

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.18 Leases (Continued)

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

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.

Right-of-use 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.

Right-of-use 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 right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all 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 and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 16). 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.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (ii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies: the entity and the Group are members of the same group; one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (i) the entity and the Group are joint ventures of the same third party;
 - (ii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (iii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (iv) the entity is controlled or jointly controlled by a person identified in (a); and
 - (v) 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).

2.22 Share capital

Ordinary shares are classified as equity.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is overseen by the Group's Risk Management Committee ("RC") which comprises the Chief Risk Officer, Chief Financial Officer, Group Head of FICC, Group Head of EQD, Deputy Head of Legal and Compliance, Head of Legal, CEO of Institutional Equities and Head of Treasury. Financial risk is managed by the risk management department, which identifies, evaluates and reports financial risks. Risk management is also in close co-operation with the Group's operating units and other group committees and issues guidelines and policies for overall financial risk management and risk exposure limits.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity and commodity prices, credit spread and interest rates. The Group is exposed to market risk primarily through its investment holdings and trading activities. The Group's investment policy is to invest in all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising returns on investments.

Market risks primarily include equity price risk, foreign exchange rate risk, commodity price risk, credit spread risk and interest rate risk. Foreign exchange rate risk represents exposures arising from changes in non-functional currency rates. Equity price risk arises from fluctuation in the price and volatility of equities such as stocks, equity and stock index portfolio. Commodity price risk arises from fluctuation in the price and volatility of commodities, such as crude oil, gold etc. Credit spread risk arises from movements of credit spread in risky bonds. Interest rate risk primarily arises from movements in the yield curve of riskless bonds, such as treasury bonds.

Investment portfolios

The Group uses a variety of complementary tools to measure, model and aggregate market risk. The market risk for the investment portfolio that is carried at fair value (which includes financial assets/liabilities held for trading and derivatives) is mainly managed and monitored based on a Value-at-Risk (VaR) methodology which reflects the potential losses due to movements of risk factors including the changes in the interdependency between risk variables. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Management uses VaR and other approved limits including stop loss, exposure (based on credit ratings), concentration, delta, IR DVO1 and Spread DVO1 to monitor the market risk of investment portfolio. Besides, the Group manages the market risk exposures of the financial instruments through actively monitoring their positions and movements in relevant market risk variables. If any excessive exposures to market risk are perceived, management would take steps to adjust the relative quantum of its investments or taking out suitable hedging arrangement.

Objectives and limitations of VaR methodology

VaR is used for estimating the potential losses that could occur on positions taken due to movements in market rates and prices over a specified time horizon given a level of confidence.

All possible factors will be considered in VaR calculation. To compensate the limitation of VaR, stress test by projecting the effects of past distressed incidents will be performed. Additionally, issuers' specific risks are monitored and managed daily by management based on the approved exposure limits as mentioned above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

VaR assumptions

The VaR is calculated using Monte Carlo method, based on the following assumptions:

- at a 95 per cent confidence level,
- on a 1-day holding period basis,

Total VaR at the end of period is US\$2,978,831 (2021: US\$7,863,706).

The table below illustrates, by major risk category, the VaR at the end of reporting period:

	2022	2021
	US\$	US\$
Equity risk	1,397,268	2,643,050
Foreign exchange risk	3,035,059	4,838,080
Interest rate risk	2,059,928	4,932,891
Vega risk	2,054,466	3,199,157
Commodity risk	315,413	124,112
Total VaR *	2,978,831	7,863,706

- * The total VaR figure shown for the Group as a whole is less than the arithmetic sum of the individual risk categories due to the effects of diversification.

Back-testing

To evaluate the usefulness and validity, the calculated VaR is back tested against actual profit and loss figures. Actual profit and loss is defined as the change in market value of the trading portfolio in past trading days.

The VaR calculated based on the assumptions adopted is compared against actual profit and loss figures of current day. Theoretically, there is 5% of the time (i.e. 1 out of 20 times) that the actual profit and loss will exceed the VaR calculated if 95% confidence level is adopted.

Back testing is carried out on a daily basis such that any abnormal behaviour of the model can be addressed accordingly.

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar. Foreign exchange risk arises from fluctuations in exchange rates of non-domestic currency rates.

Management sets guidelines on the level of net exposure by currency and actively manage the exposure of each currency. The Treasury Department is responsible for monitoring and managing the net position exposure in each foreign currency on a daily basis by (a) using forward foreign exchange contracts and (b) converting excess amounts of foreign currencies into the US dollar.

Sensitivity

The tables below indicate the impact of exchange rate changes on the profit and equity where the Group had significant foreign currency exposure. The analysis calculates the effect of a reasonably possible movement in the exchange rate against the functional currency of each entity within the group, with all other variables held constant.

Foreign currency	Net Exposure		Assumed change in exchange rates	Estimated Impact on Pre-tax profit		Estimated Impact on Equity	
	2022	2021		2022	2021	2022	2021
	US\$'000	US\$'000		US\$'000	US\$'000	US\$'000	US\$'000
<u>As at 31 December</u>							
Australian dollar	27,412	16,416	+5%	592	274	1,371	821
Indian rupee	82,468	91,380	+5%	37	19	4,123	4,569
Indonesian rupee	40,610	43,276	+5%	70	228	2,031	2,164
Japanese yen	44,880	60,699	+5%	(367)	177	2,244	3,035
Korean won	73,267	77,160	+5%	26	154	3,663	3,858
Malaysian ringgit	13,131	13,829	+5%	14	17	657	691
Philippines peso	17,454	17,531	+5%	6	26	873	877
Renminbi	133,268	111,355	+5%	7,659	6,371	6,663	5,568
Singaporean dollar	1,196	(1,477)	+5%	60	(74)	60	(74)
Sterling	81,256	38,188	+5%	64	(1,158)	4,063	1,909
Thai baht	53,561	55,505	+5%	39	36	2,678	2,775
	<u>568,503</u>	<u>523,862</u>		<u>8,200</u>	<u>6,070</u>	<u>28,426</u>	<u>26,193</u>

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in interest rates. The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Group uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Group's pre-tax profit and total equity when interest rates fluctuate reasonably and possibly.

Assuming a parallel shift in market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on pre-tax profit and shareholders' equity based on an interest rate sensitivity analysis of the Group is as follows:

Impact on pre-tax profit

	2022	2021
	US\$'000	US\$'000
+100 basis points	108,150	93,649
-100 basis points	<u>(108,150)</u>	<u>(93,649)</u>

Impact on equity

	2022	2021
	US\$'000	US\$'000
+100 basis points	110,294	95,502
-100 basis points	<u>(110,294)</u>	<u>(95,502)</u>

In practice, the actual results may differ from the above sensitivity analysis and the difference could be significant.

The Group manages its interest rate risk exposures through actively monitoring its interest-bearing financial instruments and the movements in their interest rates. If any excessive exposures to interest rate are perceived, the Group would take steps to adjust the relative quantum of its interest-bearing assets and liabilities or taking out suitable hedging arrangement, as appropriate.

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at fair value through other comprehensive income (FVOCI) (note 21) or at fair value through profit of loss (FVTPL) (note 22).

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The majority of the Group's equity investments are publicly traded and are included in the Hong Kong Stock Exchange 200 Index or the NYSE International 100 Index.

Post-tax profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at FVTPL. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty is unable to pay amounts in full when due. It arises primarily from the loans and advances to customers, the amounts due from clients, brokers and clearing houses; reverse repurchase agreements, cash and cash equivalents, derivative financial assets & debt securities instruments. The maximum exposure of credit risk of the Group as at the reporting date is the carrying amount as at the end of the reporting period.

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group evaluates the financial instruments at each financial statement date after considering whether a significant increase in credit risk ("SICR") has occurred since initial recognition. An ECL allowance for financial instruments is recognised according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking.

Disclosures in respect of the Group's exposure to credit risk arising from its financial assets are set out in below.

All the Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. The Group has policies in place to evaluate credit risk when accepting new business and to monitor its credit exposure to individual customers.

(i) Measurement of the expected credit loss allowance

Expected credit loss measurement

- (i) The Group applies the HKFRS 9 general approach to measure the expected credit losses for margin receivable and loans receivable arising from business of loans and financing.
- (ii) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for certain amounts due from clients, brokers and clearing houses.
- (iii) Expected credit losses for remaining balance within amounts due from/to clients, brokers and clearing houses are considered using the general approach. Management assessed the overall counterparty credit risk is low with insignificant expected credit losses.

The measurement of the expected credit loss allowance for financial instruments are areas that requires the use of models and assumptions about future economic conditions and credit behaviour of the client (such as the likelihood of customers defaulting and the resulting losses).

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

- Determine 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/market and associated ECL.

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The Group considers a financial instrument to have experienced a SICR when one or more of the following criteria have been met:
 - for margin financing — the occurrence of fore-warning credit management actions such as margin call measure triggered based on the pre-determined threshold of the relevant loan-to-margin value and loan-to-market value ratio, significant deterioration in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements which have an effect on the probability of a default occurring;
 - for debt investments at fair value through other comprehensive income — significant deteriorations but is not yet deemed to be credit-impaired between the investment’s initial external or internal credit rating and the credit rating at the reporting date. Debt investments at FVOCI include listed and unlisted debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI;
 - for loans receivable arising from business of loans and financing — significant deteriorations between the investment’s initial external or internal credit rating and the credit rating at the reporting date.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The Group defines a financial instrument is credit impaired upon the occurrence of credit events including:
 - for margin financing — credit management actions such as collateral valuation falling short of the related margin loan amount; and
 - for loans receivable arising from business of loans and financing — significant deterioration in the investment’s internal and external rating whereby the issuer is assessed to be typically in default, with little prospect for recovery of principal or interest; or, significant financial difficulty of the issuer.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above.

A pervasive concept in measuring ECL by the Group is that it should consider forward-looking information.

For loans receivable arising from business of loans and financing, ECL is the product of the Probability of Default (“PD”) with consideration of the forward-looking information, Exposure at Default (“EAD”), and Loss Given Default (“LGD”):

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. Appropriate external and internal credit rating and related PD are taken into consideration. The Group has already assessed the PD sensitivities to the macroeconomic economy.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD is determined based on publicly available information from credit rating agencies based on the issuers and type of securities. The Group assessed the appropriateness to use the external available information.

For margin financing, ECL is the product of the EAD and Loss Ratio (“LR”):

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness for the purpose of estimating expected credit losses.

For loans receivable arising from business of loans and financing, the assessment of SICR is performed using the change of the rating between the origination date and reporting date. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

The Group considered normal, optimistic and pessimistic economic scenarios in formulating the forward-looking adjustment. Determined by the management, the scenario analysis considered trends of relevant macro-economic indices such as China GDP growth, Hong Kong GDP growth and Hong Kong unemployment rate. Parameters and calculation are reviewed and adjusted annually by the Group.

For margin financing, Hang Seng Index ("HSI") is considered a key economic factor in determination of forward-looking adjustment. Neutral, optimistic and pessimistic scenarios are considered in predicting the HSI movement, based on historical price-earnings ratios and the respective HSI in Bloomberg. A weighting factor is applied based on the number of years HSI stayed in optimistic and pessimistic zone.

Given the characteristics of these exposures and the credit management approach adopted, management considers that the impacts of forward-looking information based on key economic variables will not have any significant impacts to the financial statements.

The Group considers the aforesaid forecasts and assessments to represent its best estimate of possible outcomes. As with any economic forecasts, the above projections and likelihoods of occurrence are subject to a certain level of uncertainties and further enhancement and calibrations.

The closing loss allowances for amounts due from clients, brokers and clearing houses, loans receivable and margin receivable as at 31 December 2022 reconcile to the opening loss allowances as follows:

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

	Amounts due from clients, brokers and clearing houses - others Simplified approach Lifetime ECL US\$'000
Opening loss allowance as at 1 January 2022	1,834
Reclassification	1,060
As at 31 December 2022	<u>2,894</u>

	Amounts due from clients, brokers and clearing houses - others Simplified approach Lifetime ECL US\$'000
Opening loss allowance as at 1 January 2021	-
Increase in loss allowance recognised in profit or loss during the year	1,834
As at 31 December 2021	<u>1,834</u>

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

	Margin receivable		
	2022	2022	2022
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL	ECL	ECL
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2022	-	20	7,521
Reversal of provision	-	(6)	-
As at 31 December 2022	-	14	7,521

	Margin receivable		
	2021	2021	2021
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL	ECL	ECL
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2021	-	20	7,565
Exchange difference	-	-	(44)
As at 31 December 2021	-	20	7,521

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

	Loans receivable arising from business of loans and financing		
	2022	2022	2022
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL		
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2022	-	-	275
As at 31 December 2022	-	-	275

	Loans receivable arising from business of loans and financing		
	2021	2021	2021
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL		
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2021	-	-	458
Reversal of provision	-	-	(183)
As at 31 December 2021	-	-	275

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

During the year, SICR for debt investments at fair value through other comprehensive income is identified for the Group's position in a bond, which was downgraded by Moody's to Ba3 and negative outlook during 2022. Management made forward looking adjustments to the ECL of a bond investment by analysing the impacts of various economic variables and measured the ECL as a probability weighted lifetime ECL classified as stage 3.

The closing loss allowances for debt investments at fair value through other comprehensive income as at 31 December 2022 reconcile to the opening loss allowances as follows:

	Debt investments at fair value through other comprehensive income		
	2022	2022	2022
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL	ECL	ECL
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2022	884	20,064	-
Increase in debt investments loss allowance recognised in profit or loss during the year	921	-	10,626
Transfer between stages	-	(20,064)	20,064
As at 31 December 2022	<u>1,805</u>	<u>-</u>	<u>30,690</u>

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

	Debt investments at fair value through other comprehensive income		
	2021	2021	2021
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime	Lifetime
	ECL	ECL	ECL
	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January 2021	952	-	-
Increase in debt investments loss allowance recognised in profit or loss during the year	(68)	20,064	-
As at 31 December 2021	<u>884</u>	<u>20,064</u>	<u>-</u>

Amounts due from clients, brokers and clearing houses, debt investments at fair value through other comprehensive income, other debtors and reverse repurchase agreements with loss allowance and related collateral held are shown as follow:

	Gross exposure US\$'000	Impairment allowance US\$'000	Carrying amount US\$'000	Fair value of collateral held US\$'000
<u>As at 31 December 2022</u>				
Amounts due from clients, brokers and clearing houses - Margin receivable/loans receivable arising from business of loans and financing	709,412	(7,810)	701,602	3,316,554
Amounts due from clients, brokers and clearing houses - Others	6,493,025	(2,894)	6,490,131	6,490,131
Debt investments at fair value through other comprehensive income	281,073	(32,495)	248,578	214,418
Other debtors and deposits	62,909	(728)	62,181	-
Reverse repurchase agreements	104,073	-	104,073	104,007
Total	<u>7,650,492</u>	<u>(43,927)</u>	<u>7,606,565</u>	<u>10,125,110</u>

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Measurement of the expected credit loss allowance (Continued)

	Gross exposure US\$'000	Impairment allowance US\$'000	Carrying amount US\$'000	Fair value of collateral held US\$'000
<u>As at 31 December 2021</u>				
Amounts due from clients, brokers and clearing houses - Margin receivable/loans receivable arising from business of loans and financing	929,943	(7,816)	922,127	10,910,970
Amounts due from clients, brokers and clearing houses - Others	4,372,729	(1,834)	4,370,895	4,370,895
Debt investments at fair value through other comprehensive income	214,546	(20,948)	193,598	185,332
Other debtors and deposits	72,526	(2,386)	70,140	-
Reverse repurchase agreements	187,270	-	187,270	209,756
Total	<u>5,777,014</u>	<u>(32,984)</u>	<u>5,744,030</u>	<u>15,676,953</u>

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3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Net impairment losses on financial assets

During the year, expected credit losses were recognised in profit or loss in related to below financial assets:

	2022 US\$'000	2021 US\$'000
Amounts due from clients, brokers and clearing houses:		
Impairment losses	-	1,790
Reversal of impairment losses	(6)	(183)
	<u>(6)</u>	<u>1,607</u>
Impairment losses on debt investments at fair value through other comprehensive income	11,547	19,996
Impairment losses on other debtors	33	2,386
Reversal of impairment losses	(631)	-
	<u>10,943</u>	<u>23,989</u>
Net impairment losses on financial assets	<u>10,943</u>	<u>23,989</u>

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to fund assets or meet its contractual or contingent obligations when they fall due. This risk could potentially arise as a result of a balance sheet mismatch in amount, tenor and composition of funding and liquidity to support the assets.

The Group's Liquidity Risk Management Framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions. This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Liquidity risk is monitored by the Group's Treasury and Risk personnel.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2022, the Group's total available credit lines amounted to US\$5,643,232,000 (2021: US\$4,905,776,000) of which US\$2,941,107,000 (2021: US\$1,235,036,000) was unutilised.

The table below presents the contractual cash flows payable by the Group and undiscounted cash flows as at the reporting dates.

	Less than 3 months US\$'000	3 months to 1 year US\$'000	Over 1 year US\$'000	Total US\$'000
<u>As at 31 December 2022</u>				
Non-derivative financial liabilities				
Financial liabilities at fair value through profit or loss				
Long term borrowings from a fellow subsidiary	3,914,237	678,074	3,834,516	8,426,827
Short term borrowings from fellow subsidiaries	-	10,027	514,137	524,164
Amounts due to clients, brokers and clearing houses	292,093	513,547	-	805,640
Amounts due to the parent company	9,509,832	-	-	9,509,832
Repurchase agreements	125	-	-	125
Creditors and other accruals	4,613,406	212,341	247,178	5,072,925
Lease liabilities	97,184	8	9,150	106,342
Bank borrowings	7,414	18,889	75,538	101,841
Private placement notes issued to the parent company	1,286,618	100,759	24,733	1,412,110
	20,443	1,042,194	-	1,062,637
	<u>19,741,352</u>	<u>2,575,839</u>	<u>4,705,252</u>	<u>27,022,443</u>
Cash flows from derivative financial liabilities settled on a net basis	200,359	338,254	1,031,169	1,569,782
Gross-settled derivative financial liabilities:	209,800	45,823	44,718	300,341
Contractual amounts receivable	(8,188,190)	(2,715,090)	(2,152,955)	(13,056,235)
Contractual amounts payable	8,397,990	2,760,913	2,197,673	13,356,576

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 3 months US\$'000	3 months to 1 year US\$'000	Over 1 year US\$'000	Total US\$'000
As at 31 December 2021				
Non-derivative financial liabilities				
Financial liabilities at fair value through profit or loss	3,145,041	3,200,330	770,452	7,115,823
Long term borrowings from a fellow subsidiary	-	-	1,048,125	1,048,125
Short term borrowings from fellow subsidiaries	480,117	1,087,013	-	1,567,130
Amounts due to clients, brokers and clearing houses	11,181,166	-	-	11,181,166
Amounts due to the parent company	125	-	-	125
Repurchase agreements	4,913,695	292,590	215,358	5,421,643
Creditors and other accruals	74,250	8	8,876	83,134
Lease liabilities	7,770	24,158	63,703	95,631
Bank borrowings	1,137,237	-	-	1,137,237
Private placement notes issued to the parent company	920,301	195,562	144,667	1,260,530
	<u>21,859,702</u>	<u>4,799,661</u>	<u>2,251,181</u>	<u>28,910,544</u>
Cash flows from derivative financial liabilities settled on a net basis	341,767	398,717	1,137,997	1,878,481
Gross-settled derivative financial liabilities:	82,448	81,377	30,574	194,399
Contractual amounts receivable	(4,140,757)	(3,203,542)	(1,590,092)	(8,934,391)
Contractual amounts payable	4,223,205	3,284,919	1,620,666	9,128,790

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth; and
- to fulfil the regulatory capital requirements of its subsidiaries where they operate.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Since the Group provides financial services to its clients in different countries, various subsidiaries within the Group are regulated by local regulatory authorities in countries in which they operate, and are subject to different local capital requirements imposed by the local regulatory authorities. In general, these capital requirements vary depending on factors such as dealing volume, unsettled trade balances and concentration factors. These regulatory capital requirements are monitored on a daily basis.

On 31 December 2022, a subsidiary company of the Group has certain bank borrowings, total outstanding amount of US\$800,000,000 (2021: US\$250,000,000), where certain financial conditions are imposed on the guarantor, CITIC Securities International Company Limited, the holding company of the Group and its subsidiary companies ("CSI group") on a consolidated basis. In 2022 and 2021, CSI Group has complied with these conditions throughout the reporting period.

As in prior periods, the Group monitors capital by reviewing the level of capital that is at the disposal of the Group ("adjusted capital"). Adjusted capital generally comprises all components of shareholders' equity excluding revaluation reserves. The adjusted capital of the Group as at 31 December 2022 was US\$1,486,111,000 (2021: US\$1,398,207,000).

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation

For financial instruments that are measured at fair value, HKFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at the end of the reporting periods.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
As at 31 December 2022				
Assets				
Financial assets at fair value through profit or loss				
- listed equities	11,456,824	38,163	-	11,494,987
- managed funds	935,901	1,313	56,717	993,931
- unlisted equities	-	-	4,565	4,565
- debt securities	-	3,878,130	267,742	4,145,872
Derivative financial instruments				
- for own account purposes	40,752	985,224	8,400	1,034,376
- for client account purposes	5,361	1,382,183	-	1,387,544
Financial assets at fair value through other comprehensive income	-	159,662	73,726	233,388
Total assets	12,438,838	6,444,675	411,150	19,294,663
Liabilities				
Financial liabilities at fair value through profit or loss				
- listed equities	1,255,938	23,696	-	1,279,634
- managed funds	3,682	-	-	3,682
- medium term notes	-	6,194,601	-	6,194,601
- debt securities	-	63,602	-	63,602
- equity linked notes	-	732,559	-	732,559
Derivative financial instruments				
- for own account purposes	36,405	889,573	-	925,978
- for client account purposes	5,747	938,398	-	944,145
Total liabilities	1,301,772	8,842,429	-	10,144,201

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
As at 31 December 2021				
Assets				
Financial assets at fair value through profit or loss				
- listed equities	14,991,157	-	-	14,991,157
- managed funds **	222,343	94,178	30,712	347,233
- unlisted equities **	-	-	8,752	8,752
- debt securities	-	3,888,347	96,017	3,984,364
Derivative financial instruments				
- for own account purposes	24,730	824,708	9,300	858,738
- for client account purposes	5,727	1,572,757	-	1,578,484
Financial assets at fair value through other comprehensive income				
	-	185,332	21,086	206,418
Total assets	15,243,957	6,565,322	165,867	21,975,146
Liabilities				
Financial liabilities at fair value through profit or loss				
- listed equities	521,904	-	-	521,904
- managed funds	4,351	-	-	4,351
- medium term notes	-	5,350,017	-	5,350,017
- debt securities	-	172,308	-	172,308
- equity linked notes	-	1,067,243	-	1,067,243
Derivative financial instruments				
- for own account purposes	17,716	992,627	-	1,010,343
- for client account purposes	3,535	1,059,002	-	1,062,537
Total liabilities	547,506	8,641,197	-	9,188,703

** certain balances in prior year have been reclassified in conformity with current year's presentation.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current closing price. These instruments are included in level 1. Instruments included in level 1 comprise listed equity investments, future contracts and debt securities are classified as financial assets at fair value through profit or loss.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Total return swaps are valued using market values for the underlying equities that are quoted in an active market and adjusted for counterparty credit risk of the total return swap issuer.

Fair value measurements using significant unobservable inputs (Level 3)

Instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include investment in a suspended stock, investments in unlisted investment funds, equity investment in partnerships and derivatives.

In 2022, the Group transferred a position in a private equity fund from Level 2 into Level 3, because one of the underlying investments was realized in 2022 and majority of the underlying investments in the fund were unlisted equities as of 31 December 2022, which was valued using unobservable inputs.

There were no transfers between Level 1 and 2 for recurring fair value measurements during the year. The following table presents the movements in Level 3 instrument for the year.

	Unlisted equity securities US\$'000	Debt securities US\$'000	Managed funds US\$'000	Trading derivatives at FVPL US\$'000	Financial assets at fair value through other comprehen sive income US\$'000	Total US\$'000
At 1 January 2022	8,752	96,017	30,712	9,300	21,086	165,867
Transfer from Level 2	-	-	10,911	-	-	10,911
Acquisitions	-	237,651	14,662	-	54,756	307,069
Disposals	(4,953)	(62,804)	(664)	-	-	(68,421)
Losses recognised in other comprehensive income	-	-	-	-	(2,116)	(2,116)
Gains/(losses) recognised in other income*	766	(3,122)	1,096	(900)	-	(2,160)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	4,565	267,742	56,717	8,400	73,726	411,150
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

	**			**		Financial assets at fair value through other comprehe nsive income	Total
	Unlisted equity securities US\$'000	Listed equity securities US\$'000	Debt securities US\$'000	Managed funds US\$'000	Trading derivatives at FVPL US\$'000	US\$'000	US\$'000
At 1 January 2021	8,798	37,174	87,377	8,764	(277,063)	25,272	(109,678)
Transfer from level 2	20	-	-	-	3,613	-	3,633
Acquisitions	-	-	64,804	12,153	9,300	-	86,257
Disposals	-	(37,174)	(45,950)	(29)	273,450	-	190,297
Losses recognised in other comprehensive income	-	-	-	-	-	(4,186)	(4,186)
Gains/(losses) recognised in other income*	(66)	-	(10,214)	9,824	-	-	(456)
At 31 December 2021	8,752	-	96,017	30,712	9,300	21,086	165,867

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

** certain balances in prior year have been reclassified in conformity with current year's presentation

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2022 US\$'000	Fair value at 31 December 2021 US\$'000	Valuation Methodologies	Unobservable Inputs
Financial assets at fair value through profit or loss				
Unlisted managed funds	24,128	14,760	Net asset value	N/A
			Adjusted net asset value	Discount for lack of marketability
	18,011	15,952	Transaction cost	Share prices
	14,578	-		
Unlisted equity investments	517	465	Investment cost	N/A
			P/S model	Discount for lack of marketability
	1,502	3,334		
			Latest market transaction and risk adjustments	Risk adjustments
	2,546	-		
			Post transaction – market transaction	Price per share
	-	4,953		
			Discounted cash flow and market approach	Discount rate, EV/EBITDA
Debt securities investments	19,402	21,593		Discount over principal amount
			Discount over principal amount	
	8,823	9,620		
	239,517	64,804	Market approach	Discount rate
Total	329,024	135,481		

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2022 US\$'000	Fair value at 31 December 2021 US\$'000	Valuation Methodologies	Unobservable Inputs
Financial assets at fair value through other comprehensive income				
Unlisted Equity Securities	18,970	21,086	Net asset value	N/A
Debt securities investment	54,756	-	Market approach	Discount rate
	<u>73,726</u>	<u>21,086</u>		
Derivative financial instruments - Assets				
Warrants	8,400	9,300	Black-Scholes model	Probability of conversion and discount rate
Total	<u>8,400</u>	<u>9,300</u>		

*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The Group's valuation processes

Product Control team within finance department is in charge of valuation review in the Group. Valuations required for financial reporting purposes, including Level 3 fair values, are discussed internally at least every quarter, which is in line with the group's policy.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated balance sheet; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated balance sheet.

Financial assets and liabilities subject to offsetting as at the end of the reporting periods:

	Gross amount of recognised financial assets/ liabilities US\$'000	Gross amount of recognised liabilities/ assets offset in the consolidated balance sheet US\$'000	Net amount of financial assets/ liabilities presented in the consolidated balance sheet US\$'000	Related amounts not offset in the consolidated balance sheet Financial instruments other than cash collateral US\$'000	Net amount US\$'000
31 December 2022					
Financial assets					
Derivative financial instruments (b)	2,421,920	-	2,421,920	(673,160)	1,748,760
Reverse repurchase Agreement (b)	104,073	-	104,073	(104,073)	-
Amounts due from clearing houses (a)	2,833,970	(2,450,898)	383,072	-	383,072
	<u>5,359,963</u>	<u>(2,450,898)</u>	<u>2,909,065</u>	<u>(777,233)</u>	<u>2,131,832</u>
Financial liabilities					
Derivative financial instruments (b)	1,870,123	-	1,870,123	(673,160)	1,196,963
Repurchase agreements (b)	5,016,901	-	5,016,901	(5,016,901)	-
Amounts due to clearing houses (a)	2,491,978	(2,450,898)	41,080	-	41,080
	<u>9,379,002</u>	<u>(2,450,898)</u>	<u>6,928,104</u>	<u>(5,690,061)</u>	<u>1,238,043</u>
31 December 2021					
Financial assets					
Derivative financial instruments (b)	2,437,222	-	2,437,222	(629,253)	1,807,969
Reverse repurchase Agreement (b)	187,270	-	187,270	(187,270)	-
Amounts due from clearing houses (a)	1,110,950	(913,656)	197,294	-	197,294
	<u>3,735,442</u>	<u>(913,656)</u>	<u>2,821,786</u>	<u>(816,523)</u>	<u>2,005,263</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities (Continued)

	Gross amount of recognised financial assets/ liabilities balance sheet US\$'000	Gross amount of recognised financial liabilities/ assets offset in the consolidated balance sheet US\$'000	Net amount of financial assets/ liabilities presented in the consolidated balance sheet US\$'000	Related amounts not offset in the consolidated balance sheet Financial instruments other than cash collateral US\$'000	Net amount US\$'000
31 December 2021					
Financial liabilities					
Derivative financial instruments (b)	2,072,880	-	2,072,880	(629,253)	1,443,627
Repurchase agreements (b)	5,421,643	-	5,421,643	(5,421,643)	-
Amounts due to clearing houses (a)	1,024,362	(913,656)	110,706	-	110,706
	<u>8,518,885</u>	<u>(913,656)</u>	<u>7,605,229</u>	<u>(6,050,896)</u>	<u>1,554,333</u>

(a) Offsetting arrangements – Amount due from/to clearing houses

Under the agreement of continuous net settlement with Hong Kong Securities Clearing Company Limited (“HKSCC”) and overseas clearing houses, the Group has a legally enforceable right to set off the money obligation receivable and payable with clearing houses on the settlement date and the Group intends to settle on a net basis.

(b) Master netting arrangements

The Group entered into International Swaps and Derivatives Association (“ISDA”) Master Agreements and Global Master Repurchase Agreements (“GMRA”) for derivatives and repurchase agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), will the net position owing to/receivable from a single counterparty in the same currency be taken as owing/receivable and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

4 Critical accounting estimates and judgments

Estimates and judgments 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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) Estimation of useful life of intangible asset

Intangible assets with finite useful life include customer relationship, computer software, and purchase right to a company that are acquired by the Group. Intangible assets with finite useful life are stated at cost less accumulated amortisation. Amortisation of intangible assets is charged to the consolidated statement of profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Customer relationship	10 years
Computer software	5 years
Purchase right to a company	1 year

(b) Estimation of goodwill impairment

Goodwill and intangible assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(c) Taxes

(i) Provision for tax in India

CLSA India Private Limited has been involved in tax litigation on deduction of inter-company service fees since year ended 31 March 2011. The litigation is at various stages of appeal and final orders are yet to be received. Accordingly, significant judgement is required in determining such tax provision. Based on professional advice received and management best estimates, provisions amounting to US\$52,775,000 have been made as at 31 December 2022 (2021: US\$45,178,000).

(ii) Provision for other taxes

In light of the further integration of the business models, the Group has updated the transfer pricing policies effective from 1 January 2021. The updated transfer pricing policies are yet to be reviewed by local regulators in the relevant jurisdictions. In determining its income tax provision, the Group makes judgements regarding these complex tax regulations as well as estimate how certain items will be taxed and potentially disputed in various jurisdictions in the future. Given the uncertainty, the provision relating to this matter is estimated to be US\$19,864,000 as at 31 December 2022 (2021: US\$18,716,000) based on management best estimates.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Recognition of deferred taxes

Deferred taxes are recognised for the future tax implications of transactions and events that have been recognised for financial statements. When appropriate, based on internal judgement and analysis, deferred tax assets are recognised for tax losses not yet used and for deductible temporary differences based upon enacted tax laws and prevailing tax rates. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax benefits can be utilised, management's judgement is required to assess the probability of future taxable profits. The profitability assessment is carried out periodically to ensure all new information or changes to existing information are taken into account. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

As at the end of the reporting periods, the Group has unrecognised deferred tax assets of approximately US\$66,867,000 (2021: US\$68,452,000) in relation to tax losses and deductible temporary differences. Refer to Note 33 to the consolidated financial statements for details.

(e) Fair value estimation

The Group holds investments in financial instruments and investment funds which are classified as financial assets at fair value through profit or loss.

The carrying amount of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4.2 Critical judgments in applying the Group's accounting policies

(a) Expected credit loss allowance for financial assets

The loss allowances for financial assets were based on assumptions about risk of default and expected loss rates. Based on historical data, the Group used a number of judgements for ECL measurement, including determining criteria for significant increase of credit risk, choosing appropriate models and assumptions, as well as projection of macroeconomic variables for forward-looking scenarios. Details of the key assumptions and inputs used are disclosed in the table in Note 3.1(b).

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

5 Brokerage commission

	2022 US\$'000	2021 US\$'000
Brokerage commission from:		
- equities trading	312,993	406,929
- derivatives trading	5,317	9,996
Total brokerage commission	<u>318,310</u>	<u>416,925</u>

6 Net trading income

	2022 US\$'000	2021 US\$'000
Net gains on financial assets and financial liabilities at FVTPL	473,061	360,847
Net (losses)/gains on financial assets at fair value through other comprehensive income	(1,629)	150
Dividend income	113,863	105,818
Interest income from debt securities at FVTPL	83,337	75,899
Total net trading income	<u>668,632</u>	<u>542,714</u>

7 Interest income

	2022 US\$'000	2021 US\$'000
Interest income from:		
- bank deposits	35,449	15,591
- loan receivable arising from business of loans and financing	32,897	55,586
- reverse repurchase agreements	6,947	3,258
- deposits with clearing houses and brokers	28,271	5,896
- financial assets at fair value through other comprehensive income	10,977	10,461
- collateral	9,635	73
- others	5,093	3,085
Total interest income	<u>129,269</u>	<u>93,950</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

8 Other income

	2022 US\$'000	2021 US\$'000
Service fee income	2,150	2,150
Overhead expenses recharge to related companies (Note ii)	7,411	10,464
Overhead expenses recharge to fellow subsidiaries	158	407
Miscellaneous income (Note i)	9,724	3,123
Rental income	1,790	2,293
Gain on disposal of investment properties	-	2,597
Net foreign exchange gain (Note iii)	121,536	750
Total other income	142,769	21,784

Notes:

(i) Miscellaneous income

The balance comprises mainly:

Sales of healthcare products

Represents income generated from sales of healthcare products conducted by one of the subsidiaries during the year.

Government grants

Represents job support grants of US\$492,000 (2021: US\$255,000) for Hong Kong and Singapore subsidiaries. There are no unfulfilled conditions or other contingencies attach to these grants. The Group did not benefit directly from any other forms of government assistance.

(ii) Other income from related companies

Overhead expenses recharge for services provided to the related companies is calculated on a cost-plus basis. Such services comprise shared support services including use of office space and equipment.

(iii) Net foreign exchange gain

Net foreign exchange gain represents differences resulting from foreign currency transactions re-measured and translated with exchange rates prevailing at the reporting date and mainly of Renminbi exposure in balance sheet items for year ended 31 December 2022. The Group has separately entered into FX derivative contracts to mitigate this FX exposure and their corresponding movements are recognised as net trading income.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 Employee benefits expenses

	2022 US\$'000	2021 US\$'000
Salaries and other short-term employee benefits	398,747	390,018
Pension costs – contribution to pension plans (i)	13,749	14,129
Termination benefits	512	568
Total employee benefits expenses	<u>413,008</u>	<u>404,715</u>

Notes:

- (i) Pension costs included both contributions to defined contribution and defined benefits plans. The Group has sponsored a defined contribution provident fund scheme, a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF Ordinance.

10 Finance costs

	2022 US\$'000	2021 US\$'000
Interest expense on:		
- bank borrowings	47,121	23,730
- client securities accounts	925	1,088
- private placement notes	5,465	6,427
- borrowings from fellow subsidiaries	37,090	28,542
- repurchase agreements	103,009	31,503
- lease liabilities	2,742	3,573
- collateral	130,032	19,657
- medium term notes	8,581	-
- others	13,898	12,147
	<u>348,863</u>	<u>126,667</u>
Banking facilities related fees and charges	1,415	1,591
Total finance costs	<u>350,278</u>	<u>128,258</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 Other operating expenses

	2022	2021
	US\$'000	US\$'000
Amortisation of intangible assets (Note 14)	17,662	17,937
Impairment charge of intangible assets (Note 14)	47,228	229,179
Auditor's remuneration	3,408	3,026
Bank charges	1,642	1,371
Business tax	2,610	2,289
Charitable donation	9	460
Depreciation on property, plant and equipment (Note 15)	10,872	10,889
Depreciation on investment properties (Note 17)	869	890
Depreciation on right-of-use assets (Note 16)	26,821	27,502
Fixed asset written off	736	1,104
Impairment loss/(reversal) on investment properties (Note 17)	840	(6,457)
Legal and professional fees	9,177	8,997
Office premises costs	11,302	8,332
Promotion and advertising expenses	6,485	4,265
Research expenses	2,316	1,979
Loss on disposal of property, plant and equipment	4	111
Sundry expenses	10,728	8,216
Travelling and entertainment	2,851	4,101
Expense relating to short-term leases	1,810	1,836
Total other operating expenses	157,370	326,027

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12 Tax expense

Taxation on profits has been provided on the estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax expense charged to the consolidated statement of comprehensive income represents:

	2022	2021
	US\$'000	US\$'000
Current tax on profits for the year	53,277	108,738
Current tax of prior years	4,170	13,742
Withholding tax	3,544	3,220
Deferred tax (Note 33)	(14,596)	(92,058)
	<hr/>	<hr/>
Total tax expense	46,395	33,642
	<hr/> <hr/>	<hr/> <hr/>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	2022	2021
	US\$'000	US\$'000
Profit before tax	171,624	137,567
	<hr/>	<hr/>
Tax calculated at domestic rates applicable to profits in respective jurisdictions	33,563	10,694
Income not subject to tax	(9,598)	(9,531)
Expenses not deductible for tax purposes	13,462	39,879
Utilisation of previously unrecognised tax losses	(371)	(5,488)
Tax losses for which no deferred tax asset was recognised	3,383	3,037
Current tax of prior periods	4,170	13,742
Deferred tax of prior periods	(559)	(4,292)
Recognition of prior year deferred tax assets	-	(19,362)
Withholding tax	3,544	3,220
Others	(1,199)	1,743
	<hr/>	<hr/>
Tax expense	46,395	33,642
	<hr/> <hr/>	<hr/> <hr/>

13 Dividends

No final dividend in respect of the year ended 31 December 2022 was to be proposed by the Company (2021: Nil).

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 Intangible assets

	Goodwill US\$'000	Customer relationship US\$'000	Trademarks US\$'000	Internally- generated software US\$'000	Externally- purchased software US\$'000	Exchange Trading rights US\$'000	Others US\$'000	Total US\$'000
<u>Cost</u>								
At 1 January 2022	377,154	172,368	42,500	82,600	3,562	6,859	13,700	698,743
Additions	2,797	-	-	-	65	-	650	3,512
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	(54)	-	(54)
At 31 December 2022	<u>379,951</u>	<u>172,368</u>	<u>42,500</u>	<u>82,600</u>	<u>3,627</u>	<u>6,805</u>	<u>14,350</u>	<u>702,201</u>
<u>Accumulated amortisation</u>								
At 1 January 2022	-	143,596	-	82,600	3,345	3,118	13,429	246,088
Amortisation charges	-	16,960	-	-	61	(9)	650	17,662
Exchange differences	-	-	-	-	4	(39)	-	(35)
At 31 December 2022	<u>-</u>	<u>160,556</u>	<u>-</u>	<u>82,600</u>	<u>3,410</u>	<u>3,070</u>	<u>14,079</u>	<u>263,715</u>
<u>Accumulated impairment</u>								
At 1 January 2022	259,372	1,660	42,500	-	-	-	-	303,532
Provision for the year	47,228	-	-	-	-	-	-	47,228
Exchange differences	-	-	-	-	-	-	-	-
At 31 December 2022	<u>306,600</u>	<u>1,660</u>	<u>42,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,760</u>
<u>Cost</u>								
At 1 January 2021	377,154	172,368	42,500	82,600	3,533	6,905	13,050	698,110
Additions	-	-	-	-	48	-	650	698
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	(19)	(46)	-	(65)
At 31 December 2021	<u>377,154</u>	<u>172,368</u>	<u>42,500</u>	<u>82,600</u>	<u>3,562</u>	<u>6,859</u>	<u>13,700</u>	<u>698,743</u>
<u>Accumulated amortisation</u>								
At 1 January 2021	-	126,359	-	82,600	3,306	3,155	12,779	228,199
Amortisation charges	-	17,237	-	-	50	-	650	17,937
Exchange differences	-	-	-	-	(11)	(37)	-	(48)
At 31 December 2021	<u>-</u>	<u>143,596</u>	<u>-</u>	<u>82,600</u>	<u>3,345</u>	<u>3,118</u>	<u>13,429</u>	<u>246,088</u>
<u>Accumulated impairment</u>								
At 1 January 2021	74,353	-	-	-	-	-	-	74,353
Provision for the year	185,019	1,660	42,500	-	-	-	-	229,179
Exchange differences	-	-	-	-	-	-	-	-
At 31 December 2021	<u>259,372</u>	<u>1,660</u>	<u>42,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,532</u>
<u>Net book amount</u>								
At 31 December 2022	<u>73,351</u>	<u>10,152</u>	<u>-</u>	<u>-</u>	<u>217</u>	<u>3,735</u>	<u>271</u>	<u>87,726</u>
At 31 December 2021	<u>117,782</u>	<u>27,112</u>	<u>-</u>	<u>-</u>	<u>217</u>	<u>3,741</u>	<u>271</u>	<u>149,123</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

14 Intangible assets (Continued)

The trademarks and exchange trading rights are not amortized as they have no expiry date and management expects to use the trademark and the exchange trading rights in the foreseeable future.

The customer relationship, internally-generated software and externally purchased software are amortized over the expected useful lives of 10 years, 5 years and 5 years respectively.

In 2022, the recoverable amount of Fixed Income cash-generating unit (“CGU”) calculated based on the value in use calculation was lower than its carrying amount. This was due to unfavourable market impacts on the Chinese fixed income market which was affected by the credit issues related to Chinese property companies. The unexpected magnitude in interest rate rises and inflation in the global economy. As a result, it further increased market volatility and uncertainty in the Fixed Income market. Management recognised a provision for impairment of US\$44,431,000 for the Fixed Income CGU for the year ended 31 December 2022 (2021: US\$Nil).

Impairment test for cash-generating units containing goodwill

As at 31 December 2022, the carrying amounts of goodwill allocated to the Group’s cash-generating units (“CGU”s) as follows:

		2022 US\$’000	2021 US\$’000
	Note		
Goodwill arising from business acquisitions:			
Investment Banking	(i)	31,849	31,849
Fixed income	(i)	-	44,431
Equity Derivatives	(i)	41,483	41,483
Acquisitions of operations in several countries		19	19
		<hr/>	<hr/>
Total		73,351	117,782
		<hr/> <hr/>	<hr/> <hr/>

Recoverable amounts of goodwill are determined based on the value-in-use of each group of CGUs.

There was an addition of goodwill amounting to US\$2,797,000 arising from acquisition of new subsidiary during the year (Note 35).

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 Intangible assets (Continued)

Notes

(i) Goodwill arising from business acquisition made by the Company in 2013

Acquisition of CLSA B.V. and its subsidiaries (collectively referred as “CLSA Group”) was completed in 2013, and management regarded this as a single CGU up to the year ended 31 December 2021.

In 2021, the Group completed a restructuring to increase the collaboration between offshore and onshore business units and to align the reporting structure of various business line and rebranding of the business. This triggered a reallocation of goodwill, with carrying amount of US\$287 million as at 31 December 2020, to individual cash-generating-units at the reorganisation date. The restructure of management reporting lines resulted in a reallocation of goodwill to 5 individual CGUs.

The reallocation of goodwill was performed on the basis of the relative values of CGUs identified as at the date of reorganisation.

	At reorganisation date
CGUs:	US\$'000
Institutional Brokerage	169,482
Investment Banking	31,849
Fixed Income	44,431
Equity Derivatives	41,483
Asset Management *	-
	<hr/>
CLSA Group acquired in 2013	287,245
	<hr/> <hr/>

* At reorganization date, according to relative fair value of each respective CGU, no goodwill was reallocated to Asset Management CGU.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

14 Intangible assets (Continued)

The key assumptions used in the estimation of value-in-use of the CGUs were as follows:

	As at 31 December 2022			As at 31 December 2021		
	Discount rate (pre-tax)	Terminal value growth rate	Average operating profit-margin forecast	Discount rate (pre-tax)	Terminal value growth rate	Average operating profit-margin forecast
Investment Banking	16.8%	2%	22%	13.8%	2%	19%
Fixed income	16.4%	2%	10%	14.7%	2%	7%
Equity Derivatives	14.9%	2%	50%	13.8%	2%	47%

The discount rate was a pre-tax measure based on the weighted average cost of capital (“WACC”) or a rate reflects specific risks relating to each CGU. The WACC depends on inputs reflecting a number of financial and economic variables including the risk-free rate, market premium, market cost of debt and a specific premium to reflect the inherent risk of this operating segment. These variables are based on the market’s assessment of the economic variables and management’s judgement.

A long-term growth rate of 2% (2021: 2%) into perpetuity for CLSA Group acquired in 2013 were determined based on the long term growth rate forecast included in industry reports.

A five-year projection of cash flows for all the CGUs were included in the discounted cash flow model. The average operating profit margin forecast represents the expected earnings before interests and tax, and depreciation and amortisation, taking into account of past experience, and anticipated revenue growth over the five-year projection period.

The key assumptions in the table above are updated as at 31 December 2022. The Group has revised the average operating profit-margin forecast taking into consideration the actual financial results of 2022. The discount rate is calculated using the latest market data inputs.

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15 Property, plant and equipment

	Leasehold improvements US\$'000	Computer hardware and software US\$'000	Furniture and fittings US\$'000	Telecommuni- -cations equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Year ended 31 December 2022						
Opening net book amount	4,649	16,365	1,511	581	105	23,211
Exchange differences	(245)	(257)	(47)	(9)	(5)	(563)
Additions	3,884	11,381	1,576	1,110	-	17,951
Acquisition of subsidiary	25	73	22	4	-	124
Disposals/written off	(4)	(726)	(1)	(9)	-	(740)
Depreciation	(2,409)	(7,318)	(778)	(356)	(11)	(10,872)
	5,900	19,518	2,283	1,321	89	29,111
Closing net book amount	5,900	19,518	2,283	1,321	89	29,111
At 31 December 2022						
Cost	27,902	169,120	8,400	9,302	599	215,323
Accumulated depreciation	(22,002)	(149,602)	(6,117)	(7,981)	(510)	(186,212)
Net book amount	5,900	19,518	2,283	1,321	89	29,111
	5,900	19,518	2,283	1,321	89	29,111

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

15 Property, plant and equipment (Continued)

	Leasehold improvements US\$'000	Computer hardware and software US\$'000	Furniture and fittings US\$'000	Telecommuni- -cations equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Year ended 31 December 2021						
Opening net book amount	6,666	18,006	2,109	865	127	27,773
Exchange differences	(65)	(118)	(12)	2	(11)	(204)
Additions	821	6,748	130	47	1	7,747
Disposals/written off	(274)	(900)	(5)	(37)	-	(1,216)
Depreciation	(2,499)	(7,371)	(711)	(296)	(12)	(10,889)
Closing net book amount	4,649	16,365	1,511	581	105	23,211
At 31 December 2021						
Cost	25,745	169,690	7,144	9,025	361	211,965
Accumulated depreciation	(21,096)	(153,325)	(5,633)	(8,444)	(256)	(188,754)
Net book amount	4,649	16,365	1,511	581	105	23,211

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

16 Leases

(i) *Amounts recognised in the consolidated balance sheet*

The consolidated balance sheet shows the following amounts relating to leases:

	2022	2021
	US\$'000	US\$'000
Right-of-use assets		
Buildings	85,522	86,469
Motor vehicles	23	71
IT equipments	79	21
	<u>85,624</u>	<u>86,561</u>
Lease liabilities		
Current	22,912	30,207
Non-current	67,607	61,375
	<u>90,519</u>	<u>91,582</u>

Additions to the right-of-use assets during the 2022 financial year were US\$14,656,000 (2021: US\$8,044,000). During 2022, the Group has extended one of the office lease contracts in Hong Kong for 3 years, at a more favourable rental price.

(ii) *Amounts recognised in the consolidated statement of comprehensive income*

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2022	2021
	US\$'000	US\$'000
Depreciation charge of right-of-use assets		
Buildings	26,755	27,424
Motor vehicles	43	48
IT equipments	23	30
	<u>26,821</u>	<u>27,502</u>
Interest expense (included in finance costs)	2,742	3,573
Expense relating to short-term leases	1,810	1,836

The total cash outflow for leases in 2022 was US\$31,499,000 (2021: US\$35,069,000).

(iii) *The Group's leasing activities and how these are accounted for*

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Investment properties

	Commercial and industrial building	
	2022	2021
	US\$'000	US\$'000
Cost		
Opening book amount	45,841	62,555
Disposal	-	(15,962)
Exchange difference	(5,000)	(752)
Closing book amount	<u>40,841</u>	<u>45,841</u>
Accumulated depreciation		
Opening book amount	(3,005)	(3,030)
Depreciation charge	(869)	(890)
Disposal	-	879
Exchange difference	345	36
Closing book amount	<u>(3,529)</u>	<u>(3,005)</u>
Allowance for impairment		
Opening book amount	(10,657)	(22,986)
Impairment (loss)/reversal on investment properties	(840)	6,457
Disposal	-	5,596
Exchange difference	1,161	276
Closing book amount	<u>(10,336)</u>	<u>(10,657)</u>
Net book amount	<u>26,976</u>	<u>32,179</u>

As at 31 December 2022 and 2021, the net book amount of the investment properties are approximated to its fair value.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Investment properties (Continued)

(i) *Amount recognised in profit of loss for investment properties*

	2022	2021
	US\$'000	US\$'000
Rental income from operating leases	1,790	2,293
Direct operating expenses from property that generated rental income	(3,388)	(3,414)
Impairment (loss)/reversal on investment properties	(840)	6,457

(ii) *Non-current assets pledged as security*

Refer to Note 28 for information on non-current assets pledged as security by the Group for 2021.

(iii) *Leasing arrangement*

The investment properties are leased to tenants under operating leases with rentals payable monthly.

(iv) *Operating lease commitments - as a lessor*

Minimum lease payments receivable on leases of investment properties are as follows:

	2022	2021
	US\$'000	US\$'000
Within 1 year	1,972	1,965
Between 1 and 2 years	1,925	1,824
Between 2 and 3 years	1,897	1,775
Between 3 and 4 years	1,741	1,743
Between 4 and 5 years	1,545	1,568
Later than 5 years	11,352	11,334
	<u>20,432</u>	<u>20,209</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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31 DECEMBER 2022**

18 Investments in joint ventures

	2022 US\$'000	2021 US\$'000
At 1 January	6,101	8,887
Return of capital	(8,844)	(8,063)
Share of gains of joint ventures	4,104	5,855
Reclassification to amount due from clients, brokers and clearing house	283	-
Exchange losses	(229)	(578)
	<hr/>	<hr/>
At 31 December	1,415	6,101
	<hr/> <hr/>	<hr/> <hr/>

Set out below are the joint ventures of the Group as at 31 December 2022 and 2021. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in each joint venture as at the end of the reporting periods:

Name	Place of incorporation	Group interest as at 31 December 2022	Group interest as at 31 December 2021	Principal activities
Kingvest Limited	Cayman Islands	44.85%	44.85%	Asset management
CSOBOR Fund GP, Limited	Cayman Islands	49.00%	49.00%	Asset management
Sunrise Capital Holdings IV Limited	Cayman Islands	50.00%	50.00%	Asset management
Merchant Property Limited	Guernsey	-	50.00%	Property investments
Bright Lee Capital	British Virgin Islands	48.00%	48.00%	Asset management
Double Nitrogen Fund GP, Limited	Cayman Islands	48.00%	48.00%	Fund General Partner
Sino-Ocean Land Logistics Investment Management Limited	Cayman Islands	50.00%	50.00%	Asset management

The joint ventures are private companies and there are no quoted market prices available for their shares.

There were no commitment and contingent liabilities relating to the Group's interest in the joint ventures.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

18 Investments in joint ventures (Continued)

18.1 Summarised financial information for significant joint ventures

Summarised balance sheet

	Kingvest Limited	Sunrise Capital Holdings IV Limited
	US\$'000	US\$'000
<u>As at 31 December 2022</u>		
Current		
Cash and bank balances	22	3,584
Other current assets (excluding cash)	15	851
	<hr/>	<hr/>
Total current assets	37	4,435
	<hr/>	<hr/>
Current financial Liabilities	-	1,628
Other current liabilities	24,540	-
	<hr/>	<hr/>
Total current liabilities	24,540	1,628
	<hr/>	<hr/>
Non-current		
Total non-current assets	24,550	-
	<hr/>	<hr/>
Non-current financial Liabilities	-	-
Other non-current liabilities	-	-
	<hr/>	<hr/>
Total non-current liabilities	-	-
	<hr/>	<hr/>
Net assets	47	2,807
	<hr/>	<hr/>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

18 Investments in joint ventures (Continued)

18.1 Summarised financial information for significant joint ventures (Continued)

Summarised balance sheet (Continued)

	Kingvest Limited	Sunrise Capital Holdings IV Limited
	US\$'000	US\$'000
Reconciliation to carrying amounts:		
Opening net assets 1 January 2022	11,221	2,155
Profit for the period	6,304	3,120
Dividends paid	-	(2,468)
Return of capital	(15,674)	-
FX difference	(1,804)	-
	<hr/>	<hr/>
Closing net assets	47	2,807
	<hr/> <hr/>	<hr/> <hr/>
Group's share in %	44.85%	50%
Group's share in US\$	21	1,404
	<hr/>	<hr/>
Carrying amount	21	1,404
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CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

18 Investments in joint ventures (Continued)

18.1 Summarised financial information for significant joint ventures (Continued)

Summarised balance sheet (Continued)

	Kingvest Limited	Sunrise Capital Holdings IV Limited
	US\$'000	US\$'000
<u>As at 31 December 2021</u>		
Current		
Cash and bank balances	29	3,399
Other current assets (excluding cash)	-	568
	<hr/>	<hr/>
Total current assets	29	3,967
	<hr/>	<hr/>
Current financial liabilities	-	1,812
Other current liabilities	721	-
	<hr/>	<hr/>
Total current liabilities	721	1,812
	<hr/>	<hr/>
Non-current		
Total non-current assets	11,913	-
	<hr/>	<hr/>
Non-current financial liabilities	-	-
Other non-current liabilities	-	-
	<hr/>	<hr/>
Total non-current liabilities	-	-
	<hr/>	<hr/>
Net assets	11,221	2,155
	<hr/>	<hr/>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

18 Investments in joint ventures (Continued)

18.1 Summarised financial information for significant joint ventures (Continued)

Summarised balance sheet (Continued)

	Kingvest Limited	Sunrise Capital Holdings IV Limited
	US\$'000	US\$'000
Reconciliation to carrying amounts:		
Opening net assets 1 January 2021	13,098	-
Profit for the period	198	2,155
Return of capital	(728)	-
FX difference	(1,347)	-
	11,221	2,155
	11,221	2,155
Group's share in %	44.85%	50%
Group's share in US\$	5,033	1,078
	5,033	1,078
	5,033	1,078

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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18 Investments in joint ventures (Continued)

18.1 Summarised financial information for significant joint ventures (Continued)

Summarised statement of comprehensive income

	Kingvest Limited US\$'000	Sunrise Capital Holdings IV Limited US\$'000
<u>For the year ended 31 December 2022</u>		
Revenue	8	4,614
Expenses	(21)	(1,494)
Net change of unrealised appreciation on investments	6,317	-
	<u>6,304</u>	<u>3,120</u>
Profit before tax	6,304	3,120
Income tax expenses	-	-
	<u>6,304</u>	<u>3,120</u>
Total comprehensive income	<u>6,304</u>	<u>3,120</u>

	Kingvest Limited US\$'000	Sunrise Capital Holdings IV Limited US\$'000
<u>For the year ended 31 December 2021</u>		
Revenue	-	8,917
Expenses	(28)	(6,762)
Net change of unrealised appreciation on investments	226	-
	<u>198</u>	<u>2,155</u>
Profit before tax	198	2,155
Income tax expenses	-	-
	<u>198</u>	<u>2,155</u>
Total comprehensive income	<u>198</u>	<u>2,155</u>

The following table illustrates the aggregate unaudited financial information of the Group's joint ventures that are not individually material.

	US\$'000	US\$'000
Profit/(loss) for the year	(283)	4,699
Other comprehensive income	-	-
	<u>(283)</u>	<u>4,699</u>
Total comprehensive income	<u>(283)</u>	<u>4,699</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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19 Investments in associates

	2022 US\$'000	2021 US\$'000
As at 1 January	243,646	272,032
New investment in associates	-	9,337
Additional investment in associates	10,456	6,099
Share of gains/(losses)	15,610	(799)
Dividends	(13,893)	(3,905)
Return of capital	(3,279)	(13,681)
Disposal of investments invested by the associates	(18,070)	(24,734)
Exchange gains/(losses)	376	(703)
As at 31 December	<u>234,846</u>	<u>243,646</u>

The Group's share of the results of its associates, all of which are unlisted, and their aggregated assets (including goodwill) and liabilities are as follows:

Name	Place of Incorporation	Principal activities	Effective percentage of interest in ownership	
			<u>As at 31</u>	<u>As at 31</u>
			<u>December</u>	<u>December</u>
			<u>2022</u>	<u>2021</u>
Aria Investment Partners III, L.P.	Cayman Islands	Private equity fund	28.10%	28.10%
Aria Investment Partners IV, L.P.	Cayman Islands	Private equity fund	39.14%	39.14%
Aria Investment Partners V, L.P.	Cayman Islands	Private equity fund	45.45%	45.45%
Fudo Capital II, L.P.#	Cayman Islands	Real estate fund	6.13%	6.13%
Fudo Capital III, L.P.#	Cayman Islands	Real estate fund	5.00%	5.00%
Fudo Capital IV, L.P.#	Cayman Islands	Real estate fund	2.65%	2.65%
Sunrise Capital II, L.P.	Cayman Islands	Real estate fund	23.99%	23.99%
Sunrise Capital III, L.P.#	Cayman Islands	Real estate fund	6.08%	6.08%
Sunrise Capital IV, L.P.#	Cayman Islands	Real estate fund	5.41%	5.41%
Clean Resources Asia Growth Fund L.P.#	Cayman Islands	Hedge fund	3.00%	17.59%
CLSA Aviation Private Equity Fund I#	Korea	Investment vehicle	6.86%	6.86%
CLSA Aviation Private Equity Fund II#	Korea	Investment vehicle	0.08%	0.08%
CLSA Aviation II Investments (Cayman) Limited#	Cayman Islands	Investment vehicle	12.39%	12.39%
CLSA Infrastructure Private Equity Fund I#	Korea	Asset management	0.14%	0.14%
CT CLSA Holdings Limited	Sri Lanka	Broking and investment banking	25.00%	25.00%
CSOBOR Fund L.P.	Cayman Islands	Asset management	24.58%	24.58%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 Investments in associates (Continued)

Name	Place of Incorporation	Principal activities	Effective percentage of interest in ownership	
			As at 31	As at 31
			<u>December</u> <u>2022</u>	<u>December</u> <u>2021</u>
Citron PE Holdings Limited Formerly name as CITICPE Holdings Limited	British Virgin Islands	Asset management	35.00%	35.00%
MEC Global Partners Asia Ltd. Formerly name as Pan Asia Realty Limited	Cayman Islands	Asset management	30.00%	30.00%
Holisol Logistics Private Limited	India	Asset management	20.29%	20.29%
Alfalah CLSA Securities (Private) Limited	Pakistan	Stock brokerage, investment counselling, fund placements and investment consultancy	24.90%	24.90%
Pine Tree Special Opportunity FMC LLC	Cayman Islands	Fund management	50.00%	50.00%
CLSA Real Estate Limited	Cayman Islands	Proposed investment advisor on real estate investments	40.00%	40.00%
Lending Ark Asia Secured Private Debt Fund I (Non-US), LP	Cayman Islands	Asset management	22.16%	22.16%
Lending Ark Asia Secured Private Debt Holding Limited	Cayman Islands	Asset management	30.00%	30.00%

The Group is also the General Partner of the Funds at group level, so the Group will still have significant influence to the Funds' investments.

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19 Investments in associates (Continued)

19.1 Summarised financial information for associates

Set out below are the summarised financial information for the Group's investments in associates which are accounted for using the equity method, that are material to the Group.

Summarised balance sheet

	Aria Investment Partners IV, L.P. US\$'000	Citron PE Holdings Limited US\$'000	Lending Ark Asia Secured Private Debt Fund I (Non- US), LP US\$'000	Sunrise Capital II, L.P. US\$'000	Sunrise Capital III, L.P. US\$'000
<u>As at 31 December</u>					
<u>2022</u>					
Current					
Cash and bank balances	96	62,603	3,365	476	108,300
Other current assets (excluding cash)	102	86,796	11,114	27	40
Total current assets	198	149,399	14,479	503	108,340
Current financial liabilities					
Other current liabilities	230	9,485	-	-	-
Total current liabilities	230	9,485	3,776	159	4,354
Non-current					
Total non-current assets	52,233	784	196,131	271,986	235,713
Non-current financial liabilities					
Other non-current liabilities	-	228	292	51,810	51,522
Total non-current liabilities	-	228	292	51,810	51,522
Net assets	52,201	140,470	206,542	220,520	288,177
Investments in associate	20,431	49,164	45,770	52,903	17,521
Goodwill	-	-	-	-	-
Carrying value	20,431	49,164	45,770	52,903	17,521

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 Investments in associates (Continued)

19.1 Summarised financial information for associates (Continued)

Summarised balance sheet (Continued)

	Aria Investment Partners IV, L.P. US\$'000	Citron PE Holdings Limited US\$'000	Lending Ark Asia Secured Private Debt Fund I (Non- US), LP US\$'000	Sunrise Capital II, L.P. US\$'000	Sunrise Capital III, L.P. US\$'000
<u>As at 31 December</u>					
<u>2021</u>					
Current					
Cash and bank balances	39	35,852	22,019	21,431	9,317
Other current assets (excluding cash)	109	2,194	1,296	15	62
Total current assets	148	38,046	23,315	21,446	9,379
Current financial liabilities					
	219	18,640	994	196	336
Other current liabilities	-	292	534	-	-
Total current liabilities	219	18,932	1,528	196	336
Non-current					
Total non-current assets	56,264	131,856	179,387	180,234	424,503
Non-current financial liabilities					
	-	-	-	-	-
Other non-current liabilities	-	527	424	39,871	37,002
Total non-current liabilities	-	527	424	39,871	37,002
Net assets	56,193	150,443	200,750	161,613	396,544
Investments in associate	21,994	52,655	44,486	38,771	24,110
Goodwill	-	-	-	-	-
Carrying value	21,994	52,655	44,486	38,771	24,110

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19 Investments in associates (Continued)

19.1 Summarised financial information for associates (Continued)

Summarised statement of comprehensive income

	Aria Investment Partners IV, L.P.	Citron PE Holdings Limited	Lending Ark Asia Secured Private Debt Fund I (Non- US), LP	Sunrise Capital II, L.P.	Sunrise Capital III L.P.
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the year ended 31 December 2022					
Revenue	-	42,142	17,729	1,338	1,235
Expenses	(838)	(4,437)	(2,904)	(19,102)	(19,996)
Depreciation and amortisation	-	-	-	-	-
Interest income	-	759	-	-	-
Interest expense	-	-	-	-	-
Net realised gain/(loss) on investments	-	12,211	-	-	-
Net change of unrealised appreciation/(depreciation) on investments	<u>(5,041)</u>	<u>(40,382)</u>	<u>(7,530)</u>	<u>91,704</u>	<u>80,734</u>
Profit/(loss) before tax	(5,879)	10,293	7,295	73,940	61,973
Income tax (expenses)/credit	<u>-</u>	<u>116</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)	<u>(5,879)</u>	<u>10,409</u>	<u>7,295</u>	<u>73,940</u>	<u>61,973</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 Investments in associates (Continued)

19.1 Summarised financial information for associates (Continued)

Summarised statement of comprehensive income (Continued)

	Aria Investment Partners IV, L.P. US\$'000	Citron PE Holdings Limited US\$'000	Lending Ark Asia Secured Private Debt Fund I (Non- US), LP US\$'000	Sunrise Capital II, L.P. US\$'000	Sunrise Capital III L.P. US\$'000
For the year ended 31 December 2021					
Revenue	-	5,516	13,367	448	-
Expenses	(1,387)	(3,879)	(4,361)	2,366	(22,051)
Depreciation and amortisation	-	(381)	-	-	-
Interest income	-	9	3,871	-	-
Interest expense	-	(23)	-	-	-
Net realised gain/(loss) on investments	15,659	-	(60)	15,890	84,468
Net change of unrealised appreciation/(depreciation) on investments	(577)	-	564	(36,815)	1,800
Profit/(loss) before tax	13,695	1,242	13,381	(18,111)	64,217
Income tax (expenses)/credit	-	(103)	-	-	-
Total comprehensive income/(loss)	13,695	1,139	13,381	(18,111)	64,217

The following table illustrates the aggregate unaudited financial information of the Group's associates that are not individually material.

	US\$'000	US\$'000
Profit/(loss) for the year	(8,916)	(8,733)
Other comprehensive income	-	-
Total comprehensive income	(8,916)	(8,733)

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Subsidiaries

20.1 Information about subsidiaries

The following is a list of the principal subsidiaries of the Company as at 31 December 2022 and 31 December 2021:

Name	Place of incorporation	Group interest as at 31 December 2022	Group interest as at 31 December 2021	Principal activities
CLSA B.V.	Netherlands	100% ¹	100% ¹	Investment holding Provision of securities brokerage and investment banking services
CLSA Europe B.V.	The Netherlands	100% ¹	100% ¹	
CITIC Securities (Hong Kong) Limited (Formerly known as CLSA Capital Markets Limited)	Hong Kong	100% ¹	100%	Corporate finance and advisory services
CITIC Securities Brokerage (HK) Limited	Hong Kong	100% ¹	100%	Securities brokerage and margin financing
CITIC Securities Futures (HK) Limited	Hong Kong	100% ¹	100%	Brokerage of futures and options contracts
CLSA Finance Limited	Hong Kong	100% ¹	100%	Treasury services
CLSA Investments Ltd.	Cayman Islands	100% ¹	100%	Investment holding
CLSA Premium Limited	Cayman Islands	59.03% ¹	-	Investment holding
CLSA Asset Management Limited	Hong Kong	100%	100%	Asset management
CLSA Capital Partners (HK) Limited	Hong Kong	100%	100%	Investment advisory services Broking and dealing in securities and underwriting
CLSA Limited	Hong Kong	100%	100%	
CSI Capital Management Limited	British Virgin Islands	100%	100%	Investment and securities trading
CSI Global Markets Limited	Hong Kong	100%	100%	Securities brokerage

¹ Subsidiaries held directly by the Company

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests

The total non-controlling interest as at 31 December 2022 is US\$53,052,000 (2021: US\$7,635,000), of which US\$4,407,000 (2021: US\$3,050,000) is for PT CLSA Sekuritas Indonesia, US\$2,681,000 (2021: US\$3,382,000) is for CLSA Funding (Cayman) Limited, US\$890,000 (2021: US\$1,203,000) is for Avignon Holdings Limited, US\$16,162,000 (2021: US\$nil) is for CLSA China Growth Fund, L.P., US\$16,249,000 (2021: US\$nil) is for CLSA Stable Income Fund SP, US\$12,258,000 (2021: US\$nil) is for CLSA Premium Limited and US\$405,000 (2021: US\$nil) is for CITIC CLSA Funds SPC.

Set out below are summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Name of subsidiary	Place of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
		2022	2021	2022	2021	
PT CLSA Sekuritas Indonesia	Indonesia	60.00%	60.00%	40.00%	40.00%	Provision of securities brokerage and underwriting services
CLSA Funding (Cayman) Limited	Cayman Islands	72.05%	72.05%	27.95%	27.95%	Investment holding
Avignon Holdings Limited	Guernsey	71.71%	71.71%	28.29%	28.29%	Investment holding
CITIC CLSA Funds SPC	Cayman Islands	Fund A: 99.01% Fund B: 97.09%	N/A	Fund A: 0.99% Fund B: 2.91%	N/A	Investment holding
CLSA Stable Income Fund SP	Cayman Islands	55.07%	N/A	44.93%	N/A	Investment holding
CLSA Premium Limited	Cayman Islands	59.03%	N/A	40.97%	N/A	Investment holding
CLSA China Growth Fund, L.P.	Cayman Islands	40.65%	N/A	59.35%	N/A	Investment holding

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Set out below are summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	PT CLSA Sekuritas Indonesia		CLSA Funding (Cayman) Limited	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Current				
Assets	63,301	76,406	185	166
Liabilities	(25,992)	(40,107)	(161)	-
Total current net assets	37,309	36,299	24	166
Non-current				
Assets	1,903	2,409	9,896	12,264
Liabilities	-	-	-	-
Total non-current net assets	1,903	2,409	9,896	12,264
Net assets	39,212	38,708	9,920	12,430

	Avignon Holdings Limited		CLSA China Growth Fund, L.P.		CLSA Stable Income Fund SP	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Current						
Assets	6,108	5,386	12,746	-	37,106	-
Liabilities	(4,094)	(2,893)	(93)	-	(939)	-
Total current net assets	2,014	2,493	12,653	-	36,167	-
Non-current						
Assets	804	1,039	14,578	-	-	-
Liabilities	-	-	-	-	-	-
Total non-current net assets	804	1,039	14,578	-	-	-
Net assets	2,818	3,532	27,231	-	36,167	-

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Set out below are summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet (Continued)

	CITIC CLSA Funds SPC		CLSA Premium Limited	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Assets	18,436	-	36,172	-
Liabilities	(61)	-	(6,359)	-
Total current net assets	18,375	-	29,813	-
Non-current				
Assets	-	-	108	-
Liabilities	-	-	-	-
Total non-current net assets	-	-	108	-
Net assets	18,375	-	29,921	-

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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- 20 Subsidiaries (Continued)**
- 20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)**

Summarised consolidated statement of comprehensive income

	PT CLSA Sekuritas Indonesia		CLSA Funding (Cayman) Limited		Avignon Holdings Limited	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Revenue	13,784	13,095	-	2,405	2,091	3,924
Expenses	(8,237)	(8,535)	(2,043)	(12)	(2,414)	(2,503)
Profit/(loss) before income tax	5,547	4,560	(2,043)	2,393	(323)	1,421
Income tax expense	(1,194)	(988)	-	-	19	(267)
Post-tax profit/(loss) from continuing operations	4,353	3,572	(2,043)	2,393	(304)	1,154
Other comprehensive loss	(3,849)	(473)	-	-	(375)	(135)
Total comprehensive income/(loss)	504	3,099	(2,043)	2,393	(679)	1,019
Profit/(loss) allocated to non-controlling interest	1,741	1,428	(571)	669	(105)	499
Dividends paid to non-controlling interest	-	276	131	83	82	-

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Subsidiaries (Continued)
20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised consolidated statement of comprehensive income (Continued)

	CLSA China Growth Fund, L.P.		CLSA Stable Income Fund SP		CITIC CLSA Funds SPC		CLSA Premium Limited	
	2022	2021	2022	2021	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	-	-	10	-	1,278	-	4,037	-
Expenses	(3,091)	-	(147)	-	(161)	-	(4,234)	-
Profit/(loss) before income tax	(3,091)	-	(137)	-	1,117	-	(197)	-
Income tax expense	(7)	-	-	-	-	-	16	-
Post-tax profit/(loss) from continuing operations	(3,098)	-	(137)	-	1,117	-	(181)	-
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	(3,098)	-	(137)	-	1,117	-	(181)	-
Profit/(loss) allocated to non-controlling interest	(1,839)	-	(56)	-	5	-	(74)	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-

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31 DECEMBER 2022

20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows

	PT CLSA Sekuritas Indonesia		CLSA Funding (Cayman) Limited	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Cash flows from operating activities				
Cash generated from operations	5,267	5,426	325	297
Interest paid	(65)	(26)	-	-
Tax paid	(1,548)	(316)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from operating activities	3,654	5,084	325	297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from investing activities				
Purchase of property, plant and equipment	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows used in investing activities	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from financing activities				
Dividend paid to the immediate holding company	-	(415)	(175)	(214)
Dividend paid to non-controlling interests	-	(276)	(131)	(83)
Repayment of finance lease liabilities	(269)	(270)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows used in financing activities	(269)	(961)	(306)	(297)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	3,385	4,123	19	-
Cash and cash equivalents at the beginning of year	41,511	37,968	164	164
Exchange loss on cash and bank balances	(4,079)	(580)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalent at the end of year	40,817	41,511	183	164
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The information above is the amount before inter-company eliminations.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows (Continued)

	Avignon Holdings Limited	
	2022	2021
	US\$'000	US\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	1,230	(132)
Interest (paid)/received	(86)	7
Tax paid	(554)	(475)
Net cash generated from/(used in) operating activities	<u>590</u>	<u>(600)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(15)	(3)
Net cash inflow in respect of acquisition of a subsidiary	-	-
Cash flows used in investing activities	<u>(15)</u>	<u>(3)</u>
Cash flows from financing activities		
Capital from the immediate holding company	-	-
Capital returned to the non-controlling shareholders	-	-
Repayment of finance lease liabilities	(141)	(156)
Dividend paid to non-controlling shareholders	(82)	-
Cash flows used in financing activities	<u>(223)</u>	<u>(156)</u>
Net increase/(decrease) in cash and cash equivalents	352	(759)
Cash and cash equivalents at the beginning of year	1,862	2,743
Exchange loss on cash and bank balances	(256)	(122)
Cash and cash equivalent at the end of year	<u><u>1,958</u></u>	<u><u>1,862</u></u>

The information above is the amount before inter-company eliminations.

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31 DECEMBER 2022

20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows (Continued)

	CLSA China Growth Fund, L.P.		CLSA Stable Income Fund SP	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Cash flows from operating activities				
Cash used in operations	(3,013)	-	(34,297)	-
Interest paid	-	-	(59)	-
Tax paid	-	-	-	-
Net cash used in operating activities	<u>(3,013)</u>	<u>-</u>	<u>(34,356)</u>	<u>-</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	-	-	-	-
Acquisition of financial assets at fair value through profit or loss	(14,578)	-	-	-
Cash flows used in investing activities	<u>(14,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities				
Capital from the immediate holding company	12,329	-	20,000	-
Capital from the non-controlling shareholders	18,001	-	16,305	-
Repayment of finance lease liabilities	-	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-
Amount due from non-controlling shareholders	(659)	-	-	-
Cash flows generated from financing activities	<u>29,671</u>	<u>-</u>	<u>36,305</u>	<u>-</u>
Net increase in cash and cash equivalents	12,080	-	1,949	-
Cash and cash equivalents at the beginning of year	-	-	-	-
Exchange (loss)/gain on cash and bank balances	-	-	-	-
Cash and cash equivalent at the end of year	<u>12,080</u>	<u>-</u>	<u>1,949</u>	<u>-</u>

The information above is the amount before inter-company eliminations.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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20 Subsidiaries (Continued)

20.2 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows (Continued)

	CITIC CLSA Funds SPC		CLSA Premium Limited	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Cash flows from operating activities				
Cash generated from/(used in) operations	997	-	(1,815)	-
Interest paid	-	-	(2)	-
Tax paid	-	-	(515)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities	997	-	(2,332)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from investing activities				
Purchase of property, plant and equipment	-	-	-	-
Acquisition of financial assets at fair value through profit or loss	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows generated from investing activities	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from financing activities				
Capital from the immediate holding company	-	-	-	-
Capital from the non-controlling shareholders	400	-	-	-
Repayment of finance lease liabilities	-	-	(1)	-
Dividend paid to non-controlling shareholders	-	-	-	-
Amount due from non-controlling shareholders	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows generated from/(used in) financing activities	400	-	(1)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	1,397	-	(2,333)	-
Cash and cash equivalents at the beginning of year	765	-	29,076	-
Exchange (loss)/gain on cash and bank balances	(873)	-	416	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalent at the end of year	1,289	-	27,159	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The information above is the amount before inter-company eliminations.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 **Financial assets at fair value through other comprehensive income**

(i) *Classification of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) *Equity investments at fair value through other comprehensive income*

Equity investments at FVOCI comprise the following individual investment:

	2022 US\$'000	2021 US\$'000
<u>Non-current portion</u>		
Unlisted equities	18,970	21,086

On disposal of this equity investment, any related balance within the revaluation reserve is reclassified to retained earnings.

(iii) *Debt investments at fair value through other comprehensive income*

Debt investments at FVOCI comprise the following:

	2022 US\$'000	2021 US\$'000
<u>Current assets</u>		
Debt securities	214,418	185,332

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

(iv) *Amounts recognised in profit and loss and other comprehensive income*

During the year, the following (losses)/gains were recognised in other comprehensive income.

	2022 US\$'000	2021 US\$'000
(Losses)/gains recognised in other comprehensive income		
Related to equity investment	(344)	(4,185)
Related to debt investment	(13,572)	14,359
	<u>(13,916)</u>	<u>10,174</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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22 Financial assets and liabilities at fair value through profit or loss

	As at 31 December 2022	
	Assets US\$'000	Liabilities US\$'000
<u>Non-current portion</u>		
<u>Fair value through profit or loss</u>		
For own account purposes:		
Unlisted equities	4,546	-
Managed funds	56,717	-
Total for non-current portion	<u>61,263</u>	<u>-</u>
<u>Current portion</u>		
<u>Held for trading</u>		
For own account purposes:		
Listed equities	585,045	194,952
Managed funds	2,671	3,682
Debt securities	719,538	59,381
	<u>1,307,254</u>	<u>258,015</u>
For client account purposes:		
Listed equities	10,909,748	1,084,682
Managed funds	934,450	-
Debt securities	3,366,624	4,221
	<u>15,210,822</u>	<u>1,088,903</u>
<u>Fair value through profit or loss</u>		
For own account purposes:		
Unlisted equities	19	-
Debt securities	30,256	-
	<u>30,275</u>	<u>-</u>
For client account purposes:		
Listed equities	194	-
Managed funds	93	-
Debt securities	29,454	-
Equity linked notes	-	732,559
Medium term notes	-	6,194,601
	<u>29,741</u>	<u>6,927,160</u>
Total for current portion	<u>16,578,092</u>	<u>8,274,078</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 Financial assets and liabilities at fair value through profit or loss (Continued)

	As at 31 December 2021	
	Assets	Liabilities
	US\$'000	US\$'000
<u>Non-current portion</u>		
For own account purposes:		
Unlisted equities	8,732	-
Managed funds	72,658	-
	<hr/>	<hr/>
Total for non-current portion	81,390	-
	<hr/> <hr/>	<hr/> <hr/>
<u>Current portion</u>		
<u>Held for trading</u>		
For own account purposes:		
Listed equities	473,609	73,466
Managed funds	5,825	4,351
Debt securities	1,103,010	164,436
	<hr/>	<hr/>
	1,582,444	242,253
	<hr/>	<hr/>
For client account purposes:		
Listed equities	14,517,463	448,438
Managed funds	268,636	-
Debt securities	2,751,439	7,872
	<hr/>	<hr/>
	17,537,538	456,310
	<hr/>	<hr/>
For own account purposes:		
Unlisted equities	20	-
Debt securities	129,915	-
	<hr/>	<hr/>
	129,935	-
	<hr/>	<hr/>
For client account purposes:		
Listed equities	85	-
Managed funds	114	-
Equity linked notes	-	1,067,243
Medium term notes	-	5,350,017
	<hr/>	<hr/>
	199	6,417,260
	<hr/>	<hr/>
Total for current portion	19,250,116	7,115,823
	<hr/> <hr/>	<hr/> <hr/>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Derivative financial instruments

	Assets US\$'000	Liabilities US\$'000
<u>As at 31 December 2022</u>		
For own account purposes:		
Credit default swaps	2,826	15,990
Foreign currency forward contracts	129,598	253,357
Index futures	35,648	30,333
Bond futures	514	4,543
Interest rate swaps	204,158	196,776
Equity swaps	40,127	5,811
Equity options	218,196	161,496
Cross currency swaps	16,830	30,501
Foreign currency option	459	2,262
Commodity futures	4,589	1,519
Warrants	8,400	-
Bond performance swap	373,030	223,381
Foreign currency futures	1	9
	1,034,376	925,978
For client account purposes:		
Credit default swaps	73	1,559
Foreign currency forward contracts	124,114	3,396
Index futures	5,229	5,151
Bond futures	133	597
Interest rate swaps	-	26,343
Equity swaps	1,208,120	798,774
Equity options	29,659	12,629
Cross currency swaps	1,061	25,248
Bond performance swap	19,155	70,448
	1,387,544	944,145
Total	2,421,920	1,870,123

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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23 Derivative financial instruments (Continued)

	Assets US\$'000	Liabilities US\$'000
<u>As at 31 December 2021</u>		
For own account purposes:		
Credit default swaps	2,355	43,051
Foreign currency forward contracts	230,712	152,999
Index futures	24,731	17,713
Bond futures	1,340	13,345
Interest rate swaps	57,338	56,491
Equity swaps	151,634	141,602
Equity options	179,259	318,777
Cross currency swaps	58,178	4,180
Bond fund swaps	126,653	261,898
Foreign currency option	12,267	287
Commodity futures	4,971	-
Warrants	9,300	-
	858,738	1,010,343
For client account purposes:		
Credit default swaps	831	1,889
Foreign currency forward contracts	1	1,418
Index futures	5,726	3,537
Bond futures	423,287	182
Interest rate swaps	6,939	-
Equity swaps	136,249	62,419
Equity options	20,968	10,490
Cross currency swaps	522	37,066
Bond fund swaps	983,669	933,223
Foreign currency option	-	11,984
Commodity futures	292	329
	1,578,484	1,062,537
Total	2,437,222	2,072,880

24 Amounts due to the parent company

The amounts are unsecured, interest-free and repayable on demand.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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25 Amounts due from/to clients, brokers and clearing houses

	2022 US\$'000	2021 US\$'000
Current:		
Amounts due from		
- clients	1,165,038	1,376,188
- brokers	4,943,316	2,799,240
- clearing houses	383,072	197,294
Margin receivable	709,138	929,671
Loans receivable arising from business of loans and financing	272	272
Accounts receivable arising from assets management business	539	5
Others	-	2
	<u>7,201,375</u>	<u>5,302,672</u>
Less: provision for impairment losses (i)	(9,642)	(9,650)
Total amounts due from clients, brokers and clearing houses	<u><u>7,191,733</u></u>	<u><u>5,293,022</u></u>
Amounts due to		
- clients	7,488,680	9,762,421
- brokers and other counterparties	1,980,072	1,308,039
- clearing houses	41,080	110,706
Total amounts due to clients, brokers and clearing houses	<u><u>9,509,832</u></u>	<u><u>11,181,166</u></u>

(i) Note 3.1 (b) provide details about the estimations of impairment losses.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 Cash and bank balances

	2022 US\$'000	2021 US\$'000
Cash at bank and in hand	1,329,676	2,215,173
Time deposits with banks	163,989	221,574
Total cash and bank balances	<u>1,493,665</u>	<u>2,436,747</u>

As at 31 December 2022, the Group had restricted funds of US\$ 47,372,000.

27 Cash held on behalf of customers

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' deposits arising from normal course of business.

28 Bank borrowings

	2022 US\$'000	2021 US\$'000
Non-current		
Bank borrowings (secured)	22,874	-
Current		
Bank borrowings (secured)	78,886	25,514
Bank borrowings (unsecured)	1,298,646	1,110,019
Bank overdrafts (unsecured)	-	9
	<u>1,377,532</u>	<u>1,135,542</u>
Total bank borrowings	<u>1,400,406</u>	<u>1,135,542</u>

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28 Bank borrowings (Continued)

As at 31 December 2022, listed securities and investment fund holdings belonging to margin clients of a subsidiary of the Group which engaged in securities brokerage and margin financing businesses, with a total market value of US\$680,363,000 (2021: US\$503,615,000) were pledged to banks as collateral for short-term floating rate bank loans of US\$77,200,000 (2021: US\$385,000) for its margin financing businesses. The remaining secured bank loans were secured by company shares of certain subsidiaries of US\$40,642,000 (2021: investment properties of US\$33,174,000).

The carrying amounts of the Group's bank borrowings (excluding bank overdrafts) are denominated in the following currencies:

	2022	2021
	US\$'000	US\$'000
HKD	77,200	405,750
USD	1,298,646	704,65
GBP	24,560	25,129
	<u>1,400,406</u>	<u>1,135,533</u>

The analysis by currencies and the corresponding effective interest rates at the reporting date are as follows:

	HKD	USD	GBP
<u>As at 31 December 2022</u>			
Bank borrowings	3.98%	4.84%	6.81%
<u>As at 31 December 2021</u>			
Bank borrowings	1.13%	1.11%	3.35%

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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29 Long term borrowings from a fellow subsidiary/Short term borrowings from fellow subsidiaries

Long term borrowings from a fellow subsidiary with face value of US\$500 million (2021: US\$1,000 million). The amounts are unsecured, interest bearing at a fixed rate of 2.00% per annum and repayable in 2025.

Short term borrowings from fellow subsidiaries are unsecured, interest bearing and repayable in 2023. Short term borrowings amounting to US\$798,846,000 (2021: US\$1,560,160,000) are interest bearing at a fixed rate of 1.21% - 5.78% (2021: 0.65%-1.37%) per annum. The remaining balance of US\$1,149,000 (2021: nil) is interest free.

30 Reverse repurchase agreements/Repurchase agreements

The Group enters into Reverse repurchase agreements (“Reverse REPO”) which involve purchasing securities from counterparties and reselling them to the counterparties on a specific future date at a specific price. The Group also enters into Repurchase agreements (“REPO”) which involve selling securities to counterparties and repurchasing them from the counterparties on a specific future date at a specific price.

Financial assets accepted as collaterals

Financial assets are accepted as collaterals as part of “Reverse REPO” arrangements which the Group is permitted to sell or repledge under standard market documentation. The aggregate fair value of financial assets accepted as collaterals that the Group is permitted to sell or repledge in the absence of default amounted to US\$104,007,000 (2021: US\$209,756,000), of which US\$67,559,000 (2021: US\$89,645,000) has been sold or repledged to third parties as at 31 December 2022.

Financial assets placed as collaterals

As at 31 December 2022, the carrying amount and fair value of securities sold under agreements to repurchase was US\$5,821,568,000 (2021: US\$6,190,544,000). These securities are the debt securities and equities included in the financial assets held for trading in the statement of financial position. The counterparty is allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group but has an obligation to return the securities at the maturity of the contracts.

31 Share capital

	Number of shares	Share Capital US\$'000
Ordinary shares, Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	6,516,050,000	839,059

All shares rank pari passu with each other in all respects.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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32 Regulatory reserves

During the year, the Group has transferred US\$295,000 (2021: US\$71,000) from regulatory reserves in accordance with regulatory requirements in respective territories where certain subsidiaries operate and are not available for distribution.

33 Deferred tax

The movement on the net deferred tax liabilities account is as follows:

	2022	2021
	US\$'000	US\$'000
Beginning of the year	26,221	(65,240)
Exchange differences	(865)	(597)
Charged to profit or loss (Note 12)	14,596	92,058
End of the year	<u>39,952</u>	<u>26,221</u>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of US\$66,867,000 (2021: US\$68,452,000) of which US\$66,079,000 (2021: US\$62,919,000) relate to tax losses amounting to US\$314,239,000 (2021: US\$290,150,000) that can be carried forward against future taxable income.

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33 Deferred tax (Continued)

Deferred tax liabilities of US\$13,338,000 (2021: US\$13,660,000) have not been recognised for withholding taxes that could be payable on the unremitted earnings of certain subsidiaries, as such amounts are currently considered permanently reinvested. Unremitted earnings totalled US\$154,493,000 as at 31 December 2022 (2021: US\$158,762,000).

The movement in deferred tax assets and liabilities to the various balance sheet items, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets	Salaries, allowances, and bonuses	Depreciation allowances	Tax loss	ECL provision on financial assets	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2021	11,086	1,048	601	-	1,882	14,617
Recognised in profit or loss	357	538	18,863	3,310	1,647	24,715
Exchange differences	(231)	(6)	(41)	-	(321)	(599)
At 31 December 2021	<u>11,212</u>	<u>1,580</u>	<u>19,423</u>	<u>3,310</u>	<u>3,208</u>	<u>38,733</u>
At 1 January 2022	11,212	1,580	19,423	3,310	3,208	38,733
Recognised in profit or loss	2,523	(1,394)	3,684	1,886	1,104	7,803
Exchange differences	(656)	(31)	37	(198)	(17)	(865)
At 31 December 2022	<u>13,079</u>	<u>155</u>	<u>23,144</u>	<u>4,998</u>	<u>4,295</u>	<u>45,671</u>

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33 Deferred tax (Continued)

Deferred tax liabilities	Depreciation allowances US\$'000	Others US\$'000	Intangible assets US\$'000	Total US\$'000
At 1 January 2021	2,031	46,086	31,740	79,857
Recognised in profit or loss	(23)	(45,398)	(21,922)	(67,343)
Exchange differences	-	(2)	-	(2)
	<u>2,008</u>	<u>686</u>	<u>9,818</u>	<u>12,512</u>
At 31 December 2021	<u>2,008</u>	<u>686</u>	<u>9,818</u>	<u>12,512</u>
At 1 January 2022	2,008	686	9,818	12,512
Recognised in profit or loss	(368)	(210)	(6,215)	(6,793)
Exchange differences	-	-	-	-
	<u>1,640</u>	<u>476</u>	<u>3,603</u>	<u>5,719</u>
At 31 December 2022	<u>1,640</u>	<u>476</u>	<u>3,603</u>	<u>5,719</u>

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34 Cash flows information

34.1 Cash generated from operations

	2022 US\$'000	2021 US\$'000
Profit before tax	171,624	137,567
Adjustments for:		
Interest income and securities lending income	(158,333)	(106,672)
Finance costs and securities borrowing expenses	378,713	137,280
Depreciation	38,562	39,281
Amortisation of intangible assets	17,662	17,937
Share of profit from joint ventures	(4,104)	(5,855)
Share of (profit)/loss from associates	(15,610)	799
Fixed asset written off	736	1,104
Loss on disposal of property, plant and equipment	4	111
Gain on disposal of investment properties	-	(2,597)
Impairment loss on intangible assets	47,228	229,179
Impairment/(reversal of impairment) loss on investment properties	840	(6,457)
Net impairment losses	10,943	23,989
Changes in working capital:		
Decrease in reverse repurchase agreements	83,197	427,737
(Increase)/decrease in other assets	(22,576)	5,103
Decrease/(increase) in financial assets/liabilities at fair value through profit or loss & derivative financial instruments	3,662,951	(2,783,235)
(Increase)/decrease in financial assets at fair value through OCI	(40,886)	4,152
(Increase)/decrease in amounts due from clients, brokers and clearing houses	(1,909,937)	599,506
Increase in cash collateral advanced for securities borrowing	(605,751)	(205,368)
Decrease in other debtors, deposits and prepaid expenses	12,378	1,287
(Decrease)/increase in amounts due to clients, brokers and clearing houses	(1,671,334)	1,359,569
Increase in bonus payable, creditors and accruals	23,629	22,920
(Decrease)/increase in repurchase agreements	(404,742)	364,313
Decrease in amount due to the parent company	-	(1)
Decrease/(increase) in cash held on behalf of customers	380,277	(14,593)
Cash (used in)/generated from operations	<u>(4,529)</u>	<u>247,056</u>

34.2 Analysis of cash and cash equivalents

Cash and cash equivalents mainly comprises of cash at bank balances of US\$1,326,992,000 (2021: US\$2,212,515,000).