CONTENTS OF FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	For the year ended 31 December **2022** **HK$ million**	 2021 HK$ million
Interest income		**384,322**	371,808
Interest expenses		**(201,025)**	(189,835)
Net interest income	5(a)	**183,297**	181,973
Fee and commission income		**85,978**	55,949
Fee and commission expenses		**(10,069)**	(6,229)
Net fee and commission income	5(b)	**75,909**	49,720
Sales of goods and services	5(c)	**466,823**	452,163
Other revenue	5(d)	**45,104**	25,080
		511,927	477,243
Total revenue		**771,133**	708,936
Cost of sales and services	6,11	**(413,422)**	(397,524)
Other net income	7	**19,005**	7,747
Expected credit losses	8	**(91,905)**	(103,094)
Impairment losses	9	**(8,822)**	(1,704)
Other operating expenses	11	**(131,922)**	(103,320)
Net valuation loss on investment properties		**(758)**	(66)
Share of profits of associates, net of tax		**7,554**	12,787
Share of profits of joint ventures, net of tax		**5,312**	4,776
Profit before net finance charges and taxation		**156,175**	128,538
Finance income		**1,364**	2,036
Finance costs		**(9,700)**	(9,433)
Net finance charges	10	**(8,336)**	(7,397)
Profit before taxation	11	**147,839**	121,141
Income tax	12	**(24,828)**	(20,863)
Profit for the year		**123,011**	100,278
Attributable to:			
– Ordinary shareholders of the Company		**75,481**	70,222
– Non-controlling interests		**47,530**	30,056
Profit for the year		**123,011**	100,278
Earnings per share for profit attributable to ordinary shareholders of the Company during the year:			
Basic earnings per share (HK$)	16	**2.59**	2.41
Diluted earnings per share (HK$)	16	**2.59**	2.41

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	As at 31 December 2022 HK$ million	2021 HK$ million
Assets			
Cash and deposits	19	**757,865**	720,235
Cash held on behalf of customers	20	**275,083**	–
Placements with banks and non-bank financial institutions	21	**243,324**	173,754
Derivative financial instruments	22	**90,529**	27,958
Trade and other receivables	23	**236,516**	172,837
Contract assets	24	**21,837**	13,407
Inventories	25	**122,079**	113,403
Financial assets held under resale agreements	26	**51,175**	112,227
Loans and advances to customers and other parties	27	**5,645,252**	5,809,296
Margin accounts	28	**119,758**	–
Investments in financial assets	29		
– Financial assets at amortised cost		**1,258,965**	1,435,823
– Financial assets at fair value through profit or loss		**1,271,604**	667,206
– Debt investments at fair value through other comprehensive income		**977,719**	793,188
– Equity investments at fair value through other comprehensive income		**10,464**	10,645
Refundable deposits	30	**77,421**	–
Interests in associates	32	**116,856**	154,181
Interests in joint ventures	33	**66,158**	60,599
Fixed assets	34	**178,897**	177,306
Investment properties	34	**39,638**	40,006
Right-of-use assets	35	**46,145**	38,503
Intangible assets	36	**18,716**	18,404
Goodwill	37	**28,684**	21,590
Deferred tax assets	38	**99,430**	82,619
Other assets		**40,084**	42,334
Total assets		**11,794,199**	10,685,521

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
	Note	**2022 HK$ million**	2021 HK$ million
Liabilities			
Borrowing from central banks		**133,690**	231,479
Deposits from banks and non-bank financial institutions	39	**1,234,900**	1,422,328
Placements from banks and non-bank financial institutions	40	**121,728**	107,799
Financial liabilities at fair value through profit or loss	41	**106,177**	5,685
Customer brokerage deposits	42	**312,337**	–
Funds payable to securities issuers		**17,076**	–
Derivative financial instruments	22	**81,043**	30,043
Trade and other payables	43	**423,468**	184,939
Contract liabilities	24	**33,132**	33,488
Financial assets sold under repurchase agreements	44	**526,691**	122,452
Deposits from customers	45	**5,766,198**	5,852,701
Employee benefits payables		**61,502**	38,548
Income tax payable	38	**17,606**	16,184
Bank and other loans	46	**172,528**	145,362
Debt instruments issued	47	**1,323,385**	1,250,325
Lease liabilities	35	**21,861**	20,762
Provisions	48	**19,490**	24,903
Deferred tax liabilities	38	**20,322**	14,480
Other liabilities		**20,997**	18,453
Total liabilities		**10,414,131**	9,519,931
Equity	49		
Share capital		**381,710**	381,710
Reserves		**355,541**	369,697
Total ordinary shareholders' funds		**737,251**	751,407
Non-controlling interests		**642,817**	414,183
Total equity		**1,380,068**	1,165,590
Total liabilities and equity		**11,794,199**	10,685,521

Approved and authorised for issue by the board of directors on 31 March 2023.

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

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital HK$ million Note 49(a)	Capital reserve HK$ million Note 49(b)(i)	Hedging reserve HK$ million Note 49(b)(ii)	Investment related reserves HK$ million Note 49(b)(iii)	General reserve HK$ million Note 49(b)(iv)	Retained earnings HK$ million	Exchange reserve HK$ million Note 49(b)(v)	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2022		381,710	(60,312)	2,073	4,527	62,105	344,891	16,413	751,407	414,183	1,165,590
Profit for the year		–	–	–	–	–	75,481	–	75,481	47,530	123,011
Other comprehensive income/(loss) for the year	17	–	–	1,275	(11,605)	–	–	(60,216)	(70,546)	(58,982)	(129,528)
Total comprehensive income for the year		–	–	1,275	(11,605)	–	75,481	(60,216)	4,935	(11,452)	(6,517)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	130	130
Transfer of profits to general reserve		–	–	–	–	5,018	(5,018)	–	–	–	–
Dividends paid to ordinary shareholders of the Company	15	–	–	–	–	–	(19,083)	–	(19,083)	–	(19,083)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(22,021)	(22,021)
Issue of other equity instruments by subsidiaries	55(d)	–	–	–	–	–	–	–	–	5,417	5,417
Acquisition of subsidiaries	58	–	–	–	–	–	–	–	–	256,520	256,520
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(43)	(43)
Disposal of equity investments at fair value through other comprehensive income		–	–	–	52	–	(52)	–	–	–	–
Others		–	(8)	–	–	–	–	–	(8)	83	75
Other changes in equity		–	(8)	–	52	5,018	(24,153)	–	(19,091)	240,086	220,995
Balance at 31 December 2022		381,710	(60,320)	3,348	(7,026)	67,123	396,219	(43,803)	737,251	642,817	1,380,068

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital HK$ million Note 49(a)	Capital reserve HK$ million Note 49(b)(i)	Hedging reserve HK$ million Note 49(b)(ii)	Investment related reserves HK$ million Note 49(b)(iii)	General reserve HK$ million Note 49(b)(iv)	Retained earnings HK$ million	Exchange reserve HK$ million Note 49(b)(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 income for the year	17	–	–	873	2,788	–	–	18,959	22,620	11,239	33,859
Total comprehensive 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	55(d)	–	–	–	–	–	–	–	–	(4,003)	(4,003)
Issue of other equity instruments by subsidiaries	55(d)	–	–	–	–	–	–	–	–	52,813	52,813
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(48)	(48)
Transactions with non-controlling interests		–	(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

The notes on pages 231 to 403 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	For the year ended 31 December 2022 HK$ million	2021 HK$ million
Cash flows from operating activities			
Profit before taxation		147,839	121,141
Adjustments for:			
– Depreciation and amortisation	11(b)	23,544	21,220
– Expected credit losses	8	91,905	103,094
– Impairment losses	9	8,822	1,704
– Net valuation loss on investment properties		758	66
– Net valuation loss/(gain) on investments		16,627	(297)
– Share of profits of associates and joint ventures, net of tax		(12,866)	(17,563)
– Interest expenses on debts instruments issued	5(a)	35,399	31,453
– Finance income	10	(1,364)	(2,036)
– Finance costs	10	9,700	9,433
– Net gain on investments in financial assets		(50,220)	(19,508)
– Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures		(12,769)	(1,393)
		257,375	247,314
Changes in working capital			
Decrease in deposits with central banks and non-bank financial institutions		6,764	3,870
Increase in placements with banks and non-bank financial institutions		(100,557)	(24,368)
Increase in trade and other receivables		(52,024)	(4,967)
(Increase)/decrease in contract assets		(8,430)	212
Increase in inventories		(8,587)	(33,208)
Decrease in financial assets held under resale agreements		89,735	34,417
Increase in loans and advances to customers and other parties		(407,930)	(499,357)
Decrease/(increase) in investments in financial assets held for trading purposes		12,417	(20,280)
Decrease in cash held on behalf of customers		26,986	–
Decrease/(increase) in other operating assets		7,260	(47,721)
(Decrease)/increase in deposits from banks and non-bank financial institutions		(68,780)	9,780
(Decrease)/increase in placements from banks and non-bank financial institutions		(7,740)	31,230
Increase/(decrease) in financial liabilities at fair value through profit or loss		15,658	(8,895)
Increase in trade and other payables		3,401	21,946
(Decrease)/increase in contract liabilities		(776)	5,397
Increase in financial assets sold under repurchase agreements		141,960	24,785
Increase in deposits from customers		391,773	261,103
Decrease in borrowing from central banks		(80,438)	(42,459)
Increase in customer brokerage deposits		8,158	–
Increase in other operating liabilities		4,123	11,360
Increase in employee benefits payables		3,874	2,372
(Decrease)/increase in provisions		(6,506)	9,731
Cash generated from/(used in) operating activities		227,716	(17,738)
Income tax paid		(33,697)	(22,956)
Net cash generated from/(used in) operating activities		194,019	(40,694)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 HK$ million	2021 HK$ million
		For the year ended 31 December	
Cash flows from investing activities			
Proceeds from disposal and redemption of financial investments		**3,031,389**	3,788,827
Proceeds from disposal of fixed assets, intangible assets and other assets		**1,232**	2,204
Proceeds from disposal of associates and joint ventures		**1,574**	2,355
Net cash payment for from disposal of subsidiaries		**(1)**	(242)
Dividends received from equity investments, associates and joint ventures		**7,246**	7,103
Payments for purchase of financial investments		**(3,146,053)**	(4,041,787)
Payments for additions of fixed assets, intangible assets and other assets		**(23,576)**	(24,494)
Net cash received/(payment) for acquisition of subsidiaries		**192,638**	(289)
Payment for acquisition of associates and joint ventures		**(8,532)**	(3,065)
Net cash generated from/(used in) investing activities		**55,917**	(269,388)
Cash flows from financing activities			
Capital injection received from non-controlling interests		**130**	167
Transaction with non-controlling interests		**(6)**	801
Proceeds from new bank and other loans	55(c)	**199,159**	168,251
Proceeds from new debt instruments issued	55(c)	**1,057,373**	1,092,327
Repayment of bank and other loans and debt instruments issued	55(c)	**(1,275,180)**	(1,028,186)
Issue of other equity instruments by subsidiaries	55(d)	**5,417**	52,813
Principal and interest elements of lease payment	55(c)	**(6,277)**	(5,978)
Interest paid on bank and other loans and debt instruments issued	55(c)	**(48,701)**	(41,084)
Dividends paid to non-controlling interests		**(22,021)**	(11,302)
Dividends paid to ordinary shareholders of the Company	15	**(19,083)**	(15,651)
Redemption of other equity instruments by subsidiaries	55(d)	**–**	(4,003)
Net cash (used in)/generated from financing activities		**(109,189)**	208,155
Net increase/(decrease) in cash and cash equivalents		**140,747**	(101,927)
Cash and cash equivalents at 1 January		**360,953**	457,975
Effect of exchange changes		**(23,166)**	4,905
Cash and cash equivalents at 31 December	55(a)	**478,534**	360,953

The notes on pages 231 to 403 form part of these consolidated financial statements.

1 General information

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

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

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

2 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 or interpretations to HKFRS that are first effective for the current accounting period of the Group. None of these had a significant effect on the consolidated financial statements of the Group.

(i) COVID-19-Related Rent Concessions beyond 30 June 2021– HKFRS 16 (Amendments)

(ii) Property, Plant and Equipment: Proceeds before intended use – HKAS 16 (Amendments)

(iii) Reference to the Conceptual Framework – HKFRS 3 (Amendments)

(iv) Onerous Contracts – Cost of Fulfilling a Contract – HKAS 37 (Amendments)

(v) Annual Improvements to HKFRS Standards 2018-2020

(vi) Merger Accounting for Common Control Combinations – Accounting Guideline 5

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(m));
- 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(i)(j)).

(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.

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(t)).

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. 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(t)). 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(t)).

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 cannot be reversed in the future.

(h) Translation of foreign currencies

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

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

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

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

(i) Financial instruments

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

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets

(1) Classification and Measurement

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

– Financial assets at amortised cost;

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

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

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

Debt instruments

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

– Amortised cost:

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

– FVOCI:

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

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Classification and Measurement (Continued)

Debt instruments (Continued)

– 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) 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.

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(2) Impairment (Continued)

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.

(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.

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

(3) Derecognition (Continued)

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

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

(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.

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

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

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).

(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.

2 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

(iii) Fair value measurement principles

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

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

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

(iv) Offsetting

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

(v) Derivatives

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

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.

(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.

2 Significant accounting policies (Continued)

(l) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers, for which the customers provide the Group with collateral.

The Group recognises margin accounts at initial recognition, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial assets, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

For impairment of financial assets arising from margin financing and securities lending, refer to Note 2(i).

(m) 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)

(n) Property, plant and equipment

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

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(bb)).

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	4 – 50 years
–	Machinery and equipment	2 – 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.

(o) 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(t).

2 Significant accounting policies (Continued)

(p) 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(t)).

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 and others	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.

(q) 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.

2 Significant accounting policies (Continued)

(q) Inventories (Continued)

(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(bb)). 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.

(r) 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 t o 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.

2 Significant accounting policies (Continued)

(r) Leases (Continued)

(i) Lease liabilities (Continued)

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

To determine the incremental borrowing rate, the Group:

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

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

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

(ii) ROU assets

ROU assets are measured at cost comprising the following:

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

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

2 Significant accounting policies (Continued)

(r) Leases (Continued)

(ii) ROU assets (Continued)

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. As 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.

(s) 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.

(t) 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.

2 Significant accounting policies (Continued)

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

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.

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.

2 Significant accounting policies (Continued)

(u) 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)

(u) 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.

(v) 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 Financial Instruments ("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.

2 Significant accounting policies (Continued)

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

(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(v)(iii).

(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.

(w) 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)

(w) 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 recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognized as revenue on expiry.

2 Significant accounting policies (Continued)

(w) 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)

(x) 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.

(y) 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.

In 2022, the Group includes deposit held at call with banks with contractual obligation to use for specified purposes as a component of cash and cash equivalents by adopting related accounting standard interpretation for better information disclosure. The comparative figures were restated accordingly.

2 Significant accounting policies (Continued)

(z) 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)

(aa) 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.

(bb) 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.

2 Significant accounting policies (Continued)

(cc) Disposal groups held for sale and discontinued operations

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

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

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

3 Critical accounting estimates and judgements

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

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

(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.

3 Critical accounting estimates and judgements (Continued)

(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 52(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 52(a).

(c) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net 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(t), assets such as fixed assets, intangible assets, goodwill, 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.

3 Critical accounting estimates and judgements (Continued)

(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, foreign currency exchange rates, etc. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(f) Depreciation

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

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

(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.

3 Critical accounting estimates and judgements (Continued)

(h) Assets acquired/liabilities assumed in business combination

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

(i) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, 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 judgements (Continued)

(j) Control and consolidation

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

– assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

– performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

– assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

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

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

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

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

3 Critical accounting estimates and judgements (Continued)

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

FCD Indemnity Disputes

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

(i) Queensland Nickel FCD Indemnity Claim

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

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

On 14 September 2020, Justice K Martin ordered that:

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

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

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

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

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

3 Critical accounting estimates and judgements (Continued)

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

FCD Indemnity Disputes (Continued)

(i) Queensland Nickel FCD Indemnity Claim (Continued)

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

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

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

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

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

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

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

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

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (Continued)

(k) 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. That amount is alleged to represent the diminution in the value of Mineralogy's shares in a subsidiary of Mineralogy arising from the cancellation of a petroleum prospecting licence in the Gulf of Papua held by that subsidiary, or, alternatively, the diminution in value of another subsidiary of Mineralogy arising from that subsidiary having been delayed or impaired from developing the relevant petroleum prospecting licence.

On 14 September 2020, Justice K Martin ordered that:

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

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

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

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

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

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

3 Critical accounting estimates and judgements (Continued)

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

FCD Indemnity Disputes (Continued)

(ii) Palmer Petroleum FCD Indemnity Claim (Continued)

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

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

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

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

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

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

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

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

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

No trial date has been set for this proceeding.

3 Critical accounting estimates and judgements (Continued)

(k) 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.

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

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

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

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

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

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

Mediation was conducted in late 2019 but was unsuccessful.

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

3 Critical accounting estimates and judgements (Continued)

(k) 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"). On 28 July 2022, the Court of Appeal ordered that the hearing of the appeal be stayed pending delivery of judgment in the Consolidated MCP Proceedings. On 15 March 2023, Mineralogy and Mr. Palmer filed a notice of discontinuance of Proceeding CACV 5/2022.

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

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

(a) His Honour found that Mineralogy is obliged to either submit, or consent to the CITIC Parties submitting, the Programme of Works. If approved, the Programme of Works will allow the CITIC Parties to undertake investigative works necessary for the extension of the mine pit and a new tailings storage facility.

(b) His Honour confirmed that Mineralogy has contractual obligations to provide assistance and cooperation to the CITIC Parties, including in relation to the submission of project proposals under the State Agreement over site lease areas already subleased to the CITIC Parties. However, the Court declined to require Mineralogy to submit the mine continuation proposals in the form before the Court, for reasons including that those proposals presumed the use of tenure outside the site lease areas which Mineralogy had not agreed to provide.

(c) His Honour found that Mineralogy is required to honestly consider, and not unreasonably refuse, requests for additional tenure that are reasonably requested and reasonably required. His Honour found that the CITIC Parties' most recent tenure request lacked certain features required to meet that test, and so declined to order Mineralogy to grant the tenure the subject of that request. However, his Honour confirmed that an area outside the site lease areas, to the south of the current tailings storage facility, and that is held by Mineralogy, is necessary for future tailings and waste storage for the Sino Iron Project.

(d) The Court declined to order Mineralogy to take steps to re-purpose the general purpose leases, including because Mineralogy had not granted the CITIC Parties tenure over all of those general purpose leases.

3 Critical accounting estimates and judgements (Continued)

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

Mine Continuation Proposals Dispute (Continued)

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

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

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

Site Remediation Fund Disputes

(i) 2018 Site Remediation Fund Dispute

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

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

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

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

3 Critical accounting estimates and judgements (Continued)

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

Site Remediation Fund Disputes (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 Honour's reasons for decision. His Honour held that Mineralogy's claim should be dismissed, and that the CITIC Parties' counterclaim should also be dismissed. His Honour found, consistent with the submissions of the CITIC Parties, that the formulation of an "annual charge" pursuant to clause 20.6(e) requires Mineralogy to take its best prevailing estimate, subtract the amount already in the Site Remediation Fund, and then divide that amount by the number of years remaining until mine closure.

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

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

(a) enables payment of the estimated costs of remediation anticipated to be undertaken in the forthcoming Operating Year; and

(b) through a uniform annual payment over the number of years remaining until the permanent cessation of operations at the mine, will result in there being sufficient funds in the Site Remediation Fund to pay for the Site Remediation Work required at, and following, Mine Closure.

3 Critical accounting estimates and judgements (Continued)

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

Site Remediation Fund Disputes (Continued)

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

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

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

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

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

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

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

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

3 Critical accounting estimates and judgements (Continued)

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

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

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

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

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

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

4 Taxation

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

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

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

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.

(a) Net interest income

	For the year ended 31 December	
	2022 HK$ million	2021 HK$ million
Interest income arising from (note):		
Deposits with central banks, banks and non-bank financial institutions	**16,637**	10,050
Placements with banks and non-bank financial institutions	**7,382**	5,384
Financial assets held under resale agreements	**2,658**	1,562
Investments in financial assets		
– Financial assets at amortised cost	**46,551**	47,971
– Debt investments at FVOCI	**22,798**	24,310
Loans and advances to customers and other parties	**280,416**	282,523
Margin financing and securities lending	**7,543**	–
Others	**337**	8
	384,322	371,808
Interest expenses arising from:		
Borrowing from central banks	**(5,786)**	(8,195)
Deposits from banks and non-bank financial institutions	**(26,870)**	(33,253)
Placements from banks and non-bank financial institutions	**(3,919)**	(3,094)
Financial assets sold under repurchase agreements	**(5,825)**	(2,024)
Deposits from customers	**(119,531)**	(111,149)
Debt instruments issued	**(35,399)**	(31,453)
Customer brokerage deposits	**(1,515)**	–
Lease liabilities	**(608)**	(545)
Others	**(1,572)**	(122)
	(201,025)	(189,835)
Net interest income	**183,297**	181,973

Note:

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

5 Revenue (Continued)

(b) Net fee and commission income

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

(c) Sales of goods and services

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

5 Revenue (Continued)

(d) Other revenue

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

(i) Net trading gain under financial services segment

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

6 Costs of sales and services

	For the year ended 31 December	
	2022 **HK$ million**	2021 HK$ million
Costs of goods sold	**374,164**	344,583
Costs of services rendered		
– Costs of construction contracts	**16,951**	31,816
– Costs of other services	**22,307**	21,125
	413,422	397,524

7 Other net income

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Net gain on disposal/deemed disposal of subsidiaries, associates and joint ventures (Note 58(a))	**12,769**	1,393
Net (loss)/gain on financial investments under non-financial services segment	**(226)**	2,001
Net foreign exchange gain	**516**	781
Others	**5,946**	3,572
	19,005	7,747

8 Expected credit losses

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Expected credit losses charged on/(reversed from):		
– deposits and placements with banks and non- bank financial institutions	**2**	12
– financial assets held under resale agreements	**(54)**	(11)
– receivables(excluded prepayments)	**5,843**	3,025
– loans and advances to customers and other parties	**66,420**	61,473
– investments in financial assets		
• financial assets at amortised cost	**2,582**	26,214
• debt investments at FVOCI	**833**	(198)
– impairment provision of credit commitments and guarantees provided	**9,305**	8,492
– others	**6,974**	4,087
	91,905	103,094

9 Impairment losses

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Impairment losses charged on:		
– inventories	**469**	814
– interests in associates	**3,002**	567
– interests in joint ventures	**17**	–
– fixed assets (note)	**82**	123
– intangible assets (note)	**–**	3
– prepayments	**14**	9
– goodwill (Note 37)	**5,075**	12
– others	**163**	176
	8,822	1,704

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 2022, 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 2022.

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

Note:

Capitalisation rates applied to funds borrowed are 1.60% – 4.85% per annum for the year ended 31 December 2022 (2021: capitalisation rates of 1.50% – 4.92%).

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	
	2022 HK$ million	2021 HK$ million
Salaries and bonuses	**68,968**	51,385
Contributions to defined contribution retirement schemes	**8,196**	6,072
Others	**14,311**	13,421
	91,475	70,878

Note:

The Group substantially completed the transfer of the management of existing retirees to external organisations 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$63 million was recognised for the year ended 31 December 2022 (2021:HK$43 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.

The Group included CITIC Securities Company Limited ("CITIC Securities") in the consolidated financial statements from 13 April 2022 onward (Note 58(a)). On a comparable basis without consolidating CITIC Securities, the staff costs of the Group is HK$72,252 million for the year ended 31 December 2022, with a year-on-year increase of 1.94%, among which, salaries and bonuses are HK$53,177 million, with a year-on-year increase of 3.49%.

11 Profit before taxation (Continued)

(b) Other items

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

12 Income tax expense

(a) Income tax expense in the income statement

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

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

12 Income tax expense (Continued)

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

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Profit before taxation	**147,839**	121,141
Less: Share of profits of		
– associates	**(7,554)**	(12,787)
– joint ventures	**(5,312)**	(4,776)
	134,973	103,578
Notional tax on profit before taxation calculated at statutory tax rate of 16.5%	**22,271**	17,090
Effect of different tax rates in other jurisdictions	**13,674**	9,049
Tax effect of unused tax losses not recognised	**280**	472
Tax effect of non-deductible expenses	**8,005**	7,293
Tax effect of non-taxable income (note)	**(18,222)**	(13,079)
Others	**(1,180)**	38
Actual tax expense	**24,828**	20,863

Note:

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

13 Benefits and interests of directors

(a) Directors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2022 are set out as follows:

	For the year ended 31 December 2022									
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary									
	Fees HK$ million	Salary HK$ million	Discretionary bonuses HK$ million	Housing allowance HK$ million	Estimated money value of other benefits HK$ million	Social securities in China mainland HK$ million	Employer's contribution to a retirement benefit scheme HK$ million	Remunerations paid or receivable in respect of accepting office as committee member HK$ million	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$ million	Total HK$ million
Name of Current Directors										
Executive Directors:										
Zhu Hexin (i)	–	0.44	0.34	–	–	0.17	0.08	–	–	1.03
Xi Guohua (i)	–	0.44	0.34	–	–	0.17	0.08	–	–	1.03
Non-executive Directors										
Yu Yang	–	–	–	–	–	–	–	–	–	–
Zhang Lin (ii)	–	–	–	–	–	–	–	–	–	–
Li Yi (formerly known as Li Ruyi) (ii)	–	–	–	–	–	–	–	–	–	–
Yang Xiaoping	0.38	–	–	–	–	–	–	0.15	–	0.53
Tang Jiang (ii)(iii)	–	–	–	–	–	–	–	–	–	–
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	0.38	–	–	–	–	–	–	–	–	0.38
Name of Former Directors										
LI Qingping (i)(ii)	–	0.33	0.25	–	0.04	0.14	0.07	–	–	0.83
SONG Kangle (ii)	–	–	–	–	–	–	–	–	–	–
PENG Yanxiang (ii)	–	–	–	–	–	–	–	–	–	–
	2.28	1.21	0.93	–	0.04	0.48	0.23	0.98	–	6.15

Notes:

(i) The emoluments for the year ended 31 December 2022 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 2022:

(1) From 4 January 2022, Mr. Zhang Lin and Mr. Tang Jiang serve as the non-executive directors of the Company. From 30 November 2022, Ms. Li Yi (formerly known as Li Ruyi) serves as the non-executive director of the Company.

(2) From 21 October 2022, Ms. Li Qingping resigned as the executive director of the Company. From 30 November 2022, Mr. Song Kangle and Mr. Peng Yanxiang resigned as the non-executive directors of the Company.

(iii) On 26 March 2023, Mr. Tang Jiang passed away.

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 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 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]	–	0.45	0.60	–	–	0.16	0.07	–	–	1.28
Xi Guohua [i]	–	0.45	0.59	–	–	0.16	0.07	–	–	1.27
Li Qingping [i]	–	0.41	0.53	–	0.04	0.16	0.08	–	–	1.22
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	1.31	1.72	–	0.04	0.48	0.22	0.98	–	7.03

Notes:

(i) The emoluments for the year ended 31 December 2021 in respect of Mr. Zhu Hexin, Mr. Xi Guohua, and Ms. Li Qingping is restated based on the final results confirmed by the national authority.

(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.

13 Benefits and interests of directors (Continued)

(b) Other benefits and interests

For the year ended 31 December 2022, 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 (2021: None). No consideration was provided to or receivable by third parties for making available directors' services (2021: None). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: 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 2022 (2021: None).

14 Individuals with highest emoluments

For the year ended 31 December 2022, none of the five highest paid individuals are directors (2021: none) whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of these five individuals (2021: five) are as follows:

	For the year ended 31 December	
	2022 HK$ million	2021 HK$ million
Salaries and other emoluments	**22.83**	17.34
Discretionary bonuses	**46.25**	67.27
Retirement scheme contributions	**1.45**	0.68
	70.53	85.29

The emoluments of the 5 individuals (2021: 5) with the highest emoluments are within the following bands:

	For the year ended 31 December	
	2022 Number of individuals	2021 Number of individuals
HK$11,000,001- HK$11,500,000	**2**	–
HK$11,500,001- HK$12,000,000	**–**	–
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$14,000,001- HK$14,500,000	**1**	–
HK$14,500,001- HK$15,000,000	**–**	1
HK$18,000,001- HK$18,500,000	**–**	–
HK$20,500,001- HK$21,000,000	**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	**–**	–
	5	5

15 Dividends

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

16 Earnings per share

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

In 2019, China CITIC Bank Corporation Limited ("CITIC Bank"), a subsidiary of the Group, issued convertible bonds, the specific terms of which are disclosed in Note 47(f). The Group has subscribed 65.97% of the convertible bonds, which is the same as the Group's interest in CITIC Bank's common shares. Therefore, the convertible bonds issued by CITIC Bank has no dilutive effect on earnings per share of the Company.

In 2022, CITIC Pacific Special Steel Group Co., Ltd. ("CITIC Special Steel"), a subsidiary of the Group, issued convertible bonds, the specific terms of which are disclosed in Note 47(f). The convertible bonds issued by CITIC Special Steel has a dilutive effect on profit attributable to ordinary shareholders of the Company, the calculation results of which are listed as below:

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

17 Other comprehensive (loss)/gain

Components of other comprehensive (loss)/gain

	For the year ended 31 December	
	2022 HK$ million	2021 HK$ million
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gains on financial assets at FVOCI	(9,017)	5,268
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	(3,329)	(1,163)
Tax effect	2,562	(1,222)
	(9,784)	2,883
Allowance change for impairment profit or loss on debt investments at FVOCI	609	(64)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	–	–
Tax effect	(129)	103
	480	39
Gains arising from cash flow hedge	1,352	803
Less: Net amounts previously recognised in other comprehensive loss transferred to profit or loss in the current year	(125)	61
Tax effect	45	5
	1,272	869
Share of other comprehensive (loss)/gains of associates and joint ventures	(5,845)	237
Exchange differences on translation of financial statements and others	(115,936)	29,142
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of owner-occupied property as investment property: revaluation gain	27	271
Less: Tax effect	–	(26)
	27	245
Fair value loss on investments in equity instruments designated at FVOCI	320	505
Less: Tax effect	(62)	(61)
	258	444
	(129,528)	33,859

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, aluminium wheels, aluminium casting parts and other products.

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

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

18 Segment reporting (Continued)

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

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

	For the year ended 31 December 2022							
	Comprehensive financial services HK$ million	Advanced intelligent manufacturing HK$ million	Advanced materials HK$ million	New consumption HK$ million	New-type urbanisation HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Revenue from external customers	310,135	60,023	282,185	61,697	57,060	33	–	771,133
Inter-segment revenue	2,155	252	681	132	1,556	141	(4,917)	–
Reportable segment revenue	312,290	60,275	282,866	61,829	58,616	174	(4,917)	771,133
Disaggregation of revenue:								
– Net interest income (Note 5(a))	185,315	–	–	–	–	134	(2,152)	183,297
– Net fee and commission income (Note 5(b))	75,962	–	–	–	–	5	(58)	75,909
– Sales of goods (Note 5(c))	5,828	58,872	280,924	46,635	16,764	–	(997)	408,026
– Services rendered to customers-construction contracts (Note 5(c))	–	516	–	–	24,880	–	(864)	24,532
– Services rendered to customers-others (Note 5(c))	–	887	1,942	15,194	16,972	31	(761)	34,265
– Other revenue (Note 5(d))	45,185	–	–	–	–	4	(85)	45,104
Share of profits/(losses) of associates, net of tax	3,150	(7)	1,557	(108)	2,924	38	–	7,554
Share of profits/(losses) of joint ventures, net of tax	1,347	60	1,060	(11)	2,802	54	–	5,312
Finance income (Note 10)	–	231	614	81	1,003	310	(875)	1,364
Finance costs (Note 10)	–	(427)	(2,217)	(543)	(1,550)	(7,111)	2,148	(9,700)
Depreciation and amortisation (Note 11(b))	(10,043)	(1,542)	(7,625)	(2,323)	(1,918)	(93)	–	(23,544)
Expected credit losses (Note 8)	(84,890)	(158)	(116)	(23)	(6,752)	34	–	(91,905)
Impairment losses (Note 9)	(297)	(236)	(432)	(679)	(7,133)	(45)	–	(8,822)
Profit before taxation	121,004	1,559	20,114	1,940	1,379	2,862	(1,019)	147,839
Income tax (Note 12)	(19,605)	(184)	(3,289)	(645)	(477)	(610)	(18)	(24,828)
Profit for the year	101,399	1,375	16,825	1,295	902	2,252	(1,037)	123,011
Attributable to:								
– Ordinary shareholders of the Company	55,803	618	15,127	619	2,095	2,256	(1,037)	75,481
– Non-controlling interests	45,596	757	1,698	676	(1,193)	(4)	–	47,530

18 Segment reporting (Continued)

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

	As at 31 December 2022							
	Comprehensive financial services HK$ million	Advanced intelligent manufacturing HK$ million	Advanced materials HK$ million	New consumption HK$ million	New-type urbanisation HK$ million	Operation management HK$ million	Elimination HK$ million	Total HK$ million
Reportable segment assets	11,159,455	65,999	262,199	62,016	371,368	57,288	(184,126)	11,794,199
Including:								
Interests in associates (Note 32)	30,000	947	25,631	7,723	51,414	1,141	–	116,856
Interests in joint ventures (Note 33)	15,616	589	8,101	1,954	38,235	1,663	–	66,158
Reportable segment liabilities	9,990,801	44,675	117,952	27,668	170,967	227,565	(165,497)	10,414,131
Including:								
Bank and other loans (Note 46) (note)	14,235	14,374	46,809	6,348	53,377	106,119	(69,424)	171,838
Debt instruments issued (Note 47) (note)	1,211,159	–	5,610	3,503	–	97,258	(2,049)	1,315,481

Note:

The amount is the principal excluding interest accrued.

18 Segment reporting (Continued)

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

	For the year ended 31 December 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	67,326	272,756	65,563	352,488	115,523	(239,008)	10,685,521
Including:								
Interests in associates (Note 32)	59,880	944	25,297	9,532	55,795	2,733	–	154,181
Interests in joint ventures (Note 33)	17,135	692	8,171	1,973	30,811	1,817	–	60,599
Reportable segment liabilities	9,153,238	45,128	134,216	27,977	161,069	232,018	(233,715)	9,519,931
Including:								
Bank and other loans (Note 46) (note)	4,865	15,823	58,887	5,966	46,938	90,837	(78,411)	144,905
Debt instruments issued (Note 47) (note)	1,167,869	–	489	3,500	372	104,713	(32,237)	1,244,706

Note:

The amount is the principal excluding interest accrued.

18 Segment reporting (Continued)

(b) Geographical information

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

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

19 Cash and deposits

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Cash	**6,274**	7,232
Bank deposits	**122,679**	40,143
Balances with central banks (note (i)):		
– Statutory deposit reserve funds (note (ii))	**411,242**	444,955
– Surplus deposit reserve funds (note (iii))	**116,779**	80,199
– Fiscal deposits (note (iv))	**334**	3,315
– Foreign exchange reserves (note (v))	**1,896**	–
Deposits with banks and non-bank financial institutions	**96,507**	143,236
	755,711	719,080
Accrued interest	**2,264**	1,333
	757,975	720,413
Less: allowance for impairment losses on deposits with banks and non-bank financial institutions (Note 50)	**(110)**	(178)
	757,865	720,235

19 Cash and deposits (Continued)

Notes:

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

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

As at 31 December 2022, the statutory deposit reserve funds placed by CITIC Bank with the People's Bank of China was calculated at 7.5% (31 December 2021: 8%) of eligible RMB deposits for domestic branches of CITIC Bank and at 6% (31 December 2021: 8%) of eligible RMB deposits from overseas financial institutions respectively. In addition, CITIC Bank was also required to deposit an amount equivalent to 6% (31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2022, the statutory RMB deposit reserve rate applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of CITIC Bank, according to the corresponding regulations of the People's Bank of China, was at 5% (31 December 2021: 5%).

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

As at 31 December 2022, the statutory deposit reserve funds placed by CITIC Finance with the People's Bank of China was calculated at 5% (31 December 2021: 5%) of eligible RMB deposits from the customers of CITIC Finance. As at 31 December 2022, CITIC Finance is also required to deposit an amount equivalent to 6% (31 December 2021: 9%) 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 (unless otherwise stipulated by the local People's Bank of China).

(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.

(vi) In addition to the statutory deposit reserve funds, fiscal deposits and foreign exchange reserves, HK$9,896 million (31 December 2021: HK$6,342 million) included in cash and deposits as at 31 December 2022 were restricted in use, mainly including guaranteed pledged bank deposits and guaranteed deposits.

20 Cash held on behalf of customers

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 42). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by relevant authorities.

21 Placements with banks and non-bank financial institutions

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Banks	**63,270**	63,981
Non-bank financial institutions	**179,049**	108,942
	242,319	172,923
Accrued interest	**1,162**	940
	243,481	173,863
Less: allowance for impairment losses (Note 50)	**(157)**	(109)
	243,324	173,754
Analysed by remaining maturity:		
– Within 1 month	**49,033**	35,413
– Between 1 month and 1 year	**146,548**	120,754
– Over 1 year	**46,738**	16,756
	242,319	172,923
Accrued interest	**1,162**	940
	243,481	173,863
Less: allowance for impairment losses (Note 50)	**(157)**	(109)
	243,324	173,754

22 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.

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.

	As at 31 December					
	2022			2021		
	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:						
– Interest rate derivatives	**672**	**10**	**–**	–	–	–
– Currency derivatives	**2,212**	**197**	**–**	2,212	35	441
Cash flow hedge:						
– Interest rate derivatives	**14,582**	**304**	**103**	14,982	53	1,298
– Currency derivatives	**238**	**5**	**10**	1,069	6	6
– Other derivatives	**103**	**103**	**–**	102	15	1
Non-hedging instruments						
– Interest rate derivatives	**5,521,988**	**25,448**	**23,903**	3,217,393	10,571	10,443
– Currency derivatives	**3,727,459**	**37,785**	**37,679**	2,371,579	17,040	17,421
– Equity derivatives	**568,459**	**22,049**	**12,998**	–	–	–
– Precious metals derivatives	**39,767**	**280**	**669**	20,846	180	185
– Credit derivatives	**13,557**	**88**	**170**	–	–	–
– Other derivatives	**958,260**	**4,260**	**5,511**	18,593	58	248
	10,847,297	**90,529**	**81,043**	5,646,776	27,958	30,043

22 Derivative financial instruments (Continued)

(a) Nominal amount analysed by remaining maturity

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Within 3 months	**3,809,127**	2,550,773
Between 3 months and 1 year	**3,573,363**	1,685,430
Between 1 year and 5 years	**2,853,768**	1,371,127
Over 5 years	**611,039**	39,446
	10,847,297	5,646,776

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 2022, the credit risk weighted amount for counterparty was HK$27,516 million (31 December 2021: HK$27,158 million).

23 Trade and other receivables

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Account and bills receivables (note (a))	**77,132**	72,072
Advanced payments and settlement accounts (note (b))	**25,163**	28,339
Accounts due from brokers	**29,925**	–
Prepayments, deposits and other receivables ((note (c))	**119,760**	85,282
	251,980	185,693
Less: allowance for impairment losses (Note 50)	**(15,464)**	(12,856)
	236,516	172,837

As at 31 December 2022, 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$3,185 million (31 December 2021: HK$5,679 million). The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

23 Trade and other receivables (Continued)

(a) Account and bills receivables

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

As at 31 December 2022, 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 2022		
	Expected credit loss rate	**Gross carrying amount HK$ million**	**Loss allowance provision HK$ million**
Current	**2%**	**48,582**	**(1,024)**
Up to 3 months overdue	**3%**	**2,095**	**(69)**
3 months to 1 year overdue	**5%**	**3,561**	**(169)**
Over 1 year overdue	**55%**	**17,513**	**(9,607)**
		71,751	**(10,869)**

	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)

Note:

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

23 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 2022 and 2021, 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	
	2022 HK$ million	2021 HK$ million
Within 1 year	**48,889**	46,156
Over 1 year	**22,862**	14,674
	71,751	60,830
Less: allowance for impairment losses (Note 50)	**(10,869)**	(7,705)
	60,882	53,125

(iii) As at 31 December 2022, the carrying amount of bills receivables at FVOCI was HK$5,381 million (31 December 2021: HK$11,242 million).

(iv) The movements in the allowance for impairment losses on trade and other receivables during the years ended 31 December 2022 and 2021 are disclosed in Note 50.

(b) Advanced payments and settlement accounts

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Advanced payments and settlement accounts	**25,163**	28,339
Less: allowance for impairment losses (Note 50)	**(231)**	(217)
	24,932	28,122

(c) Prepayments, deposits and other receivables

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Prepayments, deposits and other receivables	**119,760**	85,282
Less: allowance for impairment losses	**(4,364)**	(4,934)
	115,396	80,348

24 Contract assets and contract liabilities

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

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Contract assets	**21,888**	13,422
Less: Allowance for impairment losses (note(a))	**(51)**	(15)
Total contract assets	**21,837**	13,407
Advances from contracts with customers	**33,132**	33,488
Total contract liabilities	**33,132**	33,488

(a) Assessment of allowance for impairment losses of contract

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Expected credit loss rate (note)	**0.23%**	0.11%
Gross carrying amount	**21,888**	13,422
Loss allowance provision	**(51)**	(15)

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	
	2022 HK$ million	2021 HK$ million
Revenue from contracts with customers	**22,631**	19,918

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

As at 31 December 2022, transaction price allocated to unsatisfied contracts of the Group amounted at HK$92,752 million (2021: HK$100,594 million), of which HK$30,137 million is expected to be recognised as revenue in the next year (2021: HK$38,047 million) and the remaining HK$62,615million is expected to be recognised after more than one year (2021: HK$62,547 million).

25 Inventories

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Raw materials	**11,662**	8,277
Work-in-progress	**8,994**	10,330
Finished goods	**31,274**	31,829
Properties:		
– Properties under development	**55,089**	48,126
– Properties held-for-sale	**4,413**	4,549
– Others	**6,597**	6,728
Others	**4,050**	3,564
	122,079	113,403

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	
	2022 **HK$ million**	2021 HK$ million
Carrying amount of inventories sold	**374,164**	344,583
Write-down of inventories (Note 50)	**873**	1,251
Reversal of write-down of inventories (Note 50)	**(404)**	(437)
	374,633	345,397

As at 31 December 2022, the Group's inventories included an amount of HK$56,685 million expected to be recovered after more than one year (31 December 2021: HK$54,967 million).

26 Financial assets held under resale agreements

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Analysed by counterparties:		
– Banks	**17,082**	79,736
– Non-bank financial institutions	**3,250**	32,533
– Others	**30,731**	–
	51,063	112,269
Accrued interest	**112**	15
	51,175	112,284
Less: allowance for impairment losses (Note 50)	**–**	(57)
	51,175	112,227

Analysed by types of collateral:

As at 31 December 2022, the collateral of the Group's financial assets held under resale agreements are securities and stocks (31 December 2021: securities).

Analysed by remaining maturity:

As at 31 December 2022, the Group's financial assets held under resale agreements will expire between 0 month and 60 months (31 December 2021: within one month).

27 Loans and advances to customers and other parties

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

	As at 31 December	
	2022	2021
	HK$ million	HK$ million
Loans and advances to customers and other parties at amortised cost		
Corporate loans:		
– Loans	**2,708,113**	2,749,733
– Discounted bills	**4,146**	5,532
– Finance lease receivables	**52,130**	57,307
	2,764,389	2,812,572
Personal loans:		
– Residential mortgages	**1,092,399**	1,190,546
– Credit cards	**572,169**	646,112
– Personal consumption	**291,553**	304,048
– Business loans	**424,082**	382,318
– Finance lease receivables	**414**	
	2,380,617	2,523,024
	5,145,006	5,335,596
Accrued interest	**19,462**	16,181
	5,164,468	5,351,777
Less: allowance for impairment losses (Note 50)	**(153,923)**	(154,269)
Carrying amount of loans and advances to customers and other parties at amortised cost	**5,010,545**	5,197,508
Loans and advances to customers and other parties at FVPL		
– Loans	**4,345**	–
Loans and advances to customers and other parties at FVOCI		
Corporate loans:		
– Loans	**61,403**	47,210
– Discounted bills	**568,959**	564,578
Carrying amount of loans and advances to customers and other parties at FVOCI	**630,362**	611,788
Total carrying amount of loans and advances	**5,645,252**	5,809,296
Allowance for impairment losses on loans and advances to customers and other parties at FVOCI (Note 50)	**(703)**	(916)

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

(b) Assessment method of allowance for impairment losses

	As at 31 December 2022				
	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	4,955,167	100,119	89,720	5,145,006	1.57%
Accrued interest	16,285	2,379	798	19,462	
Less: allowance for impairment losses	(68,962)	(25,354)	(59,607)	(153,923)	
Carrying amount of loans and advances at amortised cost	4,902,490	77,144	30,911	5,010,545	
Carrying amount of loans and advances at FVOCI	629,382	806	174	630,362	
Total carrying amount of loans and advances for which allowance for impairment losses is recognised	5,531,872	77,950	31,085	5,640,907	
Allowance for impairment losses of loans and advances at FVOCI	(585)	(30)	(88)	(703)	

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

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

	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)	

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

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Secured portion	**48,503**	63,359
Unsecured portion	**42,189**	29,310
Total loans and advances that are credit-impaired	**90,692**	92,669
Allowance for impairment losses	**(59,695)**	(60,148)

As at 31 December 2022, the maximum exposure covered by fair value of pledge and collateral held against these loans and advances amounted to HK$47,625 million (31 December 2021: HK$64,426 million).

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

(c) Overdue loans by overdue period

	As at 31 December 2022				
	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	**19,140**	**10,484**	**1,899**	**313**	**31,836**
Guaranteed loans	**3,238**	**2,621**	**2,648**	**2,227**	**10,734**
Secured loans					
– Loans secured by collateral	**13,928**	**14,605**	**7,938**	**2,616**	**39,087**
– Pledged loans	**3,080**	**7,390**	**2,450**	**854**	**13,774**
	39,386	**35,100**	**14,935**	**6,010**	**95,431**

	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

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

28 Margin accounts

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Margin accounts	**119,758**	–
Less: allowance for impairment losses	**–**	–
Total	**119,758**	–

Margin accounts are funds that the Group lends to the customers for margin financing business.

As at 31 December 2022, the Group received collateral with fair value amounted to HK$483,387 million in connection with its margin financing business.

29 Investments in financial assets

(a) Analysed by types

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Financial assets at amortised cost		
Debt securities	978,011	1,104,924
Investment management products managed by securities companies	44,363	61,660
Trust investment plans	253,290	290,864
Certificates of deposit and certificates of interbank deposit	4,392	1,692
Investments in creditor's rights on assets	2,127	–
Others	375	646
	1,282,558	1,459,786
Accrued interest	11,749	12,792
	1,294,307	1,472,578
Less: allowance for impairment losses (Note 50)	(35,342)	(36,755)
	1,258,965	1,435,823
Financial assets at FVPL		
Debt securities	272,000	75,792
Investment management products managed by securities companies	21,437	11,134
Trust investment plans	7,069	4,706
Certificates of deposit and certificates of interbank deposit	53,828	37,642
Wealth management products	3,383	2,677
Investment funds	622,301	517,919
Equity investment	251,694	16,876
Others	39,892	460
	1,271,604	667,206
Debt investments at FVOCI (note (i))		
Debt securities	920,639	781,923
Certificates of deposit and certificates of interbank deposit	49,845	5,267
Investment management products managed by securities companies	–	30
	970,484	787,220
Accrued interest	7,235	5,968
	977,719	793,188
Allowance for impairment losses on debt investments at FVOCI (Note 50)	(3,436)	(2,919)
Equity investments at FVOCI (note (i))		
Equity investment	10,071	10,287
Investment funds	393	358
	10,464	10,645
	3,518,752	2,906,862

29 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

Notes:

(i) Financial assets measured at FVOCI.

	As at 31 December 2022		
	Equity instruments HK$ million	**Debt instruments HK$ million**	**Total HK$ million**
Cost/amortised cost	**10,581**	**977,792**	**988,373**
Accumulative fair value change in OCI	**(117)**	**(7,308)**	**(7,425)**
Accrued interest	**–**	**7,235**	**7,235**
Carrying amount	**10,464**	**977,719**	**988,183**
Allowance for impairment losses (Note 50)	**N/A**	**(3,436)**	**(3,436)**

	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 50)	N/A	(2,919)	(2,919)

29 Investments in financial assets (Continued)

(b) Analysed by counterparties

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Issued by:		
– Government	**1,300,890**	1,139,453
– Policy banks	**122,638**	166,336
– Banks and non-bank financial institutions	**1,668,193**	1,408,770
– Corporates	**406,358**	170,293
– Public entities	**1,783**	3,376
	3,499,862	2,888,228
Accrued interest	**18,890**	18,634
	3,518,752	2,906,862
– Listed in Hong Kong	**113,645**	58,046
– Listed outside Hong Kong	**2,837,225**	2,371,165
– Unlisted	**548,992**	459,017
	3,499,862	2,888,228
Accrued interest	**18,890**	18,634
	3,518,752	2,906,862

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

29 Investments in financial assets (Continued)

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

	As at 31 December 2022			
	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	1,212,830	5,775	63,953	1,282,558
Accrued interest	11,460	155	134	11,749
Less: allowance for impairment losses	(3,938)	(1,605)	(29,799)	(35,342)
Carrying amount of investments in financial assets at amortised cost	1,220,352	4,325	34,288	1,258,965
Gross carrying amount of debt investments in financial assets at FVOCI	969,123	152	1,209	970,484
Accrued interest	7,209	–	26	7,235
Carrying amount of debt investments in financial assets at FVOCI	976,332	152	1,235	977,719
Total carrying amount of investments in financial assets for which allowance for impairment losses is recognised	2,196,684	4,477	35,523	2,236,684
Allowance for impairment losses on debt investments in financial assets at FVOCI	(1,740)	(110)	(1,586)	(3,436)

29 Investments in financial assets (Continued)

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

	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)

30 Refundable deposits

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Trading deposits	**59,215**	–
Performance deposits	**16,885**	–
Credit deposits	**1,321**	–
	77,421	–

31 Subsidiaries

The particulars of the principal subsidiaries are set out in Note 63.

The following table lists out the information relating to CITIC Bank, CITIC Securities, 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		CITIC Securities
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**
Listed in:	Hong Kong and Shanghai		Shanghai		Hong Kong		Hong Kong		Hong Kong and Shanghai
Non-controlling interests percentage	34.03%	34.03%	32.73%	32.73%	42.27%	42.18%	40.50%	40.50%	81.55%
Total assets	9,568,821	9,837,187	21,833	24,924	18,186	18,382	12,440	12,703	1,468,069
Mainly including:									
Cash and deposits	622,673	664,432	1,827	2,609	1,986	1,793	2,130	1,926	125,832
Cash held on behalf of customers	–	–	–	–	–	–	–	–	275,083
Placements with banks and non-bank financial institutions	244,231	176,025	–	–	–	–	–	–	–
Derivative financial assets	49,686	27,790	–	–	–	–	103	21	40,737
Financial assets held under resale agreements	15,370	111,836	–	–	–	–	–	–	35,245
Loans and advances to customers and other parties	5,641,033	5,807,333	–	–	–	–	–	–	–
Margin accounts	–	–	–	–	–	–	–	–	119,758
Investments in financial assets	2,801,917	2,840,804	569	619	–	–	–	–	673,033
Fixed assets	38,544	41,810	4,718	5,971	2,323	2,625	3,601	3,839	10,155
ROU assets	12,117	11,919	22	57	599	654	76	83	10,744

31 Subsidiaries (Continued)

	As at 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		CITIC Securities
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**
Total liabilities	(8,801,045)	(9,051,197)	(13,053)	(15,460)	(7,715)	(8,206)	(4,675)	(5,780)	(1,178,583)
Mainly including:									
Borrowing from central banks	(133,690)	(231,406)	–	–	–	–	–	–	–
Deposits from banks and non-bank financial institutions	(1,280,437)	(1,436,843)	–	–	–	–	–	–	–
Placements from banks and non-bank financial institutions	(79,193)	(95,806)	–	–	–	–	–	–	(33,115)
Derivative financial instruments	–	–	–	–	–	–	–	–	(312,786)
Trade and other payables	–	–	(2,919)	(3,427)	(1,202)	(1,024)	(107)	(136)	(229,815)
Derivative financial liabilities	(49,553)	(28,018)	–	–	–	–	–	(1)	(31,483)
Financial assets sold under repurchase agreements	(286,805)	(120,277)	–	–	–	–	–	–	(239,886)
Deposits from customers	(5,774,136)	(5,858,572)	–	–	–	–	–	–	–
Bank and other loans	–	–	(4,299)	(6,229)	(949)	(1,878)	(2,583)	(3,659)	(11,277)
Lease liabilities	(11,500)	(12,006)	(16)	(32)	(454)	(496)	(62)	(68)	(2,207)
Net assets	767,776	785,990	8,780	9,464	10,471	10,176	7,765	6,923	289,486
Equity attributable to									
– Ordinary shareholders of subsidiaries	616,248	625,439	8,547	9,223	10,373	10,095	7,745	6,944	283,604
– Non-controlling interests in subsidiaries	151,528	160,551	233	241	98	81	20	(21)	5,882
Carrying amount of non-controlling interests	361,237	373,388	3,030	3,260	4,483	4,339	3,157	2,791	240,003

31 Subsidiaries (Continued)

	For the year ended 31 December								
	CITIC Bank		CITIC Heavy Industries		CITIC Telecom International		CITIC Resources		CITIC Securities
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**
Revenue	**245,578**	246,356	**10,268**	9,093	**10,111**	9,486	**5,866**	4,349	**57,745**
Profit for the year	**73,229**	67,898	**192**	268	**1,224**	1,107	**1,400**	1,114	**19,722**
Total comprehensive income for the year	**68,925**	69,698	**206**	206	**1,139**	1,120	**1,196**	1,156	**21,044**
Profit attributable to non-controlling interests	**29,244**	26,080	**78**	85	**536**	485	**605**	458	**16,307**
Dividends paid to non-controlling interests	**11,966**	8,719	**40**	41	**368**	343	**–**	–	**8,556**
Net cash (used in)/ generated from operating activities	**226,916**	(90,799)	**1,411**	821	**2,722**	2,394	**2,153**	1,107	**(15,979)**
Net cash (used in)/ generated from investing activities	**(134,792)**	(249,042)	**(192)**	(257)	**(666)**	(878)	**(861)**	(871)	**(7,402)**
Net cash generated from/(used in) financing activities	**(37,852)**	264,854	**(1,738)**	(608)	**(2,197)**	(1,599)	**(1,557)**	(1,254)	**(67,816)**

32 Interests in associates

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Carrying value	**125,726**	160,259
Less: allowance for impairment losses (Note 50)	**(8,870)**	(6,078)
	116,856	154,181

Notes:

As at 13 April 2022, CITIC Securities has been included in the scope of the consolidation financial statements(note(58)(a)), and CITIC Securities was an material associate before the combination date.

The particulars of the principal associates are set out in Note 63.

32 Interests in associates (Continued)

Summarised financial information of the material associates are disclosed below:

	As at 31 December					
	China Overseas Land & Investment Limited		China Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million
Listed in:	Hong Kong		Hong Kong, Shanghai		Canada	
Gross amount of the associates						
Total assets	**1,047,000**	1,088,469	**570,886**	553,806	**40,838**	35,031
Total liabilities	**(604,695)**	(627,202)	**(466,451)**	(455,951)	**(8,793)**	(7,071)
Net assets	**442,305**	461,267	**104,435**	97,855	**32,045**	27,960
Equity attributable to:						
– Associates' shareholders	**421,462**	444,699	**104,385**	97,625	31,317	28,444
– Non-controlling interests in associates	**20,843**	16,568	**50**	230	728	(484)
	442,305	461,267	**104,435**	97,855	32,045	27,960

32 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		China Securities Co., Ltd.		Ivanhoe Mines Ltd.	
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million
Revenue	**209,765**	291,739	42,426	47,009	–	–
Profit for the year	**28,072**	51,367	8,745	12,326	3,167	437
Other comprehensive (loss)/income for the year	**(1,713)**	15	(121)	443	75	(108)
Total comprehensive income/(loss) for the year	**26,359**	51,382	8,624	12,769	3,242	329
Dividends received from associates	**1,271**	1,293	339	163	–	–
Reconciled to the Group's interests in associates						
Gross amounts of net assets of associates attributable to the associates' shareholders	**421,462**	444,699	104,385	97,625	31,317	28,444
Group's effective interest	**10.01%**	10.01%	9.47%	4.53%	25.92%	26.01%
Group's share of net assets of associates	**42,188**	44,514	9,885	4,422	8,117	7,398
Goodwill and others	**1,417**	1,417	4,240	(699)	(53)	(169)
Impairment of interests in associates	**(3,962)**	(3,962)	–	–	–	–
Carrying amounts in the consolidated balance sheet	**39,643**	41,969	14,125	3,723	8,064	7,229
Quoted fair value	**22,569**	20,224	12,581	3,000	19,155	19,736

Note:

Aggregate information of associates that are not individually material:

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**55,023**	66,172
Aggregate amount of the Group's share of those immaterial associates:		
Profit for the year	**3,575**	3,712
Other comprehensive loss for the year	**(435)**	(757)
Total comprehensive income for the year	**3,140**	2,955

33 Interests in joint ventures

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Carrying value	**67,660**	62,088
Less: allowance for impairment losses (Note 50)	**(1,502)**	(1,489)
	66,158	60,599

The particulars of the principal joint ventures are set out in Note 63.

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	
	2022 **HK$ million**	2021 HK$ million	**2022** **HK$ million**	2021 HK$ million	**2022** **HK$ million**	2021 HK$ million
Gross amount of the joint ventures						
Total assets	242,458	225,241	17,365	23,371	33,323	22,946
Total liabilities	(227,088)	(206,731)	(7,590)	(14,068)	(23,792)	(15,395)
Net assets	15,370	18,510	9,775	9,303	9,531	7,551
Equity attributable to:						
– Joint ventures' shareholders	14,718	17,831	9,775	9,303	9,531	7,551
– Non-controlling interests in joint ventures	652	679	–	–	–	–
	15,370	18,510	9,775	9,303	9,531	7,551

33 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	
	2022 HK$ million	2021 HK$ million	**2022 HK$ million**	2021 HK$ million	**2022 HK$ million**	2021 HK$ million
Revenue	43,409	39,395	4,023	1,707	73	113
Profit for the year	1,275	3,511	1,165	460	2,722	135
Other comprehensive income for the year	(2,904)	811	–	–	–	–
Total comprehensive income for the year	(1,629)	4,322	1,165	460	2,722	135
Dividends received from joint ventures	–	476	–	–	–	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets of joint ventures attributable to joint ventures' shareholders	14,718	17,831	9,775	9,303	9,531	7,551
Group's effective interest	50%	50%	50%	50%	50%	50%
Group's share of net assets of joint ventures	7,359	8,916	4,888	4,652	4,766	3,776
Goodwill and others	1,259	1,391	88	102	298	311
Carrying amount in the consolidated balance sheet	8,618	10,307	4,976	4,754	5,064	4,087

Aggregate information of joint ventures that are not individually material:

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	47,500	41,451
Aggregate amount of the Group's share of individually immaterial joint ventures		
Profit for the year	2,683	2,688
Other comprehensive loss for the year	(51)	(21)
Total comprehensive income for the year	2,632	2,667

34 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 2022	97,832	172,386	27,344	22,943	13,677	8,801	342,983	40,006
Exchange adjustments	(7,603)	(8,270)	(2,036)	(2,039)	(495)	(136)	(20,579)	(2,480)
Business combinations	6,739	98	1,599	565	2,682	51	11,734	1,817
Additions	1,251	1,421	10,726	3,270	559	1,434	18,661	1,373
Disposals	(975)	(2,155)	(1,172)	(2,620)	(889)	(1,115)	(8,926)	(199)
Transfers	8,510	3,633	(14,450)	728	6	1,694	121	(121)
Change in fair value of investment properties	–	–	–	–	–	–	–	(758)
At 31 December 2022	105,754	167,113	22,011	22,847	15,540	10,729	343,994	39,638
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2022	(30,565)	(106,798)	(735)	(14,782)	(7,186)	(5,611)	(165,677)	–
Exchange adjustments	1,896	4,574	19	1,201	283	181	8,154	–
Charge for the year	(2,817)	(6,691)	–	(2,583)	(578)	(1,312)	(13,981)	–
Disposals	851	2,048	141	2,454	613	382	6,489	–
Impairment losses (Note 50)	(14)	(28)	(26)	(1)	–	(13)	(82)	–
At 31 December 2022	(30,649)	(106,895)	(601)	(13,711)	(6,868)	(6,373)	(165,097)	–
Net book value:								
At 31 December 2022	75,105	60,218	21,410	9,136	8,672	4,356	178,897	39,638
Represented by:								
Cost	105,754	167,113	22,011	22,847	15,540	10,729	343,994	–
Valuation	–	–	–	–	–	–	–	39,638
	105,754	167,113	22,011	22,847	15,540	10,729	343,994	39,638

34 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 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 50)	(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

34 Fixed assets (Continued)

As at 31 December 2022, the Group was in the process of applying the ownership certificates in respect of certain premises of HK$832 million (31 December 2021: HK$656 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 2022 and 2021 by the following independent professionally qualified valuers. Management of the Group had discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2022
Mainland China and Hong Kong	China Enterprise Appraisals Consultation Co., Ltd.
	Centaline Surveyors Limited
	Prudential Surveyors (Hong Kong) Limited
	Knight Frank Petty Limited
	China United Assets Appraisal Group
	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
	Martin Reynolds AAPI MRICS
	Savills
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

34 Fixed assets (Continued)

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

(i) Property valuation (Continued)

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

(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.

34 Fixed assets (Continued)

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

(ii) Fair value hierarchy (Continued)

	Level 3 For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Recurring fair value measurement		
Investment properties – Mainland China		
At 1 January	**26,875**	25,061
Exchange adjustments	**(2,428)**	744
Business combinations	**1,634**	–
Additions	**1,339**	289
Disposal of subsidiaries	**–**	(393)
Disposals	**(32)**	(14)
Transfers	**(121)**	740
Change in fair value of investment properties	**(606)**	448
At 31 December	**26,661**	26,875
Investment properties – Hong Kong		
At 1 January	**12,633**	12,887
Exchange adjustments	**(3)**	–
Additions	**34**	89
Disposals	**(162)**	–
Transfers	**–**	191
Change in fair value of investment properties	**(83)**	(534)
At 31 December	**12,419**	12,633
Investment properties – Overseas		
At 1 January	**498**	507
Exchange adjustments	**(49)**	(29)
Business combinations	**183**	–
Disposals	**(5)**	–
Change in fair value of investment properties	**(69)**	20
At 31 December	**558**	498

34 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 2022, there were no Level 1 and Level 2 fair value hierarchy (2021: Nil) and no transfers into or out of Level 3 (2021: 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.

35 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 2022	16,316	945	75	86	1,140	18,562	19,941	38,503
Exchange adjustments	(1,327)	–	(7)	(1)	(78)	(1,413)	(892)	(2,305)
Business combinations	2,219	–	–	82	1	2,302	9,542	11,844
Additions	6,039	14	46	645	243	6,987	874	7,861
Reductions	(418)	(822)	–	–	(8)	(1,248)	(492)	(1,740)
Depreciation charge	(5,437)	(69)	(26)	(172)	(190)	(5,894)	(2,124)	(8,018)
At 31 December 2022	17,392	68	88	640	1,108	19,296	26,849	46,145

	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

(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 2022 were HK$769 million (2021: HK$563 million).

(ii) The expense relating to variable lease payments not included in lease liabilities (included in other operating expenses) was HK$17 million (2021: HK$13 million).

(ii) The total cash outflow for leases for the year ended 31 December 2022 was HK$7,063 million (2021: HK$6,566 million).

35 ROU assets and lease liabilities (Continued)

(b) Lease liabilities

Lease liabilities analysed by maturity

	As at 31 December	
	2022	2021
	HK$ million	HK$ million
– Within 1 year	**7,511**	7,800
– Over 1 year	**14,350**	12,962
	21,861	20,762

As at 31 December 2022, the table below presents on maturity date by the undiscounted cash flows of the Group's lease liabilities:

	As at 31 December	
	2022	2021
	HK$ million	HK$ million
– Within 1 year	**8,043**	8,014
– Between 1 and 5 year	**9,963**	10,669
– Over 5 year	**4,982**	3,677
	22,988	22,360

36 Intangible assets

	For the year ended 31 December				
	Mining assets HK$ million	Franchise rights HK$ million	Software HK$ million	Others HK$ million	Total HK$ million
Cost:					
At 1 January 2022	21,126	8,583	9,433	5,745	44,887
Exchange adjustments	(39)	(751)	(920)	(327)	(2,037)
Business combinations	–	–	322	394	716
Additions	120	623	2,507	243	3,493
Disposals	–	(2)	(271)	(255)	(528)
At 31 December 2022	21,207	8,453	11,071	5,800	46,531
Accumulated amortisation and impairment losses:					
At 1 January 2022	(17,017)	(1,383)	(5,419)	(2,664)	(26,483)
Exchange adjustments	49	125	545	281	1,000
Charge for the year	(82)	(235)	(1,779)	(525)	(2,621)
Disposals	–	–	271	18	289
Impairment losses (Note 50)	–	–	–	–	–
At 31 December 2022	(17,050)	(1,493)	(6,382)	(2,890)	(27,815)
Net book value:					
At 31 December 2022	4,157	6,960	4,689	2,910	18,716

36 Intangible assets (Continued)

	For the year ended 31 December				
	Mining assets HK$ million	Franchise rights 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 50)	–	(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

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

37 Goodwill

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Cost:		
At 1 January	**23,666**	23,162
Additions	**14,072**	254
Disposals	**(26)**	–
Exchange differences	**(2,161)**	250
At 31 December	**35,551**	23,666
Accumulated impairment losses:		
At 1 January	**(2,076)**	(2,029)
Additions (Note 50)	**(5,075)**	(12)
Disposals	**26**	–
Exchange differences	**258**	(35)
At 31 December	**(6,867)**	(2,076)
Net book value:		
At 31 December	**28,684**	21,590

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

	As at 31 December	
	2022	2021
	HK$ million	HK$ million
Comprehensive financial services	**14,249**	1,541
Advanced intelligent manufacturing	**1,115**	1,298
Advanced materials	**231**	261
New consumption	**12,366**	12,427
New-type urbanisation	**723**	6,063
	28,684	21,590

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.

37 Goodwill (Continued)

In this amount, for the integrated financial service segment, the Group included CITIC Securities in the consolidation scope in 2022, generating goodwill of HKD14,053 million (Note 58). As at 31 December 2022, the Group allocated such goodwill to CITIC Securities for impairment test, and evaluated whether it was impaired by adopting the present value of the expected future cash flows. In the calculation, the Group determined the growth rate based on historical experience and forecasts of market development. The growth rate of the forecast period was determined according to the budget of the management, and 2% of the growth rate of the stable period was the growth rate used after the forecast period. The Group adopted 15.47%, which could reflect the overall risk of CITIC Securities, as the pre-tax discount rate. As the calculation showed, the goodwill arising from consolidation of CITIC Securities had not been impaired.

Among the total book value of the Group's goodwill, an amount of HK$9,710 million was from acquisition of subsidiaries by CITIC Telecom International. As at 31 December 2022, the Group assessed goodwill impairment by using discounted cash flow model, key assumptions used for the calculations are as follows:

	2022	2021
Services revenue growth rates	**0.1%-7.3%**	3.7% – 8.3%
Long-term growth rates	**3.0%**	3.0%
Pre-tax discount rates	**10.5%-13.4%**	9.1% – 10.4%

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.

For the urbanisation segment, HKD5,375 million in the original carrying amount of the Group's goodwill was generated from acquisition of the subsidiary of CITIC Environment Investment Group Co., Ltd. ("CITIC Environment"). As at 31 December 2022, the Group's management evaluated whether it was impaired by adopting the present value of the expected future cash flows. The key assumptions used in the calculation include the long-term revenue growth rate that does not exceed the relevant industry average, the estimated gross margin and pre-tax discount rate of 9.49% (2021: 9.48%) based on historical experience and taking into account the impact of market development. CITIC Environment expected a decline in performance due to policy adjustment and macroeconomic trends. As the calculation showed, the goodwill suffered an impairment loss of HKD4,840 million in 2022 (2021: Nil).

For the year ended 31 December 2022, the goodwill suffered an impairment loss totalling HKD5,075 million (2021: HKD12 million).

38 Income tax in the balance sheet

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

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Income tax payable	**17,606**	16,184

(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 2022 and 2021, 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 2021	14,684	4,648	49,497	888	4,432	2,060	76,209
Charged to profit or loss	(373)	278	8,175	(46)	(1,023)	630	7,641
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
At 1 January 2022	14,452	5,081	59,231	698	3,443	2,793	85,698
Charged to profit or loss	(187)	76	6,698	3,644	(493)	1,406	11,144
Charged to other comprehensive income	–	(83)	10	11	–	55	(7)
Business combinations	–	5,752	3,629	702	11	435	10,529
Exchange adjustments and others	(86)	(860)	(5,525)	(247)	(63)	(505)	(7,286)
At 31 December 2022	14,179	9,966	64,043	4,808	2,898	4,184	100,078

38 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 2022 and 2021, 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 2021	(2,366)	(1,797)	(4,234)	(5,092)	(13,489)
Charged to profit or loss	269	42	(359)	(2,434)	(2,482)
Charged 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)
At 1 January 2022	(3,676)	(1,859)	(4,712)	(7,312)	(17,559)
Charged to profit or loss	(694)	(255)	140	332	(477)
Charged to other comprehensive income	2,828	–	–	71	2,899
Business combinations	(3,809)	(2,013)	–	(1,643)	(7,465)
Exchange adjustments and others	565	248	384	435	1,632
At 31 December 2022	(4,786)	(3,879)	(4,188)	(8,117)	(20,970)

For the 31 December 2022, the deferred tax assets/liabilities offset by the Group were HK$648 million (31 December 2021: HK$3,079 million).

38 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	
	2022 **HK$ million**	2021 HK$ million
Deductible temporary differences	**1,888**	2,323
Tax losses	**23,406**	28,190
	25,294	30,513

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 2022, tax losses amounting to HK$8,149 million (31 December 2021: HK$9,957 million) that can be carried forward against future taxable income are expiring within 5 years.

39 Deposits from banks and non-bank financial institutions

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Banks	**355,428**	347,919
Non-bank financial institutions	**874,880**	1,068,369
	1,230,308	1,416,288
Accrued interest	**4,592**	6,040
	1,234,900	1,422,328
Analysed by remaining maturity:		
– On demand	**651,136**	909,177
– Within 3 months	**216,479**	92,477
– Between 3 months and 1 year	**362,693**	414,634
	1,230,308	1,416,288
Accrued interest	**4,592**	6,040
	1,234,900	1,422,328

40 Placements from banks and non-bank financial institutions

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Banks	**115,012**	97,098
Non-bank financial institutions	**6,400**	10,273
	121,412	107,371
Accrued interest	**316**	428
	121,728	107,799
Analysed by remaining maturity:		
– Within 3 months	**80,472**	50,149
– Between 3 months and 1 year	**40,209**	53,736
– Over 1 year	**731**	3,486
	121,412	107,371
Accrued interest	**316**	428
	121,728	107,799

41 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Mandatory		
Debt instruments	**8,847**	1,424
Stocks	**10,328**	–
Minority interests in consolidated structured entities and others	**5,069**	4,261
	24,244	5,685
Financial liabilities designated as at fair value through profit or loss		
Beneficiary certificates and structured notes	**72,150**	–
Minority interests in consolidated structured entities and others	**9,783**	–
	81,933	–
	106,177	5,685

42 Customer brokerage deposits

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Customer brokerage deposits	**312,337**	–

Customer brokerage deposits represent the amount received from and repayable to customers arising from the ordinary course of the Group's securities brokerage activities.

43 Trade and other payables

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Trade and bills payables	**100,224**	98,886
Advances from leasees	**237**	310
Other taxes payables	**7,934**	9,319
Settlement accounts	**34,239**	6,533
Client deposits payables	**151,037**	–
Dividend payables	**558**	211
Other payables	**129,239**	69,680
	423,468	184,939

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	
	2022 **HK$ million**	2021 HK$ million
Within 1 year	**82,557**	83,039
Between 1 and 2 years	**5,428**	3,066
Between 2 and 3 years	**1,329**	616
Over 3 years	**10,910**	12,165
	100,224	98,886

44 Financial assets sold under repurchase agreements

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
By counterparties:		
The People's Bank of China	**243,888**	82,402
Banks	**117,327**	40,044
Non-bank financial institutions	**31,002**	–
Others	**133,850**	–
	526,067	122,446
Accrued interest	**624**	6
	526,691	122,452
By types of collateral:		
Debt securities	**345,352**	55,838
Discounted bills	**77,641**	66,608
Stock	**34,166**	–
Others	**68,908**	–
	526,067	122,446
Accrued interest	**624**	6
	526,691	122,452

The Group did not derecognise financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2022, legal title of these collateral pledged has not been transferred to counterparties.

45 Deposits from customers

(a) Types of deposits from customers

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

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

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

46 Bank and other loans

(a) Types of loans

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

(b) Maturity of loans

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

46 Bank and other loans (Continued)

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

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
RMB	**51,605**	40,199
US$	**46,878**	48,029
HK$	**68,909**	50,475
Other currencies	**4,446**	6,202
	171,838	144,905
Accrued interest	**690**	457
	172,528	145,362

(d) As at 31 December 2022, the Group's bank and other loans of HK$16,978 million (31 December 2021 HK$19,155 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$81,146 million (31 December 2021: HK$83,158 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 52(b). As at 31 December 2022, none of the covenants relating to drawn down facilities have been breached (31 December 2021: Nil).

47 Debt instruments issued

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

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

Notes:

(a) Corporate bonds issued

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
The Company (note (i))	**60,908**	57,399
CITIC Corporation Limited (“CITIC Corporation”) (note (ii))	**34,300**	40,165
CITIC Securities (note (iii))	**127,063**	–
CITIC Telecom International (note (iv))	**3,503**	3,500
CITIC Pacific Limited’s (“CITIC Pacific”) subsidiaries (note(v))	**448**	1,712
	226,222	102,776

47 Debt instruments issued (Continued)

Notes (Continued):

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

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

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%
US$ Notes 22	US$	300	2020-02-25	2025-02-25	2.45%
US$ Notes 23	US$	700	2020-02-25	2030-02-25	2.85%
US$ Notes 24	US$	700	2022-02-17	2027-02-17	2.88%
US$ Notes 25	US$	300	2022-02-17	2032-02-17	3.50%
US$ Notes 26	US$	100	2022-08-02	2027-02-17	2.88%

47 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 2021				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
US$ Notes 1	US$	150	2010-08-16	2022-08-16	6.90%
US$ Notes 4.1	US$	750	2012-10-17	2023-01-17	6.80%
US$ Notes 4.2	US$	250	2012-12-11	2023-01-17	6.80%
US$ Notes 4.3	US$	400	2014-07-18	2023-01-17	6.80%
US$ Notes 6.1	US$	110	2014-07-18	2024-01-18	4.70%
US$ Notes 6.2	US$	90	2014-10-29	2024-01-18	4.70%
HK$ Notes 2	HK$	420	2014-07-25	2024-07-25	4.35%
US$ Notes 7	US$	280	2015-04-14	2035-04-14	4.60%
US$ Notes 8	US$	150	2016-02-04	2041-02-04	4.88%
US$ Notes 9	US$	350	2016-02-04	2036-02-04	4.75%
US$ Notes 10	US$	90	2016-04-25	2036-04-25	4.65%
US$ Notes 11	US$	210	2016-04-25	2046-04-25	4.85%
US$ Notes 13	US$	750	2016-06-14	2026-06-14	3.70%
US$ Notes 14	US$	200	2016-09-07	2031-09-07	3.98%
US$ Notes 15	US$	250	2016-09-07	2046-09-07	4.49%
US$ Notes 16	US$	750	2017-02-28	2027-02-28	3.88%
US$ Notes 17	US$	500	2017-02-28	2022-02-28	3.13%
US$ Notes 18	US$	250	2018-01-11	2023-07-11	3.50%
US$ Notes 19	US$	500	2018-01-11	2028-01-11	4.00%
US$ Notes 20	US$	75	2018-03-13	2038-03-13	4.85%
US$ Notes 21	US$	200	2018-04-18	2048-04-18	5.07%
US$ Notes 22	US$	300	2020-02-25	2025-02-25	2.45%
US$ Notes 23	US$	700	2020-02-25	2030-02-25	2.85%

47 Debt instruments issued (Continued)

Notes (Continued):

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

(ii) Details of corporate bonds issued by CITIC Corporation

	As at 31 December 2022				
	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-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 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%

47 Debt instruments issued (Continued)

Notes (Continued):

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

(iii) Details of corporate bonds issued by CITIC Securities

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
13 CITIC 02	RMB	12,000	2013-06-07	2023-06-07	5.05%
15 CITIC 02	RMB	2,500	2015-06-25	2025-06-25	5.10%
18 CS G2	RMB	600	2018-06-15	2023-06-15	4.90%
19 CS G2	RMB	1,000	2019-09-10	2024-09-10	3.78%
20 CS G1	RMB	3,000	2020-02-21	2023-02-21	3.02%
20 CS G2	RMB	2,000	2020-02-21	2025-02-21	3.31%
20 CS G3	RMB	2,200	2020-03-10	2023-03-10	2.95%
20 CS G4	RMB	2,000	2020-03-10	2025-03-10	3.20%
20 CS G6	RMB	3,300	2020-04-14	2023-04-14	2.54%
20 CS G7	RMB	1,000	2020-04-14	2025-04-14	3.10%
20 CS 09	RMB	4,500	2020-06-02	2023-06-02	2.70%
20 CS 11	RMB	2,000	2020-06-19	2023-06-19	3.10%
20 CS 13	RMB	3,000	2020-07-14	2023-07-14	3.58%
20 CS 15	RMB	7,500	2020-07-28	2023-07-28	3.49%
20 CS 16	RMB	5,200	2020-08-07	2023-08-07	3.55%
20 CS 18	RMB	2,800	2020-08-24	2023-08-24	3.48%
20 CS 20	RMB	800	2020-09-11	2030-09-11	4.20%
20 CS 24	RMB	900	2020-10-28	2030-10-28	4.27%
21 CS 02	RMB	4,600	2021-01-25	2024-01-25	3.56%
21 CS 03	RMB	3,200	2021-01-25	2031-01-25	4.10%
21 CS 04	RMB	1,500	2021-03-01	2024-03-01	3.60%
21 CS 05	RMB	3,000	2021-03-01	2031-03-01	4.10%
21 CS 06	RMB	2,500	2021-03-19	2031-03-19	4.10%
21 CS 07	RMB	1,400	2021-04-13	2031-04-13	4.04%
21 CS 08	RMB	1,000	2021-06-11	2026-06-11	3.70%
21 CS 09	RMB	2,500	2021-06-11	2031-06-11	4.03%
21 CS 10	RMB	1,500	2021-07-09	2026-07-09	3.62%
21 CS 11	RMB	1,500	2021-07-09	2031-07-09	3.92%
21 CS 12	RMB	3,000	2021-08-23	2024-08-23	3.01%
21 CS 13	RMB	1,000	2021-08-23	2026-08-23	3.34%
21 CS 14	RMB	4,500	2021-09-16	2024-09-16	3.08%
21 CS 16	RMB	2,200	2021-09-28	2024-09-27	3.09%
21 CS 17	RMB	1,800	2021-09-28	2026-09-28	3.47%
21 CS 18	RMB	2,500	2021-10-19	2024-10-19	3.25%
21 CS 19	RMB	2,000	2021-10-19	2026-10-19	3.59%

47 Debt instruments issued (Continued)

Notes (Continued):

(a) Corporate bonds issued (Continued)

(iii) Details of corporate bonds issued by CITIC Securities (Continued)

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
21 CS 20	RMB	3,000	2021-11-24	2024-11-24	3.07%
21 CS 21	RMB	3,000	2021-12-14	2024-12-14	2.97%
22 CS 01	RMB	500	2022-02-16	2027-01-29	3.20%
22 CS 02	RMB	1,000	2022-02-16	2032-02-06	3.69%
22 CS 03	RMB	1,000	2022-03-11	2025-03-11	3.03%
22 CS 04	RMB	500	2022-03-11	2027-03-11	3.40%
22 CS 05	RMB	3,000	2022-08-24	2025-08-24	2.50%
CITICSCSI03	US$	26	2022-12-20	2023-03-20	0.00%
CITICSCSI01	US$	100	2022-11-25	2023-02-25	0.00%
CITICSMTNECP55	US$	60	2022-11-11	2023-11-10	0.00%
CITICSMTNECP54	US$	20	2022-10-21	2023-01-26	0.00%
CITICSMTNECP53	US$	120	2022-09-22	2023-09-21	4.15%
CITICSCSI02	US$	50	2022-09-22	2023-03-22	3.90%
CITICSMTNECP52	US$	20	2022-09-14	2023-03-16	0.00%
CITICSMTNECP51	US$	120	2022-08-16	2023-08-15	0.00%
CITICSMTNECP50	US$	50	2022-08-08	2023-08-07	0.00%
CITICSMTNECP49	US$	50	2022-08-01	2023-07-31	0.00%
CITICSMTNECP47	US$	40	2022-07-27	2023-07-26	0.00%
CITICSMTNECP48	US$	30	2022-07-06	2023-07-05	0.00%
CITICSMTNECP44	US$	30	2022-05-27	2023-05-22	2.82%
CITICSMTNECP46	US$	50	2022-05-27	2023-02-27	0.00%
CITICSMTNECP41	US$	80	2022-01-28	2023-01-28	0.00%

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

	As at 31 December 2022				
	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 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%

47 Debt instruments issued (Continued)

Notes (Continued):

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

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

	As at 31 December 2022				
	Denominated currency	Face value in denominated currency million	Issue date	Maturity date	Interest rate per annum
22 JLEPC SCP004	RMB	200	2022-06-16	2023-03-10	2.50%
22 JLEPC SCP005	RMB	200	2022-08-29	2023-04-19	1.90%

	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%

(b) **Notes issued**

	As at 31 December	
	2022 HK$ million	2021 HK$ million
CITIC Corporation (note (i))	–	5,926
CITIC Bank (note (ii))	130,245	74,761
CITIC Securities Company Limited(note(iii))	13,020	–
CITIC Offshore Helicopter Company Limited (note (iv))	–	372
CITIC Trust Co., Ltd. (note (v))	823	16
	144,088	81,075

(i) ***Details of notes issued by CITIC Corporation***

As at 31 December 2022, all notes issued by CITIC Corporation had matured.

	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%

47 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

(ii) Details of notes issued by CITIC Bank

	As at 31 December 2022				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
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%
Financial bonds	RMB	30,000	2022-04-28	2025-04-28	2.80%
Financial bonds	RMB	30,000	2022-08-05	2025-08-05	2.50%
Financial bonds	US$	270	2022-12-20	2024-11-17	1.75%

	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%

(iii) Details of notes issued by CITIC Securities

	As at 31 December 2022				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
CITIC SEC N2306	US$	500	2020-06-03	2023-06-03	1.75%
CITIC SEC N2506	US$	500	2020-06-03	2025-06-03	2.00%
CITIC SEC N2410	US$	200	2019-10-24	2024-10-24	2.88%
CITIC SEC N2405	US$	175	2022-12-14	2024-05-14	5.15%
CITIC SEC N2504	US$	300	2022-04-21	2025-04-21	3.38%

47 Debt instruments issued (Continued)

Notes (Continued):

(b) Notes issued (Continued)

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

As at 31 December 2022, the 2020 asset-backed medium-term notes issued by CITIC Offshore Helicopter Company Limited had been terminated before maturity.

	As at 31 December 2022				
	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%**

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

	As at 31 December 2022				
	Denominated currency	**Face value in denominated currency million**	**Issue date**	**Maturity date**	**Interest rate per annum**
Participation notes	**US$**	**5 (Offset 4.80)**	**2018-01-22**	**2025-01-22**	**Non fixed interest rate**
Participation notes	**US$**	**1.54**	**2021-06-25**	**2023-06-24**	**Non fixed interest rate**
Participation notes	**US$**	**270(Offset 110)**	**2022-03-30**	**2025-03-30**	**Non fixed interest rate**

	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

47 Debt instruments issued (Continued)

Notes (Continued):

(c) Subordinated bonds issued

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

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Fixed rate notes maturing		
– In February 2029 (note (i))	3,855	3,882
Fixed rate bonds maturing		
– In March 2023 (note (ii))	2,238	–
– In February 2024 (note (iii))	3,355	–
– In July 2025 (note (iv))	558	–
– In June 2027 (note (v))	–	24,448
– In September 2028 (note (vi))	33,577	36,687
– In October 2028 (note (vii))	22,390	24,458
– In August 2030 (note (viii))	44,773	48,915
	110,746	138,390

		As at 31 December 2022				
		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)	20 CS C1 (note)	RMB	2,000	2020-03-24	2023-03-24	3.32%
(iii)	21 CS C1 (note)	RMB	3,000	2021-02-08	2024-02-08	3.97%
(iv)	22 CS C1 (note)	RMB	500	2022-07-22	2025-07-22	3.03%
(vi)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-09-13	4.96%
(vii)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(viii)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%

Notes:

Subordinated fixed rate bonds are issued by CITIC Securities, a subsidiary of the Group.

		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%
(v)	Subordinated Fixed Rate Bonds (note)	RMB	20,000	2012-06-21	2027-06-21	5.15%
(vi)	Subordinated Fixed Rate Bonds	RMB	30,000	2018-09-13	2028-9-13	4.96%
(vii)	Subordinated Fixed Rate Bonds	RMB	20,000	2018-10-22	2028-10-22	4.80%
(viii)	Subordinated Fixed Rate Bonds	RMB	40,000	2020-08-14	2030-08-14	3.87%

Notes:

The subordinated fixed rate bonds are issued by CITIC Bank and redeemed on 21 June 2022 before maturity.

47 Debt instruments issued (Continued)

Notes (Continued):

(d) Certificates of deposit issued

These certificates of deposit were issued by CBI with interest rate of 2.76%-5.37% per annum (31 December 2021: 3.25%).

(e) Certificates of interbank deposit issued

As at 31 December 2022, CITIC Bank issued certain certificates of interbank deposit with a total value of RMB720,081 million (approximately HK$806,117 million) (31 December 2021: RMB739,557 million (approximately HK$904,546 million)). The yield ranges from 1.65% to 2.68% per annum (31 December 2021: 2.60% to 3.18% per annum). The original expiry terms are between 3 month to 1 year (31 December 2021: 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), and it was transferred to CITIC Financial Holdings Co., Ltd. at nil consideration on 22 June 2022. 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 2022, convertible bonds (including accrued interest) were recorded as debt instruments issued of RMB13,861 million (HK$15,517 million) and non-controlling interests of RMB1,067 million (HK$1,213 million), respectively.

As approved by the relevant regulatory authorities in China, CITIC Pacific Special Steel Group Co., Ltd. made a public offering of RMB5,000 million (HK$6,163 million) A-share convertible corporate bonds (the "convertible bonds") on 25 February 2022. The convertible bonds of CITIC Pacific Special Steel Group Co., Ltd. have a term of 6 years from 25 February 2022 to 24 February 2028, at coupon rates of 0.2% for the first year, 0.4% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2.0% for the sixth year. The conversion of these convertible bonds begins on the first trading day (3 March 2022) after six months upon the completion date of the offering until the maturity date (from 3 September 2022 to 24 February 2028). As at 31 December 2022, convertible bonds were recorded as debt instruments issued of RMB4,662 million (HK$5,219 million) and non-controlling interests of RMB693 million (HK$776 million), respectively.

(g) Structured notes

The structured notes are issued by CITIC Securities. As at 31 December 2022, the balance of the outstanding structured notes issued by CITIC Securities with original maturity within one year (including accrued interest) amounted to HK$6,747 million, with coupon rates ranging from 2.0% to 4.0% per annum, and the balance of the outstanding structured notes issued by CITIC Securities with original maturity greater than one year (including accrued interest) amounted to HK$31 million, with coupon rates ranging from 1.6% to 3.4% per annum.

48 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 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
At 1 January 2022	2,132	17,721	5,050	24,903
Exchange differences	(154)	(1,303)	(425)	(1,882)
Business combinations	–	–	1,034	1,034
Charge for the year	(81)	(3,623)	189	(3,515)
Payments made during the year	–	–	(1,050)	(1,050)
At 31 December 2022	1,897	12,795	4,798	19,490

49 Share capital and reserves

(a) Share capital

As at 31 December 2022, the number of ordinary shares in issue of the Company was 29,090,262,630 (31 December 2021: 29,090,262,630).

(b) Nature and purpose of reserves

(i) Capital reserve

Considerations paid to acquire subsidiaries under common control, for instance, in 2014, a total consideration of HK$286.59 billion 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).

49 Share capital reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(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).

(c) 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 2022 (31 December 2021: Nil).

50 Movement of allowances for impairment losses

	For the year ended 31 December 2022				
	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 21)	287	2	–	(22)	267
Financial assets held under resale agreements (Note 26)	57	(54)	–	(3)	–
Receivables(excluded prepayments) (Note 23)	12,778	5,843	(2,667)	(576)	15,378
Loans and advances to customers and other parties (Note 27)	154,898	66,420	(67,508)	355	154,165
Investments in financial assets (Note 29)					
– Financial assets at amortised cost	36,630	2,582	(3,002)	(911)	35,299
– Debt investments at FVOCI	2,919	833	(161)	(155)	3,436
Credit commitments and guarantees provided (Note 48)	17,721	9,305	(12,928)	(1,303)	12,795
Others (note(ii))	5,221	6,974	(5,065)	1,106	8,236
	230,511	91,905	(91,331)	(1,509)	229,576
Allowances for impairment losses					
Inventories (Note 25)	7,388	469	(411)	(154)	7,292
Interests in associates (Note 32)	6,078	3,002	(47)	(163)	8,870
Interests in joint ventures (Note 33)	1,489	17	–	(4)	1,502
Fixed assets (Note 34)	48,473	82	(336)	(618)	47,601
Intangible assets (Note 36)	16,768	–	–	(57)	16,711
Prepayments (Note 23)	78	14	–	(6)	86
Goodwill (Note 37)	2,076	5,075	(26)	(258)	6,867
Other assets	2,245	163	(271)	27	2,164
	84,595	8,822	(1,091)	(1,233)	91,093
	315,106	100,727	(92,422)	(2,742)	320,669

50 Movement of allowances for impairment losses (Continued)

	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 21)	271	12	–	4	287
Financial assets held under resale agreements (Note 26)	66	(11)	–	2	57
Receivables(excluded prepayments) (Note 23)	9,608	3,025	(520)	665	12,778
Loans and advances to customers and other parties (Note 27)	156,688	61,473	(78,898)	15,635	154,898
Investments in financial assets (Note 29)					
– 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 48)	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 25)	6,665	814	(104)	13	7,388
Interests in associates (Note 32)	5,972	567	(486)	25	6,078
Interests in joint ventures (Note 33)	1,676	–	(191)	4	1,489
Fixed assets (Note 34)	48,121	123	(122)	351	48,473
Intangible assets (Note 36)	16,741	3	(8)	32	16,768
Prepayments (Note 23)	79	9	(12)	2	78
Goodwill (Note 37)	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

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.

51 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	
	2022	2021
	HK$ million	HK$ million
Contractual amount		
Loan commitments		
With an original maturity of within 1 year	**18,269**	16,787
With an original maturity of 1 year or above	**46,617**	48,616
	64,886	65,403
Credit card commitments	**788,415**	866,855
Acceptances	**890,921**	819,149
Letters of credit	**303,197**	262,913
Guarantees	**208,915**	157,615
	2,256,334	2,171,935

51 Contingent liabilities and commitments (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Credit risk weighted amount on credit commitments	**605,811**	576,974

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	
	2022 HK$ million	2021 HK$ million
Redemption commitment for treasury bonds	**3,251**	3,974

The original terms of the above treasury bonds range from one to five years. The Group believes that the amount of treasury bonds accepted in advance before the maturity date is insignificant. The Ministry of Finance will not timely pay the treasury bonds which are accepted in advance, but will pay the principal and interest according to the issuance agreement when the treasury bonds mature.

51 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	
	2022	2021
	HK$ million	HK$ million
Related parties (note)	**7,802**	5,110
Third parties	**3,582**	3,743
	11,384	8,853

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	
	2022	2021
	HK$ million	HK$ million
Related parties (note)	**1,119**	1,223

Note:

As at 31 December 2022, 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$1,119 million) (31 December 2021: RMB1,000 million (approximately HK$1,223 million)). China Overseas has provided counter guarantees to the Group.

The relationship and transaction with related parties are disclosed in Note 53.

(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(k).

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

51 Contingent liabilities and commitments (Continued)

(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	
	2022 **HK$ million**	2021 HK$ million
Contracted for	**25,015**	33,917

52 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 unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business, receivables, lease receivables, other debt investments, off-balance sheet items such as credit commitments, financing businesses including margin financing and securities lending, and also stock pledged repurchase.

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.

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

The Group's credit risk of securities financing transactions mainly arises from the provision of false information by customers, failure to repay liabilities at required time limit, violation of contractual agreements on size and structure of positions, violation of regulatory requirements on transactions and involvement of legal disputes on assets provided as collateral. The Company primarily adopts the risk education, credit collection, credit granting, daily marking-to-market, customer risk alert, mandatory liquidation, judicial recourse and other methods to control those credit risks.

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

Measurement of ECL
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.

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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 a financial asset has shown signs of credit impairment from initial recognition, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

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.

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 the number of overdue days, the absolute level and relative level of the change of default probability, the change of credit risk classification and other conditions indicating significant changes in credit risk.

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(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;

– Financing financial assets are subject to mandatory liquidation measures and the collateral value is no longer sufficient for financing amounts;

– Violation grade for bond issuers or bonds in the latest external rating;

– 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.

(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:

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(3) Inputs for measurement of ECL (Continued)

- 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 2022, 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 assessment and follow-up of individuals and their financial status.

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

(4) Forward-looking information

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

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a semi-annually 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.

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(4) Forward-looking information (Continued)

Macroeconomic scenario and weighting information

The Group builds its own macro-prediction model and identifies key economic indicators affecting credit risks and expected credit losses of various businesses through historical data analysis, such as consumer price index, total retail sales of consumer goods, per capita disposable income of urban residents, etc. The Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data.

(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	
	2022	2021
	HK$ million	HK$ million
Deposits with central banks, banks and non-bank financial institutions	**751,591**	713,003
Placements with banks and non-bank financial institutions	**243,324**	173,754
Trade and other receivables	**214,169**	147,586
Financial assets held under resale agreements	**51,175**	112,227
Loans and advances to customers and other parties	**5,640,907**	5,809,296
Refundable deposits	**77,421**	–
Margin accounts	**119,758**	–
Investments in financial assets		
– At amortised cost	**1,258,965**	1,435,823
– Debt investments at FVOCI	**977,719**	793,188
Cash held on behalf of customers	**275,083**	–
Contract assets	**21,837**	13,407
Other financial assets	**5,069**	6,319
	9,637,018	9,204,603
Credit commitments and guarantees provided	**2,267,718**	2,180,788
Maximum credit risk exposure	**11,904,736**	11,385,391

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

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	
	2022 HK$ million	2021 HK$ million
Derivative financial instruments	**90,529**	27,958
Loans and advances to customers and other parties at FVPL	**4,345**	–
Investments in financial assets		
– Financial assets at FVPL (debt instruments)	**900,634**	610,847
Maximum credit risk exposure	**995,508**	638,805

(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 2022			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2022	**5,761,212**	**109,684**	**92,669**	**5,963,565**
Movements:				
Net transfers out from stage 1	**(128,169)**	**–**	**–**	**(128,169)**
Net transfers into stage 2	**–**	**28,782**	**–**	**28,782**
Net transfers into stage 3	**–**	**–**	**99,387**	**99,387**
Net increase/(decrease) during the year (note (i))	**438,238**	**(27,977)**	**(27,040)**	**383,221**
Write offs	**–**	**–**	**(67,508)**	**(67,508)**
Others (note (ii))	**(470,447)**	**(7,185)**	**(6,816)**	**(484,448)**
Balance at 31 December 2022	**5,600,834**	**103,304**	**90,692**	**5,794,830**

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

	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

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 2022			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2022	**2,179,508**	**22,989**	**63,269**	**2,265,766**
Movements:				
Business combinations (note 58(a))	**76,735**	**1,931**	**–**	**78,666**
Net transfers out from stage 1	**(4,512)**	**–**	**–**	**(4,512)**
Net transfers out from stage 2	**–**	**(12,699)**	**–**	**(12,699)**
Net transfers into stage 3	**–**	**–**	**17,211**	**17,211**
Net increase/(decrease) during the year (note (i))	**129,882**	**(4,547)**	**(6,610)**	**118,725**
Write offs	**–**	**–**	**(3,163)**	**(3,163)**
Others (note (ii))	**(180,991)**	**(1,592)**	**(5,385)**	**(187,968)**
Balance at 31 December 2022	**2,200,622**	**6,082**	**65,322**	**2,272,026**

52 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(ii) Expected credit losses (Continued)

	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

The following table explains the changes in the gross carrying amount for margin accounts for the year:

	For the year ended 31 December 2022			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2022	–	–	–	–
Movements:				
Business combinations (note 58(a))	**136,963**	**1,042**	**550**	**138,555**
Net transfers out from stage 1	**(11)**	–	–	**(11)**
Net transfers out from stage 2	–	**(424)**	–	**(424)**
Net transfers into stage 3	–	–	**435**	**435**
Net increase/(decrease) during the year (note (i))	**(6,825)**	**66**	**(529)**	**(7,288)**
Write offs	–	–	–	–
Others (note (ii))	**(11,385)**	**(80)**	**(44)**	**(11,509)**
Balance at 31 December 2022	**118,742**	**604**	**412**	**119,758**

Notes:

(i) Net increase/(decrease) mainly includes changes in carrying amount due to newly purchased or originated credit-impaired financial assets or de-recognition excluding write-offs.

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

52 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 2022			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2022	**63,365**	**31,672**	**60,148**	**155,185**
Movements (note (i)):				
Net transfers out from stage 1	**(3,302)**	**–**	**–**	**(3,302)**
Net transfers out from stage 2	**–**	**(1,424)**	**–**	**(1,424)**
Net transfers into stage 3	**–**	**–**	**44,157**	**44,157**
Net increase/(decrease) during the year (note (ii))	**7,247**	**(5,353)**	**(16,475)**	**(14,581)**
Write offs	**–**	**–**	**(67,508)**	**(67,508)**
Parameters change for the year (note (iii))	**8,617**	**660**	**32,320**	**41,597**
Others (note (iv))	**(6,380)**	**(171)**	**7,053**	**502**
Balance at 31 December 2022	**69,547**	**25,384**	**59,695**	**154,626**

	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

52 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 2022			
	Stage 1 HK$ million	**Stage 2 HK$ million**	**Stage 3 HK$ million**	**Total HK$ million**
Balance at 1 January 2022	**8,598**	**7,002**	**24,074**	**39,674**
Movements (note (i)):				
Net transfers out from stage 1	**(360)**	**–**	**–**	**(360)**
Net transfers out from stage 2	**–**	**(4,190)**	**–**	**(4,190)**
Net transfers into stage 3	**–**	**–**	**9,502**	**9,502**
Net increase during the year (note (ii))	**1,659**	**(837)**	**(1,852)**	**(1,030)**
Write offs	**–**	**–**	**(3,163)**	**(3,163)**
Parameters change for the year (note (iii))	**(1,396)**	**66**	**2,871**	**1,541**
Others (note (iv))	**(2,823)**	**(326)**	**(47)**	**(3,196)**
Balance at 31 December 2022	**5,678**	**1,715**	**31,385**	**38,778**

	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 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

52 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 newly purchased or originated credit-impaired financial assets or de-recognition excluding write-offs.

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

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

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

	As at 31 December					
	2022			2021		
	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	314,318	5%	259,605	354,659	6%	309,106
– Manufacturing	456,285	8%	191,943	419,048	7%	193,150
– Rental and business services	555,148	9%	216,689	562,752	9%	233,393
– Wholesale and retail	199,175	3%	106,351	202,827	3%	117,848
– Water, environment and public utility management	462,793	8%	145,514	467,708	8%	171,333
– Transportation, storage and postal services	167,801	3%	88,971	176,216	3%	100,559
– Construction	115,978	2%	61,225	131,142	2%	75,948
– Production and supply of electric power, gas and water	100,427	2%	46,626	103,947	2%	54,444
– Public management and social organisations	9,710	1%	2,161	9,858	1%	4,033
– Others	444,356	8%	131,295	426,093	7%	135,270
	2,825,991	49%	1,250,380	2,854,250	48%	1,395,084
Personal loans	2,380,617	41%	1,593,132	2,523,024	42%	1,671,869
Discounted bills	573,105	9%	–	570,110	9%	–
	5,779,713	99%	2,843,512	5,947,384	99%	3,066,953
Accrued interest	19,462	1%	–	16,181	1%	–
	5,799,175	100%	2,843,512	5,963,565	100%	3,066,953

52 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					
	2022			2021		
	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	**5,526,083**	**95%**	**2,734,729**	5,694,343	95%	2,958,739
Hong Kong, Macau and Taiwan	**214,362**	**3%**	**107,709**	218,528	3%	96,407
Overseas	**39,268**	**1%**	**1,074**	34,513	1%	11,807
	5,779,713	**99%**	**2,843,512**	5,947,384	99%	3,066,953
Accrued interest	**19,462**	**1%**	**–**	16,181	1%	–
	5,799,175	**100%**	**2,843,512**	5,963,565	100%	3,066,953

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

	As at 31 December	
	2022 HK$ million	2021 HK$ million
Unsecured loans	**1,546,808**	1,582,817
Guaranteed loans	**816,288**	727,504
Secured loans		
– Loans secured by collateral	**2,262,650**	2,395,469
– Pledged loans	**580,862**	671,484
	5,206,608	5,377,274
Discounted bills	**573,105**	570,110
	5,779,713	5,947,384
Accrued interest	**19,462**	16,181
Gross loans and advances	**5,799,175**	5,963,565

52 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			
	2022		2021	
	Gross balance HK$ million	**% of total loans and advances**	Gross balance HK$ million	% of total loans and advances
Rescheduled loans and advances	**16,137**	**0.28%**	19,792	0.33%
– Rescheduled loans and advances overdue more than 3 months	**7,131**	**0.12%**	7,088	0.12%

(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 2022, 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 2021: Nil).

(b) Liquidity risk

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

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

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

52 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	As at 31 December 2022					
	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	749,017	3,873,942	2,560,139	2,446,369	1,368,930	10,998,397
Total financial liabilities	(3,997,106)	(4,735,565)	(1,297,619)	(178,736)	(23,885)	(10,232,911)
Financial asset-liability surplus/(gap)	(3,248,089)	(861,623)	1,262,520	2,267,633	1,345,045	765,486

	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

52 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 2022					
	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	**749,017**	**4,149,002**	**3,082,131**	**3,041,655**	**1,377,616**	**12,399,421**
Total financial liabilities	**(3,997,106)**	**(4,860,916)**	**(1,425,264)**	**(195,105)**	**(23,885)**	**(10,502,276)**
Financial asset-liability surplus/(gap)	**(3,248,089)**	**(711,914)**	**1,656,867**	**2,846,550**	**1,353,731**	**1,897,145**

	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

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 no fixed maturity date.

52 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	As at 31 December 2022			
	Within 1 year HK$ million	**Between 1 and 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**
Loan commitments	**18,727**	**20,629**	**25,530**	**64,886**
Guarantees	**133,498**	**73,664**	**1,753**	**208,915**
Letters of credit	**302,140**	**1,057**	**–**	**303,197**
Acceptances	**890,921**	**–**	**–**	**890,921**
Credit card commitments	**788,415**	**–**	**–**	**788,415**
Total	**2,133,701**	**95,350**	**27,283**	**2,256,334**

	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

52 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 2022				
	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	**1,463,505**	**6,873,323**	**2,112,947**	**548,622**	**10,998,397**
Total financial liabilities	**(881,185)**	**(7,916,365)**	**(1,241,343)**	**(194,018)**	**(10,232,911)**
Financial asset-liability surplus/ (gap)	**582,320**	**(1,043,042)**	**871,604**	**354,604**	**765,486**

	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

52 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Effective interest rate

	As at 31 December			
	2022		2021	
	Effective interest rate	HK$ million	Effective interest rate	HK$ million
Assets				
Cash and deposits	1.50%-1.75%	757,865	1.49%-1.94%	720,235
Placements with banks and non-bank financial institutions	2.49%	243,324	1.90%	173,754
Financial assets held under resale agreements	1.45%	51,175	1.96%	112,227
Loans and advances to customers and other parties	4.81%	5,645,252	5.31%	5,809,296
Investments in financial assets	2.66%-3.55%	3,518,752	3.11%-3.71%	2,906,862
Others		1,577,831		963,147
		11,794,199		10,685,521
Liabilities				
Borrowing from central banks	2.94%	133,690	3.00%	231,479
Deposits from banks and non-bank financial institutions	2.09%	1,234,900	2.45%	1,422,328
Placements from banks and non-bank financial institutions	2.41%	121,728	2.39%	107,799
Financial assets sold under repurchase agreements	2.00%	526,691	2.17%	122,452
Deposits from customers	2.06%	5,766,198	2.10%	5,852,701
Bank and other loans	1.28%-7.25%	172,528	0.85%-8.00%	145,362
Debt instruments issued	2.45%-6.80%	1,323,385	2.45%-6.90%	1,250,325
Lease liabilities	3.00%-5.15%	21,861	2.46%-6.00%	20,762
Others		1,113,150		366,723
		10,414,131		9,519,931

52 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 2022, 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$11,677 million (31 December 2021: decrease or increase by HK$8,540 million).

This sensitivity analysis is based on a static interest rate risk profile of the Group's financial, assets and financial liabilities and certain simplified assumptions. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's financial assets and financial liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities sthat 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.

52 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 2022				
	HK$	**US$**	**RMB**	**Others**	**Total**
Total financial assets	**240,608**	**588,695**	**10,086,036**	**83,058**	**10,998,397**
Total financial liabilities	**(293,105)**	**(649,505)**	**(9,240,326)**	**(49,975)**	**(10,232,911)**
Financial asset-liability surplus/(gap)	**(52,497)**	**(60,810)**	**845,710**	**33,083**	**765,486**

	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

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, 100 basis points strengthening or weakening of HK$ against US$, RMB and other currencies as at 31 December 2022 would decrease or increase the Group's total comprehensive income before taxation by HK$8,180 million (31 December 2021: decrease or increase by HK$5,669 million with 100 basis points strengthening or weakening).

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: (i) 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$; (ii) the exchange rates against HK$ 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 (iii) 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.

52 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: 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: 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.

52 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

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

	As at 31 December 2022			
	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
Assets				
Bills receivables at FVOCI	**–**	**5,381**	**–**	**5,381**
Loans and advances to customers and other parties at FVOCI	**–**	**630,362**	**–**	**630,362**
Loans and advances to customers and other parties at FVPL	**–**	**–**	**4,345**	**4,345**
Derivative financial assets	**589**	**82,618**	**7,322**	**90,529**
Investments in financial assets	**669,833**	**1,434,320**	**155,634**	**2,259,787**
	670,422	**2,152,681**	**167,301**	**2,990,404**
Liabilities				
Financial liabilities at FVPL	**(20,016)**	**(50,925)**	**(35,236)**	**(106,177)**
Derivative financial liabilities	**(1,292)**	**(74,810)**	**(4,941)**	**(81,043)**
	(21,308)	**(125,735)**	**(40,177)**	**(187,220)**

	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)

For the year ended 31 December 2022, there were no significant transfers between instruments in different levels (2021: Nil) and no significant changes in valuation techniques for determining the fair values of the instruments (2021: Nil).

52 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 2022						
	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	Derivative Financial liabilities HK$ million	Total HK$ million
At 1 January 2022	–	–	39,686	39,686	(259)	–	(259)
Total gain/(losses):	–	2,631	7,043	9,674	(533)	2,960	2,427
– in profit or loss	–	2,631	7,296	9,927	(533)	2,960	2,427
– in other comprehensive income/(losses)	–	–	(253)	(253)	–	–	–
Net settlements	4,345	(1,343)	(20,005)	(17,003)	6,536	(2,540)	3,996
Business combinations (note 58(a))	–	6,034	128,910	134,944	(40,980)	(5,361)	(46,341)
At 31 December 2022	4,345	7,322	155,634	167,301	(35,236)	(4,941)	(40,177)

	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)

52 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 2022				
	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	1,258,965	1,265,185	8,673	992,375	264,137
Financial liabilities					
Debt instruments issued					
– Corporate bonds issued	229,968	231,191	192,278	38,913	–
– Notes issued	146,275	157,552	12,497	145,055	–
– Subordinated bonds issued	112,367	113,629	3,876	109,753	–
– Certificates of deposit issued (non-trading)	1,172	1,172	–	–	1,172
– Certificates of interbank deposit issued	806,135	787,944	–	787,944	–
– Convertible corporate bonds issued	20,689	25,105	–	–	25,105
– Structured notes	6,779	6,779	6,779	–	–
	1,323,385	1,323,372	215,430	1,081,665	26,277

	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

52 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.

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.

53 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.

53 Material related parties (Continued)

(b) Related party transactions

(i) Transaction amounts with related parties

	For the year ended 31 December 2022			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Sales of goods	–	186	1,756	1,942
Purchase of goods	–	1,625	4,939	6,564
Interest income (note (2))	68	132	3,153	3,353
Interest expenses	71	817	625	1,513
Fee and commission income	46	2	43	91
Fee and commission expenses	–	–	14	14
Income from other services	5	118	853	976
Expenses for other services	–	84	1,198	1,282
Interest income from deposits and receivables	12	–	538	550
Other operating expenses	–	72	1,076	1,148

	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

53 Material related parties (Continued)

(b) Related party transactions (Continued)

(i) Transaction amounts with related parties (Continued)

Notes:

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

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

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

(ii) Outstanding balances with related parties

	As at 31 December 2022			
	Parent company HK$ million	Holding company's fellow entities HK$ million	Associates and joint ventures HK$ million	Total HK$ million
Trade and other receivables	71	1,170	4,303	5,544
Loans and advances to customers and other parties (note (2))	4,385	5,677	17,396	27,458
Cash and deposits	–	–	38,203	38,203
Derivative financial instruments and other assets	–	1	4,434	4,435
Investments in financial assets				
– Financial assets at FVPL	–	–	5,393	5,393
– Financial assets at amortised cost	–	–	1,030	1,030
Trade and other payables	193	12,089	3,562	15,844
Deposits from customers	10,843	6,969	14,707	32,519
Deposits from bank and non-bank financial institutions	–	–	14,769	14,769
Derivative financial instruments and other liabilities	–	–	245	245
Bank and other loans	1,666	30,666	–	32,332
Off-balance sheet items				
Guarantees provided (note (3))	–	–	7,802	7,802

53 Material related parties (Continued)

(b) Related party transactions (Continued)

(ii) Outstanding balances with related parties (Continued)

	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

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.

53 Material related parties (Continued)

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

In addition to these related party transactions disclosed in Note 53 (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 2022, the aggregate amount of the remuneration before tax paid to directors and executive officers of the Company amounted to HK$8.14 million (2021: HK$8.79 million).

54 Structured entities

(a) 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 2022					
	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	–	1,739	–	–	1,739	1,739
Investment management products managed by securities companies	44,363	11,992	–	–	56,355	56,355
Trust investment plans	253,291	5,985	–	–	259,276	259,276
Asset-backed securities	282,697	1,606	50,038	–	334,341	334,341
Investment funds	–	517,534	–	54	517,588	517,588
Total	580,351	538,856	50,038	54	1,169,299	1,169,299

	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

54 Structured entities (Continued)

(b) 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, trust plans, investment funds and investment management products 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.

Wealth management products, trust plans, investment funds and investment management products

As at 31 December 2022, the aggregate amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, trust plans, investment funds and investment management products which are sponsored by the Group was HK$7,161,832 million (31 December 2021: HK$2,971,161 million).

During the year ended 31 December 2022, there was no placements and financial assets held under resale agreements from the Group with these wealth management sponsored by the Group (31 December 2021: HK$24,461 million; maximum exposure in 2021: HK$72,713 million).

During the year ended 31 December 2022, the amount of fee and commission income recognised from the above mentioned structured entities sponsored by the Group was HK$21,801 million (2021: HK$15,831 million); interest income of HK$84 million (2021: HK$1,104 million). The amount of interest expenses was HK$0 million (2021: HK$684 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2022, 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.

(c) Transfers of financial assets

The Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

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 44. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2022 totally HK$39,798 million (2021: HK$66,277 million) are set forth below.

54 Structured entities (Continued)

(c) Transfers of financial assets (Continued)

Securitisation transactions

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.

In 2022, the original book value of financial assets transferred by the Group through asset securitisation transactions was HK$17,442 million (2021:HK$58,228 million), which met the conditions for complete derecognition (2021: HK$46,241 million for the original book value of credit asset transfer, and HK$4,244 million for the recognition of continued assets and liabilities, and others qualified for full derecognition).

Transfer of loans and other financial assets

In 2022, the Group transferred loans and other financial assets by other means with the original book value of HK$22,356 million (2021: HK$8,049 million), including HK$6,547 million of non-performing loans and HK$15,809 million of non-performing structured investments. The Group carried out assessment based on the criteria as detailed in Note2(i) and Note 3 and concluded that the above financial assets meet the conditions for complete derecognition.

55 Supplementary information to the consolidated cash flow statement

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

	As at 31 December	
	2022 **HK$ million**	2021 HK$ million
Cash	**6,274**	7,232
Bank deposits on demand	**110,938**	35,974
Surplus deposit reserve funds	**116,779**	80,199
Investments in debt securities and others with original maturities of three months or less	**154,216**	97,792
Deposits with banks and non-bank financial institutions due within three months	**49,780**	82,967
Placements with banks and non-bank financial institutions due within three months	**40,547**	56,789
Cash and cash equivalents in the consolidated cash flow statement	**478,534**	360,953

55 Supplementary information to the consolidated cash flow statement

(Continued)

(b) Disposal of subsidiaries

The Group has no disposal of significant subsidiaries for the years ended 31 December 2022 and 2021.

(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 2020	163,171	968,531	5,760	18,267	1,155,729
Cash flows	(18,709)	251,101	(41,084)	(5,978)	185,330
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
Cash flows	21,533	(40,181)	(48,701)	(6,277)	(73,626)
Business combination	8,374	227,820	–	2,234	238,428
Foreign exchange adjustments	(2,654)	(101,232)	1,951	(374)	(102,309)
Other non-cash movements	(320)	(15,632)	49,268	5,516	38,832
At 31 December 2022	171,838	1,315,481	8,594	21,861	1,517,774

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

In 2022, subsidiaries did not repurchase any other equity instruments. (2021: Redemption of other equity instruments by subsidiaries was the redemption of RMB3,324 million (HKD4,003 million) of capital debentures without fixed terms by the Group's subsidiary China CITIC Bank).

In 2022, China CITIC Bank, a subsidiary of the Group, issued RMB3,990 million (HKD4,641 million) of capital debentures without fixed terms (2021: China CITIC Bank, a subsidiary of the Group, issued RMB43,852 million (HKD52,813 million) of capital debentures without fixed terms).

In 2022, CITIC Special Steel, a subsidiary of the Group, issued convertible bonds. For details, please refer to Note 47(f).

56 Major transactions with non-controlling interests

In 2022, the Group has no major transactions with non-controlling interests.

57 Balance sheet and reserve movement of the Company

	As at 31 December	
	2022	2021
	HK$ million	HK$ million
Non-current assets		
Fixed assets	**1**	2
Interests in subsidiaries	**460,139**	456,239
Interests in associates	**7,953**	6,922
Interests in joint ventures	**35**	35
Investments in financial assets		
– Financial assets at fair value through profit or loss	**3,499**	3,773
	471,627	466,971
Current assets		
Amounts due from subsidiaries	**73,838**	69,747
Trade and other receivables	**106**	14
Cash and deposits	**3,005**	2,609
	76,949	72,370
Total assets	**548,576**	539,341
Current liabilities		
Bank and other loans	**28,943**	12,405
Amounts due to subsidiaries and other related parties	**12,610**	12,205
Trade and other payables	**270**	301
Income tax payable	**1,913**	1,391
Debt instruments issued	**13,231**	5,141
	56,967	31,443
Non-current liabilities		
Long term borrowings	**41,661**	54,802
Debt instruments issued	**48,402**	53,071
Derivative financial instruments	**58**	628
	90,121	108,501
Total liabilities	**147,088**	139,944
Equity		
Share capital	**381,710**	381,710
Reserves	**19,778**	17,687
Total ordinary shareholders' funds	**401,488**	399,397
Total liabilities and equity	**548,576**	539,341

The balance sheet of the Company was approved and authorised for issue by the board of directors on 31 March 2023.

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

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

(a) Reserve movement of the Company

	Share capital HK$ million (Note 49(a))	Capital reserve HK$ million (Note 49(b)(i))	Hedging reserve HK$ million (Note 49(b)(ii))	Retained earnings HK$ million	Total HK$ million
At 31 December 2021	381,710	630	(574)	17,631	399,397
Cash flow hedges:					
– Fair value gain during the year	–	–	613	–	613
	–	–	613	–	613
Profit attributable to shareholders of the Company	–	–	–	20,561	20,561
Dividends paid to ordinary shareholders of the Company	–	–	–	(19,083)	(19,083)
At 31 December 2022	381,710	630	39	19,109	401,488

	Share capital HK$ million (Note 49(a))	Capital reserve HK$ million (Note 49(b)(i))	Hedging reserve HK$ million (Note 49(b)(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 gain 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

58 Major business combinations

(a) Combination of CITIC Securities

The Group holds 18.45% shareholding interest of CITIC Securities, which was originally an associate of the Group. On 13 April 2022, CITIC Securities issued a resolution announcement of the interim shareholders' meeting, which approved the restructuring of the Board of Directors of CITIC Securities. The majority of the members of the Board of Directors of CITIC Securities after the restructuring were nominated by the Group. Taking into account other relevant factors, the Group consolidated CITIC Securities as business combinations achieved in stages.

The investment in CITIC Securities held by the Group were treated as a deemed disposal at the combination date (13 April 2022), resulting in a deemed disposal gain of HK$12,677 million (RMB10,312 million) (Note 7).

The consideration paid for the acquisition and the fair value of identifiable assets, liabilities and non-controlling interests acquired at the combination date are summarised as follows:

Consideration:

	HK$ million
Fair value of investment in CITIC Securities held by the Group at the combination date	66,366
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	201,695
Cash held on behalf of customers	331,726
Margin accounts	138,555
Refundable deposits	77,927
Trade and other receivables	14,340
Financial assets at fair value through profit or loss	623,630
Debt investments at fair value through other comprehensive income	78,666
Interests in associates and joint ventures	17,847
Intangible assets	716
Investment properties	1,817
Fixed assets	10,702
Right-of-use assets	11,844
Deferred tax assets	10,529
Others	78,643
Total identifiable assets acquired	1,598,637

58 Major business combinations (Continued)

(a) Combination of CITIC Securities (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed (Continued)

	HK$ million
Placements from banks and non-bank financial institutions	32,879
Financial liabilities at fair value through profit or loss	72,685
Financial assets sold under repurchase agreements	298,076
Customer brokerage deposits	335,413
Trade and other payables	235,164
Employee benefits payables	24,698
Debt instruments issued	227,820
Deferred tax liabilities	7,068
Provisions	1,093
Others	57,851
Total identifiable liabilities assumed	1,292,747
Total identifiable net assets of CITIC Securities	305,890
Non-controlling interests	(253,577)
Goodwill	14,053
Total net assets acquired	66,366

Net cash paid for acquisition:

	HK$ million
Total consideration paid in cash	–
Cash and cash equivalents acquired	192,413
	192,413

The Group's revenue and net profit attributable to ordinary shareholders of the Company during the period from 13 April 2022 to 31 December 2022 contributed by CITIC Securities were HK$57,745 million and HK$3,372 million respectively.

Had CITIC Securities been consolidated from 1 January 2022, the Group's consolidated income statement would show pro-forma revenue and net profit attributable to ordinary shareholders of the Company of HK$789,127 million and HK$75,481 million respectively.

58 Major business combinations (Continued)

(b) Combination of a trust plan and Shenzhen Chengkai Xinyin Investment Co., Ltd.

On 21 June 2022, subsidiaries of the Group entered into an agreement with Kaisa Group (Shenzhen) Co., Ltd. ("Kaisa") to restructure certain projects ("underlying projects") originally held by Kaisa through a trust plan, after which the interests of the underlying projects enjoyed by the Group and Kaisa was held by Shenzhen Chengkai Xinyin Investment Co., Ltd. ("Chengkai Xinyin"), which was wholly owned by the trust plan. The Group and Kaisa hold the corresponding interests of the trust plan. In accordance with the provisions of the agreement, the Group nominated a majority of members in the decision-making departments of the trust plan and Chengkai Xinyin, and has variable returns. Therefore, the Group obtained control over the trust plan and Chengkai Xinyin, and included them in the scope of the consolidated financial statements.

The consideration paid for this business combination and the identifiable fair value of assets, liabilities and non-controlling interests acquired at the combination date (21 June 2022), adjusted based on subsequent evaluation results, are summarised as follows:

Consideration:

	HK$ million
Fair value of the equity of the underlying projects enjoyed at the combination date	**18,381**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and deposits	**67**
Trade and other receivables	**12,313**
Inventories	**1,930**
Interests in associates and joint ventures	**7,734**
Fixed assets	**1,032**
Others	**561**
Total identifiable assets acquired	**23,637**
Trade and other payables	**1,515**
Others	**898**
Total identifiable liabilities assumed	**2,413**
Total identifiable net assets of the trust plan and Chengkai Xinyin	**21,224**
Non-controlling interests	**(2,843)**
Total net assets acquired	**18,381**

Net cash received from acquisition:

	HK$ million
Total consideration paid in cash	**–**
Cash and cash equivalents acquired	**67**
	67

From 21 June 2022 to 31 December 2022, the impact of the trust plan and Chengkai Xinyin on the Group's revenue and net profit attributable to ordinary shareholders of the Company was not material.

59 Post balance sheet events

The Group does not have any significant events after the balance sheet date that need to be disclosed.

60 Comparative amounts

Restatements have been made on some of the comparative amounts to ensure the comparability with current year's financial statements.

61 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

62 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 2022 and which have not been early adopted in these consolidated financial statements.

Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (1)
HKFRS 17	Insurance Contracts (1)
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies (1)
HKAS 8 (Amendments)	Definition of Accounting Estimates (1)
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non – current (2)
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (3)

(1) Effective for the annual periods beginning on or after 1 January 2023.

(2) Effective for the annual periods beginning on or after 1 January 2024

(3) 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.

63 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.) 中信泰富特鋼集團股份有限公司 (前稱大冶特殊鋼股份有限公司)	Mainland China/ Stock limited company (listed)	Special steel production	5,047,154,263	83.84%	0%	83.84%
Dah Chong Hong Holdings Limited 大昌行集團有限公司	Hong Kong	Consumer goods	1,891,247,220	100%	0%	100%
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	3,688,280,882	57.73%	0%	57.73%
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	48,934,843,657	65.97%	0%	65.97%
CITIC Securities Company Limited (Note58(a)) 中信證券股份有限公司	Mainland China/ Stock limited company (listed)	Securities related services	14,820,546,829	18.45%	2.93%	15.52%
CITIC International Financial Holdings Limited 中信國際金融控股有限公司	Hong Kong	Banking industry	7,502,832,116	65.97%	0%	100%
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China/ Limited liability	Trust services	N/A	100%	0%	100%

63 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 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 & Construction Co.,LTD 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 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%
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 services	N/A	100%	0%	100%

63 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 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%

63 Principal subsidiaries, associates and joint ventures (Continued)

(b) Principal associates

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

Name of company	Place of incorporation	Principal activity	Shares issued	Proportion of ownership interest Attributable to the Group	Held by the Company	Held by subsidiaries
China Overseas Land & Investment Ltd. 中國海外發展有限公司	Hong Kong (listed)	Real estate development	10,944,883,535	10.01%	0%	10.01%
China Securities Co., Ltd. 中信建投證券股份有限公司	Mainland China	Securities related services	7,756,694,797	9.47%	0%	9.47%
Ivanhoe Mines Ltd.	Canada	Resources and energy	1,216,754,579	25.92%	0%	25.92%

(c) Principal joint ventures

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

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

pwc

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 223 to 403, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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

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(b), Note 27 and Note 29 to the consolidated financial statements. As at 31 December 2022, 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 RMB5,166.07 billion (approximately HK$5,783.32 billion), for which management recognised an impairment allowance of RMB131.61 billion (approximately HK$147.34 billion); total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,968.71 billion (approximately HK$2,203.94 billion), for which management recognised an impairment allowance of RMB31.28 billion (approximately HK$35.02 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 Hong Kong Financial Reporting Standard 9: Financial Instruments.	We understood and evaluated management's 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 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 an 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.

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)	
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, other available information and possible future factors 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 the procedures performed above, 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 evidence obtained.

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(j) and Note 54 to the consolidated financial statements.

As at 31 December 2022, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by CITIC Bank are structured entities that are not included in the scope of consolidation.

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 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 for non-principal guaranteed WMPs were supported by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Sino Iron Project	
Refer to Note 2(t), Note 3(d), Note 3(k) 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 2022. As a result, management has determined that no impairment indication existed for the Project as at 31 December 2022. In the impairment indication assessment, management has considered external and internal sources of information as at 31 December 2022, 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 procedures performed above, we considered that management's judgements on the impairment indication of the Sino Iron Project were supported by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2023