	**61,473**	79,477
– investments in financial assets		
• financial assets at amortised cost	**26,214**	8,486
• debt investments at FVOCI	**(198)**	1,186
– impairment provision of credit commitments and guarantees provided	**8,492**	1,280
– others	**4,087**	3,729
	103,094	96,927

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For the year ended 31 December 2021

9 Impairment losses

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Impairment losses charged on:		
– inventories	**814**	18
– interests in associates	**567**	1,470
– interests in joint ventures	**–**	224
– fixed assets (note)	**123**	445
– intangible assets (note)	**3**	62
– prepayments	**9**	1
– goodwill	**12**	647
– others	**176**	782
	1,704	3,649

Note:

Iron Ore Project

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

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

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

As at 31 December 2021, management performed an impairment indication assessment with the consideration of forecast iron ore prices, risk free interest rates, the production profile of the Sino Iron Project and exchange rate between Australian dollar and US dollar. According to the assessment, no further impairment indication was identified and thus, no impairment test was undertaken for the Sino Iron Project as at 31 December 2021.

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

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

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

The CGU's fair value hierarchy is Level 3.

10 Net finance charges

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Finance costs		
– Interest on bank and other loans	**4,009**	5,076
– Interest on debt instruments issued	**5,506**	5,946
– Interest and finance charges paid for lease liabilities	**261**	392
	9,776	11,414
Less: interest expense capitalised (note)	**(630)**	(567)
	9,146	10,847
Other finance charges	**287**	303
	9,433	11,150
Finance income	**(2,036)**	(1,266)
	7,397	9,884

Note:

Capitalisation rates applied to funds borrowed are 1.50% – 4.92% per annum for the year ended 31 December 2021 (2020: capitalisation rate of 1.60% – 5.18%).

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11 Profit before taxation

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

(a) Staff costs

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Salaries and bonuses	**51,385**	41,998
Contributions to defined contribution retirement schemes	**6,072**	4,152
Others	**13,421**	10,243
	70,878	56,393

The Group substantially completed the transfer of the management of existing retirees to external organizations in 2011. In accordance with the government requirements, the Group is also obliged to pay for certain of such retirees' post-retirement benefits in the future. This benefit plan is accounted for as a long-term defined benefits obligation and does not have any plan assets.

The Group's obligation for this benefit plan is calculated using actuarial method and recognised as a liability. The service cost amounting to HK$43 million was recognised for the year ended 31 December 2021 (2020:HK$34 million). Actuarial assumptions mainly include discount rate and future mortality. Reasonable changes in actuarial assumptions would not have a significant impact on the consolidated financial statements of the Group.

(b) Other items

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Amortisation	**2,598**	2,125
Depreciation	**18,622**	17,647
Lease charges	**576**	924
Tax and surcharges	**3,357**	2,799
Property management fees	**1,000**	1,108
Non-operating expenses	**2,299**	700
Professional fees (other than auditors' remuneration)	**1,130**	1,057
Auditors' remuneration		
– Audit services	**159**	159
– Non-audit services	**36**	66
	29,777	26,585

12 Income tax expense

(a) Income tax expense in the income statement

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Current tax – Mainland China		
Provision for enterprise income tax	**24,592**	24,986
Land appreciation tax	**330**	113
	24,922	25,099
Current tax – Hong Kong		
Provision for Hong Kong profits tax	**946**	641
Current tax – Overseas		
Provision for the year	**154**	183
	26,022	25,923
Deferred tax		
Origination and reversal of temporary differences	**(5,159)**	(9,133)
	20,863	16,790

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

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

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Profit before taxation	**121,141**	97,718
Less: Share of profits of		
– associates	**(12,787)**	(10,533)
– joint ventures	**(4,776)**	(3,960)
	103,578	83,225
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**17,090**	13,732
Effect of different tax rates in other jurisdictions	**9,049**	7,667
Tax effect of unused tax losses not recognised	**472**	1,207
Tax effect of non-deductible expenses	**7,293**	6,100
Tax effect of non-taxable income (note)	**(13,079)**	(11,766)
Others	**38**	(150)
Actual tax expense	**20,863**	16,790

Note:

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

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13 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2021 are set out as follows:

	For the year ended 31 December 2021									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Social securities in China mainland	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as committee member		Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Name of Current Directors										
Executive Directors:										
Zhu Hexin[i]	–	0.44	0.34	–	–	0.16	0.07	–	–	1.01
Xi Guohua[i]	–	0.44	0.34	–	–	0.16	0.07	–	–	1.01
Li Qingping[i]	–	0.40	0.30	–	0.04	0.16	0.08	–	–	0.98
Non-executive Directors:										
Song Kangle	–	–	–	–	–	–	–	–	–	–
Peng Yanxiang	–	–	–	–	–	–	–	–	–	–
Yu Yang	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.28	–	0.66
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.25	–	0.63
Gregory Lynn Curl	0.38	–	–	–	–	–	–	0.05	–	0.43
Toshikazu Tagawa[ii]	0.25	–	–	–	–	–	–	–	–	0.25
Name of Former Directors										
Liu Zhuyu[ii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan[ii]	–	–	–	–	–	–	–	–	–	–
Shohei Harada[ii]	0.13	–	–	–	–	–	–	–	–	0.13
	2.28	1.28	0.98	–	0.04	0.48	0.22	0.98	–	6.26

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The emoluments for the year ended 31 December 2021 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, and Ms. Li Qingping have not been finalised in accordance with the regulations of the relevant local authorities.

(ii) Changes in directors during the year ended 31 December 2021:

(1) On 29 December 2021, Mr. Liu Zhuyu resigned as Non-executive Director of the Company, and Mr. Liu Zhongyuan resigned as Non-executive Director of the Company.

(2) On 3 May 2021, Mr. Toshikazu Tagawa was appointed as Non-executive Director of the Company, and Mr. Shohei Harada resigned as Non-executive Director of the Company.

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For the year ended 31 December 2021

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

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

	For the year ended 31 December 2020									
	Emoluments paid or receivable in respect of 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 paid or receivable in respect of accepting office as committee member HK$ million	HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Zhu Hexin [i,ii]	–	0.30	0.52	–	–	0.06	0.06	–	–	0.94
Xi Guohua [i,ii]	–	0.20	0.35	–	–	0.04	0.03	–	–	0.62
Li Qingping [i]	–	0.36	0.95	–	0.04	0.08	0.10	–	–	1.53
Non-executive Directors:										
Song Kangle	–	–	–	–	–	–	–	–	–	–
Liu Zhuyu	–	–	–	–	–	–	–	–	–	–
Peng Yanxiang	–	–	–	–	–	–	–	–	–	–
Yu Yang [ii]	–	–	–	–	–	–	–	–	–	–
Liu Zhongyuan	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Independent Non-executive Directors:										
Francis Siu Wai Keung	0.38	–	–	–	–	–	–	0.28	–	0.66
Xu Jinwu	0.38	–	–	–	–	–	–	0.25	–	0.63
Anthony Francis Neoh	0.38	–	–	–	–	–	–	0.25	–	0.63
Shohei Harada	0.38	–	–	–	–	–	–	–	–	0.38
Gregory Lynn Curl	0.38	–	–	–	–	–	–	0.05	–	0.43
Name of Former Directors										
Chang Zhenming [i,ii]	–	0.10	0.56	–	0.01	0.08	0.10	–	–	0.85
Wang Jiong [i,ii]	–	0.23	0.78	–	0.03	0.04	0.08	–	–	1.16
Yan Shuqin [ii]	–	–	–	–	–	–	–	–	–	–
	2.28	1.19	3.16	–	0.08	0.30	0.37	0.98	–	8.36

13 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The emoluments for the year ended 31 December 2020 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, Ms. Li Qingping, Mr. Xi Chang Zhenming and Mr. Wang Jiong were finalised in accordance with the regulations of the relevant local authorities.

(ii) Changes in directors during the year ended 31 December 2020:

(1) On 25 August 2020, Mr. Xi Guohua was appointed as Executive Director, Vice Chairman and President of the Company, and Mr. Wang Jiong resigned as Executive Director, Vice Chairman and President of the Company.

(2) On 25 August 2020, Ms. Yu Yang was appointed as Non-executive Director of the Company, and Ms. Yan Shuqin resigned as Non-executive Director of the Company.

(3) On 30 March 2020, Mr. Zhu Hexin was appointed as Chairman of the Board and Executive Director of the Company, and Mr. Chang Zhenming resigned as Chairman of the Board and Executive Director of the Company.

(b) Other benefits and interests

For the year ended 31 December 2021, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: None). No consideration was provided to or receivable by third parties for making available directors' services (2020: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: None).

Notes to the Consolidated Financial Statements

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14 Individuals with highest emoluments

For the year ended 31 December 2021, none of the five highest paid individuals are directors (2020: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these 5 individuals (2020: five) are as follows:

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Salaries and other emoluments	**17.34**	13.80
Discretionary bonuses	**67.27**	71.06
Retirement scheme contributions	**0.68**	0.14
	85.29	85.00

The emoluments of the 5 individuals (2020: 5) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2021 Number of individuals	2020 Number of individuals
HK$11,500,001 - HK$12,000,000	**–**	1
HK$12,000,001 - HK$12,500,000	**1**	–
HK$12,500,001 - HK$13,000,000	**1**	–
HK$13,000,001 - HK$13,500,000	**–**	1
HK$14,500,001 - HK$15,000,000	**1**	1
HK$18,000,001 - HK$18,500,000	**–**	1
HK$21,000,001 - HK$21,500,000	**1**	–
HK$24,000,001 - HK$24,500,000	**1**	–
HK$27,000,001 - HK$27,500,000	**–**	1
	5	5

15 Dividends

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
2020 Final dividend paid: HK$0.388 (2019 Final: HK$0.285) per share	**11,287**	8,291
2021 Interim dividend paid: HK$0.15 (2020 Interim: HK$0.10) per share	**4,364**	2,909
2021 Final dividend proposed: HK$0.456 (2020 Final: HK$0.388) per share	**13,265**	11,287

16 Earnings per share

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of the Company of HK$70,222 million for the year ended 31 December 2021 (2020: HK$56,628 million) calculated as follows:

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Profit attributable to ordinary shareholders of the Company	**70,222**	56,628
Weighted average number of ordinary shares (in million)	**29,090**	29,090

Diluted earnings per share for the year ended 31 December 2021 and 2020 are same with basic earnings per share. As at 31 December 2021, there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as at 31 December 2021 (31 December 2020: Nil).

The basic earnings per share and diluted earnings per share for the year ended 31 December 2021 are HK$2.41 (2020: HK$1.95).

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17 Other comprehensive gain

Components of other comprehensive gain

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(loss) on financial assets at FVOCI	**5,268**	(4,576)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**(1,163)**	(3,281)
Tax effect	**(1,222)**	2,018
	2,883	(5,839)
Allowance change for impairment losses on debt investments at FVOCI	**(64)**	1,245
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	**–**	–
Tax effect	**103**	(302)
	39	943
Gains/(Loss) arising from cash flow hedge	**803**	(785)
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	**61**	69
Tax effect	**5**	98
	869	(618)
Share of other comprehensive income of associates and joint ventures	**237**	448
Exchange differences on translation of financial statements and others	**29,142**	59,738
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	**271**	57
Less: Tax effect	**(26)**	–
	245	57
Fair value loss on investments in equity instruments designated at FVOCI	**505**	(44)
Less: Tax effect	**(61)**	–
	444	(44)
	33,859	54,685

18 Segment reporting

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

- Comprehensive financial services: this segment includes banking, trust, asset management, securities and insurance services.

- Advanced intelligent manufacturing: this segment includes manufacturing of heavy machineries, specialised robotics, aluminum wheels, aluminum casting parts and other products.

- Advanced materials: this segment includes exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore, as well as manufacturing of special steels.

- New consumption: this segment includes motor and food and consumer products business, telecommunication services, publication services, modern agriculture, and others.

- New-type urbanisation: this segment includes development, sale and holding of properties, contracting and design services, infrastructure services, environmental services and others.

(a) Segment results, assets and liabilities

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

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

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

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

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

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18 Segment reporting (Continued)

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

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	For the year ended 31 December 2021							
	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	256,760	47,694	282,422	65,564	56,366	130	–	708,936
Inter-segment revenue	635	137	356	120	848	101	(2,197)	–
Reportable segment revenue	257,395	47,831	282,778	65,684	57,214	231	(2,197)	708,936
Disaggregation of revenue:								
– Net interest income (Note 5(a))	182,527	–	–	–	–	101	(655)	181,973
– Net fee and commission income (Note 5(b))	49,747	–	–	–	–	5	(32)	49,720
– Sales of goods (Note 5(c))	–	46,929	279,775	50,937	8,185	–	(476)	385,350
– Services rendered to customers-construction contracts (Note 5(c))	–	727	–	–	34,091	–	(229)	34,589
– Services rendered to customers-others (Note 5(c))	–	175	3,003	14,747	14,938	102	(741)	32,224
– Other revenue (Note 5(d))	25,121	–	–	–	–	23	(64)	25,080
Share of profits/(losses) of associates, net of tax	7,543	29	857	179	4,656	(477)	–	12,787
Share of profits of joint ventures, net of tax	2,108	24	1,138	43	1,408	55	–	4,776
Finance income (Note 10)	–	114	439	73	1,737	525	(852)	2,036
Finance costs (Note 10)	–	(346)	(1,827)	(529)	(1,473)	(6,627)	1,369	(9,433)
Depreciation and amortisation (Note 11(b))	(7,997)	(1,396)	(7,643)	(2,418)	(1,580)	(186)	–	(21,220)
Expected credit losses (Note 8)	(100,984)	(132)	(103)	(18)	(2,339)	482	–	(103,094)
Impairment losses (Note 9)	(123)	(163)	(448)	(117)	(562)	(291)	–	(1,704)
Profit/(loss) before taxation	89,302	1,528	24,967	3,059	10,548	(7,734)	(529)	121,141
Income tax (Note 12)	(11,109)	(154)	(3,830)	(693)	(2,268)	(2,792)	(17)	(20,863)
Profit/(loss) for the year	78,193	1,374	21,137	2,366	8,280	(10,526)	(546)	100,278
Attributable to:								
– Ordinary shareholders of the Company	52,075	632	19,162	1,610	7,810	(10,521)	(546)	70,222
– Non-controlling interests	26,118	742	1,975	756	470	(5)	–	30,056

18 Segment reporting (Continued)

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

	As at 31 December 2021							
	Comprehensive financial services HK$ million	Advanced intelligent manufacturing HK$ million	Advanced materials HK$ million	New consumption HK$ million	New-type urbanisation HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	10,050,873	66,837	272,756	72,055	349,907	141,799	(268,706)	10,685,521
Including:								
Interests in associates (Note 29)	59,880	944	25,297	9,532	55,795	2,733	–	154,181
Interests in joint ventures (Note 30)	17,135	692	8,171	1,973	30,811	1,817	–	60,599
Reportable segment liabilities	9,154,415	45,128	261,138	34,047	168,199	231,000	(373,996)	9,519,931
Including:								
Bank and other loans (Note 41) (note)	4,865	15,823	58,887	5,966	46,938	90,837	(78,411)	144,905
Debt instruments issued (Note 42) (note)	1,167,869	–	489	3,500	372	104,713	(32,237)	1,244,706

Note:

The amount is the principal excluding interest accrued.

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18 Segment reporting (Continued)

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

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

18 Segment reporting (Continued)

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

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

Note:

The amount is the principal excluding interest accrued.

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18 Segment reporting (Continued)

(b) Geographical information

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

	Revenue from external customers For the year ended 31 December		Reportable segment assets As at 31 December	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Mainland China	613,228	464,968	9,952,724	9,078,635
Hong Kong, Macau and Taiwan	45,698	46,430	586,588	543,279
Overseas	50,010	41,551	146,209	118,914
	708,936	552,949	10,685,521	9,740,828

19 Cash and deposits

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Cash	7,232	7,108
Bank deposits	40,143	57,468
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	444,955	439,860
– Surplus deposit reserve funds (note (iii))	80,199	67,975
– Fiscal deposits (note (iv))	3,315	1,246
– Foreign exchange reserves (note (v))	–	3,802
Deposits with banks and non-bank financial institutions	143,236	177,241
	719,080	754,700
Accrued interest	1,333	841
	720,413	755,541
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 45)	(178)	(155)
	720,235	755,386

19 Cash and deposits (Continued)

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance").

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves funds with the People's Bank of China and overseas central banks where they have operations. The statutory deposit reserves funds are not available for use in their daily business.

As at 31 December 2021, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 8% (31 December 2020: 9%) of eligible RMB deposits for domestic branches of CITIC Bank and at 8% (31 December 2020: 9%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank is required to deposit an amount equivalent to 9% (31 December 2020: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds as at 31 December 2021.

As at 31 December 2021, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 5% (31 December 2020: 6%).

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

As at 31 December 2021, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 5% (31 December 2020: 6%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2021, CITIC Finance is also required to deposit an amount equivalent to 9% (31 December 2020: 5%) of its foreign currency deposits from the customers as statutory deposit reserve funds.

(iii) The surplus deposit reserve funds are maintained with the People's Bank of China for the purposes of clearing.

(iv) Fiscal deposits placed with the People's Bank of China are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the People's Bank of China in accordance with the related notice issued by the People's Bank of China. The reserve is required to be maintained on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be maintained for in 12 months according to the notice. From 12 October 2020, the People's Bank of China has adjusted the rate of foreign exchange reserve from 20% to nil.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$6,342 million (31 December 2020: HK$7,687 million) included in cash and deposits as at 31 December 2021 were restricted in use, mainly including guaranteed pledged bank deposits and guaranteed deposits.

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20 Placements with banks and non-bank financial institutions

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Banks	63,981	94,601
Non-bank financial institutions	108,942	102,414
	172,923	197,015
Accrued interest	940	1,614
	173,863	198,629
Less: allowance for impairment losses (Note 45)	(109)	(116)
	173,754	198,513
Analysed by remaining maturity:		
– Within 1 month	35,413	99,818
– Between 1 month and 1 year	120,754	89,830
– Over 1 year	16,756	7,367
	172,923	197,015
Accrued interest	940	1,614
	173,863	198,629
Less: allowance for impairment losses (Note 45)	(109)	(116)
	173,754	198,513

21 Derivative financial instruments

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

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

21 Derivative financial instruments (Continued)

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

	As at 31 December					
	2021			2020		
	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million	Nominal amount HK$ million	Assets HK$ million	Liabilities HK$ million
Hedging instruments						
Fair value hedge (Note 2(j)(i)):						
– Currency derivatives	2,212	35	441	464	–	10
Cash flow hedge (Note 2(j)(ii)):						
– Interest rate derivatives	14,982	53	1,298	13,182	–	2,068
– Currency derivatives	1,069	6	6	1,059	–	16
– Other derivatives	102	15	1	1,302	72	51
Non-hedging instruments						
– Interest rate derivatives	3,217,393	10,571	10,443	3,633,451	11,163	10,856
– Currency derivatives	2,371,579	17,040	17,421	2,351,464	36,175	36,313
– Precious metals derivatives	20,846	180	185	22,866	362	99
– Other derivatives	18,593	58	248	11,274	32	395
	5,646,776	27,958	30,043	6,035,062	47,804	49,808

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21 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Within 3 months	**2,550,773**	2,321,724
Between 3 months and 1 year	**1,685,430**	2,457,596
Between 1 year and 5 years	**1,371,127**	1,220,322
Over 5 years	**39,446**	35,420
	5,646,776	6,035,062

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

(b) Credit risk weighted amounts

The credit risk weighted amounts are solely in connection with the derivatives held by CITIC Bank, and have been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking and Insurance Regulatory Commission in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments including those customer-driven back-to-back transactions. As at 31 December 2021, the credit risk weighted amount for counterparty was HK$27,158 million (31 December 2020: HK$27,546 million).

22 Trade and other receivables

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Account and bills receivables (note (a))	**72,072**	58,587
Advanced payments and settlement accounts (note (b))	**28,339**	20,772
Prepayments, deposits and other receivables ((note (c))	**85,282**	100,051
	185,693	179,410
Less: allowance for impairment losses (Note 45)	**(12,856)**	(9,687)
	172,837	169,723

As at 31 December 2021, the amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK$5,679 million (31 December 2020: HK$5,385 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

22 Trade and other receivables (Continued)

(a) Account and bills receivables

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

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

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million
Current	2%	43,785	(763)
Up to 3 months overdue	3%	2,009	(51)
3 months to 1 year overdue	4%	3,870	(164)
Over 1 year overdue	60%	11,166	(6,727)
		60,830	(7,705)

	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)

Note:

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

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22 Trade and other receivables (Continued)

(a) Account and bills receivables (Continued)

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

As at 31 December 2021 and 2020, the ageing analysis of account and bills receivables at amortised cost of the Group based on invoice date is as follows:

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Within 1 year	**46,156**	29,618
Over 1 year	**14,674**	11,809
	60,830	41,427
Less: allowance for impairment losses (Note 45)	**(7,705)**	(5,558)
	53,125	35,869

(iii) As at 31 December 2021, the carrying amount of bills receivables at FVOCI was HK$11,242 million (31 December 2020: HK$17,160 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2021 and 2020 are disclosed in Note 45.

(b) Advanced payments and settlement accounts

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Advanced payments and settlement accounts	**28,339**	20,772
Less: allowance for impairment losses (Note 45)	**(217)**	(377)
	28,122	20,395

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Prepayments, deposits and other receivables	**85,282**	100,051
Less: allowance for impairment losses (Note 45)	**(4,934)**	(3,752)
	80,348	96,299

23 Contract assets and contract liabilities

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

	As at 31 December	
	2021 **HK$ million**	2020 HK$ million
Contract assets	**13,422**	13,636
Less: Allowance for impairment losses (note(a))	**(15)**	(17)
Total contract assets	**13,407**	13,619
Advances from contracts with customers	**33,488**	28,092
Total contract liabilities	**33,488**	28,092

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2021 **HK$ million**	2020 HK$ million
Expected credit loss rate (note)	**0.11%**	0.12%
Gross carrying amount	**13,422**	13,636
Loss allowance provision	**(15)**	(17)

Note:

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

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

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Revenue from contracts with customers	**19,918**	15,106

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

As at 31 December 2021, transaction price allocated to unsatisfied contracts of the Group amounted at HK$100,594 million (2020: HK$110,068 million), of which HK$38,047 million is expected to be recognised as revenue in the next year (2020: HK$41,218 million) and the remaining HK$62,547 million is expected to be recognised after more than one year (2020: HK$68,850 million).

24 Inventories

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Raw materials	**8,277**	8,567
Work-in-progress	**10,330**	8,116
Finished goods	**31,829**	20,370
Properties:		
– Properties under development	**48,126**	29,414
– Properties held-for-sale	**4,549**	5,717
– Others	**6,728**	4,747
Others	**3,564**	3,439
	113,403	80,370

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

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Carrying amount of inventories sold	**344,583**	235,319
Write-down of inventories (Note 45)	**1,251**	628
Reversal of write-down of inventories (Note 45)	**(437)**	(610)
	345,397	235,337

As at 31 December 2021, the Group's inventories included an amount of HK$54,967 million expected to be recovered after more than one year (31 December 2020: HK$34,322 million).

25 Financial assets held under resale agreements

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Analysed by counterparties:		
– Banks	**79,736**	72,173
– Non-bank financial institutions	**32,533**	70,904
	112,269	143,077
Accrued interest	**15**	18
	112,284	143,095
Less: allowance for impairment losses (Note 45)	**(57)**	(66)
	112,227	143,029

Analysed by types of collateral:

As at 31 December 2021, the collateral of the Group's financial assets held under resale agreements are securities and notes (31 December 2020: securities and notes).

Analysed by remaining maturity:

As at 31 December 2021, the Group's financial assets held under resale agreements will expire within one month (31 December 2020: within one month).

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26 Loans and advances to customers and other parties

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	2,749,733	2,543,662
– Discounted bills	5,532	7,947
– Finance lease receivables	57,307	51,910
	2,812,572	2,603,519
Personal loans:		
– Residential mortgages	1,190,546	1,088,732
– Credit cards	646,112	576,969
– Personal consumption	304,048	243,052
– Business loans	382,318	337,643
	2,523,024	2,246,396
	5,335,596	4,849,915
Accrued interest	16,181	15,182
	5,351,777	4,865,097
Less: allowance for impairment losses (Note 45)	(154,269)	(156,218)
Carrying amount of loans and advances to customers and other parties at amortised cost	5,197,508	4,708,879
Loans and advances to customers and other parties at FVPL		
Personal loans	–	8,465
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	47,210	3,203
– Discounted bills	564,578	485,608
Carrying amount of loans and advances to customers and other parties at FVOCI	611,788	488,811
Total carrying amount of loans and advances	5,809,296	5,206,155
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 45)	(916)	(653)

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

(b) Assessment method of allowance for impairment losses

	As at 31 December 2021				
	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	5,136,320	107,217	92,059	5,335,596	1.55%
Accrued interest	14,392	1,519	270	16,181	
Less: allowance for impairment losses	(62,690)	(31,637)	(59,942)	(154,269)	
Carrying amount of loans and advances at amortised cost	5,088,022	77,099	32,387	5,197,508	
Carrying amount of loans and advances at FVOCI	610,500	948	340	611,788	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,698,522	78,047	32,727	5,809,296	
Allowance for impairment losses of loans and advances at FVOCI	(675)	(35)	(206)	(916)	

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

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

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

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Secured portion	63,359	61,482
Unsecured portion	29,310	33,800
Total loans and advances that are credit-impaired	92,669	95,282
Allowance for impairment losses	(60,148)	(64,732)

As at 31 December 2021, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK$64,426 million (31 Dsecember 2020: HK$62,425 million).

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

(c) Overdue loans by overdue period

	As at 31 December 2021				
	Overdue within 3 months 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	**22,875**	**12,735**	**1,096**	**351**	**37,057**
Guaranteed loans	**2,636**	**2,699**	**2,560**	**279**	**8,174**
Secured loans					
– Loans secured by collateral	**18,696**	**11,539**	**17,520**	**1,213**	**48,968**
– Pledged loans	**8,842**	**6,729**	**1,371**	**146**	**17,088**
	53,049	**33,702**	**22,547**	**1,989**	**111,287**

	As at 31 December 2020				
	Overdue within 3 months 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

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

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27 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Financial assets at amortised cost		
Debt securities	1,104,924	838,502
Investment management products managed by securities companies	61,660	83,946
Trust investment plans	290,864	231,843
Certificates of deposit and certificates of interbank deposit	1,692	5,606
Investments in creditor's rights on assets	–	96
Others	646	1,803
	1,459,786	1,161,796
Accrued interest	12,792	12,162
	1,472,578	1,173,958
Less: allowance for impairment losses (Note 45)	(36,755)	(17,462)
	1,435,823	1,156,496
Financial assets at FVPL		
Debt securities	75,792	68,495
Investment management products managed by securities companies	11,134	3,338
Trust investment plans	4,706	3,960
Certificates of deposit and certificates of interbank deposit	37,642	59,329
Wealth management products	2,677	6,532
Investment funds	517,919	367,787
Equity investment	16,876	18,546
Others	460	306
	667,206	528,293
Debt investments at FVOCI (note (i))		
Debt securities	781,923	806,506
Certificates of deposit and certificates of interbank deposit	5,267	5,192
Investment management products managed by securities companies	30	40,751
	787,220	852,449
Accrued interest	5,968	7,806
	793,188	860,255
Allowance for impairment losses on debt investments at FVOCI	(2,919)	(3,148)
Equity investments at FVOCI (note (i))		
Equity investment	10,287	7,639
Investment funds	358	384
	10,645	8,023
	2,906,862	2,553,067

27 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

(i) Financial assets measured at FVOCI.

	As at 31 December 2021		
	Equity instruments HK$ million	**Debt instruments HK$ million**	**Total HK$ million**
Cost/amortised cost	**10,918**	**783,280**	**794,198**
Accumulative fair value change in OCI	**(273)**	**3,940**	**3,667**
Accrued interest	**–**	**5,968**	**5,968**
Carrying amount	**10,645**	**793,188**	**803,833**
Allowance for impairment losses (Note 45)	**N/A**	**(2,919)**	**(2,919)**

	As at 31 December 2020		
	Equity instruments HK$ million	Debt instruments HK$ million	Total HK$ million
Cost/amortised cost	9,034	851,767	860,801
Accumulative fair value change in OCI	(1,011)	682	(329)
Accrued interest	–	7,806	7,806
Carrying amount	8,023	860,255	868,278
Allowance for impairment losses (Note 45)	N/A	(3,148)	(3,148)

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27 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Issued by:		
– Government	1,139,453	998,531
– Policy banks	166,336	140,995
– Banks and non-bank financial institutions	1,408,770	1,228,437
– Corporates	170,293	162,058
– Public entities	3,376	3,078
	2,888,228	2,533,099
Accrued interest	18,634	19,968
	2,906,862	2,553,067
– Listed in Hong Kong	58,046	59,687
– Listed outside Hong Kong	2,371,165	2,010,976
– Unlisted	459,017	462,436
	2,888,228	2,533,099
Accrued interest	18,634	19,968
	2,906,862	2,553,067

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

27 Investments in financial assets (Continued)

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

	As at 31 December 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Gross carrying amount of investments in financial assets at amortised cost	1,374,977	22,108	62,701	1,459,786
Accrued interest	12,310	455	27	12,792
Less: allowance for impairment losses	(7,404)	(6,809)	(22,542)	(36,755)
Carrying amount of investments in financial assets at amortised cost	1,379,883	15,754	40,186	1,435,823
Gross carrying amount of debt investments in financial assets at FVOCI	786,296	409	515	787,220
Accrued interest	5,925	17	26	5,968
Carrying amount of debt investments in financial assets at FVOCI	792,221	426	541	793,188
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,172,104	16,180	40,727	2,229,011
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,194)	(193)	(1,532)	(2,919)

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27 Investments in financial assets (Continued)

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

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

28 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 56.

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

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Listed in:	**Hong Kong and Shanghai**		**Shanghai**		**Hong Kong**		**Hong Kong**	
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	42.18%	41.89%	40.50%	40.50%
Total assets	9,837,187	8,924,435	24,924	24,015	18,382	18,334	12,703	12,275
Mainly including:								
Cash and deposits	664,432	675,539	2,609	2,950	1,793	1,519	1,926	2,356
Placements with banks and non-bank financial institutions	176,025	200,062	–	–	–	–	–	–
Derivative financial assets	27,790	47,602	–	–	–	–	21	72
Financial assets held under resale agreements	111,836	132,016	–	–	–	–	–	–
Loans and advances to customers and other parties	5,807,333	5,180,595	–	–	–	–	–	–
Investments in financial assets	2,840,804	2,486,493	619	811	–	–	–	–
Fixed assets	41,810	40,240	5,971	5,889	2,625	2,705	3,839	3,482
ROU assets	11,919	12,633	57	117	654	706	83	94

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28 Subsidiaries (Continued)

	As at 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Total liabilities	(9,051,197)	(8,259,024)	(15,460)	(14,923)	(8,206)	(8,525)	(5,780)	(6,508)
Mainly including:								
Borrowing from central banks	(231,406)	(266,611)	–	–	–	–	–	–
Deposits from banks and non-bank financial institutions	(1,436,843)	(1,382,588)	–	–	–	–	–	–
Placements from banks and non-bank financial institutions	(95,806)	(68,623)	–	–	–	–	–	–
Trade and other payables	–	–	(3,427)	(2,789)	(1,024)	(817)	(136)	(114)
Derivative financial liabilities	(28,018)	(47,299)	–	–	–	–	(1)	(14)
Financial assets sold under repurchase agreements	(120,277)	(89,434)	–	–	–	–	–	–
Deposits from customers	(5,858,572)	(5,432,591)	–	–	–	–	–	–
Bank and other loans	–	–	(6,229)	(6,380)	(1,878)	(2,303)	(3,659)	(4,815)
Lease liabilities	(12,006)	(12,480)	(32)	(82)	(496)	(531)	(68)	(86)
Net assets	785,990	665,411	9,464	9,092	10,176	9,809	6,923	5,767
Equity attributable to								
– Ordinary shareholders of subsidiaries	625,439	557,985	9,223	8,698	10,095	9,752	6,944	5,807
– Non-controlling interests in subsidiaries	160,551	107,426	241	394	81	57	(21)	(40)
Carrying amount of non-controlling interests	373,388	297,308	3,260	3,241	4,339	4,142	2,791	2,312

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 Subsidiaries (Continued)

	For the year ended 31 December							
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Revenue	246,356	219,303	9,093	7,091	9,486	8,923	4,349	2,850
Profit/(loss) for the year	67,898	55,592	268	225	1,107	1,039	1,114	(361)
Total comprehensive income for the year	69,698	47,552	206	225	1,120	1,113	1,156	(422)
Profit attributable to non-controlling interests	26,080	21,886	85	77	485	444	458	(144)
Dividends paid to non-controlling interests	8,719	8,281	41	23	343	317	–	–
Net cash (used in)/generated from operating activities	(90,799)	176,053	821	679	2,394	2,543	1,107	115
Net cash (used in)/generated from investing activities	(249,042)	(244,948)	(257)	(313)	(878)	(773)	(871)	930
Net cash generated from/(used in) financing activities	264,854	51,596	(608)	(1,861)	(1,599)	(1,581)	(1,254)	(363)

29 Interests in associates

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Carrying value	160,259	137,012
Less: allowance for impairment losses (Note 45)	(6,078)	(5,972)
	154,181	131,040

Notes:

The particulars of the principal associates are set out in Note 56.

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For the year ended 31 December 2021

29 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	1,088,469	1,006,741	1,563,925	1,251,084	35,031	29,279
Total liabilities	(627,202)	(588,503)	(1,302,418)	(1,030,226)	(7,071)	(1,273)
Net assets	461,267	418,238	261,507	220,858	27,960	28,006
Equity attributable to:						
– Associates' shareholders	444,699	401,363	242,666	215,902	28,444	28,084
– Non-controlling interests in associates	16,568	16,875	18,841	4,956	(484)	(78)
	461,267	418,238	261,507	220,858	27,960	28,006

29 Interests in associates (Continued)

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

	For the year ended 31 December					
	China Overseas Land & Investment Limited		CITIC Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Revenue	291,739	208,518	117,212	80,662	–	–
Profit for the year	51,367	50,762	28,910	17,415	437	(145)
Other comprehensive (loss)/income for the year	15	(409)	(1,312)	(750)	(108)	(132)
Total comprehensive income/(loss) for the year	51,382	50,353	27,598	16,665	329	(277)
Dividends received from associates	1,293	1,118	1,159	1,122	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	444,699	401,363	242,666	215,902	28,444	28,084
Group's effective interest	10.01%	10.00%	18.38%	15.47%	26.01%	26.09%
Group's share of net assets of associates	44,514	40,136	44,602	33,400	7,398	7,327
Goodwill and others	1,417	1,417	1,566	1,256	(169)	(180)
Impairment of interests in associates	(3,962)	(3,962)	–	–	–	–
Carrying amounts in the consolidated balance sheet	41,969	37,591	46,168	34,656	7,229	7,147
Quoted fair value	20,224	18,469	71,087	69,853	19,736	13,120

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	66,172	51,646
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	3,712	3,420
Other comprehensive loss for the year	(757)	(165)
Total comprehensive income for the year	2,955	3,255

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30 Interests in joint ventures

	As at 31 December	
	2021 **HK$ million**	2020 HK$ million
Carrying value	**62,088**	51,963
Less: allowance for impairment losses (Note 45)	**(1,489)**	(1,676)
	60,599	50,287

The particulars of the principal joint ventures are set out in Note 56.

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

	As at 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2021 HK$ million	2020 HK$ million	**2021 HK$ million**	2020 HK$ million	**2021 HK$ million**	2020 HK$ million
Gross amount of the joint ventures						
Total assets	225,241	164,077	23,371	17,651	22,946	24,335
Total liabilities	(206,731)	(149,415)	(14,068)	(6,634)	(15,395)	(17,131)
Net assets	18,510	14,662	9,303	11,017	7,551	7,204
Equity attributable to:						
– Joint ventures' shareholders	17,831	14,034	9,303	11,017	7,551	7,204
– Non-controlling interests in joint ventures	679	628	–	–	–	–
	18,510	14,662	9,303	11,017	7,551	7,204

30 Interests in joint ventures (Continued)

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

	For the year ended 31 December					
	CITIC Prudential Life Insurance Co., Ltd.		中船置業有限公司		上海瑞博置業有限公司	
	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million	2021 HK$ million	2020 HK$ million
Revenue	39,395	32,292	1,707	6,369	113	89
Profit for the year	3,511	2,841	460	2,054	135	1,564
Other comprehensive income for the year	811	1,343	–	–	–	–
Total comprehensive income for the year	4,322	4,184	460	2,054	135	1,564
Dividends received from joint ventures	476	317	–	–	–	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	17,831	14,034	9,303	11,017	7,551	7,204
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	8,916	7,017	4,652	5,509	3,776	3,602
Goodwill and others	1,391	1,336	102	66	311	279
Carrying amount in the consolidated balance sheet	10,307	8,353	4,754	5,575	4,087	3,881

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	41,451	32,478
Aggregate amount of the Group's share of individually immaterial joint ventures		
Profit for the year	2,688	770
Other comprehensive loss for the year	(21)	(31)
Total comprehensive income for the year	2,667	739

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31 Fixed assets

	Property, plant and equipment							
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:								
At 1 January 2021	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
Exchange adjustments	2,247	3,095	512	630	200	9	6,693	715
Disposal of subsidiaries	–	–	–	–	–	–	–	(393)
Additions	3,214	2,167	15,582	2,864	603	3,957	28,387	378
Disposals	(1,852)	(2,328)	(771)	(1,229)	(759)	(4,746)	(11,685)	(14)
Transfers	6,128	64	(7,165)	269	14	(241)	(931)	931
Change in fair value of investment properties	–	–	–	–	–	–	–	(66)
At 31 December 2021	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2021	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	–
Exchange adjustments	(1,079)	(1,437)	(14)	(355)	(57)	(38)	(2,980)	–
Charge for the year	(2,833)	(6,673)	–	(2,096)	(317)	(1,091)	(13,010)	–
Disposals	320	1,080	260	1,108	360	(13)	3,115	–
Impairment losses (Note 45)	(11)	(51)	(6)	(4)	(46)	(5)	(123)	–
At 31 December 2021	(30,565)	(106,798)	(735)	(14,782)	(7,186)	(5,611)	(165,677)	–
Net book value:								
At 31 December 2021	67,267	65,588	26,609	8,161	6,491	3,190	177,306	40,006
Represented by:								
Cost	97,832	172,386	27,344	22,943	13,677	8,801	342,983	–
Valuation	–	–	–	–	–	–	–	40,006
	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006

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31 Fixed assets (Continued)

	Property, plant and equipment							
	Plant and buildings HK$ million	Machinery and equipment HK$ million	Construction in progress HK$ million	Office and other equipment HK$ million	Vehicles and vessels HK$ million	Others HK$ million	Total HK$ million	Investment properties HK$ million
Cost or valuation:								
At 1 January 2020	79,137	155,695	13,714	17,233	13,062	7,032	285,873	37,555
Exchange adjustments	4,508	5,294	809	1,457	427	354	12,849	1,546
Business combination	3,413	6,452	524	316	81	656	11,442	–
Disposal of subsidiaries	(20)	(13)	(1)	(2)	(8)	(4)	(48)	–
Additions	932	2,945	10,852	2,609	610	294	18,242	1,076
Disposals	(1,526)	(2,283)	–	(1,323)	(568)	(2,127)	(7,827)	(594)
Transfers	1,651	1,298	(6,712)	119	15	3,617	(12)	(453)
Change in fair value of investment properties	–	–	–	–	–	–	–	(675)
At 31 December 2020	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2020	(23,204)	(89,580)	(925)	(11,871)	(6,699)	(3,519)	(135,798)	–
Exchange adjustments	(783)	(3,447)	(26)	(750)	(222)	(139)	(5,367)	–
Business combination	(656)	(1,712)	–	(176)	(52)	(252)	(2,848)	–
Disposal of subsidiaries	7	11	–	1	5	4	28	–
Charge for the year	(2,414)	(5,590)	–	(1,714)	(489)	(666)	(10,873)	–
Disposals	205	669	–	1,075	350	325	2,624	–
Impairment losses (Note 45)	(117)	(68)	(24)	–	(19)	(217)	(445)	–
At 31 December 2020	(26,962)	(99,717)	(975)	(13,435)	(7,126)	(4,464)	(152,679)	–
Net book value:								
At 31 December 2020	61,133	69,671	18,211	6,974	6,493	5,358	167,840	38,455
Represented by:								
Cost	88,095	169,388	19,186	20,409	13,619	9,822	320,519	–
Valuation	–	–	–	–	–	–	–	38,455
	88,095	169,388	19,186	20,409	13,619	9,822	320,519	38,455

31 Fixed assets (Continued)

As at 31 December 2021, the Group was in the process of applying the ownership certificates in respect of certain premises of HK$656 million (31 December 2020: HK$1,573 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Fair value measurement of investment properties

(i) Property valuation

Investment properties were revalued as at 31 December 2021 and 2020 by the following independent professionally qualified valuers. Management of the Group had discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2021
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	Centaline Surveyors Limited
	ZhongHe Appraisal Co., Ltd.
	Prudential Surveyors (Hong Kong) Limited
	Knight Frank Petty Limited
	China United Assets Appraisal Group
	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
	China Appraisal Associates
Overseas	Network Real Estate Appraisal Co., Ltd.
	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

31 Fixed assets (Continued)

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

(i) Property valuation (Continued)

Properties located in	Valuers in 2020
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	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	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.

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31 Fixed assets (Continued)

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

(ii) Fair value hierarchy (Continued)

	Level 3 For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**25,061**	23,756
Exchange adjustments	**744**	1,505
Additions	**289**	738
Disposal of subsidiaries	**(393)**	–
Disposals	**(14)**	(364)
Transfers	**740**	(448)
Change in fair value of investment properties	**448**	(126)
At 31 December	**26,875**	25,061
Investment properties – Hong Kong		
At 1 January	**12,887**	13,331
Exchange adjustments	**–**	1
Additions	**89**	338
Disposals	**–**	(230)
Transfers	**191**	(5)
Change in fair value of investment properties	**(534)**	(548)
At 31 December	**12,633**	12,887
Investment properties – Overseas		
At 1 January	**507**	468
Exchange adjustments	**(29)**	40
Change in fair value of investment properties	**20**	(1)
At 31 December	**498**	507

31 Fixed assets (Continued)

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

(ii) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the year ended 31 December 2021, there were no Level 1 and Level 2 fair value hierarchy (2020: Nil) and no transfers into or out of Level 3 (2020: Nil).

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

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

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

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

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

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

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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 2021	**16,727**	**59**	**72**	**232**	**968**	**18,058**	**19,857**	**37,915**
Exchange adjustments	**491**	**2**	**1**	**2**	**22**	**518**	**140**	**658**
Additions	**5,181**	**1,028**	**7**	**77**	**300**	**6,593**	**845**	**7,438**
Reductions	**(1,129)**	**(29)**	**–**	**(19)**	**(63)**	**(1,240)**	**(91)**	**(1,331)**
Depreciation charge	**(4,953)**	**(116)**	**(5)**	**(206)**	**(206)**	**(5,486)**	**(810)**	**(6,296)**
Modifications to lease agreements	**(1)**	**1**	**–**	**–**	**119**	**119**	**–**	**119**
At 31 December 2021	**16,316**	**945**	**75**	**86**	**1,140**	**18,562**	**19,941**	**38,503**

	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	154	–	4	16	–	174	508	682
Disposal of subsidiaries	(4)	–	–	–	–	(4)	–	(4)
Depreciation charge	(4,681)	(24)	(46)	(191)	(201)	(5,143)	(550)	(5,693)
Modifications to lease agreements	(73)	–	–	–	11	(62)	–	(62)
At 31 December 2020	16,727	59	72	232	968	18,058	19,857	37,915

(i) The expense relating to short-term leases (included in cost of goods sold and other operating expenses) and the expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses) for the year ended 31 December 2021 were HK$563 million (2020: HK$786 million).

(ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK$13 million (2020: HK$138 million).

(iii) The total cash outflow for leases for the year ended 31 December 2021 was HK$6,566 million (2020: HK$7,074 million).

32 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

	As at 31 December	
	2021 HK$ million	2020 HK$ million
– Within 1 year	**7,800**	5,234
– Over 1 year	**12,962**	13,033
	20,762	18,267

As at 31 December 2021; the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December	
	2021 HK$ million	2020 HK$ million
– Within 1 year	**8,014**	5,402
– Between 1 and 5 year	**10,669**	11,168
– Over 5 year	**3,677**	3,836
	22,360	20,406

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33 Intangible assets

	For the year ended 31 December				
	Mining assets HK$ million	Franchise right HK$ million	Software HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2021	20,186	7,090	7,584	5,583	40,443
Exchange adjustments	20	253	214	60	547
Additions	1,370	1,668	1,775	503	5,316
Disposals	(450)	(428)	(140)	(401)	(1,419)
At 31 December 2021	21,126	8,583	9,433	5,745	44,887
Accumulated amortisation and impairment losses:					
At 1 January 2021	(17,115)	(1,196)	(4,145)	(2,110)	(24,566)
Exchange adjustments	(31)	(37)	(126)	(40)	(234)
Charge for the year	(73)	(161)	(1,193)	(593)	(2,020)
Disposals	202	12	45	81	340
Impairment losses (Note 45)	–	(1)	–	(2)	(3)
At 31 December 2021	(17,017)	(1,383)	(5,419)	(2,664)	(26,483)
Net book value:					
At 31 December 2021	4,109	7,200	4,014	3,081	18,404

33 Intangible assets (Continued)

	For the year ended 31 December				
	Mining assets HK$ million	Franchise right HK$ million	Software HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2020	19,282	5,241	5,338	5,210	35,071
Exchange adjustments	3	380	381	133	897
Additions	903	1,634	1,719	264	4,520
Business combination	–	45	223	333	601
Disposals of subsidiaries	–	–	–	(7)	(7)
Disposals	(2)	(210)	(77)	(350)	(639)
At 31 December 2020	20,186	7,090	7,584	5,583	40,443
Accumulated amortisation and impairment losses:					
At 1 January 2020	(17,033)	(967)	(3,036)	(2,058)	(23,094)
Exchange adjustments	(1)	(29)	(123)	(114)	(267)
Charge for the year	(80)	(204)	(923)	(209)	(1,416)
Business combination	–	–	(102)	(17)	(119)
Disposals of subsidiaries	–	–	–	7	7
Disposals	–	4	39	342	385
Impairment losses (Note 45)	(1)	–	–	(61)	(62)
At 31 December 2020	(17,115)	(1,196)	(4,145)	(2,110)	(24,566)
Net book value:					
At 31 December 2020	3,071	5,894	3,439	3,473	15,877

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

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34 Goodwill

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Cost:		
At 1 January	23,162	22,551
Additions	254	315
Disposals	–	(210)
Exchange differences	250	506
At 31 December	23,666	23,162
Accumulated impairment losses:		
At 1 January	(2,029)	(1,348)
Additions (Note 45)	(12)	(647)
Disposals	–	3
Exchange differences	(35)	(37)
At 31 December	(2,076)	(2,029)
Net book value:		
At 31 December	21,590	21,133

34 Goodwill (Continued)

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

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Comprehensive financial services	**1,541**	1,529
Advanced intelligent manufacturing	**1,298**	1,037
Advanced materials	**261**	261
New consumption	**12,427**	12,415
New-type urbanisation	**6,063**	5,891
	21,590	21,133

In conducting goodwill impairment test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. The recoverable amount of an asset group or a group of asset groups is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of an asset group or a group of asset groups will not be recognised if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

Among the total book value of the Group's goodwill, an amount of HK$9,721 million was from acquisition of subsidiaries by CITIC Telecom International. The Group assessed goodwill impairment by using discounted cash flow model, key assumptions used for the calculations are as follows:

	2021	2020
Services revenue growth rates	**3.7% – 8.3%**	1.9%–5.2%
Long-term growth rates	**3.0%**	3.0%
Discount rates	**9.1% – 10.4%**	7.7%–10.2%

A reasonable possible change in the above assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered as necessary.

Based on management's impairment assessment, impairment loss of HK$12 million was recognised for the year ended 31 December 2021 (2020: HK$647 million).

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35 Income tax in the balance sheet

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Income tax payable	16,184	13,448

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

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$ million	Accrued expenses HK$ million	Impairment loss on assets other than fixed assets and intangible assets HK$ million	Fair value changes of financial instruments HK$ million	Fixed assets and intangible assets HK$ million	Others HK$ million	Total HK$ million
Deferred tax assets							
At 1 January 2020	14,093	3,866	37,141	619	5,356	1,349	62,424
Credited/(charged) to profit or loss	632	247	9,343	154	(1,099)	805	10,082
(Charged)/credited to other comprehensive income	–	(7)	(4)	76	–	(2)	63
Business combination	–	263	70	–	13	–	346
Disposal of subsidiaries	(53)	–	–	–	–	(109)	(162)
Exchange adjustments and others	12	279	2,947	39	162	17	3,456
At 31 December 2020	14,684	4,648	49,497	888	4,432	2,060	76,209
At 1 January 2021	14,684	4,648	49,497	888	4,432	2,060	76,209
(Charged)/credited to profit or loss	(373)	278	8,175	(46)	(1,023)	630	7,641
Credited/(charged) to other comprehensive income	–	8	(5)	(46)	–	29	(14)
Exchange adjustments and others	141	147	1,564	(98)	34	74	1,862
At 31 December 2021	14,452	5,081	59,231	698	3,443	2,793	85,698

35 Income tax in the balance sheet (Continued)

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

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value changes of financial instruments HK$ million	Temporary differences on fixed assets and intangible assets HK$ million	Revaluation of investment properties HK$ million	Others HK$ million	Total HK$ million
Deferred tax liabilities					
At 1 January 2020	(4,263)	(1,258)	(3,949)	(4,188)	(13,658)
Charged to profit or loss	(5)	(242)	(24)	(678)	(949)
Credited/(charged) credited to other comprehensive income	2,040	–	–	(10)	2,030
Business combination	–	(245)	–	(72)	(317)
Disposal of subsidiaries	–	16	–	36	52
Exchange adjustments and others	(138)	(68)	(261)	(180)	(647)
At 31 December 2020	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
At 1 January 2021	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
Credited/(charged) to profit or loss	269	42	(359)	(2,434)	(2,482)
(Charged)/credited to other comprehensive income	(1,508)	–	–	257	(1,251)
Exchange adjustments and others	(71)	(104)	(119)	(43)	(337)
At 31 December 2021	(3,676)	(1,859)	(4,712)	(7,312)	(17,559)

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35 Income tax in the balance sheet (Continued)

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

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

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Deductible temporary differences	**2,323**	1,900
Tax losses	**28,190**	30,981
	30,513	32,881

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Group. As at 31 December 2021, tax losses amounting to HK$9,957 million (31 December 2020: HK$10,019 million) that can be carried forward against future taxable income are expiring within 5 years.

36 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Banks	**347,919**	365,291
Non-bank financial institutions	**1,068,369**	1,000,980
	1,416,288	1,366,271
Accrued interest	**6,040**	4,168
	1,422,328	1,370,439
Analysed by remaining maturity:		
– On demand	**909,177**	768,681
– Within 3 months	**92,477**	251,155
– Between 3 months and 1 year	**414,634**	346,435
	1,416,288	1,366,271
Accrued interest	**6,040**	4,168
	1,422,328	1,370,439

37 Placements from banks and non-bank financial institutions

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Banks	**97,098**	72,485
Non-bank financial institutions	**10,273**	1,534
	107,371	74,019
Accrued interest	**428**	289
	107,799	74,308
Analysed by remaining maturity:		
– Within 3 months	**50,149**	26,288
– Between 3 months and 1 year	**53,736**	40,831
– Over 1 year	**3,486**	6,900
	107,371	74,019
Accrued interest	**428**	289
	107,799	74,308

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38 Trade and other payables

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Trade and bills payables	**98,886**	86,362
Advances from leasees	**310**	453
Other taxes payables	**9,319**	7,431
Settlement accounts	**6,533**	7,083
Dividend payables	**211**	300
Other payables	**69,680**	59,314
	184,939	160,943

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

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Within 1 year	**83,039**	70,965
Between 1 and 2 years	**3,066**	3,343
Between 2 and 3 years	**616**	4,668
Over 3 years	**12,165**	7,386
	98,886	86,362

39 Financial assets sold under repurchase agreements

	As at 31 December	
	2021 HK$ million	2020 HK$ million
By counterparties:		
The People's Bank of China	82,402	46,591
Banks	40,044	48,183
	122,446	94,774
Accrued interest	6	–
	122,452	94,774
By types of collateral:		
Debt securities	55,838	8,288
Discounted bills	66,608	86,486
	122,446	94,774
Accrued interest	6	–
	122,452	94,774

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2021, legal title of these collateral pledged has not been transferred to counterparties.

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40 Deposits from customers

(a) Types of deposits from customers

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Demand deposits		
Corporate customers	2,401,056	2,258,627
Personal customers	379,224	388,658
	2,780,280	2,647,285
Time and call deposits		
Corporate customers	2,183,893	1,991,042
Personal customers	809,998	726,173
	2,993,891	2,717,215
Outward remittance and remittance payables	13,062	10,763
Accrued interest	65,468	52,431
	5,852,701	5,427,694

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Bank acceptances	303,261	265,419
Letters of credit	23,991	13,112
Guarantees	17,201	13,399
Others	99,446	124,564
	443,899	416,494

41 Bank and other loans

(a) Types of loans

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Bank loans		
Unsecured loans	99,946	116,984
Loan pledged with assets (note (d))	17,638	17,842
	117,584	134,826
Other loans		
Unsecured loans	25,804	27,517
Loan pledged with assets (note (d))	1,517	828
	27,321	28,345
	144,905	163,171
Accrued interest	457	433
	145,362	163,604

(b) Maturity of loans

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Bank loans		
– Within 1 year or on demand	36,102	47,714
– Between 1 and 2 years	18,867	17,394
– Between 2 and 5 years	35,449	42,471
– Over 5 years	27,166	27,247
	117,584	134,826
Other loans		
– Within 1 year or on demand	4,517	13,549
– Between 1 and 2 years	6,400	3,024
– Between 2 and 5 years	14,599	6,398
– Over 5 years	1,805	5,374
	27,321	28,345
	144,905	163,171
Accrued interest	457	433
	145,362	163,604

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41 Bank and other loans (Continued)

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

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
RMB	**40,199**	39,330
US$	**48,029**	46,913
HK$	**50,475**	61,191
Other currencies	**6,202**	15,737
	144,905	163,171
Accrued interest	**457**	433
	145,362	163,604

(d) As at 31 December 2021, the Group's bank and other loans of HK$19,155 million (31 December 2020 HK$18,670 million) are pledged with cash and deposits, inventories, trade and other receivables, fixed assets, intangible assets, ROU assets and the equity of subsidiary with an aggregate carrying amount of HK$83,158 million (31 December 2020: HK$83,967 million).

(e) The Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 47(b). As at 31 December 2021, none of the covenants relating to drawn down facilities have been breached (31 December 2020: Nil).

42 Debt instruments issued

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Corporate bonds issued (note (a))	102,776	112,959
Notes issued (note (b))	81,075	60,208
Subordinated bonds issued (note (c))	138,390	134,526
Certificates of deposit issued (note (d))	1,480	–
Certificates of interbank deposit issued (note (e))	904,546	645,179
Convertible corporate bonds (note (f))	16,439	15,659
	1,244,706	968,531
Accrued interest	5,619	5,327
	1,250,325	973,858
Analysed by remaining maturity:		
– Within 1 year or on demand	927,411	668,965
– Between 1 and 2 years	57,260	22,547
– Between 2 and 5 years	73,257	116,344
– Over 5 years	186,778	160,675
	1,244,706	968,531
Accrued interest	5,619	5,327
	1,250,325	973,858

The Group did not have any defaults of principal, interest or other breaches with respect to its debt instruments issued during the year ended 31 December 2021 (2020: Nil).

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2021 HK$ million	2020 HK$ million
The Company (note (i))	57,399	67,149
CITIC Corporation Limited ("CITIC Corporation") (note (ii))	40,165	39,165
CITIC Telecom International (note (iii))	3,500	3,496
CITIC Pacific Limited's ("CITIC Pacific") subsidiaries (note(iv))	1,712	3,149
	102,776	112,959

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42 Debt instruments issued (Continued)

Notes (Continued):

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

(i) Details of corporate bonds issued by the Company

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

42 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

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

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

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42 Debt instruments issued (Continued)

Notes (Continued):

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

(ii) ***Details of corporate bonds issued by CITIC Corporation***

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
03 CITIC bond-2	RMB	6,000	2003-12-10	2023-12-09	5.10%
05 CITIC bond-2	RMB	4,000	2005-12-07	2025-12-06	4.60%
19 CITIC bond-1	RMB	3,500	2019-02-25	2022-02-25	3.50%
19 CITIC bond-2	RMB	1,500	2019-02-25	2024-02-25	3.85%
19 CITIC bond-3	RMB	2,000	2019-03-19	2029-03-19	4.59%
19 CITIC bond-4	RMB	2,000	2019-04-22	2029-04-22	4.71%
19 CITIC bond-5	RMB	1,800	2019-07-17	2034-07-17	4.60%
19 CITIC bond-6	RMB	700	2019-07-17	2029-07-17	4.46%
19 CITIC bond-7	RMB	500	2019-08-14	2029-08-14	4.38%
19 CITIC bond-8	RMB	2,000	2019-08-14	2039-08-14	4.58%
19 CITIC bond-9	RMB	1,000	2019-11-05	2039-11-05	4.65%
20 CITIC bond-2	RMB	2,000	2020-02-26	2030-02-26	3.88%
20 CITIC bond-3	RMB	1,000	2020-03-23	2030-03-23	4.00%
20 CITIC bond-4	RMB	600	2020-03-23	2040-03-23	4.30%
20 CITIC bond-5	RMB	1,000	2020-04-21	2030-04-21	3.87%
20 CITIC bond-6	RMB	1,500	2020-04-21	2040-04-21	4.16%
20 CITIC bond-8	RMB	1,900	2020-05-11	2040-05-11	4.20%
21 CITIC bond-1	RMB	1,000	2021-11-02	2026-11-02	3.49%
21 CITIC bond-2	RMB	2,000	2021-11-02	2031-11-02	3.79%

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

42 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

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

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed bonds	US$	450	2013-03-05	2025-03-05	6.10%

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

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

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
19 Corporate bonds	RMB	1,000	2019-05-20	2022-05-20	3.90%
21 JLEPC SCP001	RMB	200	2021-08-10	2022-04-20	2.97%
21 JLEPC SCP002	RMB	200	2021-11-17	2022-08-04	2.98%

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

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42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued

	As at 31 December	
	2021 HK$ million	2020 HK$ million
CITIC Corporation (note (i))	**5,926**	13,045
CITIC Bank (note (ii))	**74,761**	41,844
CITIC Offshore Helicopter Company Limited (note (iii))	**372**	360
CITIC Trust Co., Ltd. (note (iv))	**16**	4,959
	81,075	60,208

(i) Details of notes issued by CITIC Corporation

	As at 31 December 2021				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
2012 Medium term note-2	**RMB**	**5,000**	**2012-03-28**	**2022-03-29**	**5.18%**

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

42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2021				
	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%
Financial bonds	US$	200	2021-02-02	2024-02-02	0.88%
Financial bonds	US$	350	2021-02-02	2026-02-02	1.25%
Financial bonds	RMB	20,000	2021-06-10	2024-06-10	3.19%
Financial bonds	US$	500	2021-11-17	2024-11-17	1.75%

	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%

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42 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

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

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
2020 Asset-backed medium-term notes	RMB	305	2020-06-15	2023-06-14	3.30%

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

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

	As at 31 December 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Participation notes	US$	5 (Offset 4.33)	2018-01-22	2023-01-22	Non fixed interest rate
Participation notes	US$	1.54	2021-06-25	2024-06-24	Non fixed interest rate

	As at 31 December 2020				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
Guaranteed notes	US$	300	2018-03-15	2021-03-15	4.75%
Participation notes	US$	5 (Offset 3.71)	2018-01-22	2023-01-22	Non fixed interest rate
Guaranteed notes	HK$	1,200	2020-01-16	2021-01-13	2.55%
Guaranteed notes	HK$	930	2020-07-03	2021-07-01	2.55%
Guaranteed notes	US$	80	2020-12-30	2021-04-23	3.79%

42 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Fixed rate notes maturing		
– In February 2029 (note (i))	**3,882**	3,865
Fixed rate bonds maturing		
– In June 2027 (note (ii))	**24,448**	23,748
– In September 2028 (note (iii))	**36,687**	35,638
– In October 2028 (note (iv))	**24,458**	23,758
– In August 2030 (note (v))	**48,915**	47,517
	138,390	134,526

		As at 31 December 2021				
		Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
(i)	Subordinated Notes	**US$**	**500**	**2019-02-28**	**2029-02-28**	**4.63%**
(ii)	Subordinated Fixed Rate Bonds	**RMB**	**20,000**	**2012-06-21**	**2027-06-21**	**5.15%**
(iii)	Subordinated Fixed Rate Bonds	**RMB**	**30,000**	**2018-09-13**	**2028-09-13**	**4.96%**
(iv)	Subordinated Fixed Rate Bonds	**RMB**	**20,000**	**2018-10-22**	**2028-10-22**	**4.80%**
(v)	Subordinated Fixed Rate Bonds	**RMB**	**40,000**	**2020-08-14**	**2030-08-14**	**3.87%**

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

Notes to the Consolidated Financial Statements

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42 Debt instruments issued (Continued)

Notes (Continued):

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate of 3.25% per annum.

(e) Certificates of interbank deposit issued

As at 31 December 2021, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB739,557 million (approximately HK$904,546 million) (31 December 2020: RMB543,008 million (approximately HK$645,179 million)). The yield ranges from 2.60% to 3.18% per annum (31 December 2020: 1.50% to 3.36% per annum). The original expiry terms are between 1 month to 1 year (31 December 2020: between 1 month to 1 year).

(f) Convertible corporate bonds

As approved by the relevant regulatory authorities in China, CITIC Bank made a public offering of RMB40,000 million (HK$46,824 million) A-share convertible corporate bonds (the "convertible bonds") on 4 March 2019. CITIC Corporation, as its parent company, has subscribed RMB26,388 million (HK$30,890 million), 65.97% of the total corporate bonds, which is the same percentage of the Group's interest in CITIC Bank's common shares. The convertible bonds of CITIC Bank have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (8 March 2019) after six months upon the completion date of the offering until the maturity date (from 11 September 2019 to 3 March 2025). As at 31 December 2021, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,611 million (HK$16,647 million) and non-controlling interests of RMB1,067 million (HK$1,213 million), respectively.

43 Provisions

	Environmental restoration expenditures HK$ million	Impairment loss of credit commitments and guarantees provided HK$ million	Others HK$ million	Total HK$ million
At 1 January 2020	1,727	7,103	2,325	11,155
Exchange differences	157	499	153	809
Charge for the year	151	1,280	291	1,722
Payments made during the year	(3)	–	(38)	(41)
Business combination	–	–	1,527	1,527
At 31 December 2020	2,032	8,882	4,258	15,172
At 1 January 2021	2,032	8,882	4,258	15,172
Exchange differences	(87)	347	116	376
Charge for the year	187	8,492	837	9,516
Payments made during the year	–	–	(161)	(161)
At 31 December 2021	2,132	17,721	5,050	24,903

44 Share capital and reserves

(a) Share capital

As at 31 December 2021, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2020: 29,090,262,630).

(b) Share based payment

Share Option Plan

The CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") adopted by the Company on 31 May 2000 for a term of ten years expired on 30 May 2010. The Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011 which expires on 11 May 2021. Pursuant to the Plan 2011, the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The subscription price determined by the board shall not be less than the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer of the grant. The plan 2011 has been effective during the period from 12 May 2011 to 11 May 2021. From 1 January 2021 (the Financial Year 2021 starting date) to 11 May 2021 (the expiration date of Plan 2011), no share options were granted under the Plan 2011 (2020: Nil).

Other than the Plan 2000 and the Plan 2011, certain of the Company's subsidiaries have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

44 Share capital reserves (Continued)

(c) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK$2,865.85 million paid by the Company to acquire the shares of CITIC Corporation, are debited against the capital reserve in the Group's consolidated financial statements. In addition, gains or losses from transactions with non-controlling interests are directly debited or credited to the capital reserve in the Group's consolidated financial statements.

(ii) Hedging reserve

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

(iii) Investment related reserves

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

(iv) General reserve

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

(v) Exchange reserve

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

(d) Capital management

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

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

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements as at 31 December 2021 (31 December 2020: Nil).

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45 Movement of allowances for impairment losses

	For the year ended 31 December 2021				
	At 1 January HK$ million	Charge/ (reversal) HK$ million	Write-offs/ transfer out HK$ million	Exchange differences and others (note(i)) HK$ million	At 31 December HK$ million
Allowances for expected credit losses					
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	271	12	–	4	287
Financial assets held under resale agreements (Note 25)	66	(11)	–	2	57
Account and bills receivables and other receivables (Note 22)	9,608	3,025	(520)	665	12,778
Loans and advances to customers and other parties (Note 26)	156,688	61,473	(78,898)	15,635	154,898
Investments in financial assets (Note 27)					
– Financial assets at amortised cost	17,424	26,214	(8,925)	1,917	36,630
– Debt investments at FVOCI	3,148	(198)	(85)	54	2,919
Credit commitments and guarantees provided (Note 43)	8,882	8,492	–	347	17,721
Others (note(ii))	5,239	4,087	(4,877)	772	5,221
	201,326	103,094	(93,305)	19,396	230,511
Allowances for impairment losses					
Inventories (Note 24)	6,665	814	(104)	13	7,388
Interests in associates (Note 29)	5,972	567	(486)	25	6,078
Interests in joint ventures (Note 30)	1,676	–	(191)	4	1,489
Fixed assets (Note 31)	48,121	123	(122)	351	48,473
Intangible assets (Note 33)	16,741	3	(8)	32	16,768
Prepayments (Note 22)	79	9	(12)	2	78
Goodwill (Note 34)	2,029	12	–	35	2,076
Other assets	2,343	176	(318)	44	2,245
	83,626	1,704	(1,241)	506	84,595
	284,952	104,798	(94,546)	19,902	315,106

45 Movement of allowances for impairment losses (Continued)

	For the year ended 31 December 2020					
	At 1 January HK$ million	Charge for the year HK$ million	Write-offs/ transfer out HK$ million	Disposal of subsidiaries and Assets classified as held for sale HK$ million	Exchange differences and others (note(i)) HK$ million	At 31 December HK$ million
Allowances for expected credit losses						
Deposits and placements with banks and non-bank financial institutions (Note 19 and 20)	249	10	–	–	12	271
Financial assets held under resale agreements (Note 25)	53	10	–	–	3	66
Account and bills receivables and other receivables (Note 22)	6,387	2,749	(117)	(21)	610	9,608
Loans and advances to customers and other parties (Note 26)	134,428	79,477	(77,743)	–	20,526	156,688
Investments in financial assets (Note 27)						
– Financial assets at amortised cost	8,649	8,486	(716)	–	1,005	17,424
– Debt investments at FVOCI	1,820	1,186	–	–	142	3,148
Credit commitments and guarantees provided (Note 43)	7,103	1,280	–	–	499	8,882
Others (note(ii))	3,959	3,729	(3,875)	–	1,426	5,239
	162,648	96,927	(82,451)	(21)	24,223	201,326
Allowances for impairment losses						
Inventories (Note 24)	6,690	18	(453)	(67)	477	6,665
Interests in associates (Note 29)	6,735	1,470	(2,309)	–	76	5,972
Interests in joint ventures (Note 30)	1,487	224	(45)	–	10	1,676
Fixed assets (Note 31)	47,640	445	(39)	(16)	91	48,121
Intangible assets (Note 33)	16,682	62	–	(5)	2	16,741
Prepayments (Note 22)	76	1	(1)	–	3	79
Goodwill (Note 34)	1,348	647	–	(3)	37	2,029
Other assets	2,006	782	(558)	–	113	2,343
	82,664	3,649	(3,405)	(91)	809	83,626
	245,312	100,576	(85,856)	(112)	25,032	284,952

Note:

(i) Others include recovery of loans written off.

(ii) Movement of allowances for accrued interest of the loans and advances to customers and other parties, investments in financial assets are included in others.

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For the year ended 31 December 2021

46 Contingent liabilities and commitments

(a) Credit commitments

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

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

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**16,787**	16,797
With an original maturity of 1 year or above	**48,616**	42,173
	65,403	58,970
Credit card commitments	**866,855**	740,790
Acceptances	**819,149**	664,777
Letters of credit	**262,913**	148,767
Guarantees	**157,615**	143,619
	2,171,935	1,756,923

46 Contingent liabilities and commitments (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Credit risk weighted amount on credit commitments	**576,974**	520,212

Notes:

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Group.

(ii) The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the China Banking and Insurance Regulatory Commission and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(c) Redemption commitment for treasury bonds

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

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

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Redemption commitment for treasury bonds	**3,974**	3,780

As at 31 December 2021, the original maturities of these bonds vary from 1 to 5 years (31 December 2020: 1 to 5 years). Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The Ministry of Finance will not provide funding on a back-to-back basis for the early redemption of these bonds, which are redeemed by the holders through the Group, but will settle the principal and interest upon maturity.

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46 Contingent liabilities and commitments (Continued)

(d) Guarantees provided

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

	As at 31 December	
	2021 **HK$ million**	2020 HK$ million
Related parties (note)	**5,110**	10,936
Third parties	**3,743**	2,063
	8,853	12,999

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

	As at 31 December	
	2021 **HK$ million**	2020 HK$ million
Related parties (note)	**1,223**	1,188
Third parties	**–**	242
	1,223	1,430

Note:

As at 31 December 2021, the guarantees provided to related parties by the Group include guarantees provided to former subsidiaries of the Group that were disposed to China Overseas Land & Investment Limited (“China Overseas”) in 2016, amounting to RMB1,000 million (approximately HK$1,223 million) (31 December 2020: RMB1,000 million (approximately HK$1,188 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 48.

46 Contingent liabilities and commitments (Continued)

(e) Outstanding litigation and disputes

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

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

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

(f) Capital commitments

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Contracted for	**33,917**	27,075

47 Financial risk management and fair values

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

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

(a) Credit risk

Credit risk management

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

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

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

The Group is also confronted with credit risk resulting from receivables that 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.

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL

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

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

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

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

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

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

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

(1) Significant increase in credit risk

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

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(1) Significant increase in credit risk (Continued)

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

(2) Definition of default and credit-impaired assets

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

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

– The issuer or borrower/debtor is in significant financial difficulties;

– The borrower/debtor is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc;

– The creditor gives the debtor concession that would not be offered otherwise, considering economic or contractual factors relating to the debtor's financial difficulties;

– It is becoming probably that the borrower/debtor will enter bankruptcy or other debt restructuring;

– An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower/debtor;

– Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(3) Inputs for measurement of ECL

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

– The probability of default ("PD") represents the likelihood of a borrower/debtor defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.

– Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.

– Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

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

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. During the year 2021, based on data accumulation, the Group optimised and updated relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous asessment 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.

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(4) Forward-looking information

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

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

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

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as industrial value added, total retail sales of consumer goods and the M2 money supply growth, etc. Due to COVID-19's impact on the macro economy, the Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Deposits with central banks, banks and non-bank financial institutions	713,003	748,278
Placements with banks and non-bank financial institutions	173,754	198,513
Trade and other receivables	147,586	135,276
Financial assets held under resale agreements	112,227	143,029
Loans and advances to customers and other parties	5,809,296	5,197,690
Investments in financial assets		
– At amortised cost	1,435,823	1,156,496
– Debt investments at FVOCI	793,188	860,255
Contract assets	13,407	13,619
Other financial assets	6,319	4,110
	9,204,603	8,457,266
Credit commitments and guarantees provided	2,180,788	1,769,922
Maximum credit risk exposure	11,385,391	10,227,188

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Derivative financial instruments	27,958	47,804
Loans and advances to customers and other parties at FVPL	–	8,465
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	610,847	482,911
Maximum credit risk exposure	638,805	539,180

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For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses

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

	For the year ended 31 December 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	5,129,703	128,923	95,282	5,353,908
Movements:				
Net transfers out from stage 1	(89,335)	–	–	(89,335)
Net transfers into stage 2	–	645	–	645
Net transfers into stage 3	–	–	88,690	88,690
Net increase/(decrease) during the year (note (i))	586,117	(20,803)	(15,983)	549,331
Write offs	–	–	(78,898)	(78,898)
Others (note (ii))	134,727	919	3,578	139,224
Balance at 31 December 2021	5,761,212	109,684	92,669	5,963,565

	For the year ended 31 December 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	4,303,423	111,552	77,946	4,492,921
Movements:				
Net transfers out from stage 1	(141,769)	–	–	(141,769)
Net transfers into stage 2	–	26,540	–	26,540
Net transfers into stage 3	–	–	115,229	115,229
Net increase/(decrease) during the year (note (i))	685,958	(15,546)	(25,644)	644,768
Write offs	–	–	(77,743)	(77,743)
Others (note (ii))	282,091	6,377	5,494	293,962
Balance at 31 December 2020	5,129,703	128,923	95,282	5,353,908

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

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

	For the year ended 31 December 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	1,994,208	5,551	34,454	2,034,213
Movements:				
Net transfers out from stage 1	(29,175)	–	–	(29,175)
Net transfers into stage 2	–	19,507	–	19,507
Net transfers into stage 3	–	–	9,668	9,668
Net increase/(decrease) during the year (note (i))	160,378	(2,473)	26,696	184,601
Write offs	–	–	(9,010)	(9,010)
Others (note (ii))	54,097	404	1,461	55,962
Balance at 31 December 2021	2,179,508	22,989	63,269	2,265,766

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

Notes:

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

(ii) Others includes changes in interest accrual and exchange adjustment.

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For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

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

	For the year ended 31 December 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	52,527	39,612	64,732	156,871
Movements (note (i)):				
Net transfers out from stage 1	(1,114)	–	–	(1,114)
Net transfers out from stage 2	–	(5,117)	–	(5,117)
Net transfers into stage 3	–	–	55,024	55,024
Net increase/(decrease) during the year (note (ii))	9,156	(7,048)	(12,802)	(10,694)
Write offs	–	–	(78,898)	(78,898)
Parameters change for the year (note (iii))	702	3,425	19,230	23,357
Others (note (iv))	2,094	800	12,862	15,756
Balance at 31 December 2021	63,365	31,672	60,148	155,185

	For the year ended 31 December 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	44,014	30,234	60,274	134,522
Movements (note (i)):				
Net transfers out from stage 1	(7,313)	–	–	(7,313)
Net transfers into stage 2	–	4,209	–	4,209
Net transfers into stage 3	–	–	50,841	50,841
Net increase/(decrease) during the year (note (ii))	12,037	(5,447)	(2,873)	3,717
Write offs	–	–	(77,743)	(77,743)
Parameters change for the year (note (iii))	186	8,653	19,165	28,004
Others (note (iv))	3,603	1,963	15,068	20,634
Balance at 31 December 2020	52,527	39,612	64,732	156,871

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

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

	For the year ended 31 December 2021			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2021	6,200	655	13,755	20,610
Movements (note (i)):				
Net transfers out from stage 1	(1,174)	–	–	(1,174)
Net transfers into stage 2	–	4,673	–	4,673
Net transfers into stage 3	–	–	3,030	3,030
Net increase/(decrease) during the year (note (ii))	2,035	1,091	18,051	21,177
Write offs	–	–	(9,010)	(9,010)
Parameters change for the year (note (iii))	136	481	(2,309)	(1,692)
Others (note (iv))	1,401	102	557	2,060
Balance at 31 December 2021	8,598	7,002	24,074	39,674

	For the year ended 31 December 2020			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Total HK$ million
Balance at 1 January 2020	5,698	518	4,274	10,490
Movements (note (i)):				
Net transfers out from stage 1	(61)	–	–	(61)
Net transfers out from stage 2	–	(30)	–	(30)
Net transfers into stage 3	–	–	1,580	1,580
Net increase/(decrease) during the year (note (ii))	295	(280)	4,411	4,426
Write offs	–	–	(716)	(716)
Parameters change for the year (note (iii))	(77)	406	3,428	3,757
Others (note (iv))	345	41	778	1,164
Balance at 31 December 2020	6,200	655	13,755	20,610

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47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

Notes:

(i) Movements mainly includes the impacts to ECL due to changes in stages.

(ii) Net increase/(decrease) mainly includes changes in allowance of impairment due to new purchased or originated credit-impaired financial assets or de-recognition excepting for write-off.

(iii) Parameters change mainly includes the impacts to ECL due to unwind of discount, regular update on modeling parameters resulting from changes in PD and LGD except for changes in stages.

(iv) Others includes recoveries of amounts previously written off, changes in interest accrual and exchange adjustment.

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

	As at 31 December					
	2021			2020		
	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	354,659	6%	309,106	346,701	6%	294,392
– Manufacturing	419,048	7%	193,150	389,283	7%	182,953
– Rental and business services	562,752	9%	233,393	492,938	9%	237,558
– Wholesale and retail	202,827	3%	117,848	188,866	3%	125,297
– Water, environment and public utility management	467,708	8%	171,333	404,887	8%	161,041
– Transportation, storage and postal services	176,216	3%	100,559	160,123	3%	87,862
– Construction	131,142	2%	75,948	119,077	2%	65,382
– Production and supply of electric power, gas and water	103,947	2%	54,444	102,817	2%	50,739
– Public management and social organisations	9,858	1%	4,033	13,130	1%	914
– Others	426,093	7%	135,270	380,953	7%	142,282
	2,854,250	48%	1,395,084	2,598,775	48%	1,348,420
Personal loans	2,523,024	42%	1,671,869	2,254,861	42%	1,546,447
Discounted bills	570,110	9%	–	493,555	9%	–
	5,947,384	99%	3,066,953	5,347,191	99%	2,894,867
Accrued interest	16,181	1%	–	15,182	1%	–
	5,963,565	100%	3,066,953	5,362,373	100%	2,894,867

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For the year ended 31 December 2021

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

	As at 31 December					
	2021			2020		
	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	5,694,343	95%	2,958,739	5,121,823	95%	2,793,815
Hong Kong, Macau and Taiwan	218,528	3%	96,407	218,309	3%	98,355
Overseas	34,513	1%	11,807	7,059	1%	2,697
	5,947,384	99%	3,066,953	5,347,191	99%	2,894,867
Accrued interest	16,181	1%	–	15,182	1%	–
	5,963,565	100%	3,066,953	5,362,373	100%	2,894,867

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

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Unsecured loans	1,582,817	1,337,609
Guaranteed loans	727,504	621,160
Secured loans		
– Loans secured by collateral	2,395,469	2,353,265
– Pledged loans	671,484	541,602
	5,377,274	4,853,636
Discounted bills	570,110	493,555
	5,947,384	5,347,191
Accrued interest	16,181	15,182
Gross loans and advances	5,963,565	5,362,373

47 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

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

	As at 31 December			
	2021		2020	
	Gross balance HK$ million	% of total loans and advances	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances	**19,792**	**0.33%**	26,175	0.49%
– Rescheduled loans and advances overdue more than 3 months	**7,088**	**0.12%**	16,841	0.31%

(vii) Offsetting

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

As at 31 December 2021, the Group did not enter into significant enforceable master netting arrangements with counterparties and therefore there were no significant offsettings of any assets and liabilities in the consolidated balance sheet (31 December 2020: Nil).

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47 Financial risk management and fair values (Continued)

(b) Liquidity risk

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

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

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

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

	As at 31 December 2021					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No fixed maturity date HK$ million (note)	Total HK$ million
Total financial assets	366,248	3,522,117	2,253,114	2,684,360	1,078,398	9,904,237
Total financial liabilities	(3,915,731)	(4,190,846)	(1,073,865)	(178,730)	(5,074)	(9,364,246)
Financial asset-liability surplus/(gap)	(3,549,483)	(668,729)	1,179,249	2,505,630	1,073,324	539,991

	As at 31 December 2020					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No fixed maturity date HK$ million (note)	Total HK$ million
Total financial assets	373,894	3,432,386	2,291,302	2,071,776	873,982	9,043,340
Total financial liabilities	(3,715,743)	(3,580,295)	(1,127,948)	(174,575)	(6,284)	(8,604,845)
Financial asset-liability surplus/(gap)	(3,341,849)	(147,909)	1,163,354	1,897,201	867,698	438,495

47 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	As at 31 December 2021					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No fixed maturity date HK$ million (note)	Total HK$ million
Total financial assets	366,248	3,839,022	2,808,085	3,431,813	1,089,848	11,535,016
Total financial liabilities	(3,915,731)	(4,337,356)	(1,208,547)	(198,000)	(5,074)	(9,664,708)
Financial asset-liability surplus/(gap)	(3,549,483)	(498,334)	1,599,538	3,233,813	1,084,774	1,870,308

	As at 31 December 2020					
	Repayable on demand HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	No fixed maturity date HK$ million (note)	Total HK$ million
Total financial assets	373,894	3,667,998	2,835,210	2,849,358	890,571	10,617,031
Total financial liabilities	(3,715,743)	(3,692,094)	(1,266,874)	(210,377)	(6,385)	(8,891,473)
Financial asset-liability surplus/(gap)	(3,341,849)	(24,096)	1,568,336	2,638,981	884,186	1,725,558

Note:

For cash and balances with central banks, the indefinite maturity date amount represented statutory deposit reserve funds and fiscal deposits maintained with the People's Bank of China. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the no fixed maturity date amount represented the balances being overdue for more than one month. Equity investments were also reported under indefinite maturity date.

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47 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	As at 31 December 2021			
	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Loan commitments	**5,011**	**22,844**	**37,548**	**65,403**
Guarantees	**98,111**	**57,949**	**1,555**	**157,615**
Letters of credit	**261,632**	**1,281**	**–**	**262,913**
Acceptances	**819,119**	**24**	**6**	**819,149**
Credit card commitments	**859,051**	**7,348**	**456**	**866,855**
Total	**2,042,924**	**89,446**	**39,565**	**2,171,935**

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

47 Financial risk management and fair values (Continued)

(c) Interest rate risk

Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liability gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rate volatility.

	As at 31 December 2021				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	743,149	7,232,258	1,420,122	508,708	9,904,237
Total financial liabilities	(241,872)	(7,967,930)	(946,989)	(207,455)	(9,364,246)
Financial asset-liability surplus/(gap)	501,277	(735,672)	473,133	301,253	539,991

	As at 31 December 2020				
	Non-interest bearing HK$ million	Within 1 year HK$ million	Between 1 and 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Total financial assets	565,468	6,656,828	1,339,046	481,998	9,043,340
Total financial liabilities	(223,547)	(7,096,556)	(1,075,224)	(209,518)	(8,604,845)
Financial asset-liability surplus/(gap)	341,921	(439,728)	263,822	272,480	438,495

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47 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2021		2020	
	Effective interest rate	HK$ million	Effective interest rate	HK$ million
Assets				
Cash and deposits	1.49%-1.94%	720,235	1.51%-2.19%	755,386
Placements with banks and non-bank financial institutions	1.90%	173,754	1.90%	198,513
Financial assets held under resale agreements	1.96%	112,227	1.62%	143,029
Loans and advances to customers and other parties	5.31%	5,809,296	5.31%	5,206,155
Investments in financial assets	3.11%-3.71%	2,906,862	3.22%-4.00%	2,553,067
Others	–	963,147	–	884,678
		10,685,521		9,740,828
Liabilities				
Borrowing from central banks	3.00%	231,479	3.25%	266,611
Deposits from banks and non-bank financial institutions	2.45%	1,422,328	2.36%	1,370,439
Placements from banks and non-bank financial institutions	2.39%	107,799	2.39%	74,308
Financial assets sold under repurchase agreements	2.17%	122,452	2.03%	94,774
Deposits from customers	2.10%	5,852,701	2.10%	5,427,694
Bank and other loans	0.85%-8.00%	145,362	0.85%-8.00%	163,604
Debt instruments issued	2.45%-6.90%	1,250,325	2.45%-6.90%	973,858
Lease liabilities	2.46%-6.00%	20,762	2.20%-6.00%	18,267
Others	–	366,723	–	342,631
		9,519,931		8,732,186

47 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(iii) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit or loss. As at 31 December 2021, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit before taxation would decrease or increase by HK$8,540 million (31 December 2020: decrease or increase by HK$5,161 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial,4assets 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.

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47 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in HK$ million):

	As at 31 December 2021				
	HK$	US$	RMB	Others	Total
Total financial assets	213,733	400,603	9,219,391	70,510	9,904,237
Total financial liabilities	(245,058)	(483,353)	(8,592,733)	(43,102)	(9,364,246)
Financial asset-liability surplus/(gap)	(31,325)	(82,750)	626,658	27,408	539,991

	As at 31 December 2020				
	HK$	US$	RMB	Others	Total
Total financial assets	194,230	442,334	8,340,808	65,968	9,043,340
Total financial liabilities	(270,868)	(482,330)	(7,798,994)	(52,653)	(8,604,845)
Financial asset-liability surplus/(gap)	(76,638)	(39,996)	541,814	13,315	438,495

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit or loss.

Assuming all other risk variables remained constant, a 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2021 would decrease or increase the Group's total comprehensive income before taxation by HK$5,669 million (31 December 2020: decrease or increase by HK$5,107 million).

This sensitivity analysis is based on a static foreign exchange exposure profile of financial assets and financial liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against HK$; (2) the exchange rates against HK$ for all foreign currencies change in the same direction simultaneously and do not take into account the correlation effect of changes in different foreign currencies; and (3) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Because of its hypothetical nature with the assumptions adopted, actual changes in the Group's profit before taxation resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

47 Financial risk management and fair values (Continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying amounts of financial instruments measured at fair value as at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

Notes to the Consolidated Financial Statements

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47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2021			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	–	11,242	–	11,242
Loans and advances to customers and other parties at FVOCI	400	611,388	–	611,788
Loans and advances to customers and other parties at FVPL	–	–	–	–
Derivative financial assets	151	27,807	–	27,958
Investments in financial assets	309,480	1,121,873	39,686	1,471,039
	310,031	1,772,310	39,686	2,122,027
Liabilities				
Financial liabilities at FVPL	(775)	(4,651)	(259)	(5,685)
Derivative financial liabilities	(477)	(29,566)	–	(30,043)
	(1,252)	(34,217)	(259)	(35,728)

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

	As at 31 December 2020			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Assets				
Bills receivables at FVOCI	1,235	15,925	–	17,160
Loans and advances to customers and other parties at FVOCI	–	488,811	–	488,811
Loans and advances to customers and other parties at FVPL	–	–	8,465	8,465
Derivative financial assets	107	47,666	31	47,804
Investments in financial assets	123,444	1,207,733	65,394	1,396,571
	124,786	1,760,135	73,890	1,958,811
Liabilities				
Financial liabilities at FVPL	(292)	(6,793)	(5,338)	(12,423)
Derivative financial liabilities	(372)	(49,436)	–	(49,808)
	(664)	(56,229)	(5,338)	(62,231)

For the year ended 31 December 2021, there were no significant transfers between instruments in different levels (2020: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2020: Nil).

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	For the year ended 31 December 2021					
	Assets				Liabilities	
	Loans and advances to customers and other parties at FVPL HK$ million	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Total HK$ million
At 1 January 2021	8,465	31	65,394	73,890	(5,338)	(5,338)
Total losses:	–	(31)	(1,256)	(1,287)	(74)	(74)
– in profit or loss	–	–	(742)	(742)	(74)	(74)
– in other comprehensive losses	–	(31)	(514)	(545)	–	–
Net settlements	(8,465)	–	(24,452)	(32,917)	5,153	5,153
At 31 December 2021	–	–	39,686	39,686	(259)	(259)

	For the year ended 31 December 2020					
	Assets				Liabilities	
	Loans and advances to customers and other parties at FVPL HK$ million	Derivatives financial assets HK$ million	Investments in financial assets HK$ million	Total HK$ million	Financial liabilities at fair value through profit or loss HK$ million	Total HK$ million
At 1 January 2020	7,719	352	78,681	86,752	(1,045)	(1,045)
Total (losses)/gains:	–	(321)	1,129	808	40	40
– in profit or loss	–	–	(320)	(320)	40	40
– in other comprehensive (losses)/income	–	(321)	1,449	1,128	–	–
Net settlements	746	–	(14,416)	(13,670)	(4,333)	(4,333)
At 31 December 2020	8,465	31	65,394	73,890	(5,338)	(5,338)

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(ii) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts and fair values of the Group's financial assets and liabilities, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	As at 31 December 2021				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,435,823	1,372,874	10,064	1,039,259	323,551
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	104,247	100,655	58,213	41,949	493
– Notes issued	82,773	87,386	11,345	76,025	16
– Subordinated bonds issued	140,624	144,271	–	144,271	–
– Certificates of deposit issued (non-trading)	1,482	1,482	–	–	1,482
– Certificates of interbank deposit issued	904,552	892,762	–	892,762	–
– Convertible corporate bonds issued	16,647	20,547	–	–	20,547
	1,250,325	1,247,103	69,558	1,155,007	22,538

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47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(ii) Fair value of other financial instruments (carried at other than fair value) (Continued)

	As at 31 December 2020				
	Carrying amount HK$ million	Fair value HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Financial assets					
Investments in financial assets					
– Financial assets at amortised cost	1,156,496	1,143,875	10,132	821,002	312,741
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	114,829	110,436	68,086	42,350	–
– Notes issued	61,352	61,352	–	55,953	5,399
– Subordinated bonds issued	136,730	137,980	4,188	133,792	–
– Certificates of interbank deposit issued	645,180	637,978	–	637,978	–
– Convertible corporate bonds issued	15,767	18,320	–	–	18,320
	973,858	966,066	72,274	870,073	23,719

47 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(iii) Estimation of fair values

As at the balance sheet date, the Group adopted the following major methods and assumptions in estimating the fair value of financial instruments.

Investments in financial assets and financial liabilities

Fair value is based on quoted market prices as at the balance sheet date for trading financial assets and liabilities (excluding derivatives), financial assets held for investment if there is an active market. If an active market does not exist for financial assets held for investment, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying amounts approximate to their fair values.

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying amounts approximate to their fair values.

Derivatives

The fair values of foreign currency and interest rate contracts are either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair values of financial guarantees are determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

48 Material related parties

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, holding company's fellow entities, associates and joint ventures of the Group.

(ii) CITIC Group, the parent and the ultimate controlling shareholder of the Group, is a state-owned company established in Beijing in 1979.

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2021			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	83	785	868
Purchase of goods	–	679	6,563	7,242
Interest income (note (2))	–	98	2,580	2,678
Interest expenses	47	389	2,331	2,767
Fee and commission income	31	3	1,074	1,108
Fee and commission expenses	–	2	170	172
Income from other services	6	148	454	608
Expenses for other services	–	232	1,116	1,348
Interest income from deposits and receivables	–	–	457	457
Other operating expenses	–	56	900	956

48 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

	For the year ended 31 December 2020			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	89	598	687
Purchase of goods	–	218	4,468	4,686
Interest income (note (2))	–	142	861	1,003
Interest expenses	148	699	994	1,841
Fee and commission income	17	16	363	396
Fee and commission expenses	–	–	201	201
Income from other services	–	166	125	291
Expenses for other services	–	283	1,021	1,304
Interest income from deposits and receivables	–	–	468	468
Other operating expenses	58	42	310	410

Notes:

(1) These above transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) During the relevant years, CITIC Bank, a subsidiary of the Group, entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

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48 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties

	As at 31 December 2021			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	76	1,163	4,815	6,054
Loans and advances to customers and other parties (note (2))	5,989	5,455	17,564	29,008
Cash and deposits	–	–	41,094	41,094
Derivative financial instruments and other assets	–	–	4,478	4,478
Investments in financial assets				
– Financial assets at FVPL	–	–	3,155	3,155
– Financial assets at amortised cost	–	–	1,188	1,188
Trade and other payables	189	12,247	5,182	17,618
Deposits from customers	9,679	9,354	35,118	54,151
Deposits from bank and non-bank financial institutions	–	–	50,857	50,857
Derivative financial instruments and other liabilities	–	–	534	534
Bank and other loans	1,913	24,009	–	25,922
Off-balance sheet items				
Guarantees provided (note (3))	–	–	5,110	5,110

48 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	As at 31 December 2020			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	74	1,202	3,505	4,781
Loans and advances to customers and other parties (note (2))	–	3,328	7,930	11,258
Cash and deposits	–	–	23,169	23,169
Derivative financial instruments and other assets	95	5	699	799
Investments in financial assets				
– Financial assets at FVPL	–	–	28,842	28,842
– Financial assets at amortised cost	–	–	1,210	1,210
Trade and other payables	254	12,082	1,404	13,740
Deposits from customers	13,294	7,995	21,124	42,413
Deposits from bank and non-bank financial institutions	–	–	43,613	43,613
Derivative financial instruments and other liabilities	–	–	8	8
Bank and other loans	2,727	24,786	–	27,513
Off-balance sheet items				
Guarantees provided (note (3))	–	–	10,936	10,936

Notes:

(1) The above transactions with related party transactions which were conducted under the normal commercial terms.

(2) Interest rates of loans and advances to the related parties were determined at rates negotiated between the Group and the corresponding related parties on a case by case basis.

(3) The guarantees provided by the Group to the related parties were based on the terms agreed between the Group and the related parties on a case by case basis.

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48 Material related parties (Continued)

(c) Transactions with other state-owned entities in the PRC

In addition to these related party transactions disclosed in Note 48 (b), transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and provision of services;
- purchase, sale and leases of property and other assets;
- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; and
- rendering and receiving of utilities and other services.

(d) Key management personnel remuneration

For the year ended 31 December 2021, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$8.79 million (2020: HK$6.87 million).

49 Structured entities

(a) The principal guaranteed wealth management products issued and managed by the Group

The principal guaranteed wealth management products issued and managed by CITIC Bank, a subsidiary of the Group, represent products to which CITIC Bank has guaranteed the investor's principal investment. The investments of the wealth management products and the corresponding source of funding are categorised as financial assets and financial liabilities in accordance with the accounting policies.

(b) Structured entities in which the Group holds an interest

The Group holds an interest in some structured entities through investments in debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at the balance sheet date in the structured entities, as well as an analysis of the line items in the balance sheet in which the relevant assets are recognised:

	As at 31 December 2021					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	–	2,647	–	–	2,647	2,647
Investment management products managed by securities companies	61,660	11,134	30	–	72,824	72,824
Trust investment plans	290,864	4,639	–	–	295,503	295,503
Asset-backed securities	319,739	7,005	115,075	–	441,819	441,819
Investment funds	–	517,919	–	55	517,974	517,974
Total	672,263	543,344	115,105	55	1,330,767	1,330,767

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49 Structured entities (Continued)

(b) Structured entities in which the Group holds an interest (Continued)

	As at 31 December 2020					
	Investments in financial assets					
Carrying amount	Financial assets at amortised cost HK$ million	Financial assets at FVPL HK$ million	Debt investments at FVOCI HK$ million	Equity investments at FVOCI HK$ million	Total HK$ million	Maximum loss exposure HK$ million
Wealth management products	–	1,476	–	–	1,476	1,476
Investment management products managed by securities companies	83,946	3,338	40,751	–	128,035	128,035
Trust investment plans	231,843	3,960	–	–	235,803	235,803
Asset-backed securities	103,741	1,942	231,040	–	336,723	336,723
Investment funds	–	367,787	–	384	368,171	368,171
Investments in creditor's rights on assets	96	–	–	–	96	96
Total	419,626	378,503	271,791	384	1,070,304	1,070,304

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The investments issued by unconsolidated structured entities sponsored by the Group are primarily wealth management products and trust plans without principal and/or return guarantee. The nature and purpose of these structured entities are for the Group to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of products to investors. Interest held by the Group includes fees charged by providing management services and investment made by the Group.

49 Structured entities (Continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest (Continued)

Wealth management products and trust plans

As at 31 December 2021, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and trust plans which are sponsored by the Group was HK$2,971,161 million (31 December 2020: HK$2,978,464 million).

As at 31 December 2021, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted HK$24,461 million (31 December 2020: HK$21,980 million. During the year ended 31 December 2021, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was HK$72,713 million (2020: HK$68,620 million). These transactions were conducted under normal business terms and conditions.

During the year ended 31 December 2021, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK$15,831 million (2020: HK$8,644 million); interest income of HK$1,104 million (2020: HK$1,381 million). The amount of interest expenses was HK$684 million (2020: HK$798 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2021, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continue to promote net-value-based reporting of its asset management products and dispose of existing portfolios, and part of the wealth management investment assets from non-consolidated wealth management products to the balance sheet are included in financial investments at amortised cost.

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49 Structured entities (Continued)

(d) Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 39. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2021 totally HK$66,277 million (2020: HK$61,973 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 2(i) and Note 3.

During the year ended 31 December 2021, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of HK$58,228 million (2020: HK$35,982 million). HK$46,241 million of this balance (2020: HK$14,097 million) was in respect of performing loans and the Group concluded that HK$41,997 million qualified for de-recognition and HK$4,244 recognised as other assets and other liabilities arising from continuing involvement (2020: full de-recognition).

Loan transfers

During the year ended 31 December 2021, the Group also through other types of transactions transferred loans of book value before impairment of HK$8,049 million (2020: HK$25,991 million). Non among them are transfer of normal loans (2020: all of the HK$1,979 million are normal loans), HK$8,049 million are non-performing loans (2020: all of the HK$24,012 million are non-performing loans).The Group carried out assessment based on the criteria as detailed in Note 2(i) and Note 3 and concluded that these transferred assets qualified for full de-recognition.

50 Supplementary information to the consolidated cash flow statement

(a) Cash and cash equivalents held by the Group are as follows:

	As at 31 December	
	2021	2020
	HK$ million	HK$ million
Cash	**7,232**	7,108
Bank deposits on demand	**32,636**	44,769
Surplus deposit reserve funds	**80,199**	67,975
Investments in debt securities with original maturities of three months or less	**91,931**	89,193
Deposits with banks and non-bank financial institutions due within three months	**88,828**	132,899
Placements with banks and non-bank financial institutions due within three months	**56,789**	110,758
Cash and cash equivalents in the consolidated cash flow statement	**357,615**	452,702

(b) Disposal of subsidiaries

	For the year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Total assets	**4,675**	34,779
Total liabilities	**(3,654)**	(25,537)
Non-controlling interests	**(48)**	(4,787)
Net assets disposed	**973**	4,455
Total consideration	**82**	6,367
Release of other comprehensive income/(loss) relating to interests in disposed subsidiaries	**1**	(124)
Remeasurement at fair value of retained interest in former subsidiaries	**912**	1,737
Gains on disposal/deemed disposal of subsidiaries	**22**	3,525
Net cash (outflow)/inflow is determined as follows:		
Cash proceeds (paid)/received		
– Proceeds from the above disposal of subsidiaries	**82**	4,857
– Collection of receivables from previous disposal of subsidiaries	**50**	3,143
Less: cash and cash equivalents disposed	**(374)**	(1,554)
	(242)	6,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50 Supplementary information to the consolidated cash flow statement

(Continued)

(c) Reconciliation of financing liabilities

	For the year ended 31 December				
	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 2019	150,678	818,029	6,569	17,435	992,711
Cash flows	1,852	99,634	(36,566)	(6,150)	58,770
(Disposal of subsidiaries)/business combination	9,585	–	–	159	9,744
Foreign exchange adjustments	1,437	50,806	1,573	2,661	56,477
Other non-cash movements	(381)	62	34,184	4,162	38,027
At 31 December 2020	163,171	968,531	5,760	18,267	1,155,729
Cash flows	(18,709)	251,101	(41,084)	(5,978)	185,330
(Disposal of subsidiaries)/business combination	7	–	–	207	214
Foreign exchange adjustments	1,340	28,881	716	4,192	35,129
Other non-cash movements	(904)	(3,807)	40,684	4,074	40,047
At 31 December 2021	144,905	1,244,706	6,076	20,762	1,416,449

(d) Issue and redemption of other equity instruments by subsidiaries

In 2021, redemption of other equity instruments by subsidiaries was from CITIC Bank, a subsidiary of the Group, which redeemed RMB3,324 million (approximately HK$4,003 million) undated capital bonds (In 2020, redemption of other equity instruments by subsidiaries was from CITIC Envirotech Ltd., a subsidiary of the Group, which redeemed SGD236 million (approximately HK$1,295 million)).

In 2021, issuance of other equity instruments by subsidiaries was from CITIC Bank, a subsidiary of the Group, which issued RMB43,852 million (approximately HK$52,813 million) undated capital bonds (2020: None).

51 Major transactions with non-controlling interests

Private placement of subsidiaries

On September 9, 2021, CITIC Offshore Helicopter Co., Ltd. ("CITIC Offshore") completed a non-public offering of 169,699,717 ordinary shares, of which 65,555,001 shares were subscribed by CITIC Investment Holdings Limited, a wholly-owned subsidiary of the Group, and the remaining shares were subscribed by non-controlling shareholders. After the completion of the above transactions, the Group's shareholding in CITIC Offshore increased from 19.71% to 23.85%. The group recognised an increase of HK$827 million in non-controlling interests and a decrease in equity attributable to owners of the Company by HK$26 million.

The effect of changes in the ownership interest of CITIC Offshore on the equity attributable to shareholders of the Company during the year is summarised as follows:

	For the year ended 31 December 2021
Consideration paid by non-controlling shareholders	**801**
Shares of net assets acquired by non-controlling shareholders	**(827)**
Net assets acquired by non-controlling shareholders excess the consideration paid recognised within equity	**(26)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

52 Balance sheet and reserve movement of the Company

	As at 31 December	
	2021 HK$ million	2020 HK$ million
Non-current assets		
Fixed assets	2	4
Intangible assets	–	1
Interests in subsidiaries	456,239	453,937
Interests in associates	6,922	–
Interests in joint ventures	35	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	3,773	3,887
	466,971	457,864
Current assets		
Amounts due from subsidiaries	69,747	65,460
Trade and other receivables	14	45
Cash and deposits	2,609	12,890
	72,370	78,395
Total assets	539,341	536,259
Current liabilities		
Bank and other loans	12,405	23,626
Amounts due to subsidiaries and other related parties	12,205	12,153
Trade and other payables	301	55
Derivative financial instruments	–	17
Income tax payable	1,391	1,048
Debt instruments issued	5,141	9,843
	31,443	46,742
Non-current liabilities		
Long term borrowings	54,802	31,355
Debt instruments issued	53,071	58,242
Derivative financial instruments	628	979
	108,501	90,576
Total liabilities	139,944	137,318
Equity		
Share capital	381,710	381,710
Reserves	17,687	17,231
Total ordinary shareholders' funds	399,397	398,941
Total liabilities and equity	539,341	536,259

The balance sheet of the Company was approved and authorised for issue by the board of directors on 31 March 2022.

Director: **Zhu Hexin** *Director:* **Xi Guohua**

52 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Share capital HK$ million (Note 44(a))	Capital reserve HK$ million (Note 44(c)(i))	Hedging reserve HK$ million (Note 44(c)(ii))	Retained earnings HK$ million	Total HK$ million
At 31 December 2020	381,710	630	(1,001)	17,602	398,941
Cash flow hedges:					
– Fair value loss during the year	–	–	427	–	427
	–	–	427	–	427
Profit attributable to shareholders of the Company	–	–	–	15,680	15,680
Dividends paid to ordinary shareholders of the Company	–	–	–	(15,651)	(15,651)
At 31 December 2021	381,710	630	(574)	17,631	399,397

	Share capital HK$ million (Note 44(a))	Capital reserve HK$ million (Note 44(c)(i))	Hedging reserve HK$ million (Note 44(c)(ii))	Retained earnings HK$ million	Total HK$ million
At 31 December 2019	381,710	630	(824)	11,155	392,671
Cash flow hedges:					
– Fair value loss during the year	–	–	(189)	–	(189)
– Transfer to net finance charges	–	–	12	–	12
	–	–	(177)	–	(177)
Profit attributable to shareholders of the Company	–	–	–	17,647	17,647
Dividends paid to ordinary shareholders of the Company	–	–	–	(11,200)	(11,200)
At 31 December 2020	381,710	630	(1,001)	17,602	398,941

53 Post balance sheet events

(a) Subscriptions under the rights issue of CITIC Securities

CITIC Securities announced a rights issue of its share on 13 January 2022. As at 4 March 2022, the Company has subscribed for and been allotted an aggregate of 58,311,604 H Rights Shares (including 56,400,000 H Rights Shares provisionally allotted to the Company under the H Share Rights Issue, and 1,911,604 excess H Rights Shares under the H Rights Shares Excess Application), and CITIC Corporation has subscribed for and been allotted 299,954,362 A Rights Shares.

After the subscription and allotment, the interest that the Group holds in CITIC Securities increased from 18.38% to 18.45%.

(b) Insurance of notes

On 17 February 2022, the Company issued US$700 million of 2.875% note due 2027 and US$300 million of 3.50% note due 2032 (together, the “notes”) under the US$9,000,000,000 Medium Term Note Programme (the “Programme”). Application has been made to and approved by The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Notes issued under the Programme as described in the offering circular dated 20 December 2021 prepared in respect of the Programme and the pricing supplements dated 10 February 2022 prepared in respect of the Notes. The Notes will be offered to professional investors only.

54 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

55 Possible impact of amendments, new standards and interpretations issued but not yet adopted

The Group has not applied the following amendments to standards and new standards which are effective for the financial year beginning after 1 January 2021 and which have not been early adopted in these consolidated financial statements.

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021(1)
HKAS 16 (Amendments)	Property, Plant and Equipment(2)
HKFRS 3 (Amendments)	Reference to the Conceptual Framework(2)
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract(2)
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018 – 2020(2)
Accounting Guideline 5	Merger Accounting for Common Control Combinations(2)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current(3)
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause(3)
HKFRS 17	Insurance Contracts(3)
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies(3)
HKAS 8 (Amendments)	Definition of Accounting Estimates(3)
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction(3)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture(4)

(1) Effective for the annual periods beginning on or after 1 April 2021.
(2) Effective for the annual periods beginning on or after 1 January 2022.
(3) Effective for the annual periods beginning on or after 1 January 2023.
(4) In December 2015 the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

56 Principal subsidiaries, associates and joint ventures

(a) Principal subsidiaries

Name of company	Place of incorporation/ Type of legal entity	Principal activity	Shares issued	Proportion of ownership interest: Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Corporation Limited 中國中信有限公司	Mainland China/ Limited liability	Investment holding	N/A	100%	100%	0%
CITIC Pacific Limited 中信泰富有限公司	British Virgin Islands	Investment holding	51,097	100%	100%	0%
CITIC Pacific Special Steel Group Co., Ltd. (formerly known as Daye Special Steel Co., Ltd.) 中信泰富特钢集团股份有限公司 (前稱大冶特殊钢股份有限公司)	Mainland China/Stock limited company (listed)	Special steel production	2,968,907,902	83.85%	0%	83.85%
Dah Chong Hong Holdings Limited (Note (a)) 大昌行集團有限公司(Note (a))	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100.00%
CITIC Mining International Ltd. 中信礦業國際有限公司	Cayman Islands	Resources and energy	1	100%	100%	0%
CITIC Metal Group Ltd. 中信金屬集團有限公司	Hong Kong	Resources and energy	11,800,000,000	100%	0%	100%
CITIC Telecom International Holdings Limited 中信國際電訊集團有限公司	Hong Kong (listed)	Telecom services	3,664,616,882	57.82%	0%	57.82%
CITIC Finance Company International Limited 中信財務(國際)有限公司	Hong Kong	Financial services	N/A	100%	100%	0%
China CITIC Bank Corporation Limited 中信銀行股份有限公司	Mainland China/Stock limited company (listed)	Banking industry	48,934,838,569	65.97%	0%	65.97%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Banking industry	7,502,832,116	65.97%	0%	100%

Note (a): The listing of Dah Chong Hong Holdings Limited's shares on the Hong Kong Stock Exchange was withdrawn on 10 January 2020. Dah Chong Hong Holdings Limited is held by the Group's wholly owned subsidiary CITIC Pacific Limited.

56 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation/ Type of legal entity	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China/ Limited liability	Trust services	N/A	100%	0%	100%
CITIC Finance Company Limited 中信財務有限公司	Mainland China/ Limited liability	Financial services	N/A	94.39%	0%	98.69%
CITIC Consumer Finance Co., Ltd. 中信消費金融有限公司	Mainland China/ Limited liability	Consumer finance	N/A	70%	0%	70%
CITIC Resources Holdings Limited 中信資源控股有限公司	Bermuda (listed)	Resources and energy	7,857,727,149	59.50%	0%	59.50%
CITIC Australia Pty Limited 中信澳大利亞有限公司	Australia	Resources and energy	85,882,017	100%	0%	100%
CITIC Kazakhstan LLP 中信哈薩克斯坦有限公司	Kazakhstan	Resources and energy	N/A	100%	0%	100%
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司	Mainland China/Stock limited company (listed)	Manufacturing	4,339,419,293	67.27%	0%	67.27%
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China/ Limited liability	Engineering contracting	N/A	100%	0%	100%
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司	Mainland China/ Limited liability	Engineering contracting	N/A	100%	0%	100%
CITIC Urban Development & Operation Co., Ltd. 中信城市開發運營有限責任公司	Mainland China/ Limited liability	Real estate development	N/A	100%	0%	100%
CITIC Heye Investment Co., Ltd. 中信和業投資有限公司	Mainland China/ Limited liability	Real estate development	N/A	100%	0%	100%
CITIC Asset Operation Co., Ltd. 中信資產運營有限公司	Mainland China/ Limited liability	Real estate management	N/A	100%	0%	100%
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China/ Limited liability	Real estate management	N/A	100%	0%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

56 Principal subsidiaries, associates and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Name of company	Place of incorporation/ Type of legal entity	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China/ Limited liability	Real estate management	N/A	100%	0%	100%
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China/ Limited liability	Infrastructure and elderly service	N/A	100%	0%	100%
CITIC Dicastal Company Limited 中信戴卡股份有限公司	Mainland China/ Stock limited company	Manufacturing	1,971,342,713	42.11%	0%	42.11%
CITIC Environment Investment Group Co., Limited 中信環境投資集團有限公司	Mainland China/ Limited liability	Energy conservation and environmental protection	N/A	100%	0%	100%
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China/ Limited liability	General aviation	N/A	51.03%	0%	51.03%
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China/ Limited liability	Investment holding	N/A	100%	0%	100%
CITIC Asia Satellite Holding Company Limited 中信亞洲衛星控股有限公司	British Virgin Islands	Information industry	60,524,465	100%	0%	100%
CITIC Press Corporation 中信出版集团股份有限公司	Mainland China/Stock limited company (listed)	Publishing	190,151,515	73.50%	0%	73.50%
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China/ Limited liability	Service	N/A	100%	0%	100%
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China/ Limited liability	Service	N/A	100%	0%	100%

56 Principal subsidiaries, associates and joint ventures (Continued)

(b) Principal associates

Details of the Group's interest in principal associates, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

				Proportion of ownership interest		
Name of company	Place of incorporation	Principal activity	Shares issued	Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong (listed)	Real estate development	10,954,085,035	10.01%	0%	10.01%
CITIC Securities Co., Ltd. 中信證券股份有限公司	Mainland China/Stock limited company (listed)	Securities related services	12,926,776,029	18.38%	2.91%	15.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,205,894,118	26.01%	0%	26.01%

(c) Principal joint ventures

Details of the Group's interest in principal joint ventures, which are accounted for using the equity method in the consolidated financial statements of the Group are as follows:

				Proportion of ownership interest		
Name of company	Place of incorporation	Principal activity	Shares issued	Attributable to the Group	Held by the Company	Held by subsidiaries
CITIC Prudential Life Insurance Co., Ltd. 中信保誠人壽保險有限公司	Mainland China	Insurance and reinsurance	N/A	50%	0%	50%
中船置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%
上海瑞博置業有限公司	Mainland China	Real estate development	N/A	50%	0%	50%

Independent Auditor's Report

For the year ended 31 December 2021

羅兵咸永道

Independent Auditor's Report
To the Members of CITIC Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 194 to 387, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of China CITIC Bank Corporation Limited ("CITIC Bank")

- Consolidation of structured entities – Non-principal guaranteed wealth management products of CITIC Bank

- Impairment of the Sino Iron Project

Independent Auditor's Report

For the year ended 31 December 2021

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank

Refer to Note 2(i), Note 3, Note 26 and Note 27 to the consolidated financial statements.

As at 31 December 2021, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the CITIC Bank's consolidated balance sheet, amounted to RMB4,869.03 billion (approximately HK$5,955.28 billion), for which management recognised an impairment allowance of RMB121.71 billion (approximately HK$148.86 billion); total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,848.81 billion (approximately HK$2,261.27 billion), for which management recognised an impairment allowance of RMB29.11 billion (approximately HK$35.61 billion).

The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under HKFRS 9: Financial Instruments expected credit losses models.

We understood and evaluated management's key internal controls and assessment process for the measurement of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

We assessed and tested the design and the operating effectiveness of the key internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including:

- Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimisation of the models;
- Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, forward-looking measurement, and management overlay adjustments;
- Internal controls over the accuracy and completeness of key inputs used by the models;

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)	
Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, management assesses impairment allowance using both risk parameter model and discounted cash flows model. The models of ECL involves significant management judgments and assumptions, primarily including: • Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; • Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; • Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;	• Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3; • Internal controls over the information systems for ECL measurement; • Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments. We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers, and financial investments. The substantive audit procedures we performed primarily included: According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the coding for model measurement on a sample basis, to test whether or not the models reflect the modelling methodologies documented by management.

Independent Auditor's Report

For the year ended 31 December 2021

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)	
• 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.	We have examined the accuracy of data inputs for the ECL models, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans.

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and other parties and investments in financial assets of CITIC Bank (Continued)

CITIC Bank established governance processes and controls for the measurement of ECL.

The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings.

In addition, based on considering the significant uncertain factors, we evaluated the rationality of management overlay adjustments, and examined the accuracy of the relevant mathematical calculations.

For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.

We checked and evaluated the financial statement disclosures in relation to the measurement of ECL for loans and advances to customers, and financial investments.

Based on our procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers, and financial investments were supported by the available evidence.

Independent Auditor's Report

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Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities – non-principal guaranteed wealth management products of CITIC Bank	
Refer to Note 2(e), Note 3, Note 27 and Note 49 to the consolidated financial statements. As at 31 December 2021, non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 27(a) and Note 49(c) respectively. Management's decision on whether or not to consolidate structured entities was based on an assessment of the power of CITIC Bank, its variable returns from its involvement with the structured entities and the ability to exercise its power to influence the variable returns from these structured entities. We have identified this as a key audit matter due to the material balance of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.	We evaluated and tested the design and operating effectiveness of management's relevant key internal controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included management's review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed substantive procedures as following: • assessed the contractual rights and obligations of CITIC Bank in light of the transaction structures, and evaluated the power of CITIC Bank over the structured entities; • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, gain from investments, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether CITIC Bank acted as a principal or an agent through analysis of the scope of the decision-making authority of CITIC Bank, its remuneration entitlement, other interests CITIC Bank held, and the rights held by other parties; • examined and evaluated the financial statement disclosures relating to the consolidation of structured entities. Based on the procedures performed above, we considered that management's judgements on the consolidation of structured entities were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of the Sino Iron Project

Refer to Note 3 and Note 9 to the consolidated financial statements.

An impairment indication assessment was undertaken on the Sino Iron Project ("the Project") by management as at 31 December 2021. As a result, management has determined that no further impairment indication existed for the Project as at 31 December 2021.

In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2021, including:

- The production profile of the Project (mainly including ore grades, operating cost and production output);
- Forward iron ore prices;
- The risk-free borrowing rates;
- Foreign exchange rates, particularly between Australian and United States dollars.

As the impairment indication assessment involves significant judgements, we regard this as a key audit matter.

In evaluating management's impairment indication assessment of the Project, we undertook the following procedures:

- Assessed whether management's impairment indication assessment is in accordance with the requirements of accounting standards including consideration of both external and internal sources of information;
- Evaluated whether there were significant adverse changes in the economic environment impacting the Project by considering movements in forward consensus iron ore prices, exchange rates and risk-free borrowing rates;
- Considered budget vs actual performance during the last 12 months to evaluate whether economic performance of the asset is, or will be, worse than expected;
- Held discussions with management and external legal counsels to understand key changes to long term planning estimates or assumptions and implications of outstanding litigations related to the Project, and evaluated their potential impact on forecast cash flows.

Based on the above procedures, we found the judgements made by management to be reasonable and consistent with the audit evidence we obtained.

Independent Auditor's Report

For the year ended 31 December 2021

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

For the year ended 31 December 2021

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022